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MEDIA RELEASE

Landcorp Farming 2014/15 half year financial results

Landcorp Farming has recorded operating revenue of \$109.8 million for the six months to 31 December 2014 and a net operating profit of \$1 million.

Landcorp Chief Executive, Steven Carden, said the first six months had been challenging and Landcorp is reviewing its full year profit forecast of between \$1 -\$6 million.

“A result like this will come as no surprise given the milk price and drought challenges. However we have cushioned the impact of these external factors by anticipating them early. One example is our support of the Fonterra Guaranteed Milk Price Scheme and another is our proactive livestock management around the country ahead of the drought.

“The fall in milk prices has significantly impacted our revenue, although we remain on track for a modest profit.

“These first six months have seen us open new dairy units in Taupo and we have achieved our second highest lambing percentage in our North Island livestock business.

“We’re continuing our efforts to increase yields, reduce costs across our operations and create capacity to invest in our people and environment programs. We’ve eliminated a layer of farm management in Wellington, increased decision-making at the farm level and the new FarmIQ Farm Management software system is creating some incredible gains throughout our livestock business,” he said.

“Flourishing in a highly volatile world means maintaining a diverse portfolio of other species farmed. We plan to refocus our traditional beef, lamb and venison products around particular customers and we’re trialling new higher value sales opportunities in sheep milk, deer leather and manuka honey. Across all our products we’re after customers in niche markets with specific requirements.

“We’ve also taken significant steps to improve the marketing of our products. For example, our partnership with New Zealand Merino to market our entire coarse wool clip gives us a direct relationship with some well-known consumer brands,” he said.

Landcorp 2014/ 15 half year financial results

	6 months to 31 December 2014 <i>Amount (millions)</i>	6 months to 31 December 2013 <i>Amount (millions)</i>	Percentage change
Revenue from ordinary activities	\$NZ 109.8	\$NZ 119.4	(8%)
Net operating profit	\$NZ 1.0 ¹	\$NZ 12.2	(92%)
Net profit (loss) (after tax)	\$NZ 62.7 ²	\$NZ 109.3	(43%)
Total comprehensive income	\$NZ 66.8	\$NZ 98.1	(32%)

Ends

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About Landcorp Farming

Landcorp is a state owned enterprise and New Zealand's largest farming company. It owns or manages 137 dairy, beef, sheep and deer farms from the Far North to Southland. With 1.6 million stock units on 376,942 Ha, it produces around 18,000 tonnes of milk solids, 10,000 tonnes of sheep meat, 10,000 tonnes of beef, 3,500 tonnes of wool, 2,500 tonnes of venison and 8 tonnes of velvet per annum.

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 includes significant revaluation gains and losses arising from the value change in livestock and financial instruments over the period. As the majority of these gains and losses 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. Accordingly, Landcorp's dividend is based on Net Operating Profit.