

## LANDCORP FARMING LIMITED

### Full-year results for announcement to the market

31 August 2023

<b>Reporting Period</b>	12 months to 30 June 2023
<b>Previous Reporting Period</b>	12 months to 30 June 2022

	12 months to 30 June 2023	12 months to 30 June 2022	Percentage change
	<i>Amount (millions)</i>	<i>Amount (millions)</i>	
<b>Income</b>	\$NZ 290	\$NZ 297	(2.4%)
<b>Net operating profit</b>	\$NZ 33	\$NZ 22	50.0%
<b>Net profit (loss) after tax</b>	(\$NZ 9)	\$NZ 59	(115.3%)
<b>Total comprehensive income</b>	(\$NZ 30)	\$NZ 430	(107.0 %)

## Comments

<p><b>(i) a brief explanation of any of the above figures necessary to enable them to be understood</b></p>	<p>Income was \$290m, down \$7m (2.4%) from 2022 (\$297m).</p> <p>Livestock revenue of \$107m was \$20m down from the prior year due to the exit from four farms on 30 June 2022 together with lower production due to a mixture of lower natural increases, higher deaths (reflecting the impact of Cyclone Gabrielle) and lower liveweights attributable to adverse weather conditions.</p> <p>Milk revenue fell to \$120m (2022: \$130m). The decrease was due to lower farm gate milk prices with Pāmu receiving a weighted average of \$8.62 per kg of milk solids (kgMS) in 2023 compared to \$9.48 in 2022.</p> <p>A fair value gain on milk futures of \$20m (recorded in Income) reflects a significant turnaround from the fair value loss of \$22m (recorded as an expense) in 2022. This gain arose because the bulk of the futures were purchased early in the season, prior to the significant decline caused by weak demand in key markets.</p> <p>Income from wool and forestry contributed \$9m, up \$4 million from 2022 while Other business activities generated a broadly similar result during the year of \$34m (2022 \$35m).</p> <p>Total operating expenses fell by \$10 million to \$232 million, mainly because the 2022 total includes a \$22 million loss on milk futures contracts. There were also \$4m of savings this year due to the exit from four farms on June 30th, 2022. After adjusting for these factors underlying operating expenses rose by \$16 million (7.4%) to \$232 million reflecting higher prices for fertiliser, fuel, and other inputs during the year as well as a \$2m impact from Cyclone Gabrielle. Personnel and other expenses rose by \$6 million reflecting tight labour market conditions, although last year's figure included a one-off reduction of \$2m following the reversal of a holiday pay provision.</p> <p>Profit from Equity accounted investments was \$2m (\$6m higher than 2022) with the current year result reflecting strong (one-off) profits from the company's Wharewaka East residential subdivision joint venture in Taupo.</p> <p>Depreciation of \$27m (\$2m lower than 2022 due to the sale of four farms) was recorded in 2023.</p> <p>Taken together these variances have driven a change in Net Operating Profit to \$33m from \$22m in the prior year.</p>
---	---

	<p>The Net loss after tax of \$9 million for the year ended 30 June 2023 compares to a profit in the previous year of \$59m. The prior year result included some one-off items including an \$18m reversal of historical revaluation losses and a \$12m gain on sale from four farm sales. This year Pāmu recorded a fair value loss of \$26m on biological assets (2022: \$20m gain) due to sheep and cattle prices reaching historical highs in 2022 and steeply declining in 2023. Net finance expenses were \$23m compared to \$21m in the prior year while an impairment loss of \$2m was recorded in 2023 (2022: nil). Fair value gains on financial instruments were lower at \$1m (2022: \$7m) as gains on interest rate swaps were unwound. Pāmu recorded a tax benefit of \$8m (2022: \$1m) due to various factors including imputation credits received and livestock tax adjustments attributable to falling livestock prices.</p> <p>Total Comprehensive Income shows a loss of \$30m (2022: profit of \$430m). The large decrease from the prior year is predominantly due to the 2022 land and building valuation gain of \$355m (2023: nil) recorded in the prior year. A further significant swing has resulted from a \$33m fair value loss in 2023 on carbon credits (2022: \$33m gain) due largely to their prevailing market price on 30 June 2023 being materially lower than 30 June 2022. Remaining movements in Total Comprehensive Income of \$12m (2022: loss of \$17m) are due to fair value and tax movements.</p>
<p><b>(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.</b></p>	<p>Pāmu is currently forecasting a full year Net Operating profit for the 2023/24 Financial Year in the range of \$1m to \$11m compared to its current budget of \$21.2m.</p> <p>This change largely reflects a reduction in the forecast Fonterra farmgate milk price range to \$6.00 - \$7.25 per kilogram of milk solids (“kgMs”) compared to the \$8.15/kgMs budgeted, as well as a decline in sheep and cattle pricing.</p> <p>These revenue changes will affect the company’s ability to meet the full year financial targets contained in the SCI.</p>