



August 9, 2010

**TRADING SYMBOL: The Toronto Stock Exchange:  
Village Farms International, Inc. – VFF**

## Village Farms International Announces Strong Results for the Six Months Ended and Second Quarter Ended June 30, 2010

**Vancouver, B.C., August 9, 2010** – Village Farms International, Inc. (the “Company”) (TSX: VFF) announced today results for the six months ended and second quarter ended June 30, 2010.

### **Six months ended June 30, 2010 Operating Results Summary**

- Revenues increased 21% to US\$77.6 million compared to revenues of US\$64.2 million for the six months ended June 30, 2009;
- Earnings per share of US\$0.14 versus US\$0.01 per share for the six months ended June 30, 2009;
- Net income after tax of US\$5.5 million versus US\$0.3 million for the six months ended June 30, 2009;
- EBITDA of US\$13.4 million versus US\$3.7 million for the six months ended June 30, 2009;

Michael A DeGiglio, the Chief Executive Officer said “We are pleased with the results of our second quarter. As we continue to operate in a soft economy the entire enterprise is focused on execution to deliver results. We remain resolute in exceeding our customer expectations, continuing our research and development, and implementing our growth strategy.”

### **Operational Summary for the six months ended June 30, 2010**

*(in thousands of US dollars)*

#### Revenue

Revenue for the six months ended June 30, 2010 increased \$13,362, or 21%, to \$77,578 from \$64,216 for the six months ended June 30, 2009. The increase in revenue was primarily due to higher pricing during the first six months of 2010 versus the first six months of 2009 and increased production at the Company’s facilities during the 2010 period. The comparable period

pricing for the Company's tomato products was 30% higher in 2010 versus 2009, and production was 3% higher during the first six months 2010 versus the first six months 2009.

#### Gross Profit

Gross profit for the six months ended June 30, 2010 increased \$10,065, or 157%, to \$16,488 from \$6,423 for the six months ended June 30, 2009. The increase in gross profit was directly due to higher pricing and higher production volume of the Company's own produce. Cost of sales for the Company's own facility production was 5% higher during the first six months of 2010 than in the 2009 period, mostly due to the increase in production.

#### Selling, General and Administrative Expenses

Selling, general and administrative expenses for the six months ended June 30, 2010 increased \$357, or 6%, to \$6,170 from \$5,813 for the six months ended June 30, 2009. The increase was primarily due to increased personnel costs.

#### Interest Expense, net

Net interest expense, for the six months ended June 30, 2010, decreased \$223 to \$1,379 from \$1,602 for the six months ended June 30, 2009. The decrease was due to the continued reduction in debt levels throughout 2010 and 2009.

#### Other (Costs) Income

Other costs net of other income for the six months ended June 30, 2010 increased \$2,145 resulting in net other costs of \$638 compared to net other income of \$1,507 for the six months ended June 30, 2009. The increase in other costs was due to a loss on derivatives related to interest rate swaps of \$419 during the first six months of 2010 versus a gain on derivatives related to interest rate swaps of \$920 in 2009 plus a loss on foreign exchange of \$145 in during the first six months 2010 versus a gain of \$420 during the comparable period in 2009.

#### Net Earnings and Comprehensive Earnings

Net earnings and comprehensive earnings for the six months ended June 30, 2010 increased \$5,259 to \$5,526 from net earnings and comprehensive earnings of \$267 for the six months ended June 30, 2009. The increase in net earnings and comprehensive earnings was due to higher gross profits resulting from increased pricing partially offset by increased other costs.

#### EBITDA

EBITDA for the six months ended June 30, 2010 increased to \$13,450 from \$3,646 for the six months ended June 30, 2009, primarily due to a higher gross profit as a result of higher product pricing. The Company's trailing twelve month EBITDA is \$18,884 as of June 30, 2010.

## **Second Quarter 2010 Operating Results Summary:**

- Revenues increased 8.7% to US \$46.5 million compared to second quarter 2009 revenue of US\$ 42.8 million;
- Earnings per share of US\$0.03 versus a loss of US(\$0.01) per share during the second quarter of 2009;
- Net income after tax of US\$1.3 million versus a net loss of US(\$0.4) million in the second quarter of 2009; and
- EBITDA of US\$4.6 million versus US\$0.2 million in the second quarter of 2009.

## **Operational Summary for the Quarter:**

*(in thousands of US dollars)*

### Revenue

Revenue for the quarter ended June 30, 2010 increased \$3,703, or 9%, to \$46,476 from \$42,773 for the quarter ended June 30, 2009. The increase in revenue was due to a 22% increase in tomato pricing as compared to the same period in 2009. Revenues from the Company's production were up \$2,926 from the comparable period in 2009 due to higher pricing during the second quarter 2010 versus the 2009 period.

### Gross Profit

Gross profit for the quarter ended June 30, 2010 increased \$4,699, or 303%, to \$6,252 from \$1,553 for the quarter ended June 30, 2009. The increase in gross profit was directly due to higher pricing. Cost of sales for the Company's production was 2% lower than the Company's cost of sales during the second quarter of 2009.

### Selling, General and Administrative Expenses

Selling, general and administrative expenses for the quarter ended June 30, 2010 increased \$349, or 12%, to \$3,192 from \$2,843 for the quarter ended June 30, 2009. The increase was primarily due to higher personnel costs.

### Interest expense, net

Net interest expense, for the quarter ended June 30, 2010, decreased \$116 to \$670 from \$786 for the quarter ended June 30, 2009. The decrease was due to the continued reduction in debt levels throughout 2010 and 2009.

### Other (Costs) Income

Other costs net of other income for the quarter ended June 30, 2010 increased \$1,328 resulting in net other costs of \$68 as compared to net other income of \$1,260 for the quarter ended June 30, 2009. The increase in other costs was due to a loss on derivatives related to interest rate swaps of \$102 as compared to a gain on derivatives related to interest rate swaps of \$837 for the second

quarter of 2009, plus a loss on foreign exchange of \$58 during the second quarter of 2010 versus a gain of \$552 during the second quarter of 2009.

#### Net Earnings (Loss) and Comprehensive Earnings (Loss)

Net earnings and comprehensive earnings for the quarter ended June 30, 2010, increased \$1,701 to \$1,327 from a net (loss) and comprehensive (loss) of (\$374) for the quarter ended June 30, 2009. The net income increase was due to an increase in gross profit as a result of higher prices.

#### EBITDA

EBITDA for the quarter ended June 30, 2010 increased \$4,368 to \$4,596 from \$228 for the quarter ended June 30, 2009, as a result of higher product pricing.

#### Non-GAAP Measures

EBITDA is not a recognized measure and does not have standardized meaning under Canadian generally accepted accounting principles. Accordingly, this measure may not be comparable to similar measures presented by other issuers. Please refer to the Company's Management's Discussion and Analysis for the three and six months ended June 30, 2010, which will be available at [www.sedar.com](http://www.sedar.com), for additional information concerning EBITDA and a reconciliation of EBITDA to net earnings and operating cash flows, for the periods presented.

#### About The Company

The Company is one of the largest producers, marketers and distributors of premium-quality, greenhouse-grown tomatoes, bell peppers and cucumbers in North America. This premium product as well as premium product produced under exclusive arrangements with other greenhouse producers is grown in sophisticated, highly efficient and intensive agricultural greenhouse facilities. Product is marketed and distributed under the Village Farms<sup>®</sup> brand primarily to retail grocers and dedicated fresh food distributors throughout the United States and Canada. The Company owns greenhouses located in Texas and British Columbia and operates distribution centres located in key markets in the United States and Canada. Since its inception, the Company has been guided by sustainable agricultural principles which integrate three main goals; environmental health, economic profitability, and social and economic equality.

#### Forward Looking Statements

This press release contains certain "forward-looking-statements". These statements relate to future events or future performance and reflect the Company's expectations regarding its growth, results of operations, performance, business prospects, opportunities or industry performance and trends. These forward looking statements reflect the Company's current internal projections, expectations or beliefs and are based on information currently available to the Company. In some cases, forward looking statements can be identified by terminology such as "may", "will", "should", "expect", "plan", "anticipate", "believe", "estimate", "predict", "potential", "continue" or the negative of these terms or other comparable terminology. A number of factors could cause

actual events or results to differ materially from the results discussed in the forward looking statements. In evaluating these statements, you should specifically consider various factors, including, but not limited to, such risks and uncertainties as availability of resource, competitive pressures and changes in market activity, risks associated with U.S. and international sales and foreign exchange, regulatory requirements and all of the other “Risk Factors” set out in the Company’s current annual information form and management’s discussion and analysis for the three and six months ended June 30, 2010, which will be available electronically at [www.sedar.com](http://www.sedar.com). Actual results may differ materially from any forward looking statement. Although the Company believes that the forward-looking-statements contained in this press release are based upon reasonable assumptions, you cannot be assured that actual results will be consistent with these forward looking statements. These forward looking statements are made as of the date of this press release, and other than as specifically required by applicable law, the Company assumes no obligation to update or revise them to reflect new events or circumstances.

**For further information**

Stephen C. Ruffini, Senior Vice President and Chief Financial Officer, Village Farms International, Inc., (732) 676-3008.

**Village Farms International, Inc.**  
**(formerly Village Farms Income Fund)**  
**Consolidated Balance Sheets**  
**(In thousands of United States dollars)**

| <b>Assets</b>                                       | <b><u>June 30, 2010</u></b><br>(unaudited) | <b><u>December 31, 2009</u></b> |
|---|--|---------------------------------|
| <b>Current assets:</b>                              |  |                                 |
| Cash and cash equivalents                           | \$9,691                                    | \$2,611                         |
| Accounts receivable                                 | 12,839                                     | 9,594                           |
| Other receivables                                   | 638  | 592                             |
| Inventories   | 10,451                                     | 11,948                          |
| Prepays and deposits                                | 1,125                                      | 909                             |
| Assets held for sale                                | 407  | -                               |
| Total current assets                                | 35,151                                     | 25,654                          |
| Property, plant and equipment                       | 64,403                                     | 66,599                          |
| Future income tax asset                             | 3,749                                      | 4,549                           |
| Intangible assets                                   | 1,353                                      | 1,404                           |
| Other assets  | 938  | 877                             |
| Total assets  | \$105,594                                  | \$99,083                        |
| <br><b>Liabilities and shareholders' equity</b>     |  |                                 |
| <b>Current liabilities:</b>                         |  |                                 |
| Accounts payable and accrued liabilities            | \$12,236                                   | \$9,564                         |
| Current maturities of long-term debt                | 3,260                                      | 3,260                           |
| Current portion of obligations under capital leases | 291  | 283                             |
| Total current liabilities                           | 15,787                                     | 13,107                          |
| Long-term debt                                      | 49,838                                     | 51,472                          |
| Derivatives   | 2,512                                      | 2,092                           |
| Obligations under capital leases                    | 112  | 262                             |
| Future income taxes                                 | 3,239                                      | 3,589                           |
| Total liabilities                                   | 71,488                                     | 70,522                          |
| <br><b>Shareholders' equity:</b>                    |  |                                 |
| Share capital                                       | 24,850                                     | 24,850                          |
| Contributed surplus                                 | 19   | -                               |
| Retained earnings                                   | 9,182                                      | 3,656                           |
| Accumulated other comprehensive income              | 55   | 55                              |
| Total shareholders' equity                          | 34,106                                     | 28,561                          |
| Total liabilities and shareholders' equity          | \$105,594                                  | \$99,083                        |

**Village Farms International, Inc.**  
**(formerly Village Farms Income Fund)**  
**Consolidated Statements of Earnings**  
**For the Three and Six Months Ended**

(In thousands of United States dollars, except for share/units outstanding and per share/unit amounts)

|   | <b>Three Months Ended June 30,</b> | <b>2009</b>       | <b>Six Months Ended June 30,</b> | <b>2009</b>       |
|---|------------------------------------|-------------------|----------------------------------|-------------------|
|   | <b>2010</b>                        | <b>2009</b>       | <b>2010</b>                      | <b>2009</b>       |
|   | (unaudited)                        | (unaudited)       | (unaudited)                      | (unaudited)       |
| Net sales   | \$46,476                           | \$42,773          | \$77,578                         | \$64,216          |
| Cost of sales   | 40,224                             | 41,220            | 61,090                           | 57,793            |
| Gross profit  | <u>6,252</u>                       | <u>1,553</u>      | <u>16,488</u>                    | <u>6,423</u>      |
| Selling, general and administrative expenses                | 3,192                              | 2,843             | 6,170                            | 5,813             |
| Income (loss) from operations                               | <u>3,060</u>                       | <u>(1,290)</u>    | <u>10,318</u>                    | <u>610</u>        |
| Interest expense, net                                       | 670                                | 786               | 1,379                            | 1,602             |
| Foreign exchange loss (gain)                                | 58                                 | (552)             | 145                              | (420)             |
| Amortization of intangible assets                           | 26                                 | 26                | 52                               | 52                |
| Loss (gain) on derivatives                                  | 102                                | (837)             | 419                              | (920)             |
| Other (income), net   | (119)                              | (16)              | (308)                            | (182)             |
| Loss (gain) on sale of assets                               | 1                                  | 119               | 330                              | (37)              |
| Earnings before income taxes                                | <u>2,322</u>                       | <u>(816)</u>      | <u>8,301</u>                     | <u>515</u>        |
| Provision for (recovery of) income taxes                    | <u>995</u>                         | <u>(442)</u>      | <u>2,775</u>                     | <u>248</u>        |
| Net earnings (loss) and comprehensive earnings (loss)       | <u>1,327</u>                       | <u>(374)</u>      | <u>5,526</u>                     | <u>267</u>        |
| Net income (loss) per share/unit-basic                      | <u>\$0.03</u>                      | <u>(\$0.01)</u>   | <u>\$0.14</u>                    | <u>\$0.01</u>     |
| Weighted average number of shares/units outstanding-basic   | <u>38,707,345</u>                  | <u>38,707,345</u> | <u>38,707,345</u>                | <u>38,707,345</u> |
| Net income (loss) per share/unit-diluted                    | <u>\$0.03</u>                      | <u>(\$0.01)</u>   | <u>\$0.14</u>                    | <u>\$0.01</u>     |
| Weighted average number of shares/units outstanding-diluted | <u>39,057,344</u>                  | <u>38,707,345</u> | <u>39,057,344</u>                | <u>38,707,345</u> |

**Village Farms International, Inc.**  
**(formerly Village Farms Income Fund)**  
**Consolidated Statements of Cash Flows**  
**For the Three and Six Months Ended**  
**(In thousands of United States dollars)**

|   | <b>Three Months Ended June 30,</b> |                | <b>Six Months Ended June 30,</b> |                |
|---|------------------------------------|----------------|----------------------------------|----------------|
|   | <b>2010</b>                        | <b>2009</b>    | <b>2010</b>                      | <b>2009</b>    |
|   | (unaudited)                        | (unaudited)    | (unaudited)                      | (unaudited)    |
| <b>Cash flows from operating activities:</b>  |                                    |                |                                  |                |
| Net earnings  | \$1,327                            | (\$374)        | \$5,526                          | \$267          |
| Adjustments to reconcile net earnings to net cash provided by operating activities: |                                    |                |                                  |                |
| Depreciation and amortization   | 1,433                              | 1,533          | 2,857                            | 2,911          |
| Loss (gain) on sale of assets   | 1                                  | 114            | 330                              | (42)           |
| Loss (gain) on derivatives  | 102                                | (837)          | 419                              | (920)          |
| Foreign exchange loss (gain)  | 58                                 | (33)           | 145                              | (33)           |
| Share based compensation  | 10                                 | -              | 19                               | -              |
| Future income taxes   | 929                                | 99             | 450                              | 444            |
| Changes in non-cash working capital   | 2,939                              | 1,583          | 575                              | (4,564)        |
| Net cash provided by operating activities   | <u>6,799</u>                       | <u>2,085</u>   | <u>10,321</u>                    | <u>(1,937)</u> |
| <b>Cash flows from investing activities:</b>  |                                    |                |                                  |                |
| Purchases of property, plant and equipment  | (975)                              | (410)          | (1,347)                          | (1,182)        |
| Proceeds from sale of assets  | 82                                 | 32             | 88                               | 82             |
| Net cash provided by (used in) investing activities                                 | <u>(893)</u>                       | <u>(378)</u>   | <u>(1,259)</u>                   | <u>(1,100)</u> |
| <b>Cash flows from financing activities:</b>  |                                    |                |                                  |                |
| Proceeds from operating line of credit  | -                                  | 1,297          | -                                | 5,556          |
| Payments on long-term debt  | (816)                              | (807)          | (1,634)                          | (1,614)        |
| Payments on obligations under capital leases  | (91)                               | (39)           | (142)                            | (84)           |
| Dividend payments to Unitholders and PPS holders                                    | -                                  | (563)          | -                                | (1,550)        |
| Other   | (6)                                | 89             | (61)                             | 15             |
| Net cash provided by (used in) financing activities                                 | <u>(913)</u>                       | <u>(23)</u>    | <u>(1,837)</u>                   | <u>2,323</u>   |
| Foreign exchange loss (gain)  | <u>(58)</u>                        | <u>33</u>      | <u>(145)</u>                     | <u>33</u>      |
| <b>Net increase (decrease) in cash and cash equivalents</b>                         | 4,935                              | 1,717          | 7,080                            | (681)          |
| <b>Cash and cash equivalents beginning of period</b>                                | <u>4,756</u>                       | <u>1,703</u>   | <u>2,611</u>                     | <u>4,101</u>   |
| <b>Cash and cash equivalents end of period</b>                                      | <u>\$9,691</u>                     | <u>\$3,420</u> | <u>\$9,691</u>                   | <u>\$3,420</u> |
| <b>Supplemental cash flow information:</b>  |                                    |                |                                  |                |
| Interest paid   | <u>\$710</u>                       | <u>\$790</u>   | <u>\$1,404</u>                   | <u>\$1,638</u> |
| Income taxes paid   | <u>\$340</u>                       | <u>\$23</u>    | <u>\$348</u>                     | <u>\$23</u>    |