Target Company Statement

23 MAY 2011
NZ Farming Systems Uruguay Limited

THIS IS AN IMPORTANT DOCUMENT AND IT REQUIRES YOUR IMMEDIATE ATTENTION.

Contents

If you are in doubt as to how to deal with this document please seek advice from your professional advisers.

All references to share prices are stated in NZD unless otherwise noted.

Graeme Wong

Letter to Shareholders

DEAR SHAREHOLDER

Olam takeover

Olam International Limited ("Olam") has made a full takeover offer for NZ Farming Systems Uruguay Limited ("NZS" or "the Company") at an offer price of 70 cents/share (the "Olam Offer" or "Offer"). You should have received the Olam Offer document in the post directly from Olam. A copy is also available on the NZX website under stock code NZS.

On receipt of the takeover notice signalling Olam's intention to make the Olam Offer, the NZS directors not associated with Olam ("Independent Directors") appointed a Committee of John Roadley and myself to manage the Company's obligations under the Takeovers Code ("Code"). Grant Samuel & Associates Limited ("Grant Samuel") was appointed as independent adviser to report on the merits of the Olam Offer. The Grant Samuel report is included in the Target Company Statement attached to this letter.

Independent Adviser's report

Grant Samuel has assessed the underlying value of the Company's shares in the range of 60 cents to 69 cents/share. This is the price Grant Samuel assesses an entity would be expected to pay to acquire the Company as a whole. The Olam Offer is therefore above Grant Samuel's valuation range.

The Grant Samuel report notes that the Olam Offer represents:

- a premium of approximately 24% relative to the closing price of 55 cents/share on 21 April 2011 (being the business day prior to the announcement of the Olam Offer);
- a premium of 26% to the volume weighted average share price (VWAP) over the 30 trading days months prior to the announcement; and
- an 18% premium to VWAP over the 6 months prior to the announcement.

Recent visit to Uruguay

We recently visited Uruguay to review farm operations and have concluded that:

- Earnings for the year ended 30 June 2011 are expected to be ahead of earlier guidance given in February 2011 and this was recently released to the NZX. We believe that, unlike previous years, there is little risk that the Company will not meet its 2012 budget forecasts.
- Cows and young stock are in good condition and producing ahead of forecasts, and pregnancy rates are good. The business is responding well to internalised management, and funding lines are in place to meet required immediate capital expenditure.
- Land and livestock have been revalued in May 2011 as set out in the attached valuations of Escritorio Dutra Ltda and the effect of these valuations provides a net asset value of 81 cents per share as at May 2011 (assuming an exchange rate of 0.7859 USD/NZD).
- Having said that nearer term risks at an operating level are reducing, there are still many factors outside of the control of the Company that influence financial performance and the Grant Samuel report covers these and provides a range of sensitivity analyses as to the impact of these and other variables on value.
- In addition, notwithstanding the revaluation gains in respect of land and livestock, the Company is still trading at an operating loss.

Additional factors

There are a range of additional non valuation factors which you should also take into account in the event that Olam does not achieve acceptances under the Offer to take its shareholding to 90% of NZS Shares, which include:

- the likelihood of a large capital raising by the Company in the short term;
- NZS shares are likely to continue to be thinly traded and even more so if Olam achieves an increased shareholding;
- production forecasts depend on high average per cow milk yield across all farms, and not all farms are yet developed and stocked;
- the Company's financial performance is sensitive to milk prices and corn/grain prices which can be volatile and are beyond the control of management;
- Olam will be able to acquire a further 5% of NZS Shares 12 months after the end of the Olam Offer period. If that is sufficient to take Olam's total holding to 90%, it can then compulsorily acquire the balance of shares it does not own at an assessed fair value. There can be no assurance that this will exceed 70 cents/share;
- shareholders have no assurance of receiving any dividends, at least in the short to mid-term;
- there is no immediate prospect of any other major buyer in the market for NZS unless Olam elects to sell some or all of its shareholding.

Comments on the Grant Samuel report

The Grant Samuel report is comprehensive. The valuation contained in the report, being primarily a discounted cashflow valuation, is very sensitive to various assumptions that impact the forecast cash flows of the business, including assumptions regarding the terminal value. In its report Grant Samuel notes that "even where cash flow forecasts are available the terminal or continuing value is usually a high proportion of value. Accordingly, the multiple used in assessing this terminal value becomes the critical determinant in the valuation".

We consider that there are reasonable grounds to believe that farm values at the end of the forecasting period may, if translated into a net asset value for the Company's shares, be higher than the value derived in the Grant Samuel report, if earnings forecasted are achieved.

In addition, the valuation of NZS shares is sensitive to a different view of the discount rate from that assumed in the Grant Samuel report, and a small decrease to this rate can drive a material increase to the value range (6 cents for each 0.5% movement). It is also sensitive to the New Zealand dollar/US dollar exchange rate as referred to at page 24 of the Grant Samuel report.

However, while a less conservative view of these factors may extend the upper end of the value range of 60 to 69 cents/share established by Grant Samuel, the price offered by Olam would likely still fall near the midpoint of the value range.

Our recommendation

The Independent Directors intend to accept the Olam Offer in respect of our own NZS Shares. While we acknowledge that some shareholders may conclude that the Olam Offer undervalues the Company based on more optimistic views of the variables shown in the sensitivity analyses, on balance and for the reasons set out above, we recommend that you accept the Olam Offer.

Despite our recommendation, it is for individual shareholders to make your own decision as to the assumptions expressed in the Grant Samuel Report, or the opinions of the Independent Directors contained in this Target Company Statement, and you should carefully read this document and the Grant Samuel report, and consult as you see fit with your financial advisor, to make an informed decision on the merits of the Olam Offer.

Yours sincerely,

Graeme Wong
Chairman - Committee of Independent Directors

FREQUENTLY ASKED QUESTIONS

Q: WHEN DO I HAVE TO MAKE A DECISION ON THE OLAM OFFER?

A: *The Olam Offer will remain open until 5pm (New Zealand time) on 7 June 2011 (unless extended).*

Q: HOW DO I ACCEPT THE OLAM OFFER?

A: *You should follow the instructions set out in the Olam Offer document. If you are uncertain, you should consult your financial or legal adviser.*

Q: WHAT HAPPENS IF OLAM GETS MORE THAN 90% OF NZS' SHARES?

A: *Olam has advised that if it receives acceptances in respect of 90% or more of NZS shares, it will promptly exercise its powers under the Takeovers Code to compulsorily acquire the remaining shares. This would be at the same price as paid to shareholders who sold their shares into the Offer.*

Q: WHAT HAPPENS IF OLAM DOES NOT GET MORE THAN 90% OF NZS' SHARES?

A: *Olam has advised that if it does not receive acceptances in respect of 90% or more of NZS shares, it will continue to work with the NZS Board to implement the current business plan, including the previously indicated capital raising required to do this. Olam has indicated that it wishes to underwrite any capital raising to ensure the full amount of capital is raised to enable NZS to continue its development. The NZS Board has agreed to discuss this with them. More information is contained in the 'Additional Information' section of the Target Company Statement (paragraph 14).*

Q: COULD OLAM GET MORE THAN 90% OF NZS' SHARES AFTER THE OFFER CLOSES?

