NZ Farming Systems Uruguay Limited

Annual results announcement

Year to 30 June 2011

www.nzfsu.co.nz

5 September 2011

Briefing Outline

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Overview

- Milk revenue 113% higher than in FY10 due to 58% increase in milk prices and 55% increase in milk production
- Operating loss of $4.3m; increased by $1.5m on $2.8m loss in FY10
- Difficult climatic conditions with wet winter then dry spring and drought conditions throughout summer in the Centre
- Concentrate feed regime incorporated in the 2nd quarter had a positive impact on milk production
- Increase in total farm valuation by 6% from FY10
- Increase in total livestock valuation over FY10 by 65% including an 11% increase in numbers
- Steady development progress with 1 further milking shed, 7 under construction, additional irrigation and electricity infrastructure underway
- Management internalised with PGW management agreement terminated
- Funding provided by shareholder loan from Olam to repay outstanding balances to PGW and for immediate capex requirements and working capital

Key Financials – P&L

	Year ended 30-Jun-11 US$m	Year ended 30-Jun-10 US$m
Revenue (1)	64.0	30.7
Livestock and cropping cost of sales	2.5	3.7
Employee benefits expense	7.5	4.2
Farm operating expenses	47.0	20.9
Mgmt fee / depreciation / other expenses	10.3	6.1
Land fair value adj/gain(loss) on property sale	1.0	-1.3
Operating loss from farming activities	**-4.3**	**-2.8**
Interest / finance costs / unwind of discount on VAT receivable	4.6	5.2
Tax (benefit) / expense	0.2	0.1
Net profit after tax (NPAT)	**-8.7**	**-7.9**

(1) Milk revenue $39.6m, livestock sales $2.8m, other $0.6m and change in fair value of livestock $21.0m

Key Financials –
Farm Operating Expenses

	Year ended 30-Jun-11 US$m	Year ended 30-Jun-10 US$m
Pasture	8.3	5.4
Farm repairs and maintenance	3.3	1.7
Farm management	0.5	0.9
Animal health, breeding, calf rearing	4.2	2.9
Cropping and feed	21.2	6.1
Other farm expenses	9.4	3.9
TOTAL	**47.0**	**20.9**

- Expenses up in cropping and feed due to concentrates feeding regime and dry spring and summer

Key Financials – Balance Sheet

NZ Farming Systems URUGUAY

	As at 30-Jun-11 US$m	As at 30-Jun-10 US$m
Property, Plant & Equipment	173.9	161.7
Livestock	57.6	34.8
Cash and other assets	58.6	32.6
Liabilities	134.2	71.7
Equity	**155.9**	**157.5**
Net Tangible Assets (US cps)	64c	65c
Net Tangible Assets (NZ cps)	77c	92c

- Increase in farm valuations
- Livestock increase in value at June 2011 valuation, and improved body condition
- Shareholder loan during period increased liabilities

