



NEWS RELEASE

SETTING THE NEW ZEALAND STANDARD

29 April 2010

Silver Fern Farms reduces debt by \$153m

Unaudited Interim Results

Silver Fern Farms has continued its successful focus on balance sheet improvement with bank debt as at 28 February 2010 totalling \$205.4m, reduced by \$102.8m and Bonds on issue totalling \$76.0m, reduced by \$50.3m compared to the comparative period ended February 2009. The equity ratio has also improved to 43% at February 2010 versus 29% at February 2009.

The strengthened balance sheet comes on the back of a slow season and whilst market share has been maintained, the New Zealand lamb kill at the end of February 2010, was 1.5m lambs behind the same time in the 2009 season.

Profitability was impacted by New Zealand currency strength against the weaker Euro and Pound, resulting in a net loss before tax of \$14.3m, from revenues of \$784.3m (February 2009: \$1,001.3m). The results are considered acceptable in light of the season, the current international trading climate and against the \$16.5m loss recorded for the comparable period in 2009.

The lower turnover, down 22%, reflects the appreciating NZ dollar compared to the same period last year with the main currencies appreciating by 29% to the US dollar, 21% to the Pound and 17% to the Euro. The impact of the appreciating currency can be translated into \$18 per lamb and \$200 per Prime Steer less than the same time in the previous year.

The half year result is consistent with previous years, reflecting the fixed cost nature of the business and under utilisation of assets for the first half of the year as a result of low throughputs and supply seasonality.

Working capital requirements for the period were also substantially down on last year's as a result of lower throughputs due to the late season and increased focus on optimising the use of working capital throughout the business. Inventories stood at \$243.7m (February 2009: \$383.3m), a significant improvement.

	Group unaudited 6 months ending 28 Feb 2010 \$m	Group unaudited 6 months ending 28 Feb 2009 \$m
Revenue	\$784.3m	\$1,001.3m
Net Operating Loss before Tax	(\$14.3m)	(\$16.5m)
Non -Recurring items	(\$0.6m)	\$4.6m
Net Loss after-tax	(\$9.2m)	(\$6.0m)
Operating Cashflow	(\$94.4m)	(\$151.4m)
Bank Debt	\$205.4m	\$308.2m
Equity ratio	43%	29%

Improved cost efficiencies

The company embarked on Project Optimal at the beginning of the year to review the use of working capital within the business, challenge the existing cost base and implement "Bright Ideas" that would benefit the business. As a result of this project, significant gains have been achieved in the last 6 months, with the majority of these gains flowing into future periods. These gains are vital as we must ensure Silver Fern Farms continues to improve operating efficiencies to deal with the reducing margins in the sector, particularly given the current season where the gross market returns have provided returns to Suppliers in excess of the market but at the expense of processors' margins.

Change of balance date

The company has changed the existing balance date from 31 August each year to 30 September, with this year being a transitional 13 month period to 30 September 2010. Next year's interim period will be the 6 months ending 31 March 2011. This change is to align with farming seasons, traditionally starting on 1 October, to enable shareholders and analysts ease of comparison in the future to competitors with a September balance date.

Outlook

March and April have been positive for the company with plants running at capacity and the Company has recouped the losses of the first 6 months and is now in a profit position. The challenge will be to maintain the profits achieved through to year end, particularly lamb retention choices, as a higher retention will have a negative impact on the remainder of the season but will have a positive impact in the medium term due to increased capital stock numbers.

The year end result will also be impacted by the transitional 13 month period as September is traditionally a loss making month and as such, Silver Fern Farms will have two Septembers included in the 13 month transition year to the new balance date of 30 September.



Eoin Garden
Chairman



Keith Cooper
Chief Executive

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For further information

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Notes to Editors:

- Silver Fern Farms is New Zealand's leading procurer, processor and marketer of lamb, mutton, beef, venison and associated products to more than 60 countries
- The company's vision is to be a fully integrated market focused company investing in consumer products that will differentiate and add value to its farmer partners, customers and people
- Silver Fern Farms is a farmer controlled cooperative representing more than 20,000 farmer shareholders
- The company operates 22 processing facilities throughout the country, employing more than 7,000 staff in the peak of season
- Key markets in North America, the United Kingdom and Europe, Asia and the Middle East are supported through a network of international offices.