A: *If Olam achieved a shareholding of less than 90% in NZS, it would not be able to increase its holding until 12 months after the close of the Olam Offer, other than with shareholder approval or under a further takeover offer. At that stage it could increase by up to a further 5% in any 12 months. Once it achieved 90%, it could at that later stage invoke the compulsory acquisition procedures under the Takeovers Code to acquire the balance of shares it does not hold. Olam must at that stage offer a price set as fair and reasonable by an independent adviser. Shareholders have certain rights to object to the price and require expert determination by an independent person appointed by the Takeovers Panel.*

FREQUENTLY ASKED QUESTIONS CONTINUED

Q: WILL I BE FORCED TO SELL MY SHARES?

A: *You cannot be forced to sell your shares into the Olam Offer. But if Olam receives acceptances to take its total holding to 90% of NZS shares or more, it can proceed under the Takeovers Code to compulsorily acquire the remaining shares.*

Q: WILL NZS REMAIN LISTED?

A: *Olam has indicated that if it receives acceptances to take its shareholding to 90% or more of NZS shares, it will seek to delist NZS after it has acquired the remaining shares it does not own. NZX will generally suspend trading of shares 5 business days after it receives a notice in these circumstances. If Olam does not achieve acceptances to take its shareholding to 90%, NZS can request NZX that its shares are delisted. However NZS understands that NZX can make that delisting subject to such conditions it thinks fit, which can include arrangements to protect minority shareholders. While NZS remains listed, it is required to comply with the NZSX Listing Rules, including the requirement to maintain directors who are independent of Olam.*

Q: ARE THERE ANY CONDITIONS TO THE OLAM OFFER?

A: *No the Offer is unconditional.*

Q: HOW DO I FIND OUT IF THE TERMS OF THE OFFER CHANGE?

A: *Notice of any variation or change in the Offer will be sent by Olam to each shareholder, NZS, the Takeovers Panel and the NZ Stock Exchange. The Takeovers Code allows Olam to make only two types of variation to the Offer: either to improve the Offer price or to extend the period of the Offer. However, due to Olam's statement that it would not be increasing the Offer price, its only variation would be to extend the Offer period.*

Q: WHEN WILL I RECEIVE PAYMENT IF I ACCEPT THE OFFER?

A: *As the Olam Offer is unconditional, it states that 'All accepting shareholders will be paid within five days of receipt of their completed Acceptance Form'. Acceptances must be received by Olam no later than 5pm on 7 June 2011 unless there is a variation to extend the Offer period.*

NZ Farming Systems Uruguay

Independent Adviser's Report

On the full takeover offer from Olam International Limited

GRANT SAMUEL

May 2011

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GRANT SAMUEL

Glossary

Glossary	
Term	**Definition**
CAPM	Capital Asset Pricing Model
Conaprole	Cooperative Nacional de Productores de Leche SA
EBIT	Earnings Before Interest and Tax
FY2010	Financial year ended 30 June 2010
FY2011	Financial year ending 30 June 2011
FY2012	Financial year ending 30 June 2012
FY2013	Financial year ending 30 June 2013
FY2014	Financial year ending 30 June 2014
IPO	Initial Public Offering
Kewalram	Kewalram Chanrai Group
NPAT	Net Profit After Tax
NTA	Net Tangible Assets
NZIFRS	New Zealand International Financial Reporting Standards
NZS	NZ Farming Systems Uruguay Limited
NZSX	New Zealand Stock Exchange
Olam	Olam International Limited
Olam Offer or the Offer	Olam's full takeover offer to acquire all of the shares in NZS it does not already hold or control
Open Country	Open Country Dairy Limited
PGW	PGG Wrightson Limited
Temasek	Temasek Holdings
VAT	Value Added Tax
VWAP	Volume Weighted Average Share Price

1. Terms of the Olam Offer

1.1 Background

On 26 April 2011 NZ Farming Systems Uruguay Limited (**NZS**) announced that it had received, on 21 April 2011, a notice of intention from Olam International Limited (**Olam**) to make a full takeover offer for NZS (the **Olam Offer** or the **Offer**). At the time of making its Offer Olam held 78% of the shares in NZS and the Offer is for the remaining 22% of the shares in NZS, at $0.70 per share.

The Olam Offer follows an earlier full takeover offer made by Olam in August 2010 as a result of which Olam increased its shareholding in NZS from 18.4% to 78%. The price of Olam's August 2010 offer was also $0.70 per share.

Since taking control of NZS, Olam has undertaken a strategic review of the business and revised the long term business plan of the company to focus on increasing milk volumes by increasing the volume of concentrates fed to milking cows during lactation and increasing the size of the herd. This is a change from the previous management's focus on improving herd genetics to improve the milk solid content of milk produced. Olam is seeking full control of NZS to complete the implementation of the revised plan without the compliance burden associated with being a listed entity in New Zealand.

1.2 Details of the Olam Offer

Olam is offering to acquire the remaining 22% of NZS it does not already own, a total of 53,784,358 shares. It has already acquired additional shares on-market following the commencement of the Offer period. The Olam Offer is open for acceptance from 6 May 2011 to 7 June 2011 unless extended.

The Olam Offer is unconditional. Any shares accepted into the Olam Offer will be acquired and payment will be made by Olam within 5 days of receipt of a completed acceptance form.

Olam has indicated that it may choose to engage the services of financial advisory firms to contact NZS shareholders and encourage acceptance of the Olam Offer. In the event that Olam engages such services it has indicated that it may pay advisers a handling or procurement fee based on the number of acceptances the adviser is able to procure. The indicative fee payable to advisors is 0.75% of the consideration payable by Olam on the accepted shares subject to a minimum of $25 and a maximum of $500 for a single acceptance form.

Olam may only make the following variations to the Offer:

- increase the Offer price. However, on 10 May 2011 Olam clearly stated that it will not be increasing the Offer price. Accordingly, the Offer price may not be increased without breaching rule 64 of the Takeovers Code which prohibits misleading or deceptive conduct; or
- extend the Offer period. The Offer period cannot be extended beyond 4 August 2011.

The Olam Offer cannot be varied later than 14 days before the end of the Offer period.

1.3 Requirements of the Takeovers Code

The Takeovers Code came into effect on 1 July 2001, replacing the New Zealand Stock Exchange Listing Rules and the Companies Amendment Act 1963 requirements governing the conduct of company takeover activity in New Zealand. The Takeovers Code seeks to ensure that all shareholders are treated equally and on the basis of proper disclosure are able to make informed decisions on shareholding transactions that may impact on their own holdings.

NZS is a ***Code Company*** for the purposes of the Takeovers Code. Rule 6 of the Takeovers Code, the fundamental rule, states that a person (along with its associates) who holds or controls:

(a) no voting rights, or less than 20% of the voting rights, in a code company may not become the holder or controller of an increased percentage of the voting rights in the code company unless, after that event, that person and that person's associates hold or control in total not more than 20% of the voting rights in the code company;

(b) 20% or more of the voting rights in a code company may not become the holder or controller of an increased percentage of the voting rights in the code company.

Rule 7 of the Takeovers Code sets out the ***exceptions*** to the fundamental rule. Rule 7 states that a person may become the holder or controller of an increased percentage of the voting rights in a code company under the following circumstances:

(a) **by an acquisition under a full offer**;

(b) by an acquisition under a partial offer;

(c) by an acquisition by the person of voting securities in the code company or in any other body corporate from one or more other persons if the acquisition has been approved by an ordinary resolution of the code company in accordance with the code;

(d) by an allotment to the person of voting securities in the code company or in any other body corporate if the allotment has been approved by an ordinary resolution of the code company in accordance with the code;

(e) if: (i) the person holds or controls more than 50%, but less than 90%, of the voting rights in the code company; and

(ii) the resulting percentage held by the person does not exceed by more than 5 the lowest percentage of the total voting rights in the code company held or controlled by the person in the 12-month period ending on, and inclusive of, the date of the increase;

(f) if the person already holds or controls 90% or more of the voting rights in the code company.

