PGG Wrightson Limited

Independent Adviser's Report

On the Partial Takeover Offer by Agria (Singapore) Pte Limited

GRANT SAMUEL

February 2011

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GRANT SAMUEL

Overview

Agria (Singapore) Pte Limited has made a partial offer at $0.60 per share for 38.3% of the shares in PGG Wrightson Limited that it does not already own, to take Agria's total shareholding in PGG Wrightson to 50.01%. The Offer is open for acceptance until 15 April 2011 and may only be extended to 24 April 2011 at the latest.

The Agria Offer price is within Grant Samuel's assessment of the value of PGG Wrightson of NZ$0.53 to NZ$0.65 per share and represents a premium of 18.3% over the volume weighted average price for the 30 trading days prior to the announcement of the Offer. The share price was at a historical low when the Offer was made and, on the surface, may appear opportunistic.

The $0.60 Offer price was the outcome of a negotiation between Pyne Gould Corporation Limited (an 18.3% shareholder in PGG Wrightson) and Agria and in Grant Samuel's opinion is reflective of PGG Wrightson's poor current earnings performance. Pyne Gould Corporation has expressed its desire to exit its 18.3% shareholding in PGG Wrightson in its entirety and has entered into a pre-bid agreement with Agria under which Pyne Gould Corporation has accepted its entire shareholding into the Agria Offer.

Agria has provided little detail regarding its intentions for PGG Wrightson if its partial Offer is successful. By accepting for all or part of their shareholding minority shareholders are effectively approving Agria to become a controlling shareholder in PGG Wrightson with little information on which to base this decision other than the Offer price for the shares. On the other hand if the Agria Offer were successful this would bring some stability to the PGG Wrightson share register from a committed investor who wishes to address the underperformance of PGG Wrightson to the benefit of all shareholders.

If the Agria Offer is successful Agria will control PGG Wrightson in all material respects on matters requiring resolutions of the Board of Directors or the passing of ordinary shareholder resolutions. However, Agria will be prohibited from voting on any resolutions relating to an increase in its own shareholding or a material transaction to which it is party.

A partial Offer means that shareholders who accept the Offer for more than 38.3% of their shareholding in PGG Wrightson will, in all likelihood, have their acceptances scaled back and will almost certainly be left with an investment in PGG Wrightson if the Offer is successful.

If the Offer is unsuccessful Agria will acquire no further shares in PGG Wrightson and will remain as a 19.01% shareholder for the time being.

The independent directors of PGG Wrightson have received an approach from another party who has indicated an interest in making a full takeover offer for 100% of the shares in PGG Wrightson. The potential new bidder is currently undertaking due diligence on PGG Wrightson and may or may not make a takeover offer for PGG Wrightson prior to the close of the Agria Offer. Grant Samuel strongly recommends that PGG Wrightson shareholders wait until close to the end of the Agria Offer period of 15 April 2011 before deciding whether or not to accept the Agria Offer. Any new bid may or may not be more advantageous to PGG Wrightson shareholders than the existing Agria Offer.

PGW will keep shareholders informed about the status of any potential offers in advance of the closing date of the Agria Offer.

Glossary

Glossary	
Term	**Definition**
ADRs	American Depositary Receipts
Agria	Agria (Singapore) Pte Limited
The Agria Offer or the **Offer**	Partial Takeover Offer from Agria for an additional 31% of the issued shares in PGW
CNAAS	China National Academy of Agricultural Sciences
CRNs	Convertible Redeemable Notes
Ganxin	Wuwei Ganxin Seeds Company Limited
IPO	Initial Public Offering
Mr Lai	Agria's Chairman, Mr Guanglin (Alan) Lai
MAF	Ministry for Agriculture and Forestry
NAIT	National Animal Identification and Tracing Bill
New Hope	New Hope Group Co. Ltd
NYSE	New York Stock Exchange
NZDX	New Zealand Debt Market
NZFSU	NZ Farming Systems Uruguay Limited
P3A	Primalights III Modern Agriculture Development Co. Limited
PGC	Pyne Gould Corporation Limited
PGG	Pyne Gould Guinness Limited
PGW	PGG Wrightson Limited
PwC	PricewaterhouseCoopers
PWF	PGG Wrightson Finance Limited
RPI	Rural Portfolio Investments Limited
SEC	Securities and Exchange Commission
SFF	Silver Fern Farms Limited
SONZAF	Situation and Outlook for New Zealand Agriculture and Forestry
VWAP	Volume weighted average share price
Mr Xue	Agria's former Chief Operating Officer, Mr Frank Xue
Zhongnong	Zhongnong Seed Industry Co. Ltd

1. Terms of the Offer

1.1 Background

On 24 December 2010 Agria (Singapore) Pte Limited (**Agria**) gave notice of its intention to make a partial takeover offer for an additional 31% of the issued shares in PGG Wrightson Limited (**PGW**) (the **Agria Offer** or the **Offer**). Agria already owns 19.01% of PGW and accordingly, the Offer is for 38.3% of the shares in PGW not already owned by Agria. If the Offer is successful Agria will hold 50.01% of PGW. Agria has indicated that it does not, at present, intend to acquire more than 50.01% of PGW if the Offer is successful. Agria has also announced that it has committed not to make a further takeover offer at a higher price at any time in the next 12 months.

Agria is owned by Agria Asia Investments Limited (a company incorporated in the British Virgin Islands). Agria Investments Limited is part of the wider Agria Corporation of China.

In November 2009 Agria acquired a 13% shareholding in PGW for $36.2 million through a placement of 41.1 million shares at $0.88 per share. The stated intention of both PGW and Agria at this time was for Agria's shareholding to increase over time. Agria also participated in the subsequent PGW rights issue by exercising its entitlement to PGW shares and acquiring additional rights to shares from Rural Portfolio Investments Limited (**RPI**). The effect of Agria's participation in the rights issue and subsequent purchase of rights from RPI was to take its shareholding in PGW from 13% to the 19.01% it currently holds.

In January 2010, Agria (via a subsidiary) also invested US$25 million (approximately NZ$33.8 million) in convertible redeemable notes (**CRNs**) in PGW. The CRNs are convertible at PGW's election into PGW shares, or redeemable at PGW's election in which case Agria has the option to select redemption by way of either shares in PGG Wrightson Finance Limited (**PWF**) or cash. The terms of the CRNs are discussed in further detail at Section 5 of this report.

Both the placement and the rights issue were components of PGW's capital raising in 2009/2010 which saw the company repay approximately $207 million of bank debt over that period and increase the number of shares on issue by 140%.

Funding the Offer

In the event the Agria Offer is declared unconditional, Agria Corporation (the ultimate parent company of Agria), Agria and New Hope Group Co. Ltd (**New Hope**) have entered into a Subscription Agreement under which each of Agria Corporation and New Hope agree to subscribe for shares in Agria, either directly or indirectly, through another company in the Agria group as follows:

- Agria Corporation, a minimum of US$55 million (c. NZ$73 million); and
- New Hope US$20 million (c. NZ$26 million).

The balance of funds required (c. NZ$40 million) to enable Agria to fund the settlement of the Offer (of approximately NZ$141 million) are to be provided by a loan facility from Agria's financiers. New Hope's contribution cost of US$20 million will represent approximately 10% of the total of Agria's investment in PGW if the Offer is successful.

Agria and New Hope are described in detail at Section 5 of this report.

1.2 Details of the Agria Offer

The Offer price is $0.60 per share in cash. The Offer closes at 5pm on 15 April 2011 unless extended by Agria. Shareholders can elect what proportion, if any, of their shares they wish to accept into the Agria Offer. If Agria receives acceptances in respect of more than 38.3% of PGW shares on issue not already held by Agria then the number of shares acquired by Agria will be calculated as follows:

Step 1

Agria will first acquire the lesser of:

a. 38.3% of each accepting shareholder's shares in PGW; or

b. the number of shares the accepting shareholder has accepted into the Agria Offer.

Step 2

In the event that the total number of shares acquired by Agria in Step 1 is less than 38.3% of the total shares of PGW not already held by Agria (ie: 31% of the total shares on issue), then Agria will acquire additional shares from shareholders who have accepted more than 38.3% of their total PGW shareholding into the Offer (**Additional Acceptances**). The number of additional shares acquired out of the Additional Acceptances in Step 2 will depend on two things:

- how many additional shares Agria requires; and
- how many Additional Acceptances have been made into the Offer.

The number of additional shares acquired in Step 2 will be pro-rated equally across the Additional Acceptances. Further detail on the mechanics of these scaling provisions can be found in Section 7.2 of this report.

If Agria receives acceptances for less than 38.3% of the shares in PGW it does not already own, the Agria Offer will lapse and Agria will not be able to acquire any additional shares under the current Offer. The 50.01% is a clear threshold under the Offer, and acceptances must be sufficient to take Agria to this threshold for any shares to be acquired.

Conditions of the Offer

The Offer is conditional upon:

- Agria receiving sufficient acceptances to take its total shareholding in PGW to 50.01% (the minimum acceptance condition);
- Agria obtaining the necessary consents and clearances under the Overseas Investment Act (2005);
- Agria and / or any of its shareholders or financiers obtaining on an unconditional basis all necessary approvals and consents from the Chinese regulatory authorities to complete the Offer;
- the NZX50 Index (Gross) not having closed below 3,000.4 for a period of three or more consecutive trading days since 23 December 2010 until the Offer is declared unconditional; and
- other terms and conditions standard for an offer of this nature.

Agria may waive certain conditions that are within its discretion. The 50.01% minimum acceptance condition cannot be waived as it is required by the Takeovers Code.

The last date on which Agria can declare the Offer unconditional is 15 April 2011, unless the Offer is extended[1]. If the Agria Offer has not been declared unconditional by this date the Agria Offer will lapse and Agria will not acquire any shares that have been accepted into the Offer.

Pre-bid Agreement

Pyne Gould Corporation Limited (**PGC**) entered into a pre-bid agreement with Agria (prior to Agria making its Offer), in which it has undertaken to irrevocably accept the Offer for its 18.3% shareholding in PGW. That acceptance is subject to the scaling provisions and calculations above that may be required depending on acceptance levels to the Agria Offer. If the Offer is successful it is almost certain that PGC will retain a portion of its 18.3% holding due to the scaling provisions of the Takeovers Code.

Potential new bidder

The independent directors of PGW have received an approach from another party who has indicated an interest in making a full takeover offer for 100% of the shares in PGW. PGW has granted this potential new bidder the opportunity to undertake due diligence and expects that the potential new bidder's due diligence will be completed well before the Agria Offer closes. At this time there is no certainty that another bid will be forthcoming or indeed at what price, and on what terms and conditions, any such offer would be made. Agria's existing shareholding of 19.01% may pose an impediment to a full offer, although any full takeover offer may be conditional on acquiring a lesser percentage of PGW. The Agria Offer does not close until 15 April 2011. Shareholders should take no action in respect of the Agria Offer until close to the date on which the Agria Offer closes. PGW will keep shareholders informed about the status of any potential offers in advance of the closing date of the Agria Offer.

1.3 Requirements of the Takeovers Code

The Takeovers Code came into effect on 1 July 2001, replacing the New Zealand Stock Exchange Listing Rules and the Companies Amendment Act 1963 requirements governing the conduct of company takeover activity in New Zealand. The Takeovers Code seeks to ensure that all shareholders are treated equally and on the basis of proper disclosure are able to make informed decisions on shareholding transactions that may impact on their own holdings.

PGW is a ***Code Company*** for the purposes of the Takeovers Code. Rule 6 of the Takeovers Code, the fundamental rule, states that a person (along with its associates) who holds or controls:

- no voting rights, **or less than 20% of the voting rights**, in a code company may not become the holder or controller of an increased percentage of the voting rights in the code company unless, after that event, that person and that person's associates hold or control in total not more than 20% of the voting rights in the code company;
- 20% or more of the voting rights in a code company may not become the holder or controller of an increased percentage of the voting rights in the code company.

Rule 7 of the Takeovers Code sets out the ***exceptions*** to the fundamental rule. Rule 7 states that a person may become the holder or controller of an increased percentage of the voting rights in a code company under the following circumstances:

(a) by an acquisition under a full offer;

(b) **by an acquisition under a partial offer;**

[1] In accordance with the Takeovers Code, Agria may not extend the Offer beyond 24 April 2011

(c) by an acquisition by the person of voting securities in the code company or in any other body corporate from one or more other persons if the acquisition has been approved by an ordinary resolution of the code company in accordance with the code;

(d) by an allotment to the person of voting securities in the code company or in any other body corporate if the allotment has been approved by an ordinary resolution of the code company in accordance with the code;

(e) if: (i) the person holds or controls more than 50%, but less than 90%, of the voting rights in the code company;

(ii) the resulting percentage held by the person does not exceed by more than 5 the lowest percentage of the total voting rights in the code company held or controlled by the person in the 12-month period ending on, and inclusive of, the date of the increase; and

(f) if the person already holds or controls 90% or more of the voting rights in the code company.

The Takeovers Code specifies the responsibilities and obligations for both Agria and PGW as ***bidder*** and ***target*** respectively. PGW's response to the Agria Offer, known as a ***target company statement***, must contain the information prescribed in the Second Schedule of the Takeovers Code, and is to include or be accompanied by an Independent Adviser's Report (or summary thereof).

2. Scope of the Report

2.1 Purpose of the Report

The Independent Directors of PGW have engaged Grant Samuel & Associates Limited (**Grant Samuel**) to prepare an Independent Adviser's Report to comply with the Takeovers Code in respect of the Agria Offer. Grant Samuel is independent of PGW and Agria and has no involvement with, or interest in, the outcome of the Agria Offer.

Rule 21 of the Takeovers Code requires the Independent Adviser to report on ***the merits of an offer***. The term "merits" has no definition either in the Takeovers Code itself or in any statute dealing with securities or commercial law in New Zealand. While the Takeovers Code does not prescribe a meaning of the term "merit", it suggests that "merits" include both positives and negatives in respect of a transaction.

A copy of this report will accompany the target company statement to be sent to all PGW shareholders. This report is for the benefit of the shareholders of PGW other than Agria. The report should not be used for any purpose other than as an expression of Grant Samuel's opinion as to the merits of the Offer.

2.2 Basis of Evaluation

Grant Samuel has evaluated the Agria Offer by reviewing the following factors:

- the estimated value range of 100% of PGW and the price of the Agria Offer when compared to that estimated value range;
- the likelihood of an alternative offer and alternative transactions that could realise fair value;
- the likely market price and liquidity of PGW shares in the absence of the Agria Offer;
- any advantages or disadvantages for PGW shareholders of accepting or rejecting the Agria Offer;
- the current trading conditions for PGW;
- the timing and circumstances surrounding the Offer;
- the attractions of PGW's business; and
- the risks of PGW's business.

Grant Samuel's opinion is to be considered as a whole. Selecting portions of the analyses or factors considered by it, without considering all the factors and analyses together, could create a misleading view of the process underlying the opinion. The preparation of an opinion is a complex process and is not necessarily susceptible to partial analysis or summary.

3. Overview of the Agriculture Sector

3.1 Overview

The New Zealand economy is heavily dependent on agriculture and the primary sector. The global financial crisis significantly affected the sector with a downturn in commodity prices and a period of sustained high New Zealand dollar exchange rates impacting farm gate returns. Commodity prices have since improved significantly.

The agriculture sector is served by a number of rural supplies companies and cooperatives that operate networks of stores across New Zealand retailing (among other things) animal health products, crop protection solutions, pasture management products, fertiliser, clothing and fencing. These include entities such as PGW, RD1, Farmlands, CRT, Elders and Allied Farmers. The estimated average spend per farm on rural supplies is more than $130,000 per annum[2]. The rural services sector is fragmented and oversupplied. There is little product differentiation between rural supplies merchants and customers generally purchase based on price and convenience (location). As a result the industry is highly competitive and exhibits low margins. Fixed costs are typically high as the majority of rural supplies companies / cooperatives operate a network of retail stores. In addition the market is highly seasonal with the majority of purchases occurring predominately in spring / summer.

The performance of the rural services sector is strongly correlated with farm profitability, that is, the performance of the agricultural industry in general. The key sectors of New Zealand's agriculture industry are outlined below:

Dairy

New Zealand is the largest dairy exporter in the world producing 2.2% of the world's total milk production, the equivalent of 15 billion litres of milk. New Zealand's dairy product exports account for more than $10 billion[3] or approximately 40% of New Zealand's agricultural and forestry exports and approximately 5% of New Zealand's GDP. Dairy is New Zealand's largest export product or commodity group. According to the Ministry for Agriculture and Forestry (**MAF**) New Zealand dairy products were exported to 151 countries with key markets in China, USA, Japan and the EU. Approximately 72% of exports by value are to developing countries.

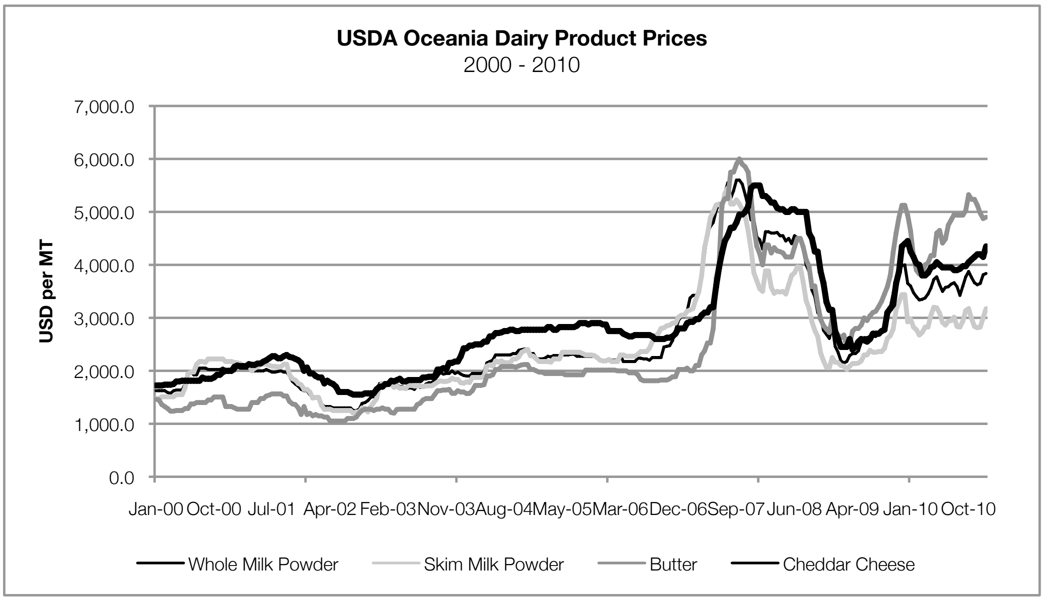
Since 2003 Fonterra's dairy payout has risen from $3.63 per kilogram of milk solids to a peak of $7.90 for the 2007/08 season and a forecast payout of between $7.30 and $7.40 for the 2010/11 season.