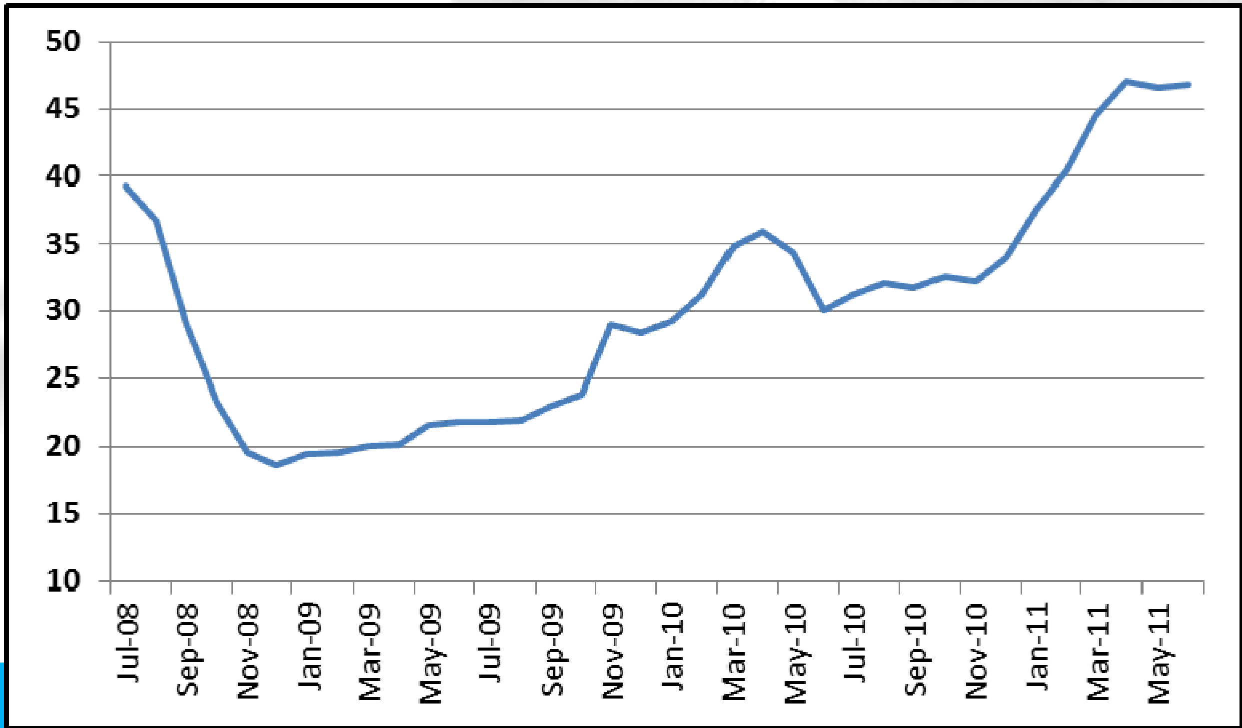
Funding

- Management agreement internalised; PGG Wrightson short term loan due to performance fee was repaid in December 2010 with Olam loan
- Strong support from Olam via shareholder loan facility of up to $85m to fund outstanding balance owed to PGW, immediate capex requirements, long term loan partial cancellations, and working capital. At 30 June 2011 outstanding loan balance was $70m.
- Bond issue partially cancelled; outstanding was $25.7m. Interest rate on bond was amended in December 2010, taking variable interest rate range from 5%-15% to 9%-11% and redemption option was removed.
- Syndicated loan of $16m with two banks (BROU and Santander) was partially cancelled; repaid $8m to Banco Santander
- Received short term loan from BROU of $5m for capex funding
- Approx $60m funding required to complete development and livestock purchases
- Funding to come from capital raising or other funding alternatives in the second half of calendar 2011. Total funding of $115-$120m required to complete development and repay short term loans.

Market conditions

- International dairy prices have continued to lift strongly, as did all commodities
- Price trend up from 31.3 c/litre in July 10 to 46.8 c/litre in June 11
- Average price of 38.1c/litre in FY11 compared with 28.7 c/litre in FY10
- Present milk prices at risk due to decrease in international milk prices and macro-economic conditions

NZFSU Farm Gate Milk Price (cents/litre)



