



Market Update
14 December 2010

NZ Farming Systems Uruguay (NZS) Funding Update

Fitch Ratings has conducted a routine update review of the credit rating of the NZFSU I Financial Trust (Trust) and has confirmed the BBB (Uy) rating, but with rating watch improved to “Evolving” from the previous “Negative”. The improved rating watch is due to Olam International Limited (Olam)’s controlling stake in NZS following completion of Olam’s takeover offer in September 2010. Fitch noted that Olam has indicated both the capacity and intention to provide the funding required to complete farm development, which could have a positive impact on the Trust’s credit rating in future. Possible negative impacts on the credit rating in future could arise if the farm development investment were not completed, if breakeven operating cashflow were not achieved, or if NZS’ bond-holders did not approve the change of control due to Olam taking a controlling interest in NZS, or did not approve the internalization of management arising from termination of the PGG Wrightson (PGW) management agreement.

NZS confirms that as previously signaled, it is currently preparing an updated business plan including farm development priorities and funding required. This is expected to be reviewed by the Board in early 2011, with a further update on those plans to be provided at the half year results announcement in February 2011.

Olam has previously signaled its intention to support NZS’ short term funding requirements. NZS is currently arranging a short term loan from Olam to fund near term capital expenditure requirements including electricity infrastructure, irrigation and capital fertiliser, to provide further working capital, and to enable repayment of the outstanding performance fee and management fees due to PGW, as well as buyout of the PGW management agreement. The loan is expected to be repaid from the proceeds of a capital raising to be completed after the updated business plans are approved by the Board.

NZS advises that it has obtained bond-holder approval to the change in control and internalization of management, as required by the terms of the bond agreement. NZS has agreed with bond-holders to modify certain terms and conditions of the bonds. The variable interest rate will now be in a range of 9-11%, effective 1 October 2010, instead of the original 5-15%. In addition NZS has agreed to eliminate the early repayment option, which was to have been available from 2018. These changes are expected to result in a very slight increase in the overall average interest rate over the life of the bonds. Once the revised business plan has been approved by the Board, it will be reviewed by the bond-holders as it will impact on the variable interest rate earned by bond-holders. In the event that the parties do not agree on the plans, either NZS or the bond-holders may choose to redeem the bonds, which would be funded via capital raising.

NZS continues discussions with its banking syndicate to obtain their approval to the change in control and internalization of management, which are required under terms of the bank syndicate agreement. An update on this will be provided in due course.

For further information please contact:

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Notes:

The Trust was established in July 2009 as part of a funding structure for NZS to raise debt for the development of its farms. NZS issued US\$30m of long term bonds in Uruguay in July 2009 to continue the development of the farms. The Trust provides security for the borrowing over part of NZS' milk receipts and part of the company's land holdings.

"Evolving" rating watch means that the credit rating may be raised or lowered in future.