Statistics New Zealand estimates that the total dairy herd in New Zealand has doubled since 1979 to approximately 6 million as at 30 June 2010. New Zealand's key competitive advantage is its low cost feed year round. Only 10% of dairy cows in the world have pasture as a major component of their feed with other, more expensive feeds comprising hay, silage and grains.

Dairy prices have been volatile over recent years but have recently shown strong gains:

[2] PGW management estimates

[3] Statistics New Zealand "Overseas Merchandise Trade: November 2010", 10 January 2011



The outlook for dairy has improved steadily since September 2009 with commodity prices stabilising and an increase in international demand from emerging markets. MAF anticipates that milk prices for the 2011 season and beyond will be favourable but the extent of any increase will depend on the degree to which the New Zealand dollar depreciates. MAF has also projected dairy industry earnings to reach $15.7 billion for the year ending 30 June 2014[4]. Over the long run it is likely that demand from developing countries for dairy products will be, in part, offset by expanding domestic production in those markets.

Red meat

Meat remains a very important component of the New Zealand economy and is New Zealand's second largest export category, worth $5 billion in the year to 30 November 2010, or approximately 11% of the country's total exports.

New Zealand's most established and important meat export channels are to the UK, Europe and the US. Exports to these markets and others are subject to tariff and quota restrictions. The EU is the main destination for exported New Zealand sheep and lamb meat, and the US is the main destination for beef. Japan, Korea and Canada are becoming increasingly important markets for New Zealand meat.

In the year to 30 June 2010 New Zealand's number of beef cattle decreased to an estimated 3.9 million, the first time since 1966 that the national beef herd has been estimated below 4 million. The estimated number of sheep was 32.5 million at 30 June 2010, less than half the 70 million peak recorded in 1982. Deer numbers were relatively constant at an estimated 1.1 million[5], following several years of decline. A key issue facing the meat industry is a decline in the profitability of sheep and beef farms when compared to the comparatively high profits from dairying, resulting in a significant number of dairy conversions being undertaken, particularly in the South Island.

International lamb prices have been strong and are expected to remain high, and prices for New Zealand beef in the US have stabilised, however the strengthening of the New Zealand dollar has offset improvements in farm gate returns.

[4] Ministry for Agriculture and Forestry, "Situation and Outlook for New Zealand Agriculture and Forestry" (**SONZAF**), June 2010

[5] Statistics New Zealand, "Agricultural Production Statistics: June 2010", 17 December 2010

The outlook for New Zealand beef is challenging. Demand has declined as consumers favour lower-cost alternatives in the global economic downturn. Competition from Australia and the US is expected to be strong. However, beef prices in November 2010 were almost 50% above 2009.

Lamb prices are forecast to improve due to relatively low stock numbers worldwide combined with increased demand from developing economies. The lambing percentage for spring 2010 was down 12% due to cold weather in some locations, particularly the South Island. Lamb prices as at November 2010 were up 11% on the previous corresponding period.

Wool

New Zealand produces approximately 45% of the world's carpet wool and 30% of the world's strong wool for application in bedding and upholstery. Approximately 129,000 tonnes were estimated to be exported in the 12 months to 30 June 2010[6], predominately to Asia and Western Europe. China is a key driver of demand and imported 26% of New Zealand's strong wool in the year to 30 June 2009[7]. Strong wool exports depend on the global demand for carpet and upholstery, which has been weak following the global financial crisis but is showing signs of recovery. Very little wool is processed in New Zealand with 85% being exported for further production.

Wool export prices are exhibiting signs of increase due to the low levels of stock being held and strong demand from China and the Middle East.

Viticulture

New Zealand wine is the 9th largest export category by value[8]. Overall the industry contributes approximately $1.5 billion to New Zealand's GDP[9] and employs approximately 6,000 people as well as a significant number of seasonal workers during the pruning and harvest periods. Exports account for more than 60% of total sales by volume, of which more than 80% is Sauvignon Blanc and just over 6% is Pinot Noir. In the year ended 30 June 2010 New Zealand exported more than 145 million litres valued at approximately $1.1 billion[10].

Over the last 2 years the impact of the global financial crisis, a sustained high New Zealand dollar exchange rate and oversupply / overproduction have had a significant negative impact on prices for New Zealand wine both domestically and internationally. Much of the recent export growth in New Zealand has been driven by bulk wine exports which command significantly lower prices, often below the cost of production.

The current oversupply of grapes has forced grape prices to unsustainably low levels. The vast majority of vineyard owners and grape growers cannot continue to produce grapes at current prices which, for many, do not cover the cost of production. Grape growers have been reluctant to voluntarily disestablish their vineyards and the national grape harvest continues to grow. If grape prices do not improve over the next two or three years it is likely that growers will be forced to sell their vineyards or put their land to alternate use.

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[6] Ministry for Agriculture and Forestry, "SONZAF", June 2010

[7] ibid

[8] Statistics New Zealand "Overseas Merchandise Trade: November 2010", 10 January 2011

[9] "Economic impact of the New Zealand wine industry – An NZIER report to New Zealand Winegrowers", April 2009

[10] Ministry for Agriculture and Forestry, "SONZAF", June 2010

Horticulture

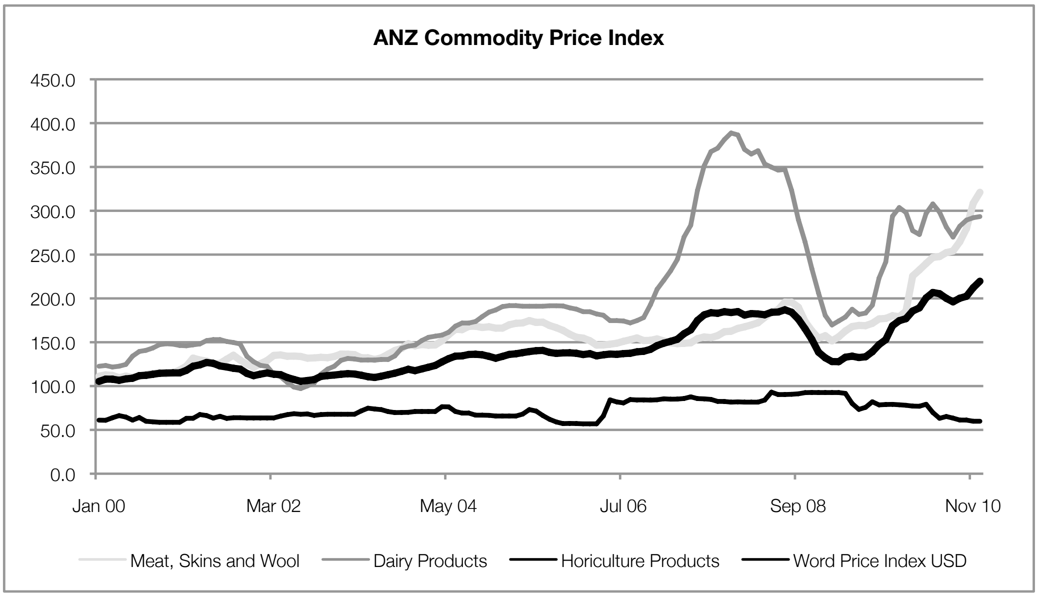
New Zealand's horticultural sector is dominated by the kiwifruit industry, which generated export returns in excess of $1 billion for the first time in the year to 31 March 2010[11]. The national orchard is approximately 13,250 hectares with more than 80% of the orchard located in the Bay of Plenty. Although there was concern regarding the outbreak of Pseudomonas Syringae PV Actinidiae (**PSA**) virus in the kiwifruit industry, the suspected outbreak appears to have been contained and is not expected to significantly impact on fruit volumes for the 2011 year.

Pipfruit is another large sub-category of New Zealand's horticulture industry. Earnings in the pipfruit industry have been variable over the last 5 years with export prices to Asian markets in 2009 remaining high but being offset by exports to larger European markets which experienced a reduction in prices of up to 30% for the same period. Export volumes for pipfruit have stabilised at around 16 million cartons per annum with Braeburn and Royal Gala apples accounting for more than 65% of total export volume for the year to 31 December 2009 (down from 75% in 2005)[12]. Pipfruit New Zealand is forecasting the current season's export apple crop to be up about 20% on last year as a result of more favourable growing conditions than in 2009 – 2010 when rain and hail caused significant damage.

Market conditions for the horticulture industry are mixed. The kiwifruit industry is expecting similar volumes and similar returns for the next couple of seasons. Prices for New Zealand apples in Europe are likely to remain relatively low with industry focus turning to more profitable markets including Asia, the Middle East and the US.

3.2 Outlook

MAF expects conditions in the agriculture industry to improve particularly in dairy where farmers are expecting an increased Fonterra payout for the forthcoming season. The outlook for meat and horticulture is mixed. Commodity prices have tended to increase in line with improvements in the global economic outlook:



[11] Ministry for Agriculture and Forestry, "SONZAF", June 2010

[12] ibid

The extent to which farmers benefit from any uplift in commodity prices will depend on the relative strength of the New Zealand dollar when compared with its major trading partners' currencies.

The world's demand for food is increasing as a result of population expansion and economic growth. The ability of the world's farmers to meet this demand is limited by the availability of land and water. Long-term forecasts for world food prices remain strong. Dairy is forecast to outperform the red meat sector for the foreseeable future.

Overall the outlook for the rural sector is more positive than for a number of years which bodes well for PGW's core AgriServices and AgriTech businesses. The challenge for management is to ensure PGW benefits from an increase in rural incomes and regains lost market share.

4. Profile of PGW

4.1 Background

PGW was formed in October 2005 from the merger of listed rural services companies Pyne Gould Guinness Limited (**PGG**) and Wrightson Limited. Both PGG and Wrightson had long histories in New Zealand, dating back to 1851 and 1841 respectively.

To effect the merger PGG issued new shares to Wrightson shareholders. At an operational level the merger resulted in a substantial rationalisation of assets with 17 South Island rural services stores merged, a major re-branding exercise and the closure of the Wrightson corporate office in Wellington.

PGW – Important Events since Merger of PGG and Wrightson

Share Price	Date	Event
$2.15	Oct 2005	PGG and Wrightson merge to form PGW
$1.64	Nov 2006	PGW announces that subsidiary company NZ Farming Systems Uruguay Limited (**NZFSU**) will seek to raise up to $150 million to purchase and develop farms in Uruguay
$2.14	May 2008	PGW announces agreement to combine the majority of its wool business with a new grower co-operative Wool Grower Holdings
$2.60	June 2008	PGW and Silver Fern Farms (**SFF**) announce a partnership proposal whereby PGW would purchase a 50% shareholding in SFF
$1.75	Nov 2008	PGW announces partnership with SFF will not proceed
$0.79	Aug 2009	PGW announces a loss of for the year ended 30 June 2009 of $66.4 million which includes a write down of investment in NZFSU of $39.2 million and SFF settlement and due diligence costs of $49.6 million partially offset by a gain of $17.6 million from sale of wool business into a joint venture.
$0.64	Nov 2009	Announcement of a $180.7 million rights issue
$0.67	Nov 2009	Announcement of a placement of 41.1 million shares to Agria at $0.88 cents per share and issue of $32.5 million of CRNs to Agria
$0.60	Dec 2009	Successful completion of capital raising and repayment of bank debt of $207 million
$0.50	July 2010	PGW enters into lock-up agreement with Olam to sell PGW's 11.5% stake in NZFSU
$0.56	Dec 2010	Agria gives notice of partial takeover at $0.60 per share

In June 2010 PGW restructured its operations in to two major business divisions:

AgriServices	▪ Merchandising ▪ Livestock ▪ Insurance ▪ Real Estate ▪ Irrigation and pumping ▪ PGG Wrightson Finance
AgriTech	▪ Seeds ▪ Nutrition ▪ Grain

Today PGW is New Zealand's leading provider of agricultural services to growers, farmers and processors in New Zealand and internationally. PGW employs more than 2,100 people and had annual revenue for the year to 30 June 2010 of $1.2 billion. In a recent development, PGW has announced that George Gould will be appointed as Group Managing Director of PGW effective 1 February 2011. George Gould will resign from his position on the board of PGC prior to taking up his position as Managing Director of PGW.

Since late 2009 PGW's governance structure has changed significantly and the business has been restructured. Several new appointments to the Board have taken place as a result of Agria's cornerstone investment in PGW, as well as from former Board members stepping down and being replaced. Over the same period PGW's Managing Director (Tim Miles), General Manager Transformation and Strategy (Jason Dale), and Chief Executive Officer (Barry Brook) have either resigned or retired.

4.2 AgriServices

PGW's AgriServices division focuses on the end customer and PGW's distribution network. The AgriServices division provides standard agricultural products and services to New Zealand customers and international distributors. The core focus is on delivery efficiency and cost management with relatively tight margins and strong earnings dependent on high volume turnover. The AgriServices division includes the following products and services:

Merchandising

PGW operates a network of 96 stores under the *PGG Wrightson* and *Fruitfed Supplies* brands providing a range of products from animal health and nutrition, grain, seed and chemicals to clothing, fuel, fencing, machinery and leisure goods. Approximately 60% of the Merchandising business unit's revenues are generated in the first half of the financial year (June to December).

Despite an uplift in the forecast Fonterra payout for this season and relatively stable returns for sheep and beef farmers, a substantial portion of farmer discretionary spending has been diverted towards retiring debt and as a result the trading performance of the Merchandising business unit has been flat (compared to last year) for the first half of the 2011 financial year.

Fruitfed Supplies has also been affected with a high New Zealand dollar impacting returns for the horticulture industry and the wine industry continuing to suffer reduced returns due to the current oversupply of grapes.

Livestock

PGW's livestock business comprises New Zealand's largest group of livestock representatives (more than 250 in total) managing a variety of relationships between farmers, meat processors, livestock exporters and stud-stock breeders and buyers. PGW's livestock representatives also facilitate the buying and selling of livestock on behalf of clients (at auction or privately on-farm), and provide advice in relation to livestock genetics, stocking and animal evaluation, valuation and selling and buying strategies. Livestock volumes peak between March and May as farmers restock in preparation for the forthcoming season.

PGW handles more than half of the farmer-to-farmer livestock transactions in New Zealand with competition primarily from farmers dealing directly with meat processors and from a number of regionalised livestock companies.

The introduction of the National Animal Identification and Tracing Bill (**NAIT**) will likely impact on PGW's requirement for stock agents, with stock data expected to be widely available electronically following NAIT's introduction. In addition, the costs of complying with NAIT will require PGW to invest in its stockyards. A potential outcome of these compliance costs is that many smaller stockyard operators may not be in a position to fund the required investment, thereby further strengthening PGW's already strong position.

PGW also contract exports dairy heifers and other livestock into international markets including South East Asia, China and Mexico.

Insurance

PGW offers a range of specialised insurance products delivered in conjunction with New Zealand insurance broker, AON. Insurance products include farm insurance, domestic insurance, livestock insurance, crop insurance and business insurance.

Real Estate

Complementary to its other AgriServices businesses, PGW operates a national rural real estate business conducted through a team of sales representatives with specialised knowledge of the rural property market.

The rural real estate market is fragmented, however both PGW and Bayleys hold strong competitive positions. Very few rural properties changed hands during 2010 and in the current market environment the core focus of the Real Estate has been to reduce its overheads.

Irrigation and Pumping

Irrigation and Pumping is an integrated irrigation business including system design, construction and service with a primary focus on the design and installation of "turnkey" irrigation and pumping projects for arable, pastoral and dairy platforms. Irrigation projects are largely dependent on the viability of dairy conversions and the availability of water.

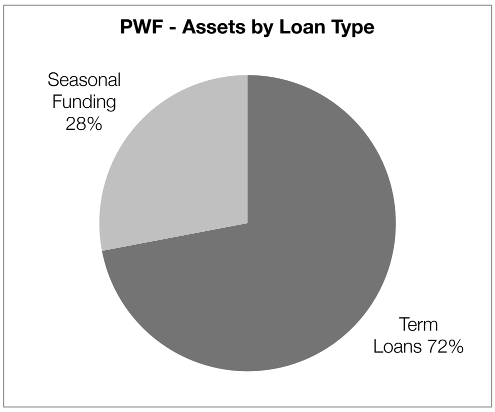
Other AgriServices

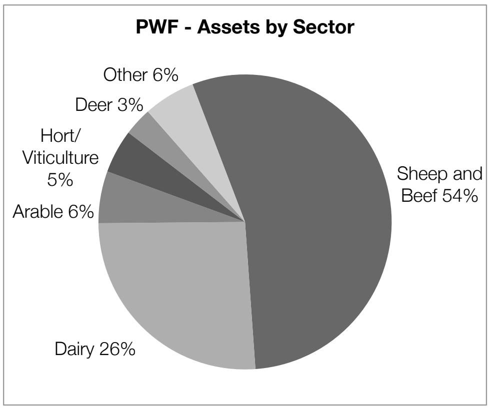
PGW has several other investments, advances and ventures which are grouped under the AgriServices division including:

- Wool Partners International (40% voting rights) – the future of this business is currently being explored via the establishment of the Wool Partners Co-operative;
- The New Zealand Merino Company (50% ownership); and
- Agriculture NZ – New Zealand's largest nationwide agricultural and horticultural training provider generally funded by the Tertiary Education Commission, Work and Income New Zealand and the Agriculture ITO with more than 1,400 enrolled students each year.

PGG Wrightson Finance

PWF is a non-bank specialist rural finance company offering a range of financial products and services including term loans, seasonal finance, livestock, wool, crop and farm input advances. As at 30 June 2010 PWF had $550 million of assets. Approximately 71% of PWF's lending is to farming businesses within the South Island and 29% in the North Island. The following charts depict PWF's loan assets by type and by sector as at 30 June 2010:





PWF requires security for all new lending. As at 30 June 2010 99% of its loans were secured, 93% of which were secured by a first-ranking security. PWF has no related party lending.

The finance business is funded by an ongoing retail deposit programme, an existing New Zealand Debt Market (**NZDX**) bond issue, wholesale bank funding and equity from PGW. Reinvestment rates in PWF's Secured Deposits have averaged in excess of 80% for the last 6 months. PWF's Secured Deposits have the benefit of the Crown retail deposit guarantee that expires on 31 December 2011.

