Media Release
26 February 2009

PGG Wrightson Interim Results Reconfirm Guidance

PGG Wrightson today confirmed an excellent first half operating result and reaffirmed its guidance for the full year.

Alongside the commitment from its banks to refinance and confirmation of support from its major shareholders, this announcement should reassure the market that the excellent progress demonstrated by the 2008 result has continued despite the challenges inherent in the global economy.

Trading has been very strong with operating results significantly up on last year despite a significantly lower Real Estate contribution. Ongoing operational improvement is a core component of this growth and progress continues to be made across a range of initiatives.

Nevertheless the global environment has impacted significantly on PGW with the SFF partnership unable to be completed and a bank refinancing process in difficult conditions.

PGW's major shareholders remain committed to PGW. Rural Portfolio Investments (RPI) has advised that it is well advanced on refinancing its redeemable preference shares that are due in April and Pyne Gould Corporation (PGC) has confirmed that it has no intention to be selling in the current market.

Importantly the company has also reviewed and refocused its strategies to ensure they maximise earnings and minimise risk given the current economic conditions.

EARNINGS

PGG Wrightson achieved a NOPBT of $22.1 million in the six months to December 2008, an increase of 32% compared with last year $16.8 million. However the improvement in operating performance has been offset by a range of non-trading items which meant that the company reported an accounting loss of $32.8 million for the period.

The company's strength was highlighted through 10 of 13 business units improving their trading results with Rural Supplies, Seeds, Fruitfed Supplies, Finance and the Animal Nutrition businesses producing the strongest growth in profitability.

The overall improvement outweighed a fall in Real Estate earnings of $4.3 million driven by the impact of the global financial crisis. Notwithstanding that the Real Estate business continues to grow market share, has reduced its cost base to meet the current market environment and is well-placed to benefit when sector activity increases again. Adjusting for the results from the real estate business unit, the other businesses in the group increased operating earnings by 57% from the previous December half-year.

Operating revenue was $738 million up 32% on the $559 million for the December 2007 half-year.

Actions are being taken to significantly reduce the cost base of the business to align with the market. Benefits from these actions are starting to flow through the business and we expect further improvement during the year.

The group trading profit was exceeded by a number of one-off items, largely non cash – the impact of fair value adjustments and a provision for expenses incurred in regard to the transaction agreed but not settled with Silver Fern Farms (SFF). Fair value adjustments totalled a loss of $47.2 million, compared with a profit of $10 million in the previous December half. Within the latest figure, $35.2 million was related to the value of the group's shareholding in NZ Farming Systems Uruguay (NZS), $9.3 million to the 'marking to market' of open contracts hedging foreign currency and interest rate exposures and the expenditure relating to the SFF transaction of $17 million, of which $10 million is a provision at balance date. Of these items, only the SFF expenditure has a cash impact.

DISTRIBUTION

As advised in a separate release, the Board has amended its dividend policy to maximise debt amortisation. To provide certainty to shareholders and to enable an orderly transition to the new policy, an interim dividend of 5 cents per share will be paid to shareholders registered at the record date of 13 March 2009 issued in the form of taxable bonus shares (fully imputed) on 1 April 2009.

Speaking on behalf of the Board, Sam Maling said "The Directors wanted to minimise disruption to shareholders whilst moving as quickly as prudent to the new policy and believe this approach balances these issues. Whilst each shareholder has different circumstances to manage, RPI in particular is reliant upon the revenue recognition that a dividend provides. RPI has options for managing the issue of the form of a dividend i.e. cash versus shares but does require a dividend to be paid in some form. The Board believes it is acting in the best interests of PGW by preserving cash whilst enabling shareholders flexibility in how they manage the implications of the new policy. The decision to pay the dividend and in the form of bonus shares was taken without the RPI Board representatives being present."

OPERATING PERFORMANCE

Managing Director, Tim Miles, said the considerable improvement in operating performance reflected a continuation of the factors that led to the record 2008 result.

"PGW had a strong first six months reflecting the resilience of the agricultural sector and the company's response to market conditions. The 32% increase in operating profit shows the strength of our portfolio and what we do for our customers. It also reflects improving efficiency within the business.

"Livestock, rural supplies, seeds, animal nutrition, fruitfed supplies and the finance businesses are all performing very well. Dairy prices may be off the record highs of last year but farmers are still getting the third highest prices ever received. Sheep and beef prices have benefited from better conditions.

"It's a strong, positive trading result and we look forward to this continuing over the next year. We are maintaining our diligent control of costs and working hard to grow benefits for our customers," Mr Miles said.

"While the challenges in the trading environment remain, we believe the improvement in operating performance and the measures in place to continue to achieve efficiencies within the group will continue to stand it in good stead," Mr Miles said.

MAJOR SHAREHOLDERS

In late September PGC announced its intention to seek banking registration and advised that this may have long term implications for its holding in PGW. PGC has reaffirmed their commitment to PGW and more particularly have made it clear that they have no intention to sell in this market.

The market has also been concerned about the possible effect of RPI needing to redeem 42.5m of its own redeemable preference shares in April. The concern arises from the suggestion that RPI might have to sell shares on market if they had problems refinancing. RPI has advised that arrangements for the redemption of the redeemable preference shares are well advanced and do not involve any sale of any shares.

OUTLOOK

The Global economic crisis has necessitated a review of our businesses. To date financial performance has remained strong and in line with forecast.

The company amended its guidance in December to reflect the fundamental change in market conditions. Trading since then has been consistent with that guidance. Importantly, management is implementing working capital and cost initiatives to increase operational cashflow.

Operating conditions will continue to be influenced by international market developments. Nevertheless underlying trends for agriculture remain strong and the medium term outlook positive.

As to the next twelve months PGW expects commodity prices to reflect current conditions until at least the first quarter of the 2010 financial year. However lower exchange and interest rates will benefit farmers meaning operating conditions will remain similar to the current season. Importantly, confidence will return to the dairy sector once the market has confirmed its bottom.

We are confident that the group will perform well in adapting to the challenges and opportunities currently inherent in the operating environment. While the short-term outlook is for continued caution, the fundamentals for growth in agriculture in all the markets served by the group remain strong. PGG Wrightson remains a well performing company that is strongly positioned in the right sector for these difficult times.

For further information, please contact

Barry Akers
+64 9 309 5656
+64 9 21 571 234