

LANDCORP FARMING LIMITED

Half year results for announcement to the market
26 February 2010

Reporting Period	6 months to 31 December 2009
Previous Reporting Period	6 months to 31 December 2008

	Amount (000s) 6 months to 31 December 2009	Amount (000s) 6 months to 31 December 2008	Percentage change
Revenue from ordinary activities	\$NZ 74,615	\$NZ 77,568	(4%)
Net operating profit (loss)	(\$NZ 6,305) ¹	(\$NZ 10,283)	39%
Net profit (loss) (after tax)	\$NZ 20,631 ²	\$NZ 1,275	1,518%
Total comprehensive income	\$NZ 22,326	(\$NZ 2,921)	864%

Interim Dividend	Nil	Nil	Nil
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Comments: (including: (i) a brief explanation of any of the above figures necessary to enable them to be understood	<p>(i) Landcorp Farming continued to benefit from its diversified production during the half year ended 31 December 2009, with higher dairy income largely offsetting the impact of lower revenues in sheep, beef and deer. The company reported a reduced net operating loss of \$6.3 million for the half year (2008/09: \$10.3 million loss).</p> <p>In the half year ended 31 December 2009, Landcorp revenues from the sale of farm products were \$74.6 million, down by 4 per cent from the corresponding period in 2008/09 (\$77.6 million). The impact of weak meat prices – largely a reflection of high New</p>
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¹ The tax expense under NZIFRS is based on a number of assumptions (for example unrealised balance date revaluations) and is not related to the actual tax expense Landcorp pays. Therefore it is not possible to apportion the tax expense under NZ IFRS over ordinary activities.

² NPAT as reported under NZ IFRS is significantly different to the reported profit under previous NZ GAAP. The net profit after tax includes significant gains arising from the value change in livestock over the period. As the majority of these gains arise on livestock held for breeding and/or production, rather than sale, and are stated at a particular point in time, they do not represent cash flows that are realised in the ordinary course of livestock farming.

	<p>Zealand exchange rates – was largely offset by recovery in milk prices. While livestock revenues in the company’s sheep, beef and deer operations during the first half of the year were down by 19 per cent to \$33.9 million, income from dairying rose by 16 per cent to \$39.1 million.</p> <p>Faced with product pricing pressures, adverse climate factors in some regions and input cost trends, Landcorp continued to manage expenditure rigorously. Total expenses for the half year were down to \$72.2 million (2008/09: \$84.1 million), due largely to a 25.8 per cent reduction in farm working expenses, and to trimming in personnel, maintenance and other expenses. Price rises in fertiliser, fuel and other core farming inputs have slowed and during the half year, the company deliberately delayed its purchasing until the second half of 2009/10. In 2008/09 purchasing was brought forward to protect against price increases.</p> <p>For the latest half year, Landcorp recorded total shareholder return of \$22.3 million (2008/09: \$2.9 million) after inclusion of a \$31.7 million gain in livestock values at 31 December 2009 (2008/09: \$42.2 million gain). This gain reflected a modest lift in livestock market prices compared with 2008/09, along with seasonal growth in lamb numbers (always reversed by June when most of these animals have gone for slaughter).</p> <p>As long noted, the inclusion of livestock valuation changes under New Zealand Equivalents to International Financial Reporting Standards has a particularly distortional impact on net profit after tax as a measure of Landcorp profitability. We consider operating profit and total shareholder return to be more meaningful measures.</p>
<p>(ii) in respect of each half-year period, commentary on the outlook for the remainder of the financial year, including whether the SOE considers it will achieve the financial performance targets in its SCI)</p>	<p>(ii) For the full 2009/10 year, we expect Landcorp to perform in line with budget and to generate a small operating profit, albeit with a revenue mix significantly different from earlier expectations.</p> <p>The ability of Landcorp to achieve its shareholder return will require an increase in land values that may not arise.</p> <p>Achieving the dividend target of \$18 million this year will be contingent on Landcorp’s capital structure allowing an extraordinary dividend reflecting a one-off surplus from non-core activities. This will be assessed at 30 June 2010.</p>