On 17 February 2010 PWF received a credit rating of BB (stable) from Standard & Poors. A brief financial profile of PWF is outlined below:

PWF Financial Profile ($ millions)			
Year end 30 June	**2008**	**2009**	**2010**
Net interest income	15.4	18.9	28.4
Net interest margin	8.5	10.3	13.3
Net operating profit / (loss) after tax	5.8	7.8	8.9
Operating Cash Flow	5.5	14.2	20.6
Total Assets	507.5	575.5	549.7
Total Liabilities	453.6	508.7	449.3
Net Assets	53.9	66.8	100.4

Source: Annual Reports

4.3 AgriTech

The AgriTech division incorporates the following:

Seeds

PGW's Seed business is the largest Southern Hemisphere supplier of commodity and proprietary forage seed predominately to New Zealand, Australia, South America and various international markets. PGW's seed product range includes grass seeds, seed treatment products, forage legumes, forage brassicas, herb seeds, pea seeds and turf seeds. PGW is a market leader in New Zealand in forage, brassicas and turf, in Australia in proprietary and commodity forage products and a strong presence in South America through various investments in Uruguay, Argentina and Brazil.

PGW's seed products are focused on improving overall farm productivity and performance. On average New Zealand farmers re-pasture every 20 years. Management estimates that optimal pasture productivity could be achieved if New Zealand farmers moved to a 10 year re-pasturing cycle. The business is also involved in the turf seeds market in New Zealand and Australia for application in sports grounds, parks and lawns. In November 2010 PGW completed the acquisition of the assets of Keith Seeds Pty Limited – an Australian pasture seed, food grade pulse (peas, beans, lentils) producer and seed processing and cleaning business based in South Australia.

The Seeds division is supported by a strong research base and commercialises new products through internal research and development, breeding and evaluation programmes and joint venture research partnerships.

The seeds business has a number of proprietary seeds that provide superior margins. In addition it has a large number of new cultivars in development. It is likely that PGW's substantial seed business is the primary attraction to Agria.

Nutrition

The Nutrition business (Agri-Feeds) is a leading importer and wholesaler of liquid animal feeds based on sugar cane molasses. Agri-Feeds also manufactures and supplies products for treating facial eczema in livestock.

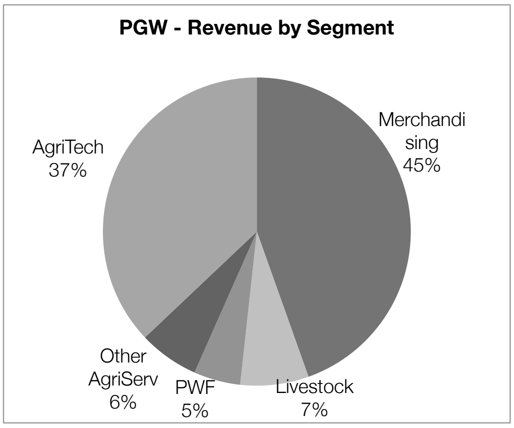
Grain

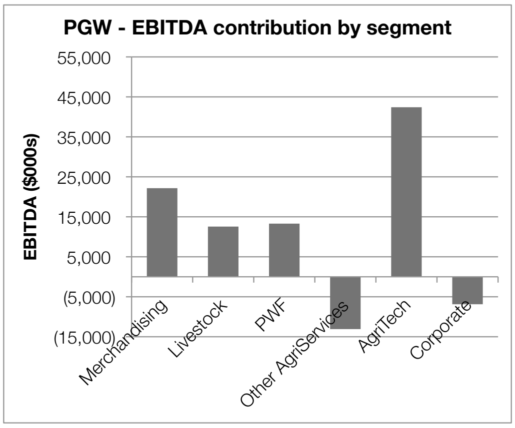
PGW's Grain business is New Zealand's largest domestic grain brokerage and marketing service. The business specialises in the supply of cereal seeds to arable farmers together with crop drying and storage activities in maize in the North Island and grain brokerage services throughout New Zealand. Key product categories include feed wheat, milling wheat, malting barley, feed barley, maize and proprietary cereals.

The Grain division has strong relationships with growers via a network of field representatives throughout key cropping areas.

4.4 Segmental performance

The chart below shows each business segment's contribution to PGW's external revenues and EBITDA during the 2010 financial year:





The total revenue contribution of the AgriServices division for the year to 30 June 2010 was 63% compared with 37% for AgriTech. However AgriServices provides only 45% of group EBITDA compared with AgriTech's 55% contribution.

4.5 Financial Performance

The financial performance of PGW for the years ended 30 June 2008, 2009 and 2010, and management's forecast for the year ending 30 June 2011, are shown in the table below:

PGW Financial Performance (NZ$000)					
Year end 30 June	**Note**	**2008**	**2009**	**2010**	**2011F**
Sales	*1*	1,179,056	1,280,503	1,151,082	1,231,502
Cost of sales		(892,246)	(977,130)	(857,523)	(934,473)
Gross profit		*286,812*	*303,374*	*293,559*	*297,029*
Gross margin	*2*	*24%*	*24%*	*26%*	*24%*
Other income		301	95	21	-
Employee benefits expense	*3*	(117,997)	(122,261)	(119,504)	(125,142)
Research and development	*4*	(1,965)	(2,988)	(3,630)	(5,514)
Other operating expenses		(82,869)	(97,033)	(99,961)	(105,477)
EBITDA	**5**	**84,282**	**81,092**	**70,464**	**60,897**
Depreciation and amortisation		(6,062)	(6,351)	(7,255)	(7,966)
EBIT		**77,811**	**74,741**	**63,209**	**52,930**
Equity accounted earnings of associates	*6*	831	(1,380)	1,959	
Non-operating items	*7*	22,145	(55,595)	(7,983)	
Fair value adjustments	*8*	17,707	(42,837)	4,047	
Net interest and finance costs		(22,606)	(31,376)	(36,462)	
Income tax expense		(22,308)	(13,136)	(10,428)	
Profit from continuing operations		**73,580**	**(69,583)**	**14,342**	
Profit / (loss) from discontinued operations	*9*	2,561	(7,890)	(971)	
Profit for the year		**76,141**	**(77,473)**	**13,371**	
Attributable to non-controlling interests	*10*	*-*	*-*	*647*	
Attributable to PGW shareholders		*76,141*	*(77,473)*	*12,724*	

The table above should be read in conjunction with the following notes:

1. PGW's revenues have fluctuated since 2008 with 2010 and 2011 being impacted by weak sales for the Merchandising division in particular which experienced a revenue decline of approximately 19% in 2010. This was driven by the trend of a diversion of farmer's discretionary spending towards debt repayment and by strong competition in the seed, Agchem and fertiliser categories. Revenues for the Merchandising division are projected to be flat for the 2011 financial year (year on year), although Management are projecting some growth in revenues for AgriServices, primarily in relation to higher export and domestic livestock sales;

2. PGW's margins have remained relatively constant largely due to its diverse portfolio of businesses that insulate the overall performance from fluctuations in specific business unit margin variations;

3. employee salary and wage costs are projected to increase to more than $125 million in 2011, in part due to increases in salary levels in AgriTech and the establishment of a new regional structure in AgriServices;

4. forecast research and development expenses for 2011 appear higher than in 2010 but this is largely due to the consolidation of Grasslands Innovation in the 2011 year (previously accounted for as an associate);

5. EBITDA for the 2010 year was adversely affected by the poor performance of the Merchandising, Real Estate and Irrigation and Pumping divisions. The projected EBITDA for the 2011 year is more than $9.5 million lower than that achieved in 2010. The change in projected EBITDA from 2010 to projected 2011 can be attributed to:
    - loss of management fee income from NZFSU due to the divestment of the management contract;
    - increased loan provisions in PWF; and
    - a refund under the Crown Guarantee Scheme not being repeated in the current financial year.
6. equity accounted earnings of associates represents the results of PGW's share of investments in Wool Partners International Limited, The New Zealand Merino Company Limited and various other joint ventures;
7. non-operating items include costs and actuarial movements associated with PGW's defined benefit superannuation plans, unrealised foreign exchange gains and losses, costs associated with due diligence and settlement of the failed SFF transaction (2009) and capital gains on the sale of businesses, property, plant and equipment. In 2011 PGW expects to write off $5.5 million of value attributed to its investment in a farm in Brazil;
8. fair value adjustments relate to NZ IFRS adjustments to investments and derivatives;
9. discontinued operations include Fecpak (2010), the Friesian live export business (2009) and Australian Livestock and Real Estate activities (2009). On 1 July 2008 PGW entered into a transaction with a new wool growers co-operative, Wool Grower Holdings Limited, to form Wool Partners International Limited. This joint venture is owned 50% by Wool Grower Holdings Limited and 50% by PGW. As a result of this transaction PGW classified its wool operation as a discontinued operation in 2008; and
10. non-controlling interests relate to the minority shareholdings held by third parties in PGW's Uruguayan and Argentinean subsidiaries.

4.6 Financial Position

The financial position of PGW as at 30 June 2008, 2009 and 2010 and 31 December 2010 is outlined in the table below:

PGW – Balance Sheet (NZ$000)					
Year ended 30 June	**Note**	**2008**	**2009**	**2010**	**31 Dec 2010**
Cash and cash equivalents		26,101	45,999	24,246	35,029
Trade and other receivables		243,158	188,197	208,510	306,124
Finance receivables	*1*	324,365	412,395	419,857	411,401
Inventories		175,593	203,766	218,260	201,460
Biological assets	*2*	5,078	3,630	23,029	17,462
Other current assets		47,163	25,686	11,164	6,235
Current Assets		**821,458**	**879,673**	**905,066**	**977,711**
Property, plant and equipment		70,221	67,054	77,160	78,432
Intangible assets	*3*	319,606	340,133	335,506	334,098
Finance receivables	*1*	182,665	151,726	110,262	80,355
Investments in equity accounted associates	*4*	3,141	3,268	3,759	4,193
Other investments	*5*	69,526	92,722	85,378	50,202
Other non-current assets		4,868	9,570	9,751	10,124
Non-current assets		**650,027**	**664,473**	**621,816**	**557,404**
Total assets		**1,471,485**	**1,544,146**	**1,526,882**	**1,535,115**
Current portion of long-term debt	*6*	174,294	526,540	23,809	93,011
Accounts payable and accruals		171,858	171,179	226,156	228,167
Finance current liabilities	*1*	269,876	249,922	361,292	327,896
Other current liabilities		26,760	6,802	1,704	2,962
Current liabilities		**642,788**	**954,443**	**612,961**	**652,036**
Long-term debt	*6*	304,000	-	198,868	132,210
Finance term liabilities	*1*	42,060	177,724	56,765	91,688
Defined benefit liability	*7*	-	13,680	18,206	18,206
Other non-current liabilities		2,136	7,378	4,612	5,135
Non-current liabilities		**348,196**	**198,782**	**278,451**	**247,239**
Total liabilities		**990,984**	**1,153,225**	**891,412**	**899,275**
Share capital	*8*	374,508	408,850	640,174	640,174
Reserves		33,747	24,286	16,762	17,062
Retained earnings		72,246	(42,215)	(23,216)	(23,379)
Non-controlling interest	*9*	-	-	1,750	1,983
Net assets		**480,501**	**390,921**	**635,470**	**635,840**

The above table should be read in conjunction with the following notes:

1. finance receivables (both current and non-current) relate to loans made by PWF. Finance liabilities (both current and term) include amounts owing to investors under PWF's secured and unsecured deposit programmes;
2. biological assets are livestock held for sale including cattle, sheep, bulls, deer and semen;
3. intangible assets are predominantly goodwill arising from the PGG and Wrightson merger, and software;

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4. equity accounted associates include PGW's investments in Wool Partners International Limited, The New Zealand Merino Company Limited and various other joint ventures;

5. other investments relate to PGW's investment in NZFSU, BioPacificVentures Limited, various other investments including saleyards and advances to PGW's associates. PGW's NZFSU investment was sold in late 2010 resulting in a reduction in other investments to $50 million as at 31 December 2010. Other investments as at 31 December 2010 largely include loans of $31.2 million to entities associated with Wool Partners International Limited, a $12.4 million investment in BioPacificVentures Limited and a $5.5 million investment in a farm in Brazil (the fair value of which is likely to be reduced zero by 30 June 2011);

6. during the 2010 financial year PGW renewed its banking facilities. As at 31 December 2010 PGW's total banking facilities were $348 million (down from $413 as at 30 June 2010 and $720 million as at 30 June 2009) including a $101 million syndicated facility with security over PWF assets. Drawn debt for both PGW and PWF as at 31 December 2010 was $225.2 million. PGW's debt fluctuates significantly during the year reaching seasonal peaks in spring and autumn. The maturity profile of the various component facilities is as follows:

PGW – Bank facility limits as at 31 December 2010 and maturity dates

Facility type	Amount ($ million)	Maturity date
Term debt facility	132.2	31 August 2012
Working capital facility	75.0	31 August 2011
Overdraft and guarantee facilities	40.0	On demand
PWF facility	101.0	1 December 2013
Total facility limits as at 31 Dec 2010	**$348.2**	

7. PGW makes contributions to two defined benefit superannuation plans for employees and former employees. The liability amount represents the present value of unfunded defined benefit obligations[13] at year end;

8. as at 30 June 2008 PGW had 315.8 million shares on issue. In 2009 there was a placement to Agria of 88 cents and a rights issue at 45 cents to all shareholders. A total of 442.6 million shares were issued at an average price of 54 cents, increasing shares on issue by 140%. The increase in the number of shares on issue explains in part the significant fall in the share price of PGW; and

9. non-controlling interests relate to the minority shareholdings held by third parties in PGW's Uruguayan and Argentinean subsidiaries.

[13] Represents the difference between the present value of defined benefit obligations and fair value of plan assets held to met those future obligations

4.7 Cash Flow

The cash flows for PGW for the years ended 30 June 2008, 2009 and 2010 are shown in the table below:

PGW – Statement of Cash Flows (NZ$ millions)				
Year end 30 June	**Note**	**2008**	**2009**	**2010**
Receipts from customers		1,212,010	1,269,082	1,144,437
Dividends and interest received		54,053	60,285	70,433
Payments to suppliers and employees		(1,161,155)	(1,250,673)	(1,083,573)
Interest paid		(59,760)	(62,116)	(76,296)
Income tax paid		(18,855)	(4,361)	(11,657)
Cash flow from operating activities		**26,293**	**12,217**	**43,344**
Proceeds from sale of property, plant and equipment		14,149	740	11,682
Change in finance receivables	*1*	(115,278)	(59,878)	25,053
Proceeds from sale of investments		-	305	57
Purchase of property, plant and equipment		(16,524)	(6,476)	(10,521)
Purchase of intangibles (software)		(821)	(12,436)	(2,079)
Merger expenses paid		(2,290)	-	-
Purchase of investments	*2*	(80,818)	(21,959)	(5,810)
Cash flow from investing activities		**(201,582)**	**(99,704)**	**18,382**
Issue of share capital (net of issue costs)		15,063	-	206,954
Issue of convertible redeemable notes (net of issue costs)	*3*	-	-	32,717
Increase in bonds		-	78,488	-
Increase in external borrowings		162,169	180,287	21,000
Loans to related parties		444	-	1,322
Increase in secured debentures		36,074	48,122	26,531
Dividends paid		(37,043)	(24,107)	-
Interest paid on convertible redeemable notes	*3*	-	-	(1,249)
Repayment of bonds		-	-	(25,233)
Net decrease in clients' deposit and current accounts		(2,066)	(12,308)	(12,214)
Finance facility fees		-	(14,350)	(8,444)
Repayment of external borrowings		-	(140,475)	(324,863)
Repayment of loans to related parties		-	(8,272)	-
Cash flow from financing activities		**174,641**	**107,385**	**(83,479)**
Net cash flow		**(648)**	**19,898**	**(21,753)**
Opening cash balance		26,749	26,101	45,999
Closing cash balance		26,101	45,999	24,246

The above table should be read in conjunction with the following notes:

1. PWF increased new lending during 2008 and 2009, reducing the overall size of its loan book during the 2010 financial year;
2. during the 2008 financial year PGW invested approximately $28 million in shares in NZFSU, $25 million in acquisitions of subsidiaries (AusWest Seeds, 4 Seasons Molasses and Bloch and Behrens), a further $2 million in the BioPacificVentures fund and $10 million on sundry other investments including saleyards. The NZFSU shares were sold in late 2010 for $15.5 million into a full takeover offer by Singaporean company Olam International; and

3. in January 2010 PGW issued approximately NZ$33.8 million CRNs to Agria. The investment term of the CRNs is perpetual but with two yearly rate resets, subject to the PGW board having the right after 18 months from the date of issue to either:

- convert the CRNs into PGW shares; or
- redeem, in which case Agria can select cash or ordinary shares in PWF.

4.8 Capital Structure and Ownership

As of 21 January 2011 PGW had 757,985,639 shares on issue held by approximately 15,400 shareholders. The Company's top 20 shareholders as at 21 January 2011 are shown in the table below:

PGW – Top 20 Shareholders as at 21 January 2011

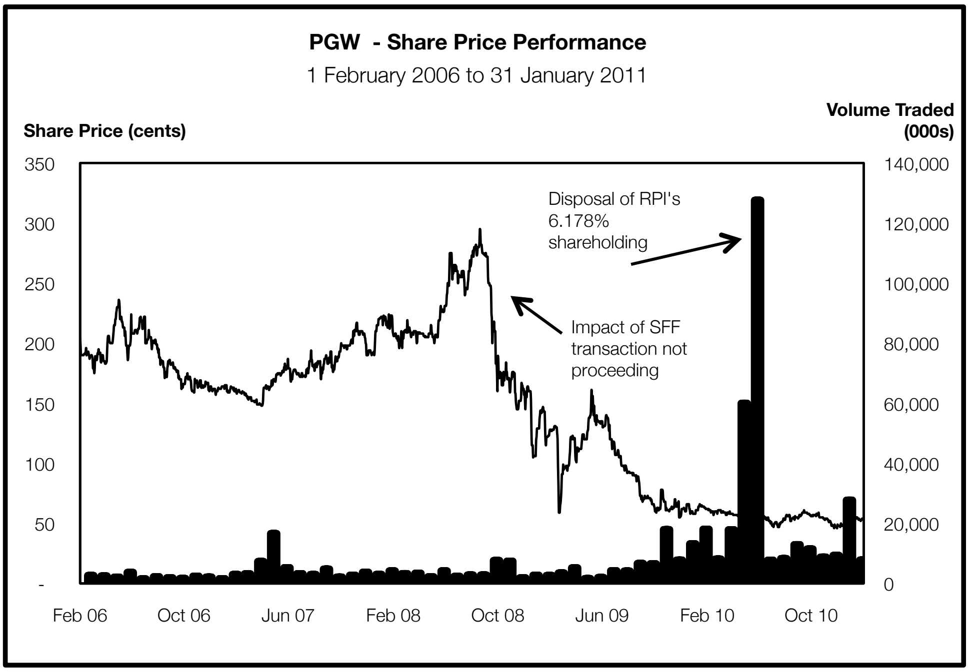
Shareholder	Shares (000s)	%
Agria (Singapore) Pte Limited	144,105	19.01
Pyne Gould Corporation Limited	138,827	18.31
National Nominees New Zealand Limited	29,488	3.89
AMP Investments Strategic Equity Growth Fund	25,500	3.36
Accident Compensation Corporation	23,293	3.07
HSBC Nominees (New Zealand) Limited	23,198	3.06
Citibank Nominees (New Zealand) Limited	22,084	2.91
HSBC Nominees (New Zealand) Limited a/c State Street	20,040	2.64
New Zealand Superannuation Fund Nominees Limited	18,400	2.43
New Zealand Guardian Trust Investment Nominees Limited (AMP Capital NZ)	17,849	2.36
Tea Custodians Limited	12,518	1.65
NZGT Nominees Limited – AIF Equity Fund	9,710	1.28
Asteron Life Limited	9,681	1.28
Forsyth Barr Custodians Limited	7,311	0.97
Custodial Services Limited	6,678	0.88
H & G Limited	5,900	0.78
PGG Wrightson Employee Benefits Plan Limited	5,819	0.77
Masfen Securities Limited	5,056	0.67
Timothy Marshall Miles	3,747	0.49
New Zealand Depository Nominee Limited	3,146	0.42
Top 20 Shareholders	**532,350**	**70.23**
Other Shareholders	**225,636**	**29.77**
Total	**757,986**	**100.00**

PGW's share register is widely held with a substantial number of shareholders holding small parcels of shares. PGW's top two shareholders own 37.32% of the shares on issue and the top 20 shareholders hold more than 70%.