The Takeovers Code specifies the responsibilities and obligations for both Olam and NZS as ***bidder*** and ***target*** respectively. NZS' response to the Olam Offer, known as a ***target company statement***, must contain the information prescribed in the Second Schedule of the Takeovers Code, and is to include or be accompanied by an Independent Adviser's Report (or summary thereof).

2. Scope of the Report

2.1 Purpose of the Report

The Independent Directors of NZS have engaged Grant Samuel & Associates Limited (**Grant Samuel**) to prepare an Independent Adviser's Report to comply with the Takeovers Code in respect of the Olam Offer. Grant Samuel is independent of NZS and Olam and has no involvement with, or interest in, the outcome of the Olam Offer.

Rule 21 of the Takeovers Code requires the Independent Adviser to report on ***the merits of an offer***. The term "merits" has no definition either in the Takeovers Code itself or in any statute dealing with securities or commercial law in New Zealand. While the Takeovers Code does not prescribe a meaning of the term "merit", it suggests that "merits" include both positives and negatives in respect of a transaction.

A copy of this report will accompany the Target Company statement to be sent to all NZS shareholders. This report is for the benefit of the shareholders of NZS other than Olam. The report should not be used for any purpose other than as an expression of Grant Samuel's opinion as to the merits of the Olam Offer. This report should be read in conjunction with the Qualifications, Declarations and Consents outlined at Appendix B.

2.2 Basis of Evaluation

Grant Samuel has evaluated the Olam Offer by reviewing the following factors:

- the estimated value range of NZS and the price of the Olam Offer when compared to that estimated value range;
- the likelihood of an alternative offer and alternative transactions that could realise fair value;
- the likely market price and liquidity of NZS shares in the absence of the Olam Offer;
- any advantages or disadvantages for NZS shareholders of accepting or rejecting the Olam Offer;
- the current trading conditions for NZS;
- the timing and circumstances surrounding the Olam Offer;
- the attractions of the NZS business; and
- the risks of the NZS business.

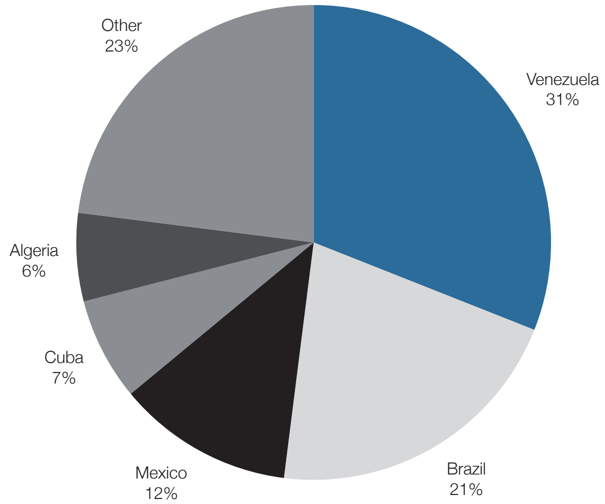
Grant Samuel's opinion is to be considered as a whole. Selecting portions of the analyses or factors considered by it, without considering all the factors and analyses together, could create a misleading view of the process underlying the opinion. The preparation of an opinion is a complex process and is not necessarily susceptible to partial analysis or summary. For the avoidance of doubt appendices A and B form part of this report.

3. Overview of the Uruguayan Dairy Industry

3.1 Overview

Uruguayan milk production accounts for 0.3% of total world production, but the exported component represents 2% of world exports. Uruguay exports more than 60% of its milk production, unlike most major producing countries where the majority of milk production is consumed domestically. Uruguay's export mix is approximately 44% powdered milk and 36% cheeses with the balance comprising other dairy products such as butter, yoghurt and some liquid milk. Export is predominately focused on Latin American markets, as shown in the chart below:

Major Dairy Export Destinations 2010



Source: INALE (Instituto Nacional de la Leche)

Uruguayan herds are predominately pasture fed (natural and cultivated, summer and winter crops) with a moderate supply of supplements and concentrates. Most cows are Holstein-Friesian and, to a lesser degree Jersey and Normande.

Uruguay's national herd comprises approximately 401,000 dairy cows and total dairy land covers approximately 800,000 hectares. The average farm size is 177 hectares and more than 85% of the farms in Uruguay are less than 200 hectares. Dairy farms are concentrated in the south and west of the country. In 2009 Uruguay produced 1,770 million litres of milk at an average productivity of approximately 4,000 litres per cow per annum.

Dairy accounts for 9.3% of the country's gross agriculture production, behind beef and rice production. Uruguayan dairy production is forecast to increase by 3% in 2011.

Uruguay is a member of Mercosur, an economic and political agreement between Argentina, Brazil, Paraguay, Uruguay and Venezuela[1]. Associate members include Bolivia, Chile, Colombia, Ecuador and Peru. The Uruguayan economy is estimated to have grown more than 8% during 2010 and is forecast to

[1] Not yet ratified as a full member by Paraguay

grow by a further 5% in 2011. Unemployment is at record lows at approximately 6% and forecasters are anticipating an increase in real wages of between 3 and 4%. Uruguay has a relatively high rate of inflation projected at 7% for 2011 which is above the Central Bank's target range of 4 – 6%.

3.2 Dairy processors

Approximately 96% of Uruguay's dairy is processed by 10 large firms, the largest of which is Cooperative Nacional de Productores de Leche SA (**Conaprole**) a farmer owned cooperative that processes 61% of Uruguay's total milk supply.

Conaprole is the largest exporter of milk and dairy products in the Latin American region, and the largest private sector company in Uruguay. Conaprole was formed by a merger of Uruguay's five major dairy cooperatives in 1936 by the Uruguayan government in an effort to stabilise and modernise the country's dairy industry. Since that time Conaprole has had a near-monopoly on the industry until relatively recently with the entry of large multinational corporations including Pharmalat, Nestle, Danone and Bongrain which resulted in significant reductions in Conaprole's market share. Conaprole is one of the largest suppliers of milk and dairy products to Mexico, Brazil and Argentina, and exports to more than 50 countries worldwide with 60% of its revenues coming from exported product. NZS supplies 100% of its milk production to Conaprole.

Farm gate milk prices closely follow the world market as the majority of exporters are cooperatives and establish the raw material price according to sales to the world market. There is very little difference between farm-gate milk prices paid by each processor due to competition for raw material within Uruguay.

4. Profile of NZS

4.1 Background

NZS was established in late 2006 with the objective of applying New Zealand's expertise in pastoral dairy farming to high quality, low cost and under-utilised farmland in Uruguay. In November 2006 75 million shares in NZS were offered to the public at NZ$1.00 per share (partly paid to NZ$0.50). The initial public offering (**IPO**) was oversubscribed resulting in 105 million shares being issued. The proceeds from the IPO were used to acquire three farms from PGG Wrightson Limited (**PGW**) for US$12.8 million.

