



**Media Release
17 February 2009**

PGG Wrightson prefer mediation as way forward

The board of directors of PGG Wrightson Limited (PGW) has today made a formal offer of mediation to resolve the claims arising from the non-completion of the partnering arrangement with Silver Fern Farms (SFF) last year.

PGW will provide \$10 million against the SFF claim. This will be reflected in the group's accounts for the December 2008 half year.

PGG Wrightson is not aware of the quantum of damages sought by SFF, but PGW seeks a settlement based substantially on delivery of the procurement and supply chain benefits that would have been achieved by the original partnership for the benefit of farmers. The \$10 million provided for represents \$3.5 million for costs incurred by SFF and a further, ex gratia, payment PGW has offered, in addition to the substantial benefits to be provided by an ongoing procurement agreement.

The partnering arrangement was agreed by the boards of PGW and SFF in June last year and subsequently approved by the SFF voting shareholders. Settlement of one element of the agreement, a \$220 million purchase of SFF shares by PGW, could not be completed because of the impact of the global financial crisis on funding arrangements. PGW has since sought to maintain continued dialogue with SFF, with the intention of identifying a mutually satisfactory basis on which the objectives of the arrangement could still be achieved.

Mr Norgate said: "In the period since SFF advised of their termination of the partnering agreement, PGW has put forward a compelling proposal to achieve the objectives and provide redress for the non-completion of the share purchase. This is focused on future co-operation between the companies, particularly in procurement and other aspects of an integrated meat industry supply chain.

"We believe that our proposal will be of considerable value to SFF and its shareholders in regard to the long-term performance of the business. Importantly, the current shareholders of SFF would receive 100 percent of the economic benefits generated by future co-operation rather than sharing half of them with PGW as under the original partnership."

Mr Norgate said PGW remained committed to finding a solution that would address the clear need for change in the meat industry. "Last year's agreement was based primarily on changing the meat industry supply chain to focus on the global customer for quality New Zealand meat products and empowering farmers to increase their own profitability. This remains both urgent and achievable, through co-operation between the various participants in the industry. As the leading meat marketer and processor and the only nationwide full-service rural services provider, SFF and PGW have a major role to play in this regard."

"We believe the way forward is a formal mediation before a retired High Court Judge and we have today invited SFF to agree to that."

For further information, please contact:

Barry Akers
+64 9 309 5656
+64 21 571 234