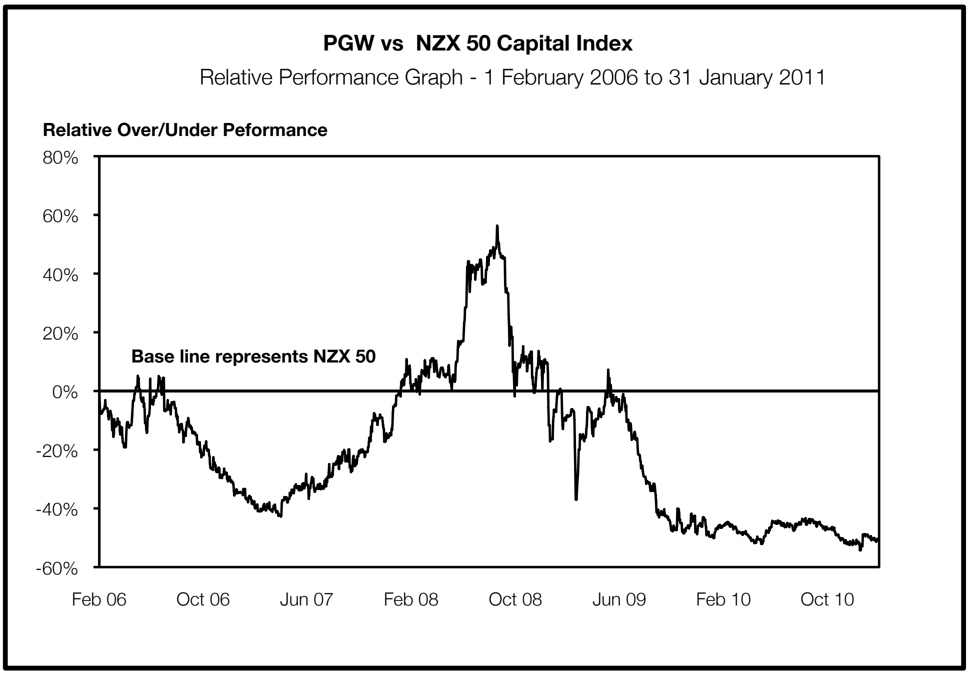
H & G Limited is an entity associated with Sir Selwyn and David Cushing (a Director and Alternate Director of PGW respectively). H & G Limited has indicated an intention to accept the Offer in respect of its entire shareholding.

4.9 Share Price Performance

The share price and trading volume history of PGW shares is depicted graphically below.



The large volume spike in May 2010 related to the appointment of receivers over specific assets of PGW's former cornerstone shareholder Rural Portfolio Investments Limited (**RPI**). The shares were sold in May by way of a book build at 55 cents per share. PGW's share price against the NZX50 Capital Index is shown in the graph below:



PGW has underperformed relative to the NZX50 (using January 2006 as a reference point) since August 2008.

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5. Profile of Agria

5.1 Background

Agria Corporation is a China-based agricultural solutions provider listed on the New York Stock Exchange (**NYSE**). Agria Corporation has, since listing on the NYSE in 2007, undergone significant change resulting from the disposal of its major business.

Originally formed in 2004, it was primarily involved in the production of corn seeds, sheep products and seedlings conducted through contractual arrangements with a consolidated affiliated entity[14], Primalights III Modern Agriculture Development Co. Limited (**P3A**).

In November 2007 Agria Corporation undertook an Initial Public Offering (**IPO**) in the USA, selling 17.15 million American Depositary Receipts (**ADRs**) to the public at US$16.50 per ADR (total capital raised of US$283 million). Each ADR represented two shares in Agria Corporation. Of the total, 12 million ADRs (US$198 million) were new shares sold by Agria Corporation and 5.15 million (US$85 million) by Brothers Capital Limited, a company owned by Agria's Chairman, Mr Guanglin (Alan) Lai (**Mr Lai**).

In April 2008 (only 6 months after the IPO) Agria announced that its chief operating officer, Mr Frank Xue (**Mr Xue**), had resigned. Following this announcement a class action was filed by holders of Agria's ADRs alleging that the IPO Prospectus contained inaccurate statements of material facts in relation to Agria's control over P3A and the fact that Agria was in dispute with its Chief Operating Officer (Mr Xue). The class action was dismissed in November 2009. A motion for reconsideration was filed and an agreement was subsequently reached to pay US$3.75 million to the plaintiffs.

In March 2010 Agria advised that:

> *"the core operations of Agria have experienced a significant decline since 2008 as greater strategic focus and scale are needed for each of the three business segments, corn seeds, sheep breeding and seedling."*

In June 2010 Agria announced that its strategic review was complete and that it was now a strategic priority to growing a focused seeds business in China. In June 2010 Agria further announced that:

> *"Agria has reached an agreement in principle to divest P3A to Mr Frank Xue, the President and Director of P3A. Through the proposed transaction, Agria would acquire Agria shares currently held by Mr Xue consisting of 11.5% of the issued and outstanding ordinary shares of Agria in exchange for the transfer of all of Agria's interest in P3A to Mr Xue. Immediately following the proposed transaction Mr Xue would hold approximately 6% of Agria shares."*

In September 2009 Agria announced a change of senior management and a strategic review of its business. Agria appointed a new Chief Executive Officer, Mr Xie Tao, who previously held roles at PricewaterhouseCoopers (**PwC**) for 20 years including as the head of China market corporate finance and serving on the firm's governing board. Agria also appointed a new Chief Financial Officer, Chris Boddington, and a Chief Strategy and Compliance Officer, John Layburn. Mr Boddington and Mr Layburn were both also previously employed at PwC.

[14] According to US Securities and Exchange Commission (**SEC**) filings, the reason Agria did not have legal ownership of P3A was that, as a foreign registered entity, it was not permitted to hold direct investments in China's agricultural sector. The effect of the arrangements between Agria and P3A was to give Agria effective ownership of P3A.

Following the divestment of P3A Agria's primary business consisted of its 19.01% shareholding in PGW, which it acquired between late November 2009 and early January 2010. The ADRs are currently trading at US$1.85. Mr Lai continues to hold 38.8% of Agria.

Co-operation Agreement with PGW

On 16 October 2009 PGW announced that it had formed a strategic partnership with Agria for it to take a cornerstone shareholding in PGW. The strategic partnership is aimed at the creation of value for both companies through the advancement of agricultural technology and the development of new markets including:

- joint development and international commercialisation of seed cultivars;
- development of livestock demand in China and export of livestock to meet that demand;
- joint examination of the development of a rural services business in China, where there is currently no mature provider of rural services; and
- examination of additional funding lines for growth through third party sources for PWF.

As part of this strategic partnership Agria acquired a 13% shareholding in PGW by way of a placement for a total investment of $36.2 million (41.1 million shares at $0.88 per share) in November 2009. The stated intention of both PGW and Agria at this time was for Agria's shareholding to increase over time.

In November 2009 PGW also announced that it would be undertaking a $180.7 million rights issue at a price of $0.45 per share. Agria, in addition to exercising its entitlement of 46.2 million rights, purchased and exercised a further 56.8 million rights (a total of 103 million rights), which had the effect of increasing its shareholding in PGW from 13% to 19.01%.

At the time of the rights issue PGW was facing difficulties in meeting the repayment obligations under its banking facilities. The $180.7 million proceeds from the rights issue were applied to reduce bank debt. Agria's participation as a new cornerstone shareholder assisted in the successful completion of the capital raising.

In January 2010 Agria invested further into PGW through a $33.85 million CRN (as described in Section 5.2 below). These funds were applied to recapitalise PWF and enabled PWF to secure a BB (stable) credit rating from Standard & Poors. To date Agria has invested a total of approximately NZ$116.4 million in PGW.

5.2 Convertible Redeemable Notes

In January 2010, Agria invested US$25 million (NZ$33.85 million) in PGW CRNs. The key terms of the CRNs are:

- initial coupon rate from date of issue to 31 December 2011 of 8%, with a step up to 5.5% above the two year swap rate (currently 3.9%) on 31 December 2011, stepping up to 6.5% over two year swap for subsequent two year periods;
- interest can be suspended by PGW directors at their sole discretion, but accumulates with suspension and prevents PGW from paying dividends while interest is suspended;
- the CRNs are classified as equity for accounting purposes;
- the investment term is perpetual but with two yearly rate resets, subject to the PGW board having the right after 18 months from the date of issue to either:
  - convert the CRNs into PGW shares; or

- redeem, in which case Agria can select cash or ordinary shares in PWF.

Conversion Terms

In the event PGW elects to convert the CRNs into PGW shares:

- Agria will receive 2.1 PGW shares for each $1 CRN, having the effect of the shares in PGW being issued at 47.6 cents each; and
- the CRNs are exposed to the upside and downside movements in the PGW share price over the term of the CRN instrument.

Redemption Terms

If redemption is selected by the PGW board, then the principal redeemed increases by 2% every two years, e.g:

- if redemption occurs within two years, then Agria receives $33.8 million + 2%; and
- if redemption occurs between two and four years, then Agria receives $33.8 million + 4%.

5.3 Operations

Agria Corporation describes its business operations in China as being focused on creating a profitable seed business across three business units: research and development, production and marketing. The company also announced its intention to focus on:

- growing a focused seed business in China;
- developing strong expertise in operational management; and
- acquiring proprietary technologies.

Agria holds the following seed related investments and relationships. All investments are held through an affiliated company, Shenzheu Guanli Agricultural Technology Co. Ltd, not owned by Agria. This arrangement is necessary to comply with ownership rules relating to seed companies in China:

Agria's Seed Investments and Relationships

Name	Date	Description
Chinese National Academy of Agricultural Science (**CNASS**)	Oct 2009	Strategic Cooperation agreement
Beijing Zhongnong Seed Industry Co. Ltd (**Zhongnong**)	Oct 2009	Acquisition of 53.84% of Zhongnong from CNAAS for NZ$7 million. Zhongnong has priority rights to accept the transfer of all existing and future cultivated seed varieties owned by CNAAS for commercialisation.
Beijing Nong Ke Yu Seeds International Co. Ltd	Oct 2009	100% ownership for NZ$1 million. Engaged in research, production and marketing of edible corn seeds
Tianjin Beiao Seed Technology Development Co. Ltd	Jan 2010	100% ownership for NZ$200,000. Engaged in research, production and marketing of vegetable seeds.
Wuwei Ganxin Seeds Company Limited (**Ganxin**)	Sept 2010	RMB40 million (NZ$8 million) 49% investment. Ganxin's operations include corn seed research, development, production and sales. Agria and Ganxin have entered into an exclusive sales agency agreement over the entire production volume of all current and future varieties of seeds owned or developed by Ganxin.

Grant Samuel has no visibility on the overall profitability, turnover or size of each of these operations. Grant Samuel understands that the combined seed business is expected to generate approximately NZ$25 million in turnover for the coming year.

No further detailed information is publicly available. During the course of writing this report Grant Samuel requested a copy of Agria's confidential application to the OIO. Agria elected not to disclose this application to Grant Samuel. To the best of Grant Samuel's knowledge, following the transfer of Agria's core business (P3A) to Mr Xue, Agria's only remaining activities are:

- a seeds business in a very early stage of development;
- long term leases over nine parcels of land totalling approximately 13,500 acres previously held by P3A (it is not clear what (if any) activities are undertaken on this land); and
- its 19.01% shareholding in PGW.

5.4 Financial Profile

A brief financial profile of Agria is outlined below:

Agria Financial Profile (US$ millions)			
Year end 31 December	**2007**	**2008**	**2009**
Revenue	88.0	67.5	25.9
Gross profit	49.1	27.4	5.1
Net operating profit / (loss) after tax	18.7	(108.3)	(19.8)
Operating Cash Flow	34.0	30.2	(0.9)
Total Assets	271.9	299.6	293.9
Total Liabilities	(17.9)	(34.8)	(43.0)
Net Assets	254.0	264.8	250.9

Source: SEC Filings

The significant loss in 2008 relates to the payment by Mr Lai in cash and new shares in Agria of US$107.8 million to three members of P3A's management team as recognition for their contribution to the success of the company. The shares were transferred from a company owned by Mr Lai resulting in no economic loss to Agria but as the payments were classified as payments to employees under accounting rules it was necessary to reflect the transactions in the accounts of Agria. In June 2010, due to P3A's declining performance since 2007, Agria purchased and cancelled 11.5% of the issued capital that had been transferred by Mr Lai to Mr Xue in 2008 in return for his taking over P3A from Agria.

5.5 Background to New Hope

New Hope will contribute US$20 million (c. NZ$26 million) to assist with the funding of the Agria Offer (of a total NZ$141 million required).

New Hope is one of China's first private companies established in 1982 and has grown to become one of China's largest agricultural and food corporations. New Hope's revenue for 2009 was approximately US$6.5 billion. The company employs more than 60,000 staff and continues to grow rapidly. It is involved in:

- agribusiness and food (accounting 85% of revenue);
- chemicals and resources;

- finance and investment; and
- real estate and infrastructure.

The agribusiness and food sector of New Hope is the largest animal feed producer and one of the largest suppliers of meat, egg and dairy products in China. New Hope also has extensive chemical and resource interests in the areas of potassium, phosphorous and coal, and is the largest producer of high-potassium hydrogen and phosphate in Asia. In addition, New Hope is the largest shareholder of MinSheng Bank (China's seventh largest commercial bank), and has established strategic partnerships with International Finance Corporation, Sumitomo, Citibank and other international agencies. New Hope operates throughout China and in South-East Asia.

New Hope's Chairman and founder, Mr Liu Yonghao, is Vice Chairman of MinSheng Bank. Mr. Liu is also a member of the Chinese People's Political Consultative Conference economic committee.

New Hope and Agria Corporation have entered into a subscription agreement in respect of their ownership and participation in Agria which will be implemented prior to completion of the Offer but is subject to the conditions of the Offer being satisfied.

New Hope required a number of consents from the Chinese government in order to be able to participate in the offer for PGW shares. The most significant of these are:

- approval of the National Development and Reform Council;
- approval of the Ministry of Commerce; and
- approval of the State Administration of Foreign Exchange.

New Hope has initiated the application process with all three agencies and the Ministry of Agriculture. Although the outcome of the application process is unknown, the Chinese Government is encouraging private businesses to acquire assets in other countries.

New Hope has stated that its rationale for investing in PGW is that it is "looking to strengthen its core focus with global partnerships, to contribute to the bilateral agriculture partnership between China and New Zealand, and to contribute to the future growth of New Zealand's agriculture industry." New Hope believes significant agricultural opportunities exist in bilateral China – New Zealand trade, and that the proposed transaction (albeit on a relatively minor scale) involving one of China's largest agricultural businesses and New Zealand's largest agricultural services business can capture these opportunities.

6. Valuation of PGW

6.1 Summary

Grant Samuel's valuation of the equity in PGW is $400 million to $490 million (or $0.53 to $0.65 per share) as summarised below:

PGW – Valuation Summary		
$ million except where otherwise stated	**Low**	**High**
Enterprise value	600	665
Net debt for valuation purposes	(220)	(220)
Other assets and liabilities	20	45
Equity value	**400**	**490**
Fully diluted shares on issue (million)	758	758
Value per share	**$0.53**	**$0.65**

A value range of $600 million to $665 million has been attributed to PGW's business operations. This valuation range is an overall judgement having regard to:

- the earnings multiples implied from the prices paid for comparable businesses and share prices of comparable listed companies; and
- the attributes and earnings outlook for each business unit within PGW's AgriTech and AgriServices divisions.

The valuation represents the estimated full underlying value of PGW assuming 100% of the company was available to be acquired and includes a premium for control. The value per share exceeds the price at which, based on current market conditions, Grant Samuel would expect PGW shares to trade on the New Zealand Stock Exchange in the absence of a takeover offer or proposal similar in nature to the Offer.

The valuation reflects the strengths and weaknesses of PGW and takes into account the following factors:

- PGW AgriTech's core strengths are rights to market proprietary commercialised products in New Zealand and overseas and access to intellectual property and research and development capability. It has substantial well-established forage seed and distribution activities in Australia, New Zealand and South America, a grain distribution business in New Zealand and an expanding Australasian turf business. The opportunity exists to leverage its product offering, intellectual property and access to extensive knowledge of pastoral farming practices in developing markets such as China;
- AgriTech has been acquisitive in recent years (eleven acquisitions since 2005). The potential exists over the next 12-18 months to achieve higher earnings, particularly if management can realise operational improvements further integrating the different businesses, and as economic activity rebounds in the rural sectors in Australasia. The division is also now of a scale that it could be separated from PGW's AgriServices division and operate as an independent business;
- The earnings performance of PGW's AgriServices division is heavily dependent on the level of economic activity in rural New Zealand. It offers a range of products and services to end customers with limited ability to differentiate on price. The Merchandising business benefits from its nationwide network and longstanding, widely known brands and offers the potential to increase earnings if

economies of scale and improvements in information technology and operating performance can be achieved in a competitive retail environment; and

- Following the merger of PGG and Wrightson, PGW continued to expand through acquisitions, various joint ventures and the establishment of NZFSU. The necessary capital raising in 2009, the sale of shares in NZFSU and termination of the related management contract has removed major distractions for management but has also left PGW with investments in several small AgriServices businesses in South America.

