

6 August 2018

PGG Wrightson announces the sale of its Seed and Grain business to DLF Seeds

PGG Wrightson Limited (PGW) has entered into an agreement to sell the PGG Wrightson Seeds (PGW Seeds) business for NZ\$421 million to DLF Seeds A/S (DLF Seeds)*, a leading global seeds group. The transaction is subject to standard completion adjustments and is a sale of all the shares in PGW Seeds. In addition, DLF Seeds will assume or repay PGW Seeds' net debt outstanding as at 30 June 2018 of approximately NZ\$18 million.

PGW's Deputy Chairman, Trevor Burt, said the agreement arose from the strategic review conducted by PGW in recent months. "The agreement represents a transaction that would deliver significant value to PGW while also enabling the PGW Seeds business to benefit immensely from being part of an impressive global seeds operation."

"PGW received expressions of interest from a number of parties internationally wanting to pursue a transaction involving the Seed and Grain business." Mr Burt said. "The DLF Seeds offer was particularly compelling in terms of the value it would deliver to PGW shareholders."

The agreement provides for an ongoing close working relationship between PGW and PGW Seeds. PGW Chief Executive Ian Glasson said, "That is an extremely important relationship for both businesses and we have confidence that it will continue to be so for the mutual benefit of all parties. PGW Seeds has established an impressive reputation in the seeds markets in which it operates. We look forward to completing this transaction and seeing the benefits that can be delivered from the combined DLF Seeds and PGW Seeds' intellectual property and operations. We are very pleased about both this partnership and the great strategic potential in the continuing alliance with PGW's rural services offering in New Zealand."

"It is important to remember that PGW has the strongest nationwide rural services offering in New Zealand, covering the length of the country. A sale of the PGW Seeds business will not change that – in fact, it remains business as usual for PGW and its customers," Mr Glasson said.

DLF Seeds Chief Executive Truels Damsgaard said, "This is an important transaction for DLF Seeds, which has long viewed PGW Seeds as a strategic and complementary business to DLF Seeds' current operations. We see PGW Seeds as the leading temperate forage seed player in the Southern Hemisphere, with DLF Seeds occupying a similar position in the Northern Hemisphere. The transaction presents a real opportunity for value creation as a combined business with a strong global offering for our customers."

Summary of Key Terms:

- DLF Seeds will purchase 100 percent of the shares of PGG Wrightson Seeds Holdings Limited and thereby acquire substantially all the assets and operations of the PGW Seed and Grain business in New Zealand, Australia, South America and internationally.
- The agreement is conditional upon:
 - PGW shareholder approval of a major transaction at a shareholders meeting.
 - New Zealand Overseas Investment Act approval.
 - New Zealand Commerce Commission clearance, Australian Competition and Consumer Commission approval and receipt of applicable regulatory approvals in South America.
 - Change of control consents from certain PGW Seeds' joint venture partners.
 - PGW banking syndicate consent.
- PGW and PGW Seeds will enter into a long-term distribution agreement for seed and grain.
- PGW will grant a brand licence to PGW Seeds for the continued use of the PGG Wrightson Seeds brand.
- PGW will continue to provide a range of corporate functions and back office services to PGW Seeds for a transitional period of between 12 and 18 months.

Mr Burt said, “The offer from DLF Seeds is very attractive and entry into the conditional agreement received the unanimous support of the PGW Board. This would be a major transaction for PGW and, accordingly, a full explanation and particulars of the agreement will be provided to shareholders for consideration ahead of a meeting convened to discuss and vote on it.”

Mr Glasson said “This transaction follows the continuing trend of consolidation in the international seeds industry and there are clear benefits that arise for both PGW and PGW Seeds. Ownership of PGW Seeds by DLF Seeds will expand the opportunities for commercialisation of the intellectual property the business has developed and will continue to develop. DLF Seed’s global presence will open up new markets and geographies, increasing royalties coming into New Zealand, and also demonstrate the benefits of the research and development focus of PGW Seeds’ business.

“Domestically in New Zealand, PGW and PGW Seeds will continue to work closely together under common branding as the market leader in relation to our respective Rural Services and Seed and Grain offerings.

“The PGW Seeds team, who are highly regarded in the industry, are key to the success of the Seed and Grain business. This team will continue to operate as they do currently, allowing the strong relationship that exists between them and their customers and the PGW team to continue adding value for our clients”.

The PGW Board has engaged KordaMentha to prepare an independent appraisal report to assess the merits of the transaction for PGW shareholders. The report would be provided to shareholders together with other explanatory information and the directors’ recommendations. These materials would inform PGW shareholders about the transaction prior to the shareholders being called to vote in respect of the transaction. Details relating to the dates for dispatch of materials will be announced in the coming days with a target date for the shareholders meeting in October.

Mr Burt said “the PGW Board is continuing to work with Credit Suisse (Australia) Ltd and First NZ Capital Ltd on the strategic review to explore options for PGW’s business, growth opportunities, capital and balance sheet requirements and potentially shareholding structure, as previously announced. Pending completion of the sale of the PGW Seeds business the Board will evaluate the full range of options available including debt reduction, distributions to shareholders and strategic growth opportunities available to PGW.”

The proceeds of approximately NZ\$421 million exceed the book value of PGW Seeds’ net assets (estimated to be NZ\$285 million at 30 June 2018). Following completion, PGW could expect to have a net cash balance (on a pro forma basis as at 30 June 2018) of approximately NZ\$270 million. Subject to outcomes from the strategic review, the PGW Board could determine to make a potentially non-taxable distribution of available subscribed capital to shareholders of up to NZ\$292 million**. A distribution of available subscribed capital made to shareholders following the divestment of PGW Seeds would reduce the cash balance by the total distribution made implying a 30 June 2018 pro-forma net interest bearing debt balance of approximately NZ\$20 million.

Ian Glasson
Chief Executive Officer

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**Subject to obtaining a favourable binding ruling from Inland Revenue

*DLF Seeds

DLF Seeds is a Denmark-based global seeds group was established in 1872. It is owned by DLF AmbA, a cooperative owned by approximately 3,000 Danish seed growers.

DLF Seeds operates within forage and turf seed, sugar and fodder beet seed, seed potatoes and multiplication of vegetable seed, and is active in more than 80 countries.

DLF Seed's vertically integrated operations (in research, production and sales) have 1,200 employees, 12 percent of which are involved in research and development.

DLF Seed's headquarters are in Roskilde, Denmark. It is also present in The Netherlands, the United Kingdom, Ireland, France, Sweden, Germany, Poland, the Czech Republic, Italy, Turkey, Russia, China, Canada, the USA, Uruguay, Argentina, South Africa and New Zealand.

Key figures as of 2016/2017 in Danish Krone DKK) (1 DKK = \$0.23NZ):

- Revenue: 3,527 DKK Million
- Profit before net financials: 225 DKK Million
- Profit after tax and minority interests: 161 DKK Million

To find out more about DLF Seeds visit www.dlf.com

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(Please note New Zealand is 10 hours ahead of Copenhagen, Denmark)