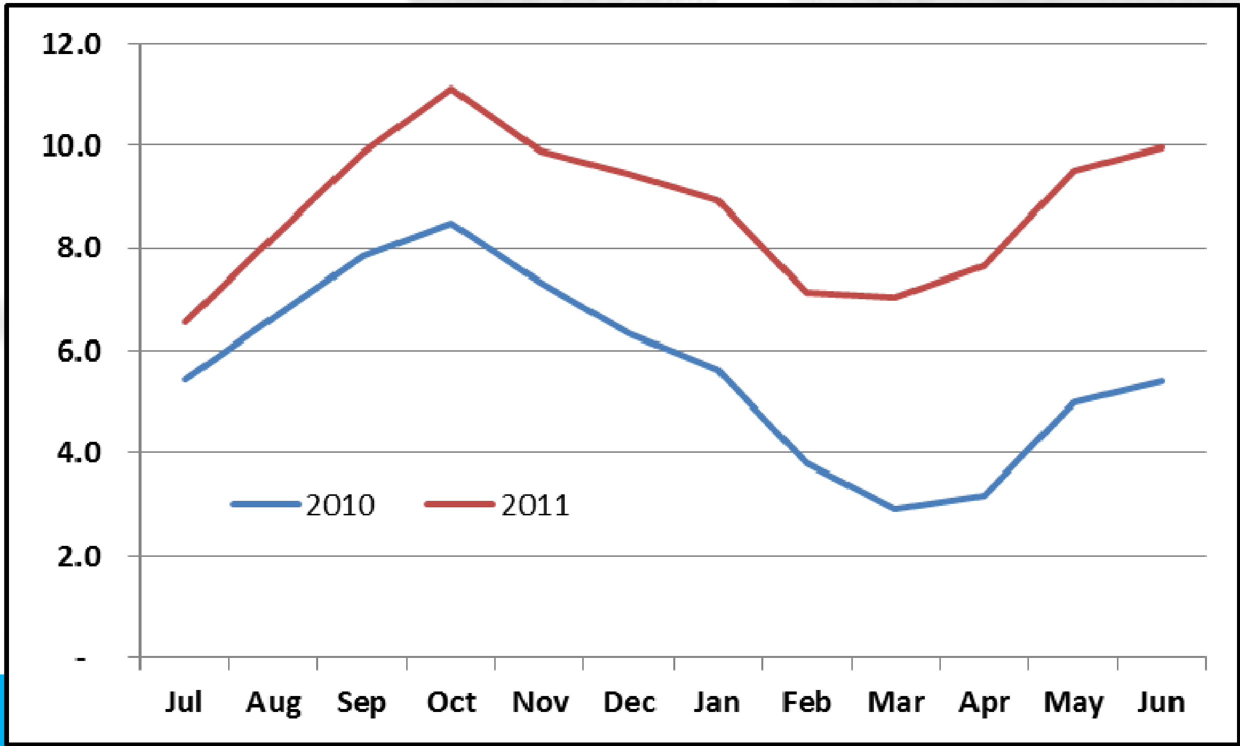
Operating Conditions

- Increased level of concentrates fed to cows post peak in spring resulted in annual milk production over budget
- New feeding regime also improved pregnancy rates, young stock weight gain and overall livestock body condition
- Feed costs per ton very high due to peaks in prices of all feeds internationally
- Autumn 2011 and spring 2011 calving herds in excellent condition
- Climate was very challenging with a wet winter followed by a dry spring in all regions and drought conditions in the Centre
- Irrigation helped to maintain soil moisture and provide higher grass growth, though costs were high due to the use of generators, and increased area under irrigation is required
- Availability of funding from Olam ensured capital fertiliser applications could be completed during autumn

Milk production (1)

- Production lifted from 68m litres in FY10 to 105m litres in FY11 – 5m litres above budget.
- Much slower decline in milk production per cow from November despite drought conditions, due to new concentrate/management regime
- Spring milk peak of 11.1m litres in October, and 24,000 peak milking cow numbers in November

