



09 September 2009

Dear Editor

### **BUSINESS UPDATE RE MEDIA COMMENTARY**

This letter is being sent to business and rural editors throughout New Zealand to clarify various matters arising in recent media commentary about PGG Wrightson. I hope this will provide a basis for informed comment that avoids errors and misinterpretations such as those appearing in media in recent days.

On 27 August PGG Wrightson announced its trading result for the year to 30 June – a Net Operating Profit After Tax of \$30 million (down 8.8 percent) for a year in which the trading environment became extremely difficult due to our customers restricting their spend.

As we said in the results announcement: *“... the result confirms the underlying strength in the business with solid performances from many of the company’s divisions in the face of a rapidly declining market late in the financial year.”*

We also noted: *“While the challenges of the operating environment remain, we believe the company is well-placed to take advantage of the upturn in trading conditions when it occurs.”*

We also reported the impact of various non-trading items that resulted in a \$66 million loss at the Net Profit After Tax level. In a straight reflection of a problem that confronts all companies reporting under the current accounting rules, this number has been reported across the board as if it had something to do with the trading performance (and therefore the underlying strength of the company), which of course it does not.

There has also been widespread focus on the capital position of the company given the renegotiation of our banking facilities and the agreement to repay \$200 million by 31 March 2010. My concern is that this has given rise to extensive comment that is speculative, uninformed and often wildly inaccurate. These comments have been made without any discussions or requests for clarification from the company. This is misleading for readers, damaging to the interests of the company and thus unfair to our shareholders.

In that regard, I offer the following clarifications and corrections:

- PGG Wrightson is not offering to sell businesses that form part of its operating core. Reports that there have been “preliminary discussions” with “potential buyers” for businesses such as Seeds and Fruited Supplies, among others, are entirely wrong. The company made reference when commenting on its results that it would review the sale of selected **non-core** businesses.
- The company has **not** breached its banking covenants. As reported in the results announcement and subsequently through NZX, our lenders were notified in advance of a potential breach and waivers were received.

- Our lending syndicate remains strongly supportive, with a revised term debt facility in place to 31 August 2012 – extended by 11 months under the new arrangements. We believe our lenders' support is based on their recognition of the underlying strength of the company, as evidenced by strong operating performance in the face of a difficult environment.
- The company did **not** breach its disclosure requirements by delaying the announcement of the new banking arrangements. These were announced on the day they were finalised, and approved by the Board, as per Listing Rules.
- There is no basis whatsoever for concern among the approximately 90,000 farmers who deal with the company. This suggestion was the most damaging of all the comments made over the past few days. It was also inappropriate in view of the company's underlying performance, including the doubling in operating cash flow, to \$52 million, announced as part of the annual results.

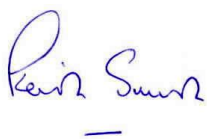
While the focus on the company's capital position is understandable, it should not be interpreted beyond the facts. We have agreed to repay debt as noted above, and that is what we will do. We have said this will involve a combination of cash flow improvements from operating activities, non-core asset sales and potentially new equity.

While engaged in that programme we will continue to take initiatives that improve performance and cash generation, and that build the company's ability to create value for customers. That is by far the most important of the matters at hand.

As noted in the results announcement, the medium-term outlook for agriculture remains robust and we are confident that the rural sector will play a significant part in leading New Zealand out of the recession. PGG Wrightson is well-placed to take advantage of improvements in the economic situation.

That remains the case, in every respect.

Yours sincerely



**Keith Smith**  
**Chairman**  
**PGG Wrightson**