Net debt for valuation purposes

Grant Samuel has applied net debt for valuation purposes of $220 million, which represents the sum of:

- PGW's term debt balance at 31 December 2010;
- an estimate of the average level of funds drawn down under PGW's working capital, overdraft and guarantee bank facilities; and
- the amount repayable to Agria in relation to the CRNs on issue.

The term borrowings, cash and finance assets and liabilities of PWF have not been included in net debt for valuation purposes.

Other assets and liabilities

Other assets and liabilities include:

- PGW's investment in BioPacificVentures, Wool Partners International and The NZ Merino Company. PGW may realise its investment in Wool Partners International over the near term but this is conditional on Wool Partners Co-operative successfully raising a minimum level of capital from a public offer of shares to New Zealand wool growers;
- recognition of PGW's defined benefit obligations under its various employee superannuation plans;
- surplus property assets including PGW's investment in a farm property in Brazil;
- recent investments in Keith Seeds and Corson Grain maize and seed division on the basis that the financial impact of these acquisitions is not fully reflected in either the historical or projected operating results of PGW and the transactions themselves reflect the assets' current market value, having arisen from arms length transactions with third parties; and
- other assets and liabilities of a minor nature.

6.2 Methodology

Overview

Grant Samuel's valuation of PGW has been estimated on the basis of fair market value as a going concern, defined as the estimated price that could be realised in an open market over a reasonable period of time assuming that potential buyers have full information. The valuation of PGW is appropriate for the acquisition of the company as a whole and accordingly incorporates a premium for control. The value is in excess of the level at which, under current market conditions, shares in PGW could be expected to trade on the sharemarket. Shares in a listed company normally trade at a discount of 15% - 25% to the underlying value of the company as a whole, but the extent of the discount (if any) depends on the specific circumstances of each company.

The most reliable evidence as to the value of a business is the price at which the business or a comparable business has been bought and sold in an arm's length transaction. In the absence of direct market evidence of value, estimates of value are made using methodologies that infer value from other available evidence. There are four primary valuation methodologies commonly used for valuing businesses:

- capitalisation of earnings or cash flows;
- discounting of projected cash flows;
- industry rules of thumb; and
- estimation of the aggregate proceeds from an orderly realisation of assets.

Each of these valuation methodologies has application in different circumstances. The primary criterion for determining which methodology is appropriate is the actual practice adopted by purchasers of the type of business involved.

Capitalisation of Earnings

Capitalisation of earnings or cash flows is most appropriate for businesses with a substantial operating history and a consistent earnings trend that is sufficiently stable to be indicative of ongoing earnings potential. This methodology is not particularly suitable for start-up businesses, businesses with an erratic earnings pattern or businesses that have unusual expenditure requirements. This methodology involves capitalising the earnings or cash flows of a business at a multiple that reflects the risks of the business and the stream of income that it generates. These multiples can be applied to a number of different earnings or cash flow measures including EBITDA, EBITA, EBIT or net profit after tax. These are referred to respectively as EBITDA multiples, EBITA multiples, EBIT multiples and price earnings multiples. Price earnings multiples are commonly used in the context of the sharemarket. EBITDA, EBITA and EBIT multiples are more commonly used in valuing whole businesses for acquisition purposes where gearing is in the control of the acquirer.

Where an ongoing business with relatively stable and predictable earnings is being valued Grant Samuel uses capitalised earnings or operating cash flows as a primary reference point. Application of this valuation methodology involves:

- estimation of earnings or cashflow levels that a purchaser would utilise for valuation purposes having regard to historical and forecast operating results, non-recurring items of income and expenditure and known factors likely to impact on operating performance; and
- consideration of an appropriate capitalisation multiple having regard to the market rating of comparable businesses, the extent and nature of competition, the time period of earnings used, the quality of earnings, growth prospects and relative business risk.

The choice between the parameters is usually not critical and should give a similar result. All are commonly used in the valuation of industrial businesses. EBITDA can be preferable if depreciation or non-cash charges distort earnings or make comparisons between companies difficult but care needs to be exercised to ensure that proper account is taken of factors such as the level of capital expenditure needed for the business and whether or not any amortisation costs also relate to ongoing cash costs. EBITA avoids the distortions of goodwill amortisation. EBIT can better adjust for differences in relative capital intensity.

Determination of the appropriate earnings multiple is usually the most judgemental element of a valuation. Definitive or even indicative offers for a particular asset or business can provide the most reliable support for selection of an appropriate earnings multiple. In the absence of meaningful offers, it is necessary to infer the appropriate multiple from other evidence.

The usual approach is to determine the multiple that other buyers have been prepared to pay for similar businesses in the recent past. However, each transaction will be the product of a unique combination of factors. A pattern may emerge from transactions involving similar businesses with sales typically taking place at prices corresponding to earnings multiples within a particular range. This range will generally reflect the growth prospects and risks of those businesses. Mature, low growth businesses will, in the absence of other factors, attract lower multiples than those businesses with potential for significant growth in earnings.

An alternative approach used in valuing businesses is to review the multiples at which shares in listed companies in the same industry sector trade on the sharemarket. This gives an indication of the price levels at which portfolio investors are prepared to invest in these businesses. Share prices reflect trades in small parcels of shares (portfolio interests) rather than whole companies and it is necessary to adjust for this factor.

The analysis of comparable transactions and sharemarket prices for comparable companies will not always lead to an obvious conclusion as to which multiple or range of multiples will apply. There will often be a wide spread of multiples and the application of judgement becomes critical. Moreover, it is necessary to consider the particular attributes of the business being valued and decide whether it warrants a higher or lower multiple than the comparable companies. This assessment is essentially a judgement.

Discounted Cash flow

Discounting of projected cash flows has a strong theoretical basis. It is the most commonly used method for valuation in a number of industries, and for the valuation of start-up projects where earnings during the first few years can be negative. DCF valuations involve calculating the net present value of projected cash flows. This methodology is able to explicitly capture the effect of a turnaround in the business, the ramp up to maturity or significant changes expected in capital expenditure patterns. The cash flows are discounted using a discount rate, which reflects the risk associated with the cash flow stream. Considerable judgement is required in estimating future cash flows and it is generally necessary to place great reliance on medium to long-term projections prepared by management. The discount rate is also not an observable number and must be inferred from other data (usually only historical). None of this data is particularly reliable so estimates of the discount rate necessity involve a substantial element of judgment. In addition, even where cash flow forecasts are available the terminal or continuing value is usually a high proportion of value. Accordingly, the multiple used in assessing this terminal value becomes the critical determinant in the valuation (i.e. it is a "de facto" cash flow capitalisation valuation). The net present value is typically extremely sensitive to relatively small changes in underlying assumptions, few of which are capable of being predicted with accuracy, particularly beyond the first two or three years. The arbitrary assumptions that need to be made and the width of any value range mean the results are often not meaningful or reliable. Notwithstanding these limitations, DCF valuations are commonly used and can at least play a role in providing a check on alternative methodologies, not least because explicit and relatively detailed assumptions need to be made as to the expected future performance of the business operations.

Realisation of Assets

Valuations based on an estimate of the aggregate proceeds from an orderly realisation of assets are commonly applied to businesses that are not going concerns. They effectively reflect liquidation values and typically attribute no value to any goodwill associated with ongoing trading. Such an approach is not appropriate in PGW's case.

Industry Rules of Thumb

Industry rules of thumb are commonly used in some industries. These are generally used by a valuer as a "cross check" of the result determined by a capitalised earnings valuation or by discounting cash flows, but in some industries rules of thumb can be the primary basis on which buyers determine prices. Grant Samuel is not aware of any commonly used rules of thumb that would be appropriate to value PGW. In any event, it should be recognised that rules of thumb are usually relatively crude and prone to misinterpretation.

Preferred Approach

Grant Samuel has used the capitalisation of earnings methodology to value PGW however careful judgment needs to be exercised given the cyclical nature of its earnings. This approach is commonly used by purchasers of mature profitable businesses and appropriate in the absence of financial projections beyond the current financial year. As a cross check, Grant Samuel also considered the value ascribed to PGW shares relative to net tangible asset backing.

6.3 Earnings Multiples Analysis

Grant Samuel estimates the value of PGW on an un-geared basis to be in the range of $600 – $665 million. This range implies the following multiples:

PGW - Implied Multiples

	Valuation Range	
	Low	**High**
Multiple of EBITDA – year ended 30 June 2009	7.4 x	8.2 x
Multiple of EBITDA – year ended 30 June 2010	8.5 x	9.4 x
Multiple of EBITDA – year ended 30 June 2011 (broker consensus)	10.2 x	11.3 x
Multiple of EBIT – year ended 30 June 2009	8.0 x	8.9 x
Multiple of EBIT – year ended 30 June 2010	9.5 x	10.5 x
Multiple of EBIT – year ended 30 June 2011 (broker consensus)	12.0 x	13.2 x
Multiple of net tangible assets at 30 June 2010	1.3 x	1.6 x

Interpretation of Multiples

Earnings multiples are normally benchmarked against two primary sets of reference points:

- the multiples implied by the share prices of listed peer group companies; and
- the multiples implied by the prices paid in acquisitions of other companies in the same industry.

In interpreting and evaluating such data it is necessary to recognise that:

- multiples based on listed company share prices do not include a premium for control and are therefore often (but not always) less than multiples that would apply to acquisitions of controlling the interests in similar companies. However, while the premium paid to obtain control in takeovers is observable (typically in the range 20-35%) it is inappropriate to simply add a premium to listed multiples. The premium for control is an outcome of the valuation process, not a determinant of value. Premiums are paid for reasons that vary from case to case and may be substantial due to synergy or other benefits available to the acquirer. In other situations premiums may be minimal or even zero. There are transactions where no corporate buyer is prepared to pay a price in excess of the prices paid by sharemarket investors;

- acquisition multiples from comparable transactions are therefore usually seen as a better guide when valuing 100% of a business but the data tends to be less transparent and information on forecast earnings is often unavailable;
- the analysis will give a range of outcomes from which averages or medians can be determined but it is not appropriate to simply apply such measures to the company being valued. The most important part of valuation is to evaluate the attributes of the specific company being valued and to distinguish it from its peers so as to form a judgement as to where on the spectrum it belongs;
- acquisition multiples are a product of the economic and other circumstances at the time of the transaction. However, each transaction will be the product of a unique combination of factors, including:
  - economic factors (e.g. economic growth, inflation, interest rates) affecting the markets in which the company operates;
  - strategic attractions of the business – its particular strengths and weaknesses, market position of the business, strength of competition and barriers to entry;
  - the company's own performance and growth trajectory;
  - rationalisation or synergy benefits available to the acquirer;
  - the structural and regulatory framework;
  - investment and sharemarket conditions at the time, and
  - the number of competing buyers for a business;
- acquisitions and listed companies in different countries can be analysed for comparative purposes, but it is necessary to give consideration to differences in overall sharemarket levels and rating between countries, economic factors (economic growth, inflation, interest rates), market structure (competition etc) and the regulatory framework. It is not appropriate to adjust multiples in a mechanistic way for differences in interest rates or sharemarket levels;
- acquisition multiples are based on the target's earnings but the price paid normally reflects the fact that there were cost reduction opportunities or synergies available to the acquirer (at least if the acquirer is a "trade buyer" with existing businesses in the same or a related industry). If the target's earnings were adjusted for these cost reductions and/or synergies the effective multiple paid by the acquirer would be lower than that calculated on the target's earnings; and
- while EBITDA multiples are commonly used benchmarks they are an incomplete measure of cash flow. The appropriate multiple is affected by, among other things, the level of capital expenditure (and working capital investment) relative to EBITDA. In this respect:
  - EBIT multiples can in some circumstances be a better guide because (assuming depreciation is a reasonable proxy for capital expenditure) they effectively adjust for relative capital intensity and present a better approximation of free cash flow. However, capital expenditure is lumpy and depreciation expense may not be a reliable guide. In addition, there can be differences between companies in the basis of calculation of depreciation; and
  - businesses that generate higher EBITDA margins than their peer group companies will, all other things being equal, warrant higher EBITDA multiples because free cash flow will, in relative terms, be higher (as capital expenditure is a smaller proportion of earnings).

6.4 Assessment of Implied Multiples

Transactions in the Agriculture Industry

The valuation of PGW has been considered having regard to the earnings multiples implied by the price at which broadly comparable companies and businesses have changed hands. A selection of relevant transactions is set out below:

Recent Transaction Evidence

Date	Target	Acquirer	Implied Enterprise Value ($ millions)	Offer Premium (1 month prior)	EBITDA Multiple[15] (times)		EBIT Multiple[16] (times)	
					Historical	Forecast	Historical	Forecast
Australian transactions								
Dec-10	Landmark	Agrium	A$790	na	11.5	13.0	9.8	10.8
Dec-10	AWB Limited	Agrium	A$1,720	49.3%	13.1	9.8	16.6	11.4
Sep-09	ABB Grain	Viterra	A$2,153.1	41.1%	16.0	12.3	21.4	15.6
Jul-07	Queensland Cotton	Olam	A$278.8	73.0%	13.1	na	24.0	na
Aug-03	Landmark	AWB	A$825.0	na	11.4	9.3	15.3	11.4
Median				***49.3%***	***13.1***	***12.3***	***19.0***	***11.4***
Simple Average				***54.5%***	***13.4***	***11.7***	***18.0***	***12.6***
International transactions								
Nov-06	Agricore United	Saskatchewan	C$1,817.9	na	10.6	10.2	16.1	15.2
Feb-08	Royster-Clark	Agrium	C$801.5	46.9%	11.5	na	20.6	na
May-08	UAP Holding	Agrium	US$2,616.1	24.3%	12.9	11.7	14.5	12.9
Median				***35.6%***	***11.5***	***10.9***	***16.1***	***14.0***
Simple Average				***35.6%***	***11.7***	***10.9***	***17.1***	***14.0***
New Zealand transactions								
Oct-10	AFFCO	Talleys	NZ$267.0	0.0%	6.6	na	10.0	na
Jul-06	RD1 (50%)	Landmark	NZ$80.0	na	6.3	5.7	7.9	7.1
Oct-05	Wrightson	PGG	NZ$485.4	23.6%	9.2	8.1	10.4	9.5
Mar-05	Williams & Kettle	Wrightson	NZ$110.3	39.4%	9.9	10.2	11.5	11.7
Jun-04	Wrightson	RPI	NZ$256.3	34.5%	8.6	6.8	11.4	8.5
Median					***8.6***	***7.5***	***10.4***	***9.0***
Simple Average					***8.1***	***7.7***	***10.2***	***9.2***

Source: Media reports, company announcements, annual reports and presentations. Capital IQ.

Brief descriptions of the transactions included above are provided in Appendix A.

Sharemarket Evidence

The valuation of PGW has been considered in the context of the sharemarket ratings of listed Australasian and international companies with operations in the agricultural industry, with a particular focus on rural merchandising, seeds, crop productivity and agricultural trading. While none of these companies is precisely comparable to PGW, the sharemarket data provides some framework within which to assess the valuation of PGW.

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[15] Represents implied enterprise value divided by EBITDA. EBITDA is earnings before net interest, tax, depreciation, amortisation, investment income, impairment adjustments and significant items.

[16] Represents implied enterprise value divided by EBIT. EBIT is earnings before net interest, tax, investment income, impairment adjustments and significant items.

Sharemarket Ratings of Selected Listed Companies[17]					
Company	Market Capitalisation (millions)	EBITDA Multiple[18] (times)		EBIT Multiple[19] (times)	
		Historical	Forecast	Historical	Forecast
United States					
Agrium	USD13,948.6	13.7	9.3	16.9	10.3
Monsanto	USD39,364.5	15.6	13.8	20.3	17.6
Syngenta	USD28,275.8	12.8	11.9	16.2	15.2
Minimum		***12.8***	***9.3***	***16.2***	***10.3***
Maximum		***15.6***	***13.8***	***20.3***	***17.6***
Median		***13.7***	***11.9***	***16.9***	***15.2***
Simple Average		***14.0***	***11.7***	***17.8***	***14.4***
Australasia					
Elders	AUD224.3	18.0	6.0	nm	9.2
GrainCorp	AUD1,486.0	9.8	6.3	16.3	8.6
Lindsay Australia	AUD40.9	6.6	4.8	25.9	9.8
Nufarm	AUD1,369.4	11.8	8.2	15.8	10.6
Ridley Corp	AUD390.9	8.1	7.4	10.2	9.5
Ruralco	AUD151.3	9.0	8.2	11.7	10.4
Minimum		***6.6***	***4.8***	***10.2***	***8.6***
Maximum		***18.0***	***8.2***	***25.9***	***10.6***
Median		***9.4***	***6.8***	***15.8***	***9.7***
Simple Average		***10.5***	***6.8***	***16.0***	***9.7***

Source: Grant Samuel analysis[20], Capital IQ

A description of each of the companies above is set out in Appendix B. When observing the table above the following points should be noted:

- the multiples are based on closing share prices as at 31 January 2011. The share prices, and therefore the multiples, do not include a premium for control. Shares in a listed company normally trade at a discount to the underlying value of the company as a whole;
- the companies selected have varying financial year ends. The data presented above is the most recent annual historical result plus the subsequent forecast year; and
- there are considerable differences between the operations and scale of the comparable companies when compared with PGW. In addition, care needs to be exercised when comparing multiples of New Zealand companies with internationally listed companies. Differences in regulatory environments, sharemarket and broader economic conditions, taxation systems and accounting standards hinder comparisons.

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[17] The companies selected have a variety of year ends. The financial information presented in the Historical column corresponds to the most recent actual annual result. The forecast column corresponds to the forecast for the subsequent year.

[18] Represents gross capitalisation (that is, the sum of the market capitalisation adjusted for minorities, plus borrowings less cash as at the latest balance date) divided by EBITDA.

[19] Represents gross capitalisation divided by EBIT.

[20] Grant Samuel analysis based on company announcements and, in the absence of company published financial forecasts, brokers' reports. Where company financial forecasts are not available, the median of the financial forecasts prepared by a range of brokers has generally been used to derive relevant forecast value parameters. The source, date and number of broker reports utilised for each company depends on analyst coverage, availability and recent corporate activity.

