LANDCORP FARMING LIMITED

Half year results for announcement to the market
1 February 2011

Reporting Period	6 months to 31 December 2011
Previous Reporting Period	6 months to 31 December 2010

	Amount (000s) 6 months to 31 December 2011	Amount (000s) 6 months to 31 December 2010	Percentage change
Revenue from ordinary activities	$NZ 103,964	$NZ 91,624	13%
Net operating profit (loss)	$NZ 10,967[1]	$NZ 3,243	238%
Net profit (loss) (after tax)	$NZ 71,950[2]	$NZ 41,483	73%
Total comprehensive income	$NZ 71,062	$NZ 41,373	72%

Interim Dividend	Nil	Nil	Nil

Comments

(i) a brief explanation of any of the above figures necessary to enable them to be understood	**Landcorp Farming has delivered another solid half year performance on the back of favorable climatic conditions and buoyant product prices. We expect a net operating profit for 2011/12 in excess of $20 million, barring any sharp reversal in conditions or current prices during the second half.** Landcorp made a net operating profit of $11.0 million for the first half, ended 31 December 2011. This is up from $3.2 million in the corresponding period of 2010/11 due to strong growth in revenues, particularly on the sale of livestock. The latest half year saw total

[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 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.

	farm product revenues rise to $104.0 million (2010/11: $91.6 million). Livestock revenue was up 27.0 per cent to $46.3 million, reflecting higher prices for meat and for store animals, and also higher livestock numbers. Dairy revenue improved 2.5 per cent to $53.0 million on growth in milk volume during the latest half year. Climatic conditions across most of New Zealand were back to long-term seasonal averages through the half year. In the North Island, Landcorp operations were not constrained by weather extremes as they have been during each of the previous four springs. Grass growth was strong in both islands, and reproductive performance unhindered by storms or exceptional dry conditions. There were short periods of dry weather conditions in Northland and Southland in the second quarter. December rain alleviated these conditions in Northland but Southland remained very dry. Nationwide, Landcorp achieved a lambing rate of 139 per cent (2010/11: 126 per cent), with our South Island operations up to a record of 141 per cent. These results are very positive for the continued rebuilding of flock and herd sizes following the severe droughts of 2007 and 2008. Lamb, beef and venison prices were at historically strong levels through the half year. Landcorp has contracted to supply 200,000 lambs to large Northern Hemisphere customers in 2011/12 – almost half our expected lamb production for export – at fixed prices that are expected to compare very favorably with schedules on offer from New Zealand meat processors. The contracts provide us with certainty of income in what remains, fundamentally, a volatile market environment. Lamb prices (net per kilogram) received by Landcorp in the half year were 31 per cent ahead of the corresponding period in 2010/11. On the same basis, beef prices were up 14 per cent and venison, 15 per cent. Total expenses rose to $87.1 million (2010/11: $80.5 million). Cost pressures remain high in New Zealand agriculture, particularly on fertiliser, fuel and other basic inputs. Landcorp's farm working expenses rose 11.5 per cent to $39.2 million in the latest half year, while personnel costs were up 5.2 per cent to $23.1 million. The company continued to put strong emphasis on control of operating expenditure during the period. Landcorp recorded a total positive shareholder return of $71.1 million for the half year, compared with $41.4 million in the previous corresponding period. The figure (also referred to as "total comprehensive income") includes a loss of $6.8 million on the revaluation of financial instruments, due to changing market prices, and also a $1.1 million unrealised loss on the revaluation of carbon credits (New Zealand Units) accrued through Landcorp's plantation forestry operations. The market value of such units plunged during the half year. Landcorp does not revalue land and

	buildings at the half year (only at year end) and this means that shareholder return for 2011/12 might be significantly different.
(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.	Landcorp expects a positive outcome for 2011/12, with net operating profit above $20 million and a $15 million dividend payment for the year in line with budget. The outlook for financial performance over the medium term is clouded by uncertainties in the global economy and demand for commodities, including milk, meat and wool. The ability of Landcorp to achieve its shareholder return will require an increase in land values that may not arise.