

Media Statement

For immediate release

Attention: Rural /Business Reporters

21 October 2014

New Zealand's Wool Scours to Merge

In a joint release, Cavalier Wool Holdings (CWH) and New Zealand Wool Services International (NZWSI) today announced that they have signed an agreement to merge the scouring assets of the two organisations.

“We are pleased to have reached this agreement with NZWSI,” commented Ross George, director of CWH and managing director of Direct Capital, a shareholder in CWH. “This is an opportunity to right-size the industry in line with current wool volumes and to ensure an efficient and world-class scouring industry is retained in New Zealand.”

CWH is New Zealand's largest scouring operator, commission processing wool on behalf of its exporter clients from its plants located in Clive, Napier and Timaru. Its shareholders include NZSX-listed Cavalier Corporation, ACC and Direct Capital.

NZWSI is New Zealand's largest exporter of wool and also operates two wool scouring operations, located in Napier and Christchurch.

The merger will see existing CWH shareholders: Cavalier Corporation; ACC and Direct Capital retain a 55% shareholding in the business, and NZWSI's parent Lempriere, a 45% shareholding.

“We are excited about the partnership with Lempriere and the platform this merger provides for further industry initiatives, for example in wool logistics, that we believe will achieve significant benefits for wool growers and exporters that can only be achieved through a combined wool scouring business,” continued Mr George.

The proposal sees the separation of the NZWSI wool trading operation from its scouring operation, to become a stand-alone wool exporter and a commission customer of CWH.

Ross George believes wool growers and exporters will be supportive of the merger. “The merger will result in exporters, including NZWSI, competing on a level playing field, without cross-subsidy, or the perception of it, between scouring and wool trading activities,” said Mr George. “From a grower perspective, retaining a strong domestic processing industry also ensures that New Zealand wool will continue to be differentiated in export markets,” said Mr George.

The proposal is subject to regulatory approvals and Commerce Commission authorisation.

“We expect to apply to the Commerce Commission for authorisation of the transaction shortly. It will replicate our previous application authorised in 2011 and subsequently defended in the High Court,” commented Mr George. “There are over a hundred scouring lines operating in China alone, and this remains the key competitive restraint for the industry in New Zealand. The industry

dynamics remain very supportive of consolidation and we have the support of NZWSI in seeking this authorisation.”

Ends

For more information please contact:

Ross George, Director, Cavalier Wool Holdings +64 21 644 644

About Cavalier Wool Holdings:

Cavalier Wool Holdings is 100% New Zealand owned - 50% by Auckland based Cavalier Corporation, 25% by Direct Capital, and 25% by NZ Government owned ACC.

CWH processes greasy wool into clean wool for export on behalf of New Zealand wool exporters. It operates three plants, two of which are in Napier at Awatoto and Clive, and a plant based in Timaru.

About NZWSI:

New Zealand Wool Services International Limited (WSI) is privately owned as part of the Lempriere group of Companies. WSI operates two scouring plants: the Kaputone Wool Scour in Christchurch, and the Whakatu Wool Scour in Hawkes Bay.

WSI is New Zealand’s largest wool exporter exporting wool to markets in over 30 countries around the world. WSI’s global headquarters are in Christchurch, New Zealand with international offices in China and India.