

## Commentary on NZ Farming Systems Uruguay Ltd ('NZS') Audited Results for Announcement to the Market for Year Ended 30 June 2011

The commentary below relates to the announcement of NZ Farming Systems Uruguay's ('NZS') audited results for the full year ended 30 June 2011, following the Preliminary Announcement on 29 August 2011. The results are unchanged from the Preliminary Announcement.

The results show a loss for the year ended 30 June 2011 of USD 8.7m. For the same period last year (2010), the loss was USD 7.9m.

This 2011 result includes *Loss Before Interest and Finance Costs* of USD 4.3m compared to a loss of USD 2.8m in 2010.

*Revenue (excluding Change in Fair Value of Livestock)* increased by 90.8% from USD 22.5m in 2010 to USD 43.0m in 2011 primarily due to an increase in milk production from 68.0m litres to 105.3m litres, and an increase in average milk price from US 28.3 cents/litre to US 38.1 cents/litre.

*Change in Fair Value of Livestock* increased from USD 8.1m in 2010 to USD 21.0m in 2011. In addition to Births and Deaths, this included USD 5.5m of category changes (USD 1.7 in 2010), USD 8.1m in herd improvement (USD NIL in 2010), and USD 7.5m in fair value adjustment (USD 6.2m in 2010). Category changes relate to evolution of livestock into older/heavier categories. Herd improvement relates to the increase in concentrate feeding levels implemented during the year, which resulted in a significant lift in milk production, pregnancy rates and body condition in 2011, and is expected to lead to further lifts in milk production and pregnancy rates in 2012. Fair value adjustment relates to changes in livestock values between the start and end of the year.

Total Revenue including *Change in Fair Value of Livestock* increased by 108.5%, from USD 30.7m in 2010 to USD 64.0m in 2011.

Livestock numbers increased during the year from 56,153 to 62,483 at the end of the year. This increase came from a combination of purchases of livestock to populate the 7 new dairies that are coming on line in spring 2011, plus increasing numbers of livestock resulting from natural increase in the herd.

*Farm Operating Expenses* increased from USD 20.9m in 2010 to USD 47.0m in 2011. The largest contributor to this increase was an increase in concentrate feed costs increasing from USD 3.4m in 2010 to USD 18.5m in 2011. A substantial contributor to this increase was the decision to increase concentrate feeding rates to the milking cows on an ongoing basis. Other major contributors were the drought conditions experienced across the country (especially in the central regions where the drought lasted six months) and an increase in all purchased feed prices in Uruguay.

The trends evident above (increasing milk production and revenue, and increasing expenses) are expected to continue in the 2012 year. However under normal seasonal conditions (no drought) and given the herd improvements outlined above, revenue is expected to increase at a significantly faster rate than expenses. For 2012 this is presently forecast to result in both positive earnings before interest and tax (EBIT) and a net profit after tax, with further improvements in financial performance forecast for 2013 and beyond.

*Earnings per share* is a loss of USD 3.56 cents compared to a loss of USD 3.24 cents in 2010.

There were no returns to shareholders via distributions or buy backs during the year.

*Total Assets* at 30 June 2011 were USD 290.1m, up from USD 229.2m at 30 June 2010. This includes an increase in the valuation of property, plant and equipment from USD 161.7m at 30 June 2010 to USD 173.9m at 30 June 2011.

*Total Liabilities* at 30 June 2011 were USD 134.2m, up from USD 71.7m at 30 June 2010. This includes a short term loan from Olam International Ltd of USD 70.0m.

This report is based on audited financial statements. The audit opinion is unqualified.

There were no major significant changes in the business subsequent to 30 June 2011.

There were no other material unrealised gains / losses during the year to 30 June 2011.

<b>NZ Farming Systems Uruguay Limited</b>
<b>Results for announcement to the market</b>

Reporting Period	Year ended 30 June 2011
Previous Reporting Period	Year ended 30 June 2010

	Amount (US\$'000s)	Percentage change
Revenue from ordinary activities	63,962	108.5%
Profit (loss) from ordinary activities after tax attributable to security holder.	(8,694)	-10.0%
Net profit (loss) attributable to security holders.	(8,694)	-10.0%

Interim/Final Dividend	Amount per security	Imputed amount per security
	\$ -	\$ -

Record Date	n/a
Dividend Payment Date	n/a

Comments	<p>Refer to the results release, presentation and audited financial statements. Revenue from ordinary activities includes Revenue and Changes in Fair Value of Livestock.</p> <p>Net Tangible Assets per security: June 2011 US\$0.64, June 2010 US\$0.65.</p>
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