7. Merits

7.1 The Value of the Agria Offer

The value of the Agria Offer can be benchmarked against a range of parameters:

- ***Grant Samuel's assessment of the value of PGW***. In Grant Samuel's opinion the full underlying value of PGW shares is in the range of $0.53 to $0.65 per share as set out in Section 6. The full underlying value is the price a person or entity would be expected to pay to acquire the company as a whole and accordingly includes a premium for control. The Agria Offer is $0.60. It is appropriate that Agria pays a price reflective of the full underlying value as it is moving from a shareholding of less than 20% with two Directors on the Board of PGW to a controlling shareholding with "appropriate board representation";
- ***the premium implied by the Agria Offer***. The Agria Offer represents a premium of approximately 25% relative to the closing price of $0.48 per share on 23 December 2010 being the day prior to the announcement of the Agria Offer and a premium of 18.3% over the volume weighted average share price (**VWAP**) over the 30 trading days prior to the announcement. Over the longer term the Agria Offer represents a 14.5% premium to the 6-month VWAP and a 7.6% premium to the 12-month VWAP. These premia are at the lower end of observed takeover premia and in part reflect the decline in the performance of PGW over the past 12 months; and
- ***comparable company and comparable transaction data***. The Agria Offer implies multiples of 8.5 times 2010 historical EBITDA and 10.1 times consensus forecast EBITDA for 2011. Grant Samuel's analysis suggests the historical EBITDA multiple implied by the Agria Offer is broadly in line with multiples paid for controlling shareholdings in comparable agricultural companies. However, there are considerable differences in the earnings outlook for PGW, when compared with the comparable listed companies resulting in the Agria Offer implying a higher relative forecast EBITDA multiple.

The Agria Offer price is within Grant Samuel's assessment of the full underlying value of PGW. The multiples of earnings implied by the Agria Offer compare favourably with the earnings multiples implied by recent transactions in the agricultural sector and the share prices of other listed agricultural entities, although care is needed in making this comparison given the negative earnings outlook for PGW in 2011 relative to its 2010 performance.

7.2 Framework of the Agria Offer

The Agria Offer is a partial takeover offer to acquire shares in PGW to take the total shareholding controlled by Agria to 50.01%. A partial offer has a number of implications for shareholders:

- in the event Agria does not receive acceptances sufficient to take its shareholding to 50.01% of the shares in PGW, then Agria will not be able to acquire any shares under the Offer; and
- there is no certainty in terms of what proportion of their shares accepting shareholders will be able to sell if the Agria Offer is successful.

For the Offer to succeed, Agria must acquire 38.3% of the PGW shares it does not already own. Under the Takeovers Code if Agria receives acceptances in respect of more than 38.3% of PGW not already controlled by it, then it will first take up the lesser of:

- 38.3% of all the shares held by each accepting shareholder; or

- the number of shares the accepting shareholder has accepted into the Offer where this amount is less than 38.3% of the shareholder's shareholding.

If there is a shortfall of shares acquired under this mechanism such that Agria is not able to reach the 50.01% minimum acceptance condition, Agria will acquire further shares from those shareholders who accept more than 38.3% of their shareholding, calculated as a proportion of the total excess acceptances.

Each PGW shareholder that accepts the Offer will sell as a minimum the lesser of 38.3% of their total shareholding in PGW or such lesser number of shares the shareholder has accepted into the Offer. If acceptances are received for exactly 38.3% of the shares not already held or controlled by Agria, then shareholders will not be subject to any scaling regardless of their individual acceptance level.

If Agria receives acceptances at any level over the 38.3% threshold (recognising that it is highly unlikely that acceptances representing exactly 38.3% will be received), PGW shareholders who accept the Offer in respect of more than 38.3% of their entire shareholding are unlikely to be able to sell all of the accepted shares into the Agria Offer as excess acceptances will be scaled back. The level of scaling is highest when the overall acceptance level is also high. For example if all PGW shareholders (other than Agria) accept the Offer, Agria will only acquire 38.3% of each shareholder's shares.

There is no certainty as to what proportion of shares will be acquired under a partial offer. This lack of certainty is problematic as the precise percentage of each shareholder's shares to be acquired is not able to be specified, however, the scaling mechanism is stipulated in the rules of the Takeovers Code. For the Agria Offer to be successful, Agria must acquire 38.3% of all PGW shares it does not already own. In these circumstances it is unknown what the proportion of shares in excess of 38.3% of all PGW shares held by an accepting shareholder will be acquired under the Agria Offer. Given PGC has accepted for 100% of its PGW shareholding, Agria needs only acceptances for only 20% of the PGW shares on issue not held or controlled by Agria or PGC for its partial offer to be successful. It is therefore more likely that acceptances in excess of 38.3% of all shares held by individual shareholders will be scaled down. The corollary is that accepting shareholders are unlikely to be able to sell all their shares in PGW into the Offer. If the Offer is unsuccessful in obtaining acceptances to increase Agria's shareholding to at least 50.01% of the total PGW shares on issue, no shares will be purchased from accepting shareholders. Should shareholders accept for less than 38.3% of all the PGW shares they individually hold and the Offer is successful, then all the shares they accepted into the Offer will be acquired by Agria.

7.3 Implications for PGW shareholders if the Agria Offer is successful

If the Agria Offer is successful, PGW will remain a listed company with Agria as a controlling shareholder. It is likely that all existing PGW shareholders, even if they have accepted all of their shares into the Offer, will continue to hold shares in PGW (albeit smaller shareholdings) because of the scaling requirements under the Takeovers Code for partial offers. In these circumstances:

- Agria has stated that PGW's business requires restructuring and a refocus on the core businesses. Agria has given little guidance on its future plans for PGW other than to advise:

  > *"The changes likely to be made by Agria in respect of the business activities of PGW and its subsidiaries will involve a particular focus on PGW's core AgriServices and AgriTech businesses".*

  This lack of clarity is an unsatisfactory situation for minority shareholders, who because of the partial nature of the takeover will almost certainly retain a shareholding in PGW following the completion of the Offer and will therefore have a vested interest in Agria's plans for PGW. Agria has also stated it will seek appropriate representation on the PGW Board from representatives of Agria Corporation and New Hope. Agria has stated that it is supportive of a review of the divestment of PWF's finance book. There is no evidence to date that suggests Agria's existing presence on the share register, along with two Agria directors on the PGW Board, has had any material impact on PGW's performance.

- The increase in Agria's shareholding to over 50% will mean that it will have absolute control on matters that require the passing of ordinary resolutions which are commonly matters that shareholders are asked to vote on at annual general meetings, such as approval of annual financial statements and the appointment of directors and auditors, etc. Agria will be prohibited from voting on any ordinary resolution that, if accepted, would result in an increase in its shareholding in PGW. Remaining shareholders will still be able to exert influence on substantive matters which would require approval by special resolutions that need the support of 75% of votes cast. Such matters would include any material transactions with Agria or persons associated with Agria;
- Agria has a market capitalisation of approximately NZ$160 million compared with PGW's market capitalisation of NZ$410 million. Agria's current share price is approximately US$0.93 which compares with its November 2007 IPO price of US$8.25. Agria's net assets per share are approximately US$2.00. The purchase of the additional 31% of PGW will be substantially funded by Agria and will result in the vast majority of Agria's assets being an investment in PGW. New Hope's contribution of US$20 million will represent approximately 10% of the total cost of Agria's investment in PGW if the Offer is successful;
- it is not evident that Agria on its own will contribute significant added value to PGW by gaining an increased shareholding. The Strategic Co-operation Agreement entered into in 2009 between Agria and PGW was primarily centred around PGW's agricultural expertise being made available to China. PGW and Agria have established a PGW/Agria Cooperation Committee. The purpose of this Committee is to explore the potential opportunities available to achieve the aims of the Co-operation Agreement;
- Agria's activities in China appear to be relatively limited when compared with New Hope which is a very substantial company with extensive agricultural interests. The extent of New Hope's future involvement in PGW is relatively limited when compared with Agria but on the surface it could increase the potential benefits to PGW from the existing Strategic Co-operation Agreement between Agria and PGW;
- if the Offer is successful it can be expected that Agria will seek to exert significant influence over PGW. It can also be expected they will seek to leverage PGW's seed technology and livestock expertise in China. Provided any transactions are undertaken on an arms length commercial basis there should be a benefit to all shareholders. The independent directors of PGW will have the primary responsibility for ensuring that the majority shareholder does not take advantage of their control situation. Grant Samuel has no reason to believe that Agria will not act in the best interests of all shareholders;
- Grant Samuel understands that Agria is supportive of the appointment of George Gould as the new Managing Director of PGW. Mr Gould has been a Director of PGW since January 2010 and is a long serving director of PGC. Agria has also stated that it is supportive of Sir John Anderson continuing as Chairman of PGW if the Offer is successful;
- it is possible that Agria may seek to split PGW into two separate listed entities along similar lines to the current PGW divisions – AgriTech and AgriServices, possibly listing the former on the Hong Kong stock exchange. Depending on the form of any separation it is likely to require the consent of minority shareholders in PGW;

- the success of the Agria Offer will bring some stability to the PGW share register from a committed investor who wishes to address the underperformance of PGW to the benefit of all shareholders;
- if the Offer is successful, Agria, having passed the 50% voting control threshold will be able to acquire additional shares in PGW in any twelve month period (commencing twelve months after the completion of the Agria Offer) by purchasing up to an additional 5% of PGW shares under the "creep" provisions of the Takeovers Code;
- if the Agria Offer is successful PGW will be significantly less appealing as a takeover target. Any party wishing to make a partial offer for over 20% of PGW would require the approval of PGW's shareholders by way of an ordinary resolution which would require the support of Agria. Any subsequent takeover offer for 100% of PGW would require Agria to sell its increased shareholding in PGW to the new offeror for the full takeover offer to be successful; and
- if the Offer is successful the liquidity of PGW shares is likely to be adversely affected. The size of the total public pool of shares will reduce and as a result there would be expected to be a lower level of trading in PGW shares.

7.4 Implications if the Offer is not successful

- If the Agria Offer is not successful PGW will remain a listed company with two cornerstone shareholders – Agria at 19.01% and PGC at 18.3%. In this circumstance, PGC is likely to continue to wish to divest its shareholding, and if a full takeover offer from the potential new bidder is forthcoming Grant Samuel expects PGC would accept the offer for its entire 18.3% shareholding. It is not known whether Agria would wish to retain its 19.01% shareholding in PGW if such a new full takeover offer were forthcoming. Selling the 18.3% shareholding on market would be likely to depress the share price. The overhang of the PGC shareholding will, until it is divested, continue to adversely impact the PGW share price in the absence of any positive announcements; and
- it is possible that if the Offer is unsuccessful, other parties (such as the potential new bidder) could be interested in making an offer for PGW. These include such companies as Agrium, a large agricultural company based in Canada that recently acquired Landmark, a rural supply company in Australia which also owns 50% of RD1 in New Zealand.

7.5 Other merits of the Agria Offer

In assessing the other merits of the Agria Offer, Grant Samuel considered the following factors:

- unless Agria receives acceptances for at least 235.2 million shares (to take its total shareholding to 50.01%), the Offer will not proceed. PGC has agreed to accept for all of its 18.3% shareholding (138.9 million shares), leaving Agria with a requirement to purchase only a further 94.4 million shares from remaining shareholders to reach the 50.01% threshold (or one in every five shares not held by Agria or PGC);
- Agria currently has two representatives on the PGW Board of Directors and has access to more detailed information regarding PGW's business operations and current and future performance than is available to other shareholders. Agria clearly sees value in PGW at $0.60. Accordingly there is no compelling reason for shareholders to accept the Offer if they believe Agria and the Board and management of PGW can deliver expected improvements in performance over the longer term;
- the last date for the Offer to become unconditional is 15 April 2011 (unless extended with the consent of PGC). In addition to receiving sufficient acceptances to get to a 50.01% shareholding, the other critical conditions are approval from the OIO and approvals from the relevant Chinese authorities. Agria may not extend the Offer beyond 24 April 2011. Whilst investors may accept the Offer for all or part of their shareholding immediately after the Offer is made (which occurred on 24 January 2011), they may not receive payment until around 15 April 2011. Any dividends paid up until

the Offer is declared unconditional will be deducted from the 60 cents per share consideration. The last dividend paid by PGW was a 5 cents per share interim dividend on 1 April 2009. In addition PGW cannot currently pay a dividend without its bank's approval which is most unlikely to be forthcoming;

- Agria has stated that "its present intention is not to acquire more than 50.01% of PGW through this Takeover Offer". This statement was made in clarification to an earlier statement: "Agria has no intention to increase its shareholding above 50.01% if the Offer is successful". For Agria to increase its shareholding above 19.99% it must either make an offer conditional upon achieving at least 50.01% of the voting securities (which it has done) or seek approval of remaining shareholders to hold a shareholding between 20% and 50%. Agria cannot under the Offer acquire any percentage other than 50.01%. To acquire new shares if the current Offer is successful it would need to make a new partial or full offer, utilise the "creep" provisions of the Takeovers Code or seek the approval of PGW shareholders. Agria committed not to make a further offer at a higher price for a period of 12 months;
- if Agria is not successful in increasing its interest in PGW to 50.01%, at its current offer price, it may or may not choose to increase the offer price under its current Offer. If Agria chooses to increase its current offer price while the Agria Offer is still open, the increased value will be available to all shareholders even if they have already accepted the current offer price. If an offer is forthcoming from the potential new bidder Agria may or may not elect to increase its offer price to match or exceed that offered by the potential new bidder (assuming such an offer price was above the current Agria offer price);
- PGC issued a statement on the 24 December 2010 the same day as Agria gave Notice of Intention to make a partial offer in which it discussed its 18.3% shareholding in PGW:

  > *"PGC has recently had discussions with potential buyers of its stake (in PGW) and these have been concluded with the signing today of a Lock-up Deed with Agria by which PGC has agreed (subject to the conditions of the Lock-up Deed) to sell its shares into a partial Takeover Offer proposed to be made by Agria… As the Offer is a 'partial takeover offer', the acceptance of PGC's shares under the Offer will be subject to scaling which may result in PGC continuing to own some shares following the closing of the Offer. PGC intends to divest any such shares".*

  As a result of the operation of the scaling provisions PGC will most likely be left with a residual shareholding in PGW. As quoted above, PGC has stated that in this event it will look to divest its remaining shareholding. Until this shareholding is divested, its existence overhanging the market can be expected to depress the PGW share price;
- PGC's and the minority PGW shareholders' interests are not necessarily aligned. PGC has clearly stated it wishes to exit its shareholding in PGW in total. It will have no financial interest in PGW once it has achieved a complete exit. Remaining minority shareholders will have a strong interest in what happens to PGW if the Agria Offer is successful. It is unlikely that Agria would have made the partial offer if PGC was not a willing seller;
- PGW's shares have performed poorly over the last two years. From a peak of $2.94 in August 2008, on the eve of the global financial crisis, they fell to a low of $0.44 cents on 17 December 2010, recovering following the announcement of the Agria Offer. The share price decline can in part be attributed to PGW increasing its number of shares on issue by 140% in 2009. PGW has also struggled to produce consistent results and has embarked upon a number of significant ventures such as its investment in NZFSU in 2006 and a failed joint venture with SFF which ultimately incurred significant costs and losses. It is evident that the market has lost confidence in PGW. This view was reinforced by the Agria CEO and PGW Director, Xie Tao, who stated, at the time of the announcement of the Agria Offer:

"PGW has under performed expectations in recent times, including a recent profit down grade. PGW's business requires restructuring and a refocus on the core businesses".

The Offer by Agria followed the profit downgrade which resulted in the shares in PGW reaching an all time low of 44 cents. The Offer could be considered to be opportunistic. PGC, a long term shareholder, believes the Offer to be reasonable and in all likelihood its desire to sell, combined with PGW's continuing under performance, encouraged Agria to make the partial Takeover Offer;

- PGW has foreshadowed a review of the possible sale of PWF or its loan book. Agria has stated in its Offer that it supports a review of the divestment of the business. PWF has shareholders equity of approximately $100 million. The net proceeds from a sale of PWF or its loan book will almost certainly be used to reduce debt in PGW. PGW's current banking facilities are very restrictive. If the proceeds of a sale of PWF were used to reduce debt it is likely that PGW would look to renegotiate new facilities on better terms. PGW has prepaid bank facility fees on its balance sheet which are being amortised over the term of the facilities. If new bank facilities were to be renegotiated it is likely that any prepaid fees would need to be written off. This is a non-cash transaction which would reduce reported earnings but would have no impact on value;
- If PWF is sold, the option to convert the CRNs held by Agria into PWF shares will not be available and the only options available to PGW will be to redeem the CRNs for cash or convert them into shares in PGW. If the Offer is successful, Agria will control the Board of PGW and may wish to receive further PGW shares through conversion of the CRNs. The conversion of the CRNs into 2.1 shares in PGW for every CRN held would result in the issue of approximately 69.7 million new shares at an issue price of approximately $0.47 per share and would increase Agria's shareholding, assuming the Offer is successful, from 50.01% to approximately 54.2% of the enlarged capital. This transaction would fall within the 5% creep provision of the Takeovers Code provided it did not occur within 12 months of the culmination of the Offer (if the transaction occurred within 12 months it would require the approval of PGW's shareholders not associated with Agria by way of an ordinary resolution). For the purposes of Grant Samuel's valuation of PGW the CRNs have been treated as debt. The decision as to whether to convert the CRNs to PGW shares or to redeem them for cash will likely be considered in light of the PGW share price at the time of conversion / redemption. If the PGW share price is above $0.47, Agria (as controllers of the PGW Board) may consider the conversion to PGW shares more favourably to a cash redemption. Several other factors, including the availability of cash and Agria's intentions for its stake in PGW, would also need to be taken into consideration;
- the Offer is conditional on the NZX50 Index (Gross) not falling below 3,000.4 for a period of three or more consecutive days. As at 31 January 2011 the NZX50 Index was 3,338.7. The last time the index reached 3,000.4 was 20 August 2010 and the last time it fell below this level was July 2010. In Grant Samuel's opinion the likelihood of the NZX50 Index falling below 3,000.4, prior to the Offer being declared unconditional, is relatively low.
- the PGW share price is currently trading around $0.54 and has traded below the Offer price of $0.60 per share since the Agria Offer was announced. This can largely be attributed to the partial nature of the Offer and the resulting likelihood that PGW shareholders will not be able to divest their entire shareholding at $0.60 per share by accepting their shares into the Agria Offer (due to the scaling provisions);
- as with any equity investment there are risks and opportunities associated with the market in which the company operates. The risks and opportunities associated with an investment in PGW include:

Opportunities

- PGW's business has been the subject of an internal strategic review and has recently been restructured into two major business units (AgriServices and AgriTech). A new Managing Director (George Gould) is due to commence in February 2011. The business is poised for change but it is unclear whether the proposed new strategies will yield a material improvement in PGW's performance or exactly what the proposed new strategies will involve;
- the merchandising business has, over the past 2 – 3 years, underperformed relative to its competitors in that market. There is significant scope to introduce improved retail and stock management systems, online point of sale facilities and mobile distribution of products to the rural supplies offering;
- PGW's proprietary seed technology already has been widely adopted by the New Zealand farming community. Opportunities to expand this technology to new markets exist, however it is quite likely that any significant new market penetration would have a long lead time;
- PWF is being evaluated for sale and, if sold, could yield significant funds with which to repay debt; and
- the improving outlook for the New Zealand rural sector bodes well for PGW and should be reflected in an increasing share price. PGW appears to have lost focus on its core businesses, particularly Merchandising, and has as a result lost market share. Benefiting from the improving rural economy will be the challenge for management.

Risks

- PGW's operating performance has been declining over the past three years and is forecast to continue to do so in the year to 30 June 2011. It is not clear whether an improvement in performance will occur in the near term regardless of whether Agria increases its investment in PGW;
- PGW's track record of implementing successful strategic initiatives is poor and past restructuring and investment initiatives have had a less than positive impact of the business; and
- PGW's AgriServices business operates in a highly competitive environment. There are significant risks associated with customer attrition and market share loss for this division.

7.6 Existence of a potential new bidder

The independent directors of PGW have received an approach from another party who has indicated an interest in making a bid for 100% of PGW. The independent directors of PGW have allowed the potential new bidder to undertake due diligence on PGW and expects that the potential new bidder's due diligence will be completed prior to the close of the Agria Offer. The existence of a potential new bidder raises a number of issues for shareholders that need to be carefully considered before taking any action in respect of the Agria Offer:

- the Agria Offer must remain open for acceptance until 15 April 2011 (and may be extended to 24 April 2011 with the consent of PGC). Shareholders have until that date to accept the Offer for all or part of their shareholding (if they wish). It is possible that Agria will receive sufficient acceptances to take its shareholding to 50.01% prior to this date. Despite this the Offer must remain open until 15 April 2011 and all acceptances received up until that date will be treated equally, that is, they will all be accepted and the same price and scaling provisions (as described in Section 7.2 of this report) will apply equally to all acceptances regardless of when the acceptances were received. Importantly shareholders who have accepted the Agria Offer will not be able to accept any subsequent offer if the Agria Offer is still open or has been declared unconditional. However, Agria may accept its existing 19.01% stake in PGW into any new offer even while the Agria Offer is still open;

- PGC has accepted the Agria Offer for its 18.3% shareholding in PGW, with the result that Agria will need only a further 12.7% of the shares in PGW to achieve its 50.01% threshold. This represents just over 20% of all the shares not currently held by PGC or Agria. PGC may not accept any subsequent offer while the Agria Offer remains open or in the event it is declared unconditional;
- Agria has given no indication, at the date of this report, that it is a seller of its shareholding. In fact, it has indicated the opposite by making its partial bid to acquire a 50.01% shareholding in PGW. It is possible that, in the event Agria wishes to retain its shareholding in PGW, any full takeover offer may result in the new offeror holding less than 100% of the shares in PGW with Agria remaining as a substantial shareholder; and
- there is no certainty that a takeover offer from the potential new bidder will be received or indeed at what price, and on what terms and conditions, any such offer would be made. Importantly, minority shareholders have the luxury of time and should not do anything in relation to the Agria Offer until close to the Agria Offer closing date of 15 April 2011 (or until such time as any new offer is received). In the event that a new offer is not forthcoming, PGW will advise shareholders of the fact with sufficient time before the 15 April 2011 closing date to enable shareholders to decide whether or not to accept the Agria Offer.

7.7 Summary

Agria has made a partial offer at $0.60 per share for 38.3% of the shares in PGW that it does not already own, to take Agria's total shareholding in PGW to 50.01%. The Offer is open for acceptance until 15 April 2011 and may only be extended to 24 April 2011 at the latest.

The Agria Offer price is within Grant Samuel's assessment of the value of PGW of NZ$0.53 to NZ$0.65 per share and represents a premium of 18.3% over the VWAP for the 30 trading days prior to the announcement of the Offer. The share price was at a historical low when the Offer was made and, on the surface, may appear opportunistic.

The $0.60 Offer price was the outcome of a negotiation between PGC and Agria and in Grant Samuel's opinion is reflective of PGW's poor current earnings performance. PGC has expressed its desire to exit its 18.3% shareholding in PGW in its entirety and has entered into a pre-bid agreement with Agria under which PGC has accepted its entire shareholding into the Agria Offer.

Agria has provided little detail regarding its intentions for PGW if its partial Offer is successful. By accepting for all or part of their shareholding minority shareholders are effectively approving Agria to become a controlling shareholder in PGW with little information on which to base this decision other than the Offer price for the shares. On the other hand if the Agria Offer were successful this would bring some stability to the PGW share register from a committed investor who wishes to address the underperformance of PGW to the benefit of all shareholders.

If the Agria Offer is successful Agria will control PGW in all material respects on matters requiring resolutions of the Board of Directors or the passing of ordinary shareholder resolutions. However, Agria will be prohibited from voting on any resolutions relating to an increase in its own shareholding or a material transaction to which it is party.

A partial Offer means that shareholders who accept the Offer for more than 38.3% of their shareholding in PGW will, in all likelihood, have their acceptances scaled back and will almost certainly be left with an investment in PGW if the Offer is successful.

If the Offer is unsuccessful Agria will acquire no further shares in PGW and will remain as a 19.01% shareholder for the time being.

The independent directors of PGW have received an approach from another party who has indicated an interest in making a full takeover offer for 100% of the shares in PGW. The potential new bidder is currently undertaking due diligence on PGW and may or may not make a takeover offer for PGW prior to the close of the Agria Offer. Grant Samuel strongly recommends that PGW shareholders wait until close to the end of the Agria Offer period of 15 April 2011 before deciding whether or not to accept the Agria Offer. Any new bid may or may not be more advantageous to PGW shareholders than the existing Agria Offer. PGW will keep shareholders informed about the status of any potential offers in advance of the closing date of the Agria Offer.

7.8 Acceptance of Rejection of the Offer

Acceptance or rejection of the Agria Offer is a matter for individual shareholders based on their own views as to value and future market conditions, risk profile, liquidity preference, portfolio strategy, tax position and other factors. In particular, taxation consequences will vary widely across shareholders. Shareholders will need to consider these consequences and, if appropriate, consult their own professional adviser.

8. Qualifications, Declarations & Consents

8.1 Qualifications

The Grant Samuel group of companies provides corporate advisory services (in relation to mergers and acquisitions, capital raisings, corporate restructuring and financial matters generally), property advisory services and manages property development funds. One of the primary activities of Grant Samuel is the preparation of corporate and business valuations and the provision of independent advice and expert's reports in connection with mergers and acquisitions, takeovers and capital reconstructions. Since inception in 1988, Grant Samuel and its related companies have prepared more than 400 public expert and appraisal reports.

The persons responsible for preparing this report on behalf of Grant Samuel are Michael Lorimer, BCA, Peter Jackson, BCom, CA, Alexa Preston, BBus, CA and Rachael Boswell, BSc (Hons). Each has a significant number of years of experience in relevant corporate advisory matters.

8.2 Limitations and Reliance on Information

Grant Samuel's opinion is based on economic, market and other conditions prevailing at the date of this report. Such conditions can change significantly over relatively short periods of time. The report is based upon financial and other information provided by the directors, management and advisers of PGW. Grant Samuel has considered and relied upon this information. Grant Samuel believes that the information provided was reliable, complete and not misleading and has no reason to believe that any material facts have been withheld.

The information provided has been evaluated through analysis, enquiry, and review for the purposes of forming an opinion as to the underlying value of PGW. However in such assignments time is limited and Grant Samuel does not warrant that these inquiries have identified or verified all of the matters which an audit, extensive examination or "due diligence" investigation might disclose.

The time constraints imposed by the Takeovers Code are tight. This timeframe restricts the ability to undertake a detailed investigation of PGW. In any event, an analysis of the merits of the offer is in the nature of an overall opinion rather than an audit or detailed investigation. Grant Samuel has not undertaken a due diligence investigation of PGW. In addition, preparation of this report does not imply that Grant Samuel has audited in any way the management accounts or other records of PGW. It is understood that, where appropriate, the accounting information provided to Grant Samuel was prepared in accordance with generally accepted accounting practice and in a manner consistent with methods of accounting used in previous years.

An important part of the information base used in forming an opinion of the kind expressed in this report is the opinions and judgement of the management of the relevant enterprise. That information was also evaluated through analysis, enquiry and review to the extent practicable. However, it must be recognised that such information is not always capable of external verification or validation.

The information provided to Grant Samuel included projections of future revenues, expenditures, profits and cashflows of PGW prepared by the management of PGW. Grant Samuel has used these projections for the purpose of its analysis. Grant Samuel has assumed that these projections were prepared accurately, fairly and honestly based on information available to management at the time and within the practical constraints and limitations of such projections. It is assumed that the projections do not reflect any material bias, either positive or negative. Grant Samuel has no reason to believe otherwise.

However, Grant Samuel in no way guarantees or otherwise warrants the achievability of the projections of future profits and cashflows for PGW. Projections are inherently uncertain. Projections are predictions of future events that cannot be assured and are necessarily based on assumptions, many of which are beyond the control of management. The actual future results may be significantly more or less favourable.

To the extent that there are legal issues relating to assets, properties, or business interests or issues relating to compliance with applicable laws, regulations, and policies, Grant Samuel assumes no responsibility and offers no legal opinion or interpretation on any issue. In forming its opinion, Grant Samuel has assumed, except as specifically advised to it, that:

- the title to all such assets, properties, or business interests purportedly owned by PGW is good and marketable in all material respects, and there are no material adverse interests, encumbrances, engineering, environmental, zoning, planning or related issues associated with these interests, and that the subject assets, properties, or business interests are free and clear of any and all material liens, encumbrances or encroachments;
- there is compliance in all material respects with all applicable national and local regulations and laws, as well as the policies of all applicable regulators other than as publicly disclosed, and that all required licences, rights, consents, or legislative or administrative authorities from any government, private entity, regulatory agency or organisation have been or can be obtained or renewed for the operation of the business of PGW, other than as publicly disclosed;
- various contracts in place and their respective contractual terms will continue and will not be materially and adversely influenced by potential changes in control; and
- there are no material legal proceedings regarding the business, assets or affairs of PGW, other than as publicly disclosed.

8.3 Disclaimers

It is not intended that this report should be used or relied upon for any purpose other than as an expression of Grant Samuel's opinion as to the merits of the Agria Offer. Grant Samuel expressly disclaims any liability to any PGW security holder who relies or purports to rely on the report for any other purpose and to any other party who relies or purports to rely on the report for any purpose whatsoever.

This report has been prepared by Grant Samuel with care and diligence and the statements and opinions given by Grant Samuel in this report are given in good faith and in the belief on reasonable grounds that such statements and opinions are correct and not misleading. However, no responsibility is accepted by Grant Samuel or any of its officers or employees for errors or omissions however arising in the preparation of this report, provided that this shall not absolve Grant Samuel from liability arising from an opinion expressed recklessly or in bad faith.

Grant Samuel has had no involvement in the preparation of the Target Company Statement issued by PGW and has not verified or approved any of the contents of the Target Company Statement. Grant Samuel does not accept any responsibility for the contents of the Target Company Statement (except for this report).

8.4 Independence

Grant Samuel and its related entities do not have any shareholding in or other relationship or conflict of interest with PGW or Agria that could affect its ability to provide an unbiased opinion in relation to the Agria Offer. Grant Samuel had no part in the formulation of the Agria Offer. Its only role has been the preparation of this report. Grant Samuel will receive a fixed fee for the preparation of this report. This fee is not contingent on the outcome of the Agria Offer. Grant Samuel will receive no other benefit for the preparation of this report. Grant Samuel considers itself to be independent for the purposes of the Takeovers Code.

8.5 Information

Grant Samuel has obtained all the information that it believes is desirable for the purposes of preparing this report, including all relevant information which is or should have been known to any Director of PGW and made available to the Directors. Grant Samuel confirms that in its opinion the information provided by PGW and contained within this report is sufficient to enable PGW security holders to understand all relevant factors and make an informed decision in respect of the Agria Offer. The following information was used and relied upon in preparing this report:

Publicly Available Information

- annual reports of PGW for the years ended 30 June 2008, 2009 and 2010;
- the Simplified Disclosure Prospectus for an offer of additional ordinary shares by PGW dated 20 November 2009;
- information on the PGW and PWF websites;
- the Subscription Agreement between Agria and New Hope released to the New Zealand Stock Exchange on 24 January 2011; and
- other information on the agriculture industry and publicly listed companies with operations broadly comparable to PGW including annual reports, interim financial results, press reports, industry studies and information regarding the prospective financial performance of such companies.

Non Public Information

- budgeted earnings, balance sheets and cashflows for PGW for the year ending 30 June 2011;
- recent board papers of PGW;
- monthly management accounts for PGW;
- the Subscription Agreement between Agria and PGW dated 16 October 2009;
- the Subscription Agreement between Agria Corporation and PGW dated 16 November 2009 in relation to the issue of the CRNs; and
- other confidential correspondence, reports and agreements as provided by PGW.

8.6 Declarations

PGW has agreed that it will indemnify Grant Samuel and its employees and officers in respect of any liability suffered or incurred as a result of or in connection with the preparation of the report. This indemnity will not apply in respect of the proportion of any liability found by a Court to be primarily caused by any conduct involving gross negligence or wilful misconduct by Grant Samuel. PGW has also agreed to indemnify Grant Samuel and its employees and officers for time spent and reasonable legal costs and expenses incurred in relation to any inquiry or proceeding initiated by any person. Where Grant Samuel or its employees and officers are found to have been grossly negligent or engaged in wilful misconduct Grant Samuel shall bear the proportion of such costs caused by its action. Any claims by PGW are limited to an amount equal to the fees paid to Grant Samuel.

Advance drafts of this report were provided to the directors and executive management of PGW. Certain changes were made to the drafting of the report as a result of the circulation of the draft report. There was no alteration to the methodology, evaluation or conclusions as a result of issuing the drafts.

8.7 Consents

Grant Samuel consents to the issuing of this report in the form and context in which it is to be included in the Target Company Statement to be sent to security holders of PGW. Neither the whole nor any part of this report nor any reference thereto may be included in any other document without the prior written consent of Grant Samuel as to the form and context in which it appears.

GRANT SAMUEL & ASSOCIATES LIMITED

3 February 2011

Appendix A
Recent Transaction Evidence

A brief description of each of the transactions listed in Section 6.4 is outlined below:

AWB Commodity business Cargill Australia

On 15 December 2010 Cargill Australia Limited (**Cargill**) entered into a definitive agreement to acquire majority of the commodity management business from AWB Limited (**AWB**) for approximately A$870 million in cash. The consideration includes A$240 million representing indebtedness assumed by Cargill related to the business. The deal is subject to customary conditions and regulatory approval, and is expected to complete in the first half of 2011. The purchase price paid by Cargill will be the net asset value of the acquired business plus a premium.

Agrium / AWB

On 14 August 2010 Agrium made an offer to acquire AWB for $A1.2 billion ($1.50 per share). Implementation of the proposal was subject to receipt of foreign investment approval, removal of the 10% shareholding cap under AWB's constitution and the negotiation of an implementation agreement. On 15 November 2010, the shareholders of AWB approved the scheme of arrangement and the scheme was successfully executed on 3 December 2010. Agrium acquired AWB with the intention of integrating Landmark into its business and divesting the commodity management business (as outlined in the transaction above). Landmark is a rural services business and Australia's largest distributor of merchandise and fertiliser. Landmark also owns 50% of New Zealand rural supplies company RD1, the other 50% of which is owned by Fonterra. The transaction represented forecast EBITDA and EBIT multiples of 9.8 and 11.4 times respectively. By virtue of the divestment of AWB's commodity management businesses, an estimate of the EBITDA multiple paid for Landmark can be derived. Grant Samuel estimates the historical and forecast EBITDA multiple paid for Landmark to be 11.5 and 13.0 times respectively.

Talleys / AFFCO

On 10 June 2010 Talleys Group Limited (**Talleys**) made a takeover offer to acquire the remaining 47.17% stake in AFFCO Holdings Limited (**AFFCO**) at NZ$0.37 per share. On 11 June 2010, Talleys entered into a pre-bid agreement to acquire all the shares of AFFCO from Toocooya Nominees achieving 90.47% and allowing Talleys to acquire 100% of AFFCO under the compulsory acquisition rules. The transaction represented historical EBITDA and EBIT multiples of 6.6 and 10.0 times respectively. AFFCO engages in the procurement, processing, and marketing of meat and associated products primarily in New Zealand.

Viterra / ABB Grain

On 19 May 2009 Viterra Incorporated (**Viterra**) signed an implementation agreement to acquire ABB Grain Ltd (**ABB**) for A$1.5 billion in cash or stock. The shareholders were offered cash or scrip, or cash and scrip (A$8.70 per share or 0.9062 Viterra shares for one ABB share, or A$4.35 per share in cash and 0.4531 Viterra share). The offer included a number of conditions including a maximum cash election of 75% of the consideration paid and a maximum share election of 50% of the consideration or 78.3 million shares of Viterra. On 18 September 2009 Viterra completed the acquisition of ABB. The transaction represented historical EBITDA and EBIT multiples of 16.0 and 21.4 times respectively and forecast EBITDA and EBIT multiples of 12.3 and 15.6 times respectively. ABB is focused on grain accumulation and marketing, grain receivable and storage, malting and fertilisers.

Saskatchewan Wheat Pool / Agricore United

On 6 March 2007 Olam International (**Olam**) made a full takeover offer to acquire Queensland Cotton Holdings Ltd (**Queensland Cotton**) at A$4.75 per share in cash increasing to A$5.05 in the event that compulsory acquisition was achieved. The offer had a number of conditions including a 50% minimum acceptance level and approval by Foreign Investment Review Board. On 28 May 2007 Olam increased the offer to $5.65 per share, increasing to $5.90 per share in the event 75.1% holding was achieved. On 17 July 2007 Olam completed the acquisition of Queensland Cotton. The transaction represented historical EBITDA and EBIT multiples of 13.1 and 24.0 times respectively. Queensland Cotton engages in the purchase, processing, risk management, sale, classification, storage, and transportation of processed cotton.

Saskatchewan Wheat Pool / Agricore United

On 9 May 2007, Saskatchewan Wheat Pool (**Saskatchewan**) revised its offer to acquire Agricore United (**Agricore**) for C$1.8 billion. Saskatchewan offered C$20.50 cash for each outstanding common share and C$24 cash (plus accrued and unpaid dividends) for each Series A convertible preferred share. On 11 June 2007 Saskatchewan achieved 75% control, satisfying the 75% minimum tender condition under the offer. Saskatchewan completed the acquisition of Agricore on 15 June 2007. As of 13 March 2008, Saskatchewan officially changed its name to Viterra. The transaction represented historical EBITDA and EBIT multiples of 10.6 and 16.1 times respectively. Agricore provides a range of goods and services to western Canadian farmers, as well as marketing agricultural commodities in Canada and internationally. The company operates in four segments: Grain Handling and Merchandising, Crop Production Services, Livestock Services, and Financial Markets.

Agrium / Royster-Clark

On 8 November 2005 Agrium made a full takeover offer to acquire Royster-Clark Ltd (**Royster-Clark**). The initial offer of C$10.00 per unit was initially rejected. Agrium increased the offer twice during the process and extended the offer to 8 February 2006 at C$11.90 per unit. The takeover was successful. The transaction represented historical EBITDA and EBIT multiples of 11.5 and 20.6 times respectively. Royster-Clark engages in retail and wholesale distribution of mixed fertiliser, fertiliser materials, seed, and crop protection products to farmers in the southeast and midwest of the United States. It also operates retail farm centres, granulation, blending, and seed processing facilities, and a network of storage and distribution terminals and warehouses.

Agrium /UAP Holding

On 2 December 2007 Agrium signed a definitive agreement to acquire UAP Holding Corp (**UAP**) for US$2.1 billion in cash. Agrium commenced a tender offer to purchase all of the outstanding shares of UAP at a price of $39 per share in cash. Agrium also acquired all the outstanding options and restricted stock units of UAP. The offer was subject to customary regulatory approvals, which were not completed until 1 May 2008. On 2 May 2008 Agrium completed the acquisition of 98.5% of UAP. The remaining shares were acquired in a short form merger. The transaction represented historical EBITDA and EBIT multiples of 12.9 and 14.5 times respectively and forecast EBITDA and EBIT multiples of 11.7 and 12.9 times respectively. UAP operates as a distributor of agricultural inputs and professional non-crop products in the United States and Canada.

Landmark RD1

On 22 May 2006 Fonterra and Landmark announced a joint venture to expand rural retail on both sides of the Tasman utilising Fonterra's RD1 stores in New Zealand and rebranded Landmark Fonterra stores in Australia. The NZ$35-45 million investment represented an enterprise value of approximately NZ$80 million. The transaction represented approximate historical EBITDA and EBIT multiples of 6.3 and 7.9 times respectively.

Pyne Gould Guinness / Wrightson

On 5 July 2005 PGG and Wrightson announced an agreement to merge the two companies. Under the Proposed Merger PGG proposed to acquire all the shares in Wrightson to effect the amalgamation of the two companies at a ratio of 1.154 PGG shares to 1 Wrightson share. Following completion of the Merger, PGG shareholders owned 40.0% and Wrightson shareholders owned 60.0% of the amalgamated company. The transaction represented historical EBITDA and EBIT multiples of 9.2 and 10.4 times respectively and forecast historical EBITDA and EBIT multiples of 8.1 and 9.5 times respectively.

Wrightson / Williams and Kettle

On 24 December 2004 Wrightson announced its intention to make a full takeover offer to seek to acquire the 80.1% of the ordinary shares in Williams & Kettle it did not already own. Wrightson offered to pay Williams & Kettle shareholders $4.70 per share, paid either wholly in cash or by way of one ordinary voting Wrightson share plus $2.70 per share. Wrightson completed the acquisition of the remaining 80.1% of the ordinary shares in Williams & Kettle on 10 March 2005. The transaction represented historical EBITDA and EBIT multiples of 9.9 and 11.5 times respectively and forecast EBITDA and EBIT multiples of 10.2 times and 11.7 times based on Williams & Kettle's budget at the time of the offer.

Rural Portfolio Investments / 50.01% of Wrightson

On 6 April 2004 RPI announced its intention to make an offer to purchase a sufficient number of shares to take RPI's holding in Wrightson to 50.01% at a price of $1.50 per share. The offer was subsequently increased to $1.65 per share on 1 June 2004 and on 23 June 2004 RPI announced they had received sufficient acceptances to the offer to take RPI's holding to 50.01%. The price of $1.65 per share represented historical EBITDA and EBIT multiples of 8.6 and 11.4 times respectively and forecast EBITDA and EBIT multiples of 6.8 times and 8.5 times respectively.

AWB / Landmark

On 29 August 2003 AWB announced that it had acquired Landmark from Wesfarmers. Landmark was Australia's largest supplier of farm inputs including fertiliser and chemicals. It also had significant interests in wool and livestock marketing, rural property and real estate sales, and finance and insurance. Landmark operated 430 outlets throughout Australia. Approximately half of these outlets were company-owned, with the remainder owned and operated by franchisees, agents and affiliate members. Landmark's earnings forecast implied a forecast EBITDA multiple of 8.9 to 9.6 times.

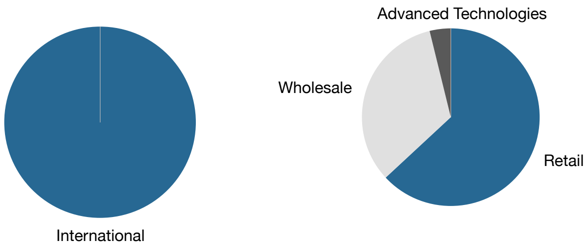
Appendix B
Comparable Listed Companies

A brief description of each of the companies listed in Section 6.4 is outlined below:

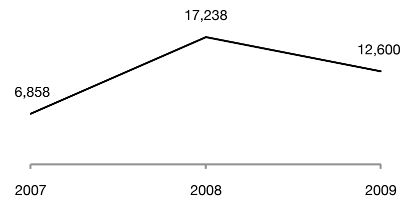
Agrium Incorporated

Agrium, together with its subsidiaries, produces and markets agricultural nutrients, industrial products, and specialty products worldwide. The company also operates a retail channel supplying agricultural products and services in North and South America. As of 31 January 2010 Agrium operated 826 retail centres in North and South America, Australia and New Zealand. The company's Wholesale segment produces, markets, and distributes nitrogen, phosphate, potash, sulphate, and other crop nutrient products for agricultural and industrial customers. Agrium's revenue and earnings declined in FY2009 due to a significant decline in prices for all crop nutrients and lower demand for potash and phosphate products in the first half of 2009. In FY2010 Agrium acquired AWB to obtain Landmark and expand its retail operations in Australia. Subsequent to this transaction they sold the commodity management business to Cargill Australia. One of Agrium's growth objectives is to grow Retail EBITDA to US$1 billion by 2015 and the company has highlighted strategic acquisitions as a key component to achieve this growth.

Revenue segmentation



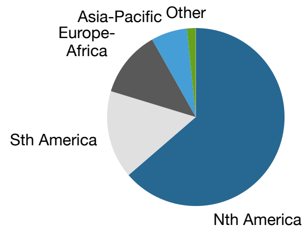
Historical Revenue ($NZ)

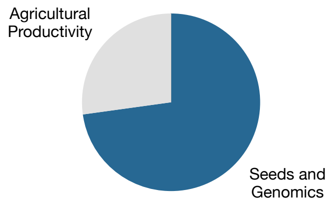


Monsanto Company

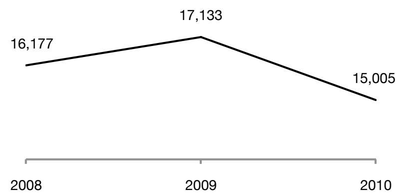
Monsanto Company (**Monsanto**), together with its subsidiaries, provides agricultural products for farmers in the United States and internationally. It operates in two segments, Seeds and Genomics, and Agricultural Productivity. The Seeds and Genomics segment produces corn, soybean, canola, and cotton seeds, as well as vegetable seeds, including tomato, pepper, eggplant, melon, cucumber, pumpkin, squash, beans, broccoli, onions, and lettuce seeds. This segment also develops biotechnology traits that assist farmers in controlling insects and weeds, as well as providing genetic material and biotechnology traits to other seed companies. The Agricultural Productivity segment offers glyphosate-based herbicides for agricultural, industrial, ornamental, and turf applications, lawn-and-garden herbicides for residential lawn-and-garden applications, and other herbicides for the control of pre-emergent annual grass and small seeded broadleaf weeds in corn and other crops. The company sells its products through distributors, independent retailers and dealers, agricultural cooperatives, plant raisers, and agents, as well as directly to farmers. Monsanto's revenues declined in FY2010 primarily as a result of decreased sales of Roundup and other glyphosate-based herbicides in the United States, Europe and Brazil. Monsanto is viewed as a leader in agricultural biotechnology. The market's outlook for the company includes double-digit growth in seeds, supported by an industry-leading pipeline of new products, and a rising adoption of biotech traits.

Revenue segmentation





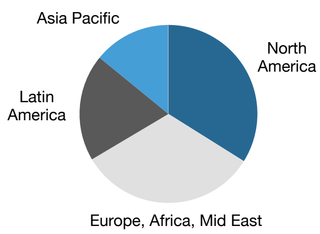
Historical Revenue ($NZ)

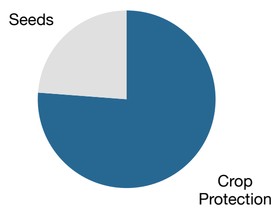


Syngenta AG

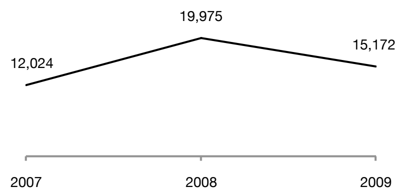
Syngenta AG (**Syngenta**), engages in the discovery, development, manufacture, and marketing of a range of products designed to enhance crop yields and food quality worldwide. It operates in two segments: Crop Protection and Seeds. The Crop Protection segment offers herbicides primarily for corn, cereals, soybean, and rice, fungicides for corn, cereals, fruits, grapes, rice, soybean, and vegetables, insecticides for fruits, vegetables, and field crops, seed care primarily in corn, soybean, cereals, and cotton, and professional products, such as products for public health, and turf and ornamentals. The Seeds segment develops, produces, and markets seeds and plants based on advanced genetics and related technologies. Syngenta's revenues declined in FY2009 primarily as a result of currency movements (sales were up 1% at constant exchange rates). Syngenta has the number one position globally in the Crop Protection industry with around 19% market share and the market anticipates further market share gains and in increase in volume as growers' potential returns improve materially.

Revenue segmentation





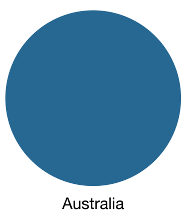
Historical Revenue ($NZ)

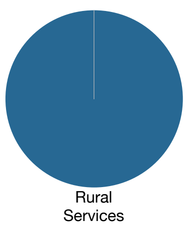


Ruralco Holdings Limited

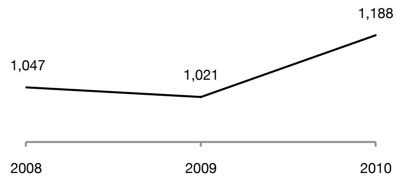
Ruralco Holdings Limited (**Ruralco**) offers various products and services primarily to the rural market in Australia. The Rural Services segment offers livestock agency, wool broking, rural merchandise, rural machinery, stock food manufacture, and finance and insurance services. Ruralco's revenues and earnings increased in FY2010 was a result of improved seasonal conditions across most of eastern Australia, higher commodity prices and strong growth in rural supplies.

Revenue segmentation





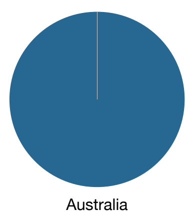
Historical Revenue ($NZ)

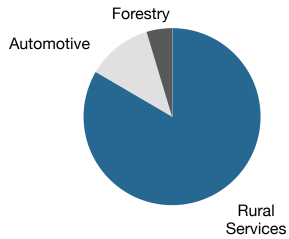


Elders Limited

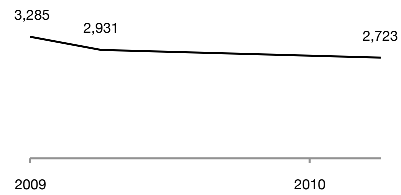
Elders Limited (**Elders**) provides rural and forestry services, as well as automotive components in Australia. The company's Rural Services segment offers a range of agricultural products and services through a common distribution channel. This segment engages in the marketing and sale of livestock and meat, cropping inputs, fertilizers, animal health products, general farm needs, and provision of greasy wool brokerage services. The Forestry Services segment engages in the hardwood plantation management and timber processing. The Automotive Components segment manufactures and sells automotive components, which include seating, heating ventilating, and air-conditioning systems. In FY2010 revenue and earnings were supported by a strong Automotive performance. The Rural Services division faced challenges, however the company has announced it is line to deliver A$45 million in cost savings in FY2011. At 30 September 2010 Elders debt position improved and total debt has reduced further as a result of selling their 40% holding in Rural Bank for A$165 million plus dividends.

Revenue segmentation





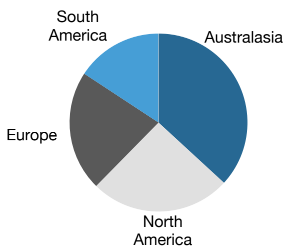
Historical Revenue ($NZ)

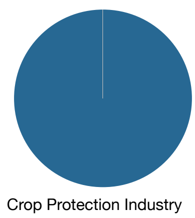


Nufarm Limited

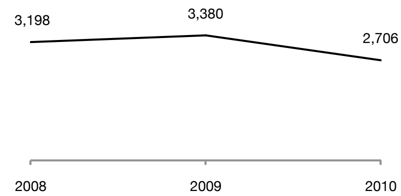
Nufarm Limited (**Nufarm**), together with its subsidiaries, operates as a crop protection company in Australia, New Zealand, Asia, the Americas, and Europe. It manufactures and sells a range of agricultural chemicals used by farmers to protect crops from damage caused by weeds, pests, and disease. Sales declined in FY2010 as a result of climatic conditions across Australia, North America, Europe and Canada. Nufarm recently announced a positive first quarter result with EBIT well ahead of the first quarter EBIT in FY2010. All major regions were ahead or in line with the markets expectations.

Revenue segmentation





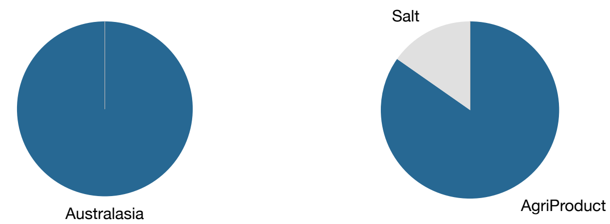
Historical Revenue ($NZ)



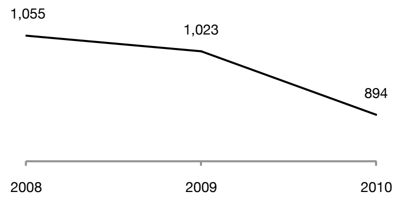
Ridley Corporation Limited

Ridley Corporation Limited (**Ridley**), together with its subsidiaries, engages in the production and marketing of stockfeed and animal feed supplements to primary producers and rural communities in Australasia. The company produces and markets stock and poultry feeds, aqua-feeds, vitamins, mineral supplements, and rural merchandise. It serves food producers in the beef, dairy, poultry, pig, sheep, and aquaculture industries, as well as laboratory animals and equine and canines in the recreational sector. The company also produces and refines solar salt and in FY2010 this contributed approximately 45% of total earnings. Despite sales decreasing in FY2010 the company achieved record profitability as a result of significant cost reductions.

Revenue segmentation



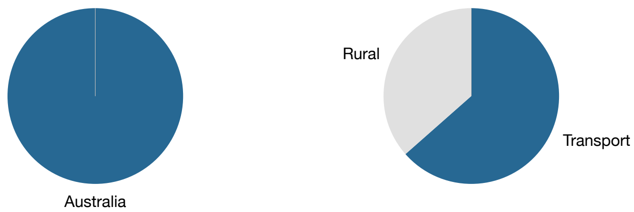
Historical Revenue ($NZ)



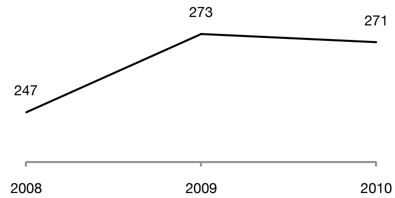
Lindsay Australia Limited

Lindsay Australia Limited (**Lindsay**) engages in the transportation of refrigerated and general freight, as well as merchandising of rural supplies in Australia. The company operates two segments, Transport and Rural. The Transport segment provides line haul, dry and general freight, refrigerated freight, express parcel; local pick-up and delivery, and warehousing, cold storage, and distribution services. The Rural segment engages in the sale and distribution of a range of agricultural products, including packaging, fertilizers, chemicals, and irrigation equipment to farmers. The company primarily serves customers in the food processing, food services, fresh produce, rural, and horticultural sectors. From January to April 2010 the Group traded below expectations as a result of adverse weather conditions and capacity utilisation. This adversely affected the result achieved for the FY2010 financial year. The Rural segment contributed approximately 30% of earnings in FY2010.

Revenue segmentation



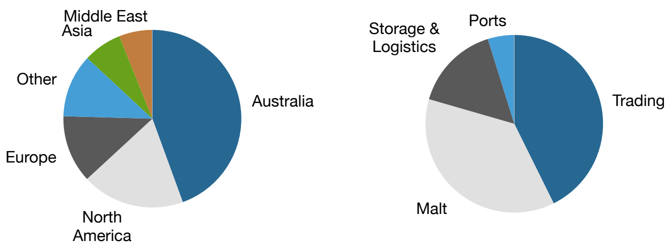
Historical Revenue ($NZ)



GrainCorp Limited

GrainCorp Limited (**GrainCorp**) is an international agribusiness. It supplies malt for use in the production of beer and whisky to brewers and distillers, stores and handles grains, trades in wheat, barley, soybean meal, sorghum, and oilseeds, and provides supply chain solutions. The company also supplies agricultural chemicals, seeds, and fertilisers to growers, and provision of various technical services, including quality assessment, tissue testing, head testing, and germination testing. GrainCorp's share price and therefore implied EBITDA and EBIT multiples have been impacted recently as a result of merger and acquisition activity. In July 2010 GrainCorp entered into merger discussions with AWB. This merger did not proceed due to Agrium acquiring AWB.

Revenue segmentation



Historical Revenue ($NZ)