



NZ Farming Systems Uruguay Limited (NZS) Market Update

NZS bank loan

NZS advises that it has arranged a short term loan of up to USD 30 million with Banco República (a Uruguayan local government bank) to provide funding for immediate capital expenditure requirements. The loan can be drawn down in stages and is repayable in full one year after initial uplift of funds (approximately 31 May 2012). The loan bears interest at 5.5% per annum. Security will be given by way of mortgage over land owned by certain NZS subsidiaries.

The Banco República loan is in addition to existing loans of USD 50 million from Olam International Limited (Olam), USD 26.65 million under a bond issue to Uruguayan bond holders, USD 16 million to syndicated banks in Uruguay, and USD 1.5 million to HSBC.

For NZS to fully uplift the Banco República loan, the Syndicate Loan Banks must grant a waiver of the current covenant cap of USD 120 million of total liabilities. NZS is in discussions with its bank syndicate to obtain a waiver from this covenant and will update shareholders in due course.

Market Update – Revised Forecast

NZS advises that it anticipates earnings for the year ended 30 June 2011 to be ahead of the forecast released with the interim results on 17 February 2011, primarily due to stronger milk production and milk prices.

The Earnings before Interest and Tax (EBIT) forecast for the 2010/11 year is a loss of USD 8.3 million, an improvement of USD 2.9 million over the forecast announced in February 2011. This is excluding the management agreement termination fee as well as profit on sale of land.

Milk prices have continued to strengthen with the average price at farm gate received by NZS for the 10 months until April 2011 at USD 35.9 cents per litre. Milk production has been exceeding our previous guidance on 17 February 2011 of 95-100 million litres as the full year forecast and is now forecast at 105 million litres for the full year.

The company is expecting a better result for livestock category changes as a result of improved reproductive performance and improved growth rates in young stock.

However, during this period there has been a higher expenditure in supplements/concentrates due to higher feeding rates as a result of drought, higher costs per ton of feed purchased, and higher numbers of cows in milk that require feeding.



Both livestock and land prices have been trending upwards and gains are expected from livestock and land revaluations. As in previous years, any changes in livestock and land valuations will be treated as a non-operating item in the Income Statement.

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