

“SILVER FERN FARMS OPERATING SURPLUS \$40.6M”

Silver Fern Farms has reported an operating surplus of \$40.6m (2010 12 month loss of \$8.0m) for the year ending 30 September 2011 (after Performance Premium payments and non-recurring items and before tax) from a turnover of \$2.1b (2010 12 month \$1.8b).

The company has also declared a dividend of 10 cents per ordinary share in addition to the quarterly Performance Premium payments made during the year, bringing total distributions to suppliers/shareholders of \$14.5m.

Silver Fern Farms Chairman Eoin Garden says the satisfying result comes at the end of a challenging year and a 3 year restructuring programme.

“We are also mindful of the need for industry aggregation. Our recent acquisition of two processing plants, the Wallace Waitoa plant and Frasertown Meats in Northern Hawkes Bay, is evidence of our commitment to consolidation and is part of our wider strategic plan for the future of Silver Fern Farms.

We are now seeing the benefits of the creation of a modern consumer-facing, farmer partner focused co-operative, with a clear progressive strategy that focuses on operating within today’s challenges but also invests in the future. We are investing in product development, innovative marketing to meet the future expectations of our consumers and we are committed to Farm^{IQ} Systems Limited to deliver optimal farming systems to enable our farmer partners to meet consumer expectations.

In addition we are demonstrating our commitment to making a difference, not only to the red meat sector but also to the New Zealand economy, by the establishment of our joint venture with Fonterra Co-op Limited forming Kotahi Limited. Kotahi will optimise the supply chain to market and deliver new efficiencies. The future of the red meat sector will depend upon continued execution of such market focused strategies”, says Mr Garden.

Chief Executive Keith Cooper notes “The 2010/11 financial year was full of extraordinary events – some positive, others less so. We experienced never before seen volatility in the New Zealand dollar, a spring storm that left the industry with a record low lamb crop, the Christchurch earthquakes which affected so many of our Christchurch people and the devastating fire at our Te Aroha plant just prior to Christmas. But, on the upside, in-market prices for red meat and by-products lifted and, thanks to many factors aligning, our farmer partners received record returns.”

The company’s balance sheet is strong with an equity ratio now sitting at 59%, positively influenced by a reduction in total debt over the past 3 years. This included the repayment of \$75m of bonds during the first quarter and in October 2011 the repayment of the redeemable preference shares. The balance sheet restructuring is now complete.



“As a result, net bank debt at balance date was \$119.5m against stock and debtors of \$267m and we are benefiting from lower interest rates.”

Keith Cooper says the year-end result was achieved by the focus on marketing, operational efficiencies and managing foreign exchange prudently. It included \$13m expenditure on research and development, innovation and marketing. “While this is classified as ‘expenditure’, it is clearly an investment in our future”.

Further to the 10 cents per share dividend, Silver Fern Farms’ board also announced an exchange offer for transacting shareholders who hold rebate or supplier investment shares. The offer gives transacting shareholders the opportunity to exchange their existing shares (on a one-for-one basis) to ordinary shares and receive the 10 cents per share dividend.

Mr Garden says the board recently received a vote of confidence, with no candidates standing against the incumbent directors whose positions were due for election by rotation. “Herstall Ulrich and Rob Hewett were re-appointed unopposed, which we view as an endorsement of the company’s direction and performance.”

Silver Fern Farms’ annual meeting will be held at 10.30am 5th December at The Poplars, Timaru.

Summary of key financial items	
Turnover	\$2.1b
Operating surplus after Performance Premium payments and after non-recurring items	\$40.6m
Performance Premium payments/dividend distributions	\$14.5m
Non-recurring items	\$6.6m
Operating cash flow deficit	(\$7.6m)
Equity ratio at balance date	59%

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