During 2007 NZS placed a further 39 million new shares at NZ$1.02 (partly paid to NZ$0.52), issued 7.5 million fully paid ordinary shares at an issue price of NZ$1.00 in part consideration for the purchase of land and farm assets and subsequently listed on the New Zealand Stock Exchange (**NZSX**) following the final call of NZ$0.50 per share on partly paid shares issued during the IPO. An additional NZ$110 million was raised at this time through an institutional placement and non-renounceable rights issue at NZ$1.50 per share.

The proceeds from the issue of capital were used to acquire farms, substantially increasing NZS' land holdings from 6,640 hectares to 26,523 hectares. A further 9,777 hectares were acquired in 2008 resulting in a total land holding of 36,300 by 31 December 2008. Approximately 2,500 hectares of land was sold for US$8.5 million in March 2010.

In September 2009, Olam acquired a 14.35% shareholding in NZS and purchased a further 10 million shares in May 2010 to take its shareholding to 18.4%. On 19 July 2010 Olam gave notice of its intention to make a full takeover offer for all of the shares in NZS at NZ$0.55 per share. A further notice of intention to make a full takeover offer for NZS was issued on 16 August 2010 by Union Agriculture Group at NZ$0.60 per share. On 24 August 2010 Olam varied its offer price from NZ$0.55 to NZ$0.70 per share. Union Agriculture Group elected not to proceed with its proposed takeover and on 20 September 2010 Olam declared its offer unconditional. Following the completion of its takeover offer Olam held 78% of NZS. Olam continued to hold 78% of NZS as at the commencement of the Olam Offer. In total, Olam has invested NZ$120.3 million in NZS shares at an average price of NZ$0.63 per share.

On 24 February 2011 NZS announced that it had inadvertently breached a covenant to its US$30 million bondholders by failing to provide bondholders, through a fiduciary acting on behalf of bondholders, with a copy of its business plan prior to 18 February 2011. The business plan was provided to the majority of bondholders before 18 February 2011 but was not provided to the fiduciary and the remaining bondholders until 24 February 2011. The breach constituted an event of default under the terms of the bond issue and provided bondholders with the option to request a redemption of their bonds. NZS sought and received a waiver for the breach at a meeting of bondholders on 24 March 2011. However, NZS also required the approval of its business plan by each of the bondholders by 31 March 2011. At the date of this report the business plan had been accepted by 86% of bondholders and rejected by one bondholder holding US$4.3 million (approximately 14%) of NZS bonds that have been repaid.

Since Olam moved to majority ownership significant changes have been made to the company at the board and management level with Murray Flett, Craig Norgate and Keith Smith stepping down from the board in October 2010 following PGW selling its shareholding in NZS to Olam. They were replaced by four Olam-nominated directors. Chairman John Parker resigned in January 2011 and was replaced by Vivek Verma. A new management team has also been established following the internalisation of the PGW management contract in August 2010. In February 2011 NZS appointed David Beca as Managing Director / Chief Executive Officer and Silvina Crosa as Chief Financial Officer.

Olam has also undertaken a strategic review of NZS resulting in changes to the strategy and day-to-day operations of the company. These changes are outlined in section 4.3 of this report.

4.2 Operational Overview

Since the IPO in 2006, NZS has focused on the acquisition and development of agricultural land in Uruguay and the acquisition of livestock. NZS has spent more than US$177 million on the purchase and development of dairy land and livestock, with an estimated further US$69 million remaining to be spent to complete the development expenditure. This work has focused on the following areas:

- ***Pasture development.*** Pasture development has included the re-grassing of paddocks with improved grass species and the raising of base soil fertility levels through the application of fertiliser. Ongoing plans call for the re-grassing of one-third of non-irrigated pastures each year;
- ***Farm Infrastructure and Development.*** NZS has completed the construction or upgrading of 30 dairy sheds, 62 farm workers' houses, 11 irrigation dams, 470km of roading, and reticulation of 65km of high tension wiring for electricity supply required for dairy shed and irrigation pumps, as well as the re-grassing of a substantial portion of the milking area (both irrigated and dryland) annually. Approximately 5,000 drinking troughs have been placed in paddocks and 1,800km of new fencing has been completed; and
- ***Irrigation.*** NZS has a target of having irrigation installed for 44% of its effective milking area, representing approximately 7,000 hectares. Currently only approximately 3,000 hectares are irrigated.

NZS is the largest single producer of milk in Uruguay, accounting for approximately 6% of national production. The company's medium term plan projects it to be milking 48,000 cows and producing approximately 17% of the total milk currently produced in Uruguay by the 2013/14 season. NZS' key measure of productivity is kilograms of milk solids per hectare (**kgMS/ha**) which are projected to rise from 547kgMS/ha for the 2010/11 season, to 1,293kgMS/ha in 2013/14. This is a significant improvement on previous projections at the time of Olam's initial takeover offer in August 2010.

NZS did not meet the targets outlined in its original prospectus due to significantly higher land purchases than were originally planned, extended periods of unfavourable climatic conditions resulting in poor pasture production and lower milk volumes, and significant additional investment in irrigation and electricity infrastructure (due to insufficient capacity in the Uruguayan power grid) which was not originally anticipated. Set out below are the key operating metrics for NZS for the 2008, 2009 and 2010 financial years together with the metrics for the 6 months to 31 December 2010:

Key operating statistics

Year ended 30 June	2008	2009	2010	31 Dec 2010
Milking cow numbers (average)	5,600	11,300	14,500	22,000
Milk price (US cents/litre average)	39.7	23.9	28.3	32.4
Milk production (million litres)	13.4	44.6	68.0	55.1*
Milk production (kgs milk solids per cow per year)	240	290	290	290
Dairy hectares in production	4,700	10,500	12,500	13,100
Kilograms of Milk Solids per hectare	380	420	420	288*
Milking sheds	11	26	31	32
Irrigated area (hectares)	0	406	2,018	2,984

*6 months supply only

NZS currently owns 28,786 hectares of farmland across four regions of Uruguay (West, Centre, East and Novillas) and leases a further 5,093 hectares in the Centre and Novillas regions. An overview of each of the farms is included in the table below:

NZS Farm Overview					
Farm	Effective Dairy (ha)	Effective Support (ha)	Non-effective (ha)	Total (ha)	Value** US$
El Caburé	892	54	215	1,161	9,800,000
Valle de Soba	-	562	63	625	4,750,000
Menafra	629	148	242	1,019	7,600,000
Los Naranjos*	-	770	175	945	3,750,000
Total West Region	***1,521***	***1,534***	***695***	***3,750***	***25,900,000***
San Pedro	607	128	266	1,001	5,000,000
La Gandara	350	128	109	588	3,300,000
Los Naranjales & Cuñatay	1,104	1,585	577	3,266	13,500,000
Doña Celia	1,225	388	472	2,085	10,400,000
La Leticia	908	815	288	2,011	10,600,000
Sta. Elvira	700	652	444	1,796	9,250,000
Total Centre Region	***4,894***	***3,696***	***2,157***	***10,747***	***52,050,000***
El Monasterio	2,858	1,106	584	4,548	24,000,000
Tobay	1,051	262	141	1,454	7,400,000
Cuatro Cerros	-	561	130	691	2,400,000
El Higuerón	425	505	137	1,067	4,600,000
Total East Region	***4,334***	***2,434***	***992***	***7,760***	***38,400,000***
Las Novillas	1,430	3,336	1,763	6,529	26,500,000
Total Novillas Region	***1,430***	***3,336***	***1,763***	***6,529***	***26,500,000***
Total Owned	**12,179**	**11,000**	**5,607**	**28,786**	***142,850,000***
Don Sebastian	200	365	120	685	na
Arin	-	1,214	304	1,518	na
Olalquiaga	-	334	-	334	na
Santa Rita	240	599	50	889	na
Cerro Zarco	-	1,052	263	1,315	na
Fernandez	-	316	35	351	na
Total Rented	**440**	**3,881**	**772**	**5,093**	**na**
Grand Total	**12,619**	**14,881**	**6,379**	**33,879**	

* Los Naranjos is currently being marketed for sale.