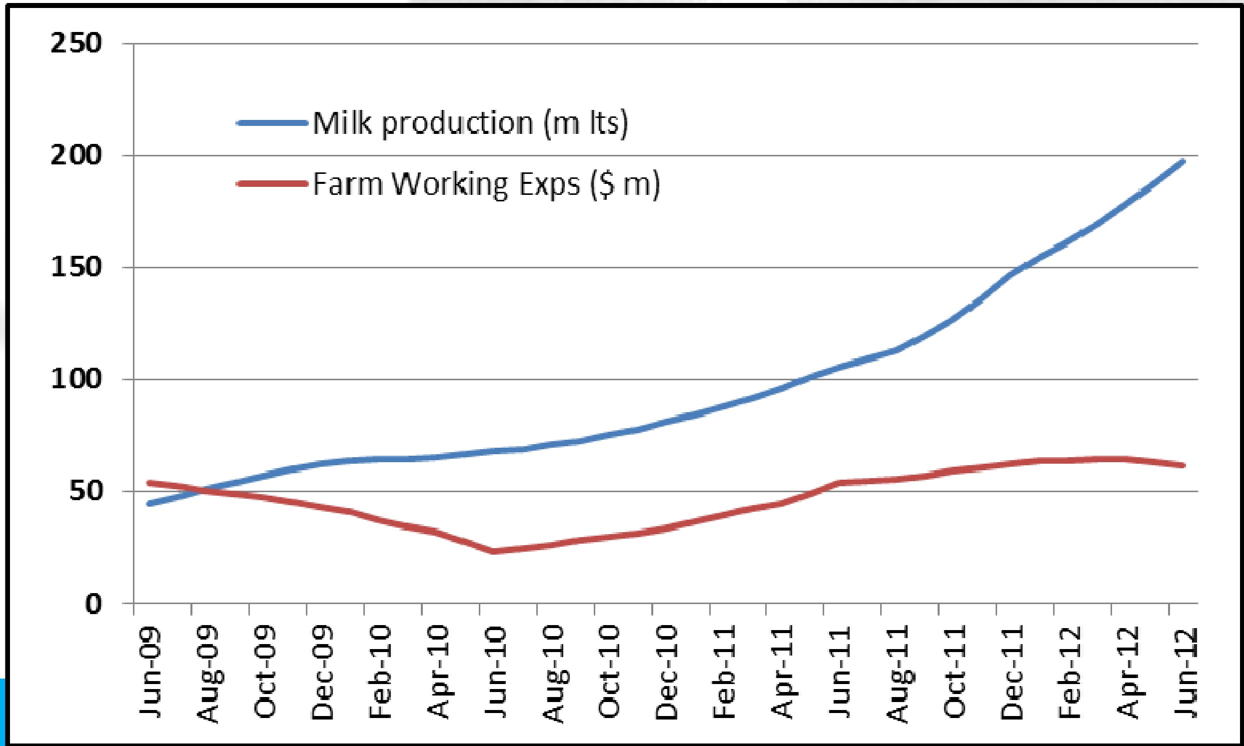
NZFSU Monthly Milk Production (m litres)



Milk Production (2)

- Costs per litre increased in FY 11 with re-structuring costs plus new concentrate feeding policy, high feed costs per ton and drought
- FY11 cost of production 47 c/litre, with this expected to drop to 29-31 c/litre in FY12 and then further to 23-24 c/litre at maturity in FY14/15

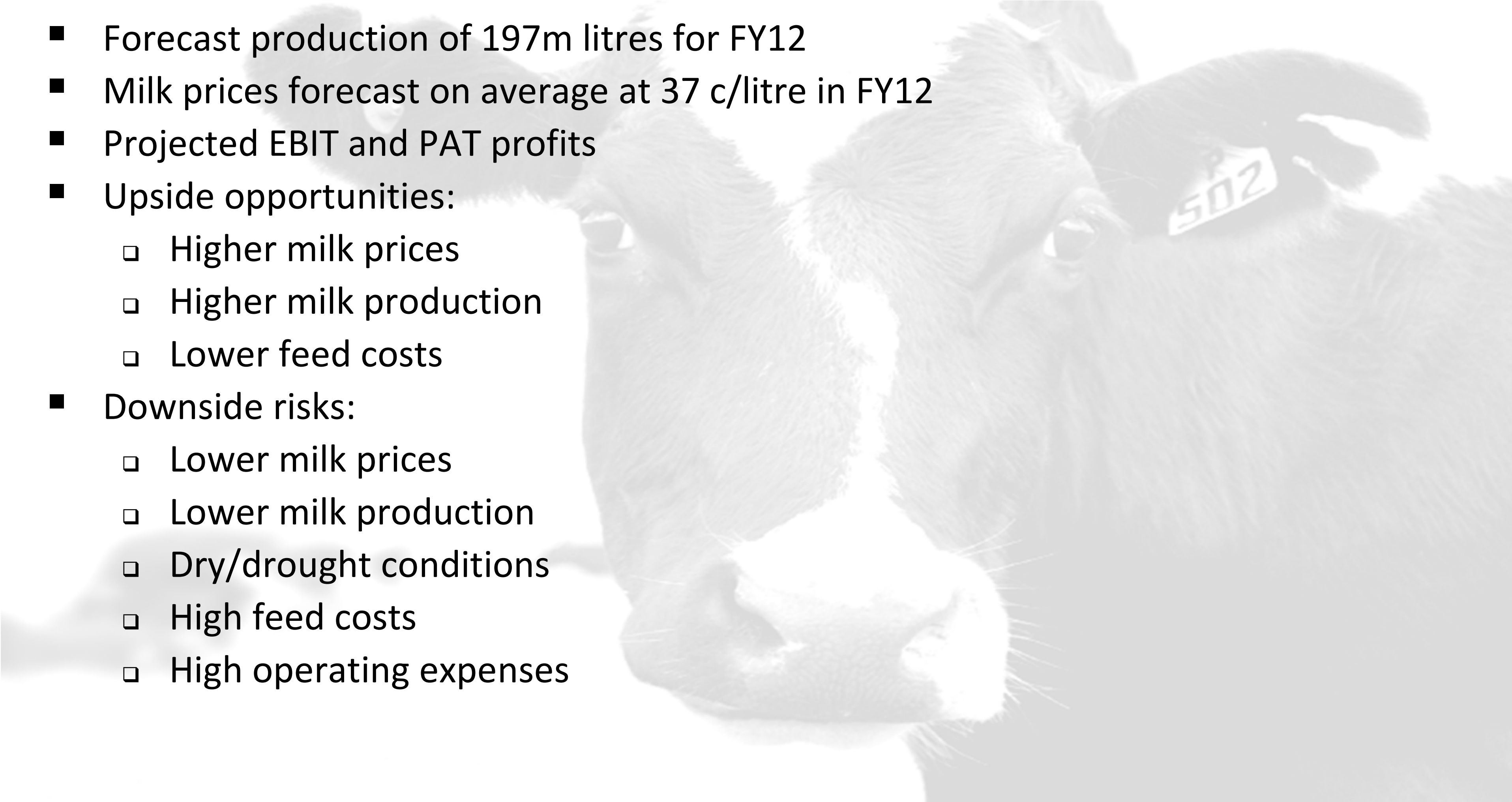
NZFSU Milk Production vs Farm Working Expenses
FY 2010-FY 2012 - Rolling 12 Months to Date



Management Internalisation

- Terms for ending the Management Agreement with PGW agreed and effective after 17 August 2010
- Incorporation of PGW Uruguay management staff into NZFSU
- New CEO David Beca based in Uruguay from 01 February 2011, with significant experience in dairy farming in Australia, New Zealand and South Africa
- Management structure entirely based within Uruguay with broader based management team

Outlook



- Forecast production of 197m litres for FY12
- Milk prices forecast on average at 37 c/litre in FY12
- Projected EBIT and PAT profits
- Upside opportunities:
  - Higher milk prices
  - Higher milk production
  - Lower feed costs
- Downside risks:
  - Lower milk prices
  - Lower milk production
  - Dry/drought conditions
  - High feed costs
  - High operating expenses

Summary

- Year of increasing production, both milk and pasture, and developing the basis for future growth
- Production profile improving with farm development, irrigation and focus on feed and management
- Dairy price outlook remains cautiously favourable though with significant downside risk
- Development underway with 7 new dairies being close to completion for this spring and 1,000 additional hectares of irrigation for next summer
- Steady state production expected on average on all farms in 2014

Investor Tour

- Upcoming tour on 8-10 November
- Program to visit NZS farms in Centre, East and West of Uruguay
- Register interest on website www.nzfsu.co.nz

NZ Farming Systems Uruguay Limited

Briefing on Annual Results

Year ended 30 June 2011

THANK YOU