** Independent farm valuation prepared by Crighton Stone in as at 30 June 2010

A preliminary updated valuation was undertaken by Escritorio Dutra in May 2011 which indicates that the value of the above land may have increased by up to 10%.

4.3 New Business Plan

Olam undertook a strategic review of NZS in late 2010 and developed a comprehensive business plan to improve performance and productivity. The new business plan represents a shift away from the previous plan with a greater focus on improving the productivity of the existing herd by applying significant levels of concentrated feed. The key elements of the plan include:

- Improved pasture productivity through improvements in pasture management, higher rates of nitrogen application, and continuing and completing existing plans to increase soil phosphate fertility and install additional irrigation;
- Improved livestock productivity (higher milk volumes and milk solids produced per cow) from the ongoing benefits of the revised feed regime including through the use of concentrates throughout the cow's lactation;
- More efficient intakes across each herd through the installation of in-shed feeding systems for concentrated feed products such as grains, and additional feed pads for forage / silage feeding at each farm;

- Improved livestock reproductive performance with higher in-calf rates due to increased feed intakes of cows prior to and during mating, and higher in-calf rates in heifers due to improved growth rates and bodyweight at 15 months of age;
- Lower livestock death rates through higher feeding rates and improved farm systems and infrastructure;
- Ongoing breeding of livestock that meet the requirements of the farming system being implemented;
- Ongoing development of staff and implementation of robust farm management system;
- Reduced business risk through more reliable pasture production from irrigated areas, additional surplus of grown forages / silages being stored to mitigate poor growing seasons, plus contract purchasing of concentrates;
- Focus on weekly, monthly and annual key performance indicators; and
- Completion of remaining development including the installation of 18 new milking sheds (taking the total to 50) on 16,037 effective milking hectares of which 6,991 hectares (44%) will be irrigated.

To commence the funding of the capital expenditure required for the change in strategic direction and to provide NZS with working capital headroom Olam entered into a short-term loan agreement with NZS for US$50 million. NZS has indicated that if it remains listed it will look to raise more than US$110 million of additional equity by way of a rights issue. The business plan anticipates that substantially all of this additional equity will be used to fund the necessary development expenditure and to repay the short-term loan provided by Olam.

The business plan anticipates breaking even at an Earnings Before Interest and Tax (**EBIT**) level for the financial year to 30 June 2012 (**FY2012**) and at a Net Profit After Tax (**NPAT**) for the financial year ending 30 June 2013 (**FY2013**).

Irrigation

Approximately 24% of NZS' effective dairy land is currently under irrigation. NZS plans to significantly increase this area to improve productivity and profitability as well as to protect the business against climatic risk. Investment in pivots, dams and electricity will be required to meet NZS' FY2013 target of approximately 44% of its effective dairy land being under irrigation. The majority of the support land will be dryland.

Pasture and soil fertility

Pasture is the lowest cost feed source. In order to meet its low cost production requirements NZS has addressed its soil fertility deficiencies to bring them up to the minimum required for sound pasture growth. This primarily required an increase in the application of phosphate. A property with the target levels of fertility will supply significantly more pasture with a higher nutritional value, reducing other operating costs. NZS plans to increase the application of nitrogen to ensure that pasture is supplied the optimal amount of nitrogen to maximise growth.

Livestock management

Over the next 3 years NZS plans to construct an additional 18 dairy sheds. The number of milking cows is also planned to increase from approximately 25,000 to more than 48,000 over the same period. In addition to natural increase from the existing herd, NZS will need to purchase a further 3,000 to 3,500 cows before August 2011 to meet its targeted herd growth. NZS also plans to implement a breeding policy to produce cows that can potentially produce their own bodyweight in milk solids per 300-day lactation (ie: 500kg/MS per 500kg live weight cow). Calf-rearing strategies are in progress to lower calf mortality and improve growth rates.

NZS has altered its proposed feed strategy to increase the amount of concentrate feed per cow spread evenly throughout lactation. Concentrate is being fed regardless of pasture availability and is required to ensure cows can produce optimal volumes of milk, retain appropriate body condition and prepare for calving again. In-shed feeding systems will be placed in every dairy shed. NZS has sufficient dairy support land to produce its own forages / silages which will be fed when pasture cannot fill the non-concentrate portion of the diet and as a buffer against drought conditions.

Milk Production

Milk production is expected to increase rapidly from 105 million litres in the financial year to 30 June 2011 (**FY2011**) to almost 300 million litres in the financial year to 30 June 2014 (**FY2014**). The uplift in expected milk production is due to an increase in the size of the milking herd to around 48,000 and an increase in litres produced per cow to more than 6,000 litres per annum by FY2014. These levels are higher than NZS' previous plan due to higher level of concentrates being fed (comprising approximately 35% of milking cows' diets). This is expected to lead to higher levels of milk production, improved calving rates and better animal health.

4.4 Key metrics

The business plan contemplates steady-state operating conditions by FY2014. The key metrics of the steady-state are outlined below, together with the key metrics for the current state and the previous targeted steady-state under the old business plan:

NZS Business Plan Key Metrics

Key Metric	Current*	Steady-State Old Plan**	Steady-State New Plan
Livestock Farmed			
Number of cows	21,300	55,075	48,226
Number of rising 2 year heifers (and older)	24,286	21,935	16,871
Number of rising 1 year heifers	12,718	27,001	17,863
Other Livestock (Bulls and other)	425	-	1,638
Total livestock numbers	**58,729**	**104,011**	**84,598**
Land Area			
Effective Milking Hectares	12,619	20,398	16,037
Effective Irrigated Milking Hectares	2,984	9,925	6,991
Percentage irrigated	23.6%	48.6%	43.6%
Effective support hectares	14,881	na	11,107
Total land area under management	**33,878**	**na**	**34,452**
Owned	*28,786*	*na*	*26,972*
Rented	*5,093*	*na*	*7,480*
Milk			
Milk solid content per litre	6.97%	8.00%+	7.00%
Price per litre (US cents / litre)	37.5	32.0	32.0
Cost of production per litre (cents)	47.2	17.0	24.0
Milksolids price (US$ / kg/MS)	US$5.37	US$4.64	US$4.57
Litres per cow	4,175	4,675	6,143
Litres per hectare	8,321	12,622	18,473
Milksolids (kg) per cow	290	378	430
Milksolids (kg) per hectare	580	1,020	1,293
Stocking rate (cows / effective hectare)	1.69	2.70	3.01

* FY2011 estimate

** as at August 2010

The above table identifies that the increased production is estimated to cost an additional 7 cents per litre in direct costs (moving from 17 cents per litre under the old business plan to 24 cents per litre under the new business plan), along with the increase in capital expenditure. The 41% increase in direct costs per litre is expected to result in a 31% increase in milk volumes per cow. The new management of NZS are adamant that the previous model was not achievable and that the increase of supplemental and concentrate feeds will be an ongoing cost necessary to keep the cows in condition to both produce milk and progeny. A comparison of milk production in the first six months of the current financial year under the previous regime with the second six months where increased concentrates were used demonstrates that the new higher cost model is yielding greater milk volumes. NZS is estimating production of 105 million litres in the current financial year. The business plan projects this to rise to 296 million litres by 2014 due to a 90% increase in the number of dairy cows and a 50% increase in production per cow.

The table below provides a comparison of the key metrics in the above table with various available benchmarks:

Benchmarking of Key Metrics

Key Metric	NZS Current	NZS estimated steady-state	Uruguay 2009	EU15[2] 2010	NZ 2009/10
Milk solids per litre %	6.97%	7.00%	6.92%	7.45%	8.02%
Litres per cow per year	4,175	6,143	4,334	6,815	3,642
Litres per effective hectare	8,321	18,473	nc*	na	na
Milksolids (kg) per cow	290	430	299	508	327
Milksolids (kg) per hectare	580	1,293	nc*	na	920
Stocking rate (cows / effective hectare)	1.69	3.01	na	na	2.81

Source: New Zealand Dairy Statistics 2009-10, LIC and Dairy NZ, and Estadisticas Del Sector Lacteo 2009

* not comparable – Uruguayan statistics based on total hectares not effective hectares

The new business plan has ambitious targets in terms of milk production per cow and forecasts relatively high stocking rates per hectare, particularly when compared with the Uruguayan averages and New Zealand statistics. However, when compared to the EU where the mix of pasture and concentrate feed is similar to the level being proposed under NZS' new business plan, the production assumptions appear to be achievable. In the US where rates of concentrate feed are above those of the EU, the production rates achieved for 2010, according to the United States Department of Agriculture National Agricultural Statistics Service, are above 9,500 litres per cow per annum. The earnings of NZS are extremely sensitive to milk production volumes. A 5% decrease in milk volumes results in a decrease in value of approximately NZ$0.06 per NZS share.

The plan also contemplates relatively concentrated stocking rates. Management believes the stocking rate is able to be increased as demands on pasture land ease as a result of the increase in concentrate feeds.

4.5 Capital expenditure plan

The business plan involves capital expenditure of approximately US$69 million over the next two and a half years. The table below outlines the key areas of capital expenditure together with the estimated cost:

NZS Business Plan – Capital Expenditure (US$000s)

Year end 30 June	2011	2012	2013	Total
Irrigation, dams and drainage	10,746	4,791	-	**15,537**
Milking sheds, feed storage and equipment	5,607	17,379	2,506	**25,492**
Electricity and roading	7,830	3,010	88	**10,928**
Fertiliser	5,157	871	-	**6,028**
Land	1,408	1,365	-	**2,773**
Other	2,578	4,189	1,365	**8,132**
Total	**33,326**	**31,605**	**3,959**	**68,890**

2 Statistics derived from the EU Dairy Farms Report 2010

The current capital expenditure plan is approximately US$16 million above the previous capital expenditure plan disclosed in August 2010 at the time of Olam's initial takeover offer for NZS due to increased expenditure on milk shed infrastructure to incorporate in-shed feeding systems, feed pads, and feed storage pads, as well as other additional capital expenditure on infrastructure items including housing, calf rearing, machinery and electricity infrastructure.

4.6 Financial Performance

The financial performance of NZS for the years ended 30 June 2009 and 2010, together with the forecast financial performance for the years ending 30 June 2011 and 2012, are shown in the table below:

NZS Financial Performance (US$000s)				
Year end 30 June	**2009**	**2010**	**2011F**	**2012F**
Milk Sales	10,020	18,757	38,138	61,897
Cattle Sales	4,250	2,420	2,798	6,964
Other Income	1,539	1,358	318	205
Total Revenue	**15,809**	**22,535**	**41,254**	**69,066**
Change in fair value of livestock (physical)	6,242	1,977	7,815	-
Livestock and cropping cost of sales	(8,468)	(3,653)	(2,704)	-
Employee benefits expense	(3,390)	(4,225)	(7,341)	(6,797)
Farm operating expenses	(19,001)	(20,917)	(42,513)	(52,616)
Management fee	(2,513)	(2,211)	(642)	-
Other operating expenses	(2,663)	(2,161)	(2,378)	(2,887)
Gain on property sales	754	253	1,013	-
EBITDAR*	**(13,230)**	**(8,402)**	**(5,496)**	**6,766**
Revaluation of property, plant and equipment	(8,977)	(3,388)	-	1,183
Fair value adjustments	(23,842)	7,264	-	-
Management agreement termination fee	-	-	(3,386)	-
Discount on VAT receivable	(2,500)	-	-	-
Depreciation and amortisation	(2,391)	(1,710)	(1,892)	(4,679)
EBIT	**(50,940)**	**(6,236)**	**(10,773)**	**3,270**
Net interest and finance costs	(3,761)	(5,155)	(5,543)	(5,182)
Income tax expense / (benefit)	(127)	101	(45)	-
Profit after tax	**(54,828)**	**(11,290)**	**(16,361)**	**(1,912)**

* Earnings Before Interest, Tax, Depreciation, Amortisation and Revaluations

The following points should be taken into consideration when reviewing the table above:

- The rate of growth in milk supply and revenue has been significant. The company has also benefited from higher milk prices in FY2011 with the average milk price per litre achieved for the half year to 31 December 2010 being US 32.9 cents per litre compared with US 25.0 cents for the half year to 31 December 2009. Cattle sales revenue is expected to increase in FY2012 due to increased sales of cull stock from the larger herd;
- the change in fair value of livestock due to physical changes represents the net natural increase (births less deaths) as well as category changes arising from natural growth;
- Uruguay has a relatively high rate of inflation – expected to be 7% in 2011. Wages and salaries tend to increase in line with inflation and the increase in employee benefits expense over time reflects this. Additional employee expenses were incurred during FY2011 due to NZS' transition from being an externally managed entity to employing its management directly;

- farm operating expenses are outlined in detail below:

NZS Farm Operating Expense Detail (US$000s)				
Year end 30 June	**2009**	**2010**	**2011F**	**2012F**
Pastures	(5,674)	(5,367)	(6,911)	(5,921)
Repairs and maintenance	(727)	(1,722)	(1,597)	(1,743)
Farm management	(962)	(931)	(861)	(1,078)
Animal health, breeding and calf rearing	(2,711)	(2,931)	(3,905)	(14,298)
Cropping and feed costs	(4,861)	(6,098)	(23,487)	(23,435)
Other farm expenses	(4,066)	(3,868)	(5,752)	(6,141)
Total	**(19,001)**	**(20,917)**	**(42,513)**	**(52,616)**

  Animal health, breeding and calf rearing expenses are forecast to increase significantly as NZS focuses on improved growth rates and lower mortality. Cropping and feed costs are also forecast to increase due to the implementation of the revised feed regime involving the provision of 2 tonnes of concentrates per cow per annum during lactation to increase milk volumes and ensure cows are prepared for calving;

- the removal of PGW as external manager has removed management fee costs from NZS but resulted in the payment of a one-off termination fee of US$3.4 million in December 2010;

- fair value adjustments are required under the New Zealand International Financial Reporting Standards (**NZIFRS**) and represent the change in fair value of livestock due to price changes and the change in fair value of farm properties. NZS has an independent valuation of its livestock and property prepared each year. A preliminary updated valuation was undertaken in May 2011 by Escritorio Dutra and indicates that the value of land, property and equipment may have increased by up to 10% since the 30 June 2010 valuation undertaken by Crighton Stone;

- Value Added Tax (**VAT**) is not generally recoverable from the Uruguayan tax authorities in cash, but is used to offset other taxes payable in Uruguay. The discount on VAT receivable reflects the difference between the face value of NZS' VAT credit and the value in use (estimated by discounting future estimated cash flows);

- NZS has approximately US$42 million of carry forward tax losses in Uruguay. In addition to this the company has been granted "Project of National Importance" status on the investment undertaken between April 2008 and May 2012. The Project of National Importance status provides a further tax benefit of US$42 million. Tax losses can be used up to 5 years after they are incurred. The accumulated tax losses and the benefit from being granted Project of National Importance status will offset most of NZS' income tax payments for the next 5 to 8 years;

- At the time of the release of its 31 December 2010 half-year report NZS announced a forecast EBIT loss of US$11 – US$12 million, before the management agreement termination payment to PGW in late 2010. This is a significant improvement on the November 2010 forecast of a US$16 million EBIT loss due to higher milk production and milk prices, partially offset by additional feed costs; and

- Management's FY2012 forecast as shown in the table above is based on the following key assumptions:
  - a dairy herd of 37,673 cows;
  - effective dairy hectares of 14,524;
  - a milk price per litre of US$0.34;
  - total milk volumes of 189 million litres with productivity of 5,021 litres per cow per annum and 13,024 litres per effective hectare; and
  - more than 84,000 tonnes of concentrate feed being purchased.

4.7 Financial Position

The financial position of NZS as at 30 June 2009 and 2010 together with the forecast financial position as at 30 June 2011 and 2012 is outlined in the table below:

NZS – Balance Sheet (US$000s)				
As at 30 June	**2009**	**2010**	**2011F**	**2012F**
Cash and cash equivalents	3,627	5,671	13,590	1,114
Trade and other receivables	4,780	11,447	8,124	5,756
Income tax receivable	1,290	284	-	-
Assets held for sale	-	6,860	-	-
Other current assets	-	-	11,100	6,497
Inventories and consumable supplies	1,583	3,735	10,500	3,771
Current assets	**11,280**	**27,997**	**43,314**	**17,138**
Property, plant and equipment	173,788	161,710	192,765	225,129
Livestock	26,376	34,833	53,600	52,300
Intangibles	35	21	-	-
Other receivables	4,200	4,647	3,582	3,406
Non-current assets	**204,399**	**201,211**	**249,947**	**280,835**
Total assets	**215,679**	**229,208**	**293,261**	**297,973**
Loans and borrowings due within 1 year	1,513	11,154	91,800	3,500
Accounts payable and accruals	27,841	13,654	9,400	15,277
Current liabilities	**29,354**	**24,808**	**101,200**	**18,777**
Long-term loans and borrowings	16,000	46,000	42,240	42,000
Deferred tax liability	1,530	895	-	-
Non-current liabilities	**17,530**	**46,895**	**42,240**	**42,000**
Total liabilities	**46,884**	**71,703**	**143,440**	**60,777**
Share capital	197,081	197,081	197,081	303,246
Reserves	25,810	22,422	21,365	21,759
Accumulated losses	(54,096)	(61,998)	(68,625)	(87,809)
Equity	**168,795**	**157,505**	**149,821**	**237,196**
Total liabilities and equity	**215,679**	**229,208**	**293,261**	**297,973**

The following points are relevant when considering the above table:

- trade and other receivables increased significantly in the financial year ended 30 June 2010 (**FY2010**) and include a significant prepayment of capital expenditure on irrigation equipment;
- assets held for sale relate to the Don Pepe farm which was sold during the first half of FY2011 for US$6.9 million;
- livestock values are forecast to increase in line with increases in stock numbers;
- NZS has a long-term US$16 million loan with two local Uruguayan banks that matures on 31 December 2015. A covenant requiring cash flow to be at least 1.2 times debt servicing is due to apply for the first time from July 2011 and NZS anticipates that it will require a waiver from this covenant;
- On 31 July 2009 NZS also issued US$30 million of long-term bonds via the required trust structure in Uruguay. The bonds were issued by a financial trust with guarantees provided by a guarantee trust. Both trusts are governed by an independent trustee. The purpose of the guarantee trust is to hold the legal title of certain farms to guarantee compliance by NZS of its obligations under the trust agreement. The value of the farms held in the guarantee trust is approximately US$71 million. The independent trustee has the ability to sell the farms only in the event that NZS defaults on its repayment obligations under the terms of the financial trust. The bonds have an annual variable interest rate of between 9% and 11% calculated using a formula based on gross milk revenue and

certain key input costs. The bonds are expected to have a term of approximately 15 years. Although the bonds are long term, they were classified as short-term debt as at 31 December 2010 pending bondholder approval of the NZS updated business plan. Bondholder approval for US$26 million has subsequently been received and the remaining US$4 million of bonds have been redeemed;

- in late 2010 NZS entered into a short-term shareholder loan facility of up to US$50 million with Olam to provide funding for immediate capital expenditure requirements, working capital and to repay outstanding loan balances owing to PGW. As at 31 December 2010 NZS had drawn US$30 million of the Olam loan. That balance has subsequently increased to US$45 million and is forecast to be $50 million (plus accrued interest) at 30 June 2011. The applicable interest rate is approximately 9% per annum and is repayable on the earlier of 31 December 2011 or a capital raising sufficient to repay the loan taking place;
- on 18 May 2011 NZS announced that it had entered into a US$30 million short-term loan agreement with Banco Republica to provide funding for immediate capital expenditure requirements. To be able to fully draw the Banco Republica loan NZS' syndicate banks must grant a waiver of the current covenant cap of US$120 million of total liabilities. NZS is currently in discussions with its bank syndicate regarding this waiver. The applicable interest rate for the Banco Republica loan is 5.5% per annum, reflecting the short term nature of the loan (approximately 1 year) and the significant security provided to Banco Republica in the way of a mortgage over certain NZS properties and direct repayments of the loan to Banco Republica from Conaprole out of NZS' milk revenues in the event of default on the repayment of the loan; and
- NZS anticipates undertaking a US$110 to US$115 million capital raising in August 2011. This is reflected in the enlarged share capital and the reduction in borrowings in FY2012.

4.8 Cash Flow

The cash flows for NZS for the years ended 30 June 2009 and 30 June 2010 together with the forecast cash flows for the years ending 30 June 2011 and 2012 are shown in the table below:

NZS – Statement of Cash Flows (US$000s)				
Year end 30 June	**2009**	**2010**	**2011F**	**2012F**
Receipts from customers	16,182	21,292	36,019	69,221
Income tax received	-	1,150	-	-
Payments to suppliers and employees	(35,948)	(42,149)	(82,446)	(64,615)
Net interest paid	(2,101)	(3,422)	(3,633)	(5,976)
Income tax paid	(313)	(226)	-	-
Net cash flow from operations	**(22,180)**	**(23,355)**	**(50,060)**	**(1,370)**
Proceeds from sales of property, plant and equipment	2,384	15,770	6,860	5,904
Acquisitions of property, plant and equipment	(28,443)	(14,289)	(33,032)	(38,007)
Net cash flow from investing activities	**(26,059)**	**1,481**	**(26,172)**	**(32,103)**
Funds raised through new borrowings	17,500	28,918	84,150	-
Funds raised from issue of new shares	-	-	-	106,165
Funds advanced from related parties	2,000	-	-	-
Repayment of borrowings	(96,575)	(5,000)	-	(74,320)
Net cash flow from financing activities	**(77,075)**	**23,918**	**84,150**	**31,845**
Net cashflow	**(125,314)**	**2,044**	**7,918**	**(1,628)**

To date NZS has been heavily reliant on capital raising and debt to fund its operational losses. From a cash flow perspective the company is targeting near break-even operating cash flows for FY2012. Additional development funding and funding to repay debt is expected to be raised through a rights issue in August 2011. If Olam acquires 100% of the shares in NZS no such rights issue will be undertaken and Olam will need to arrange additional funding.

4.9 Capital Structure and Ownership

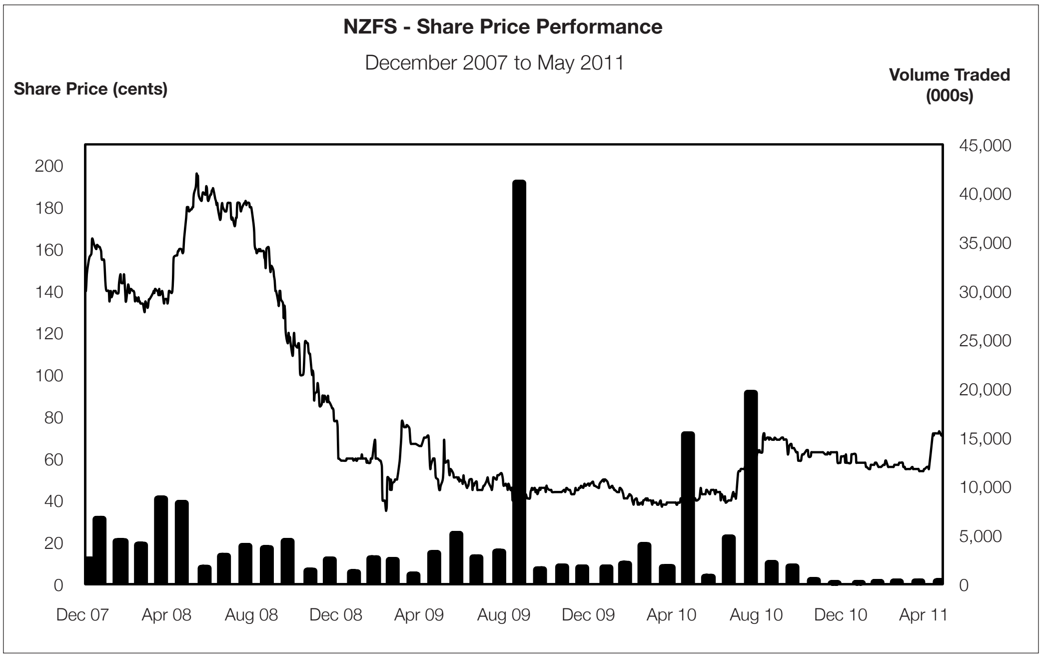
As at 30 April 2011 NZS had 244,236,495 shares on issue held by approximately 1,065 shareholders. The Company's top 20 shareholders as at 30 April 2011 are shown in the table below:

NZS – Top 20 Shareholders as at 30 April 2011		
Shareholder	**Shares (000s)**	**%**
Olam International Limited	190,452	77.98
Kevin & Diane Goble	2,500	1.02
Robert & Clare Poole	1,800	0.74
Kevin & Jaculyn Honeyfield	1,500	0.61
Hapua Koko Forests Limited	1,350	0.55
Thomas & Anne Lees	1,250	0.51
James Raymond Holdings Limited	1,035	0.42
Christopher, Dorothy & C A Putt Nominees Limited	1,000	0.41
JPMorgan Chase Bank	820	0.34
Campbell & Ann-Louise Gower	750	0.31
Shona Johnstone	750	0.31
Steven, Maria & Robert Poole	750	0.31
Sharon Bryant & Lindsay Tait	743	0.30
Glencairn Trustees Limited	700	0.29
Ian & Marie Wards	700	0.29
HSBC Nominees (NZ) Limited	650	0.27
Custodial Services Limited	648	0.27
Codlin Brothers Limited	600	0.25
Barry Jack	600	0.25
John & Clare Sorensen and John Fluker	600	0.25
Top 20 Shareholders	**209,198**	**85.68**
Other Shareholders	**35,038**	**14.32**
Total	**244,236**	**100.00**

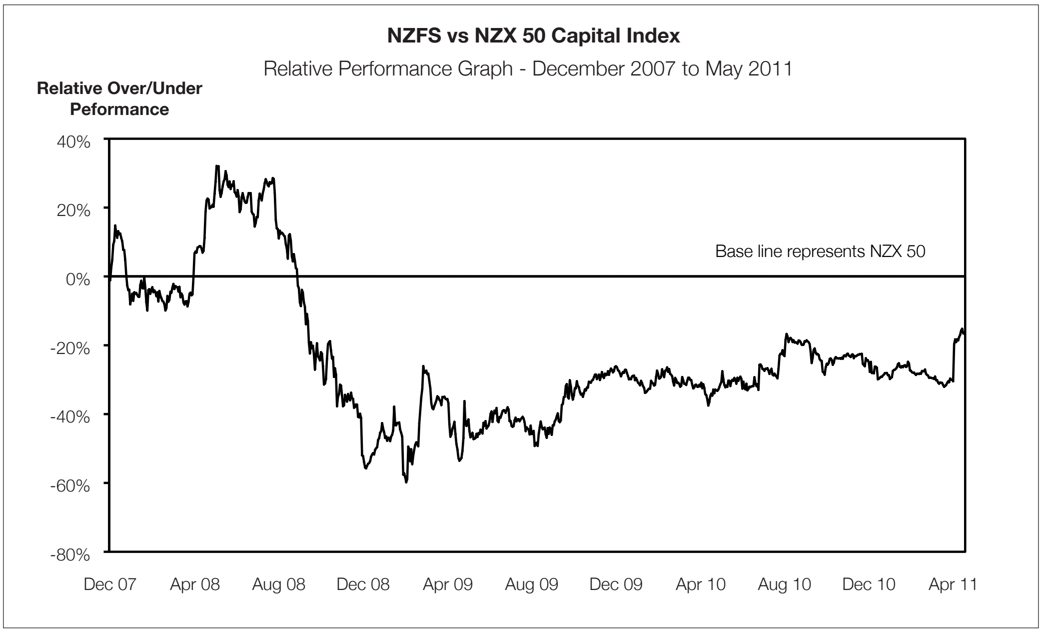
NZS shares are relatively widely held with the second largest shareholder holding only 1% of the shares on issue.

4.10 Share Price Performance

The share price and trading volume history of NZS shares since listing on the NZSX on 18 December 2007 is depicted graphically below.



NZS' share price has performed relatively poorly since listing and has averaged 59 cents per share in the period between Olam's previous offer closing on 24 September 2010 and the announcement of the current Olam Offer on 26 April 2011. The large volume spikes in August 2009, May 2010 and August 2010 relate to Olam's initial acquisition of a 14.35% shareholding in NZS, a subsequent acquisition by Olam of a further 4.1% in May 2010 and further shares acquired under Olam's previous takeover offer in August 2010. NZS' share price performance against the NZX50 Capital index is shown in the graph below:



5. Profile of Olam

5.1 Background

Olam is a Singapore based company, established in 1989 by the Kewalram Chanrai Group (**Kewalram**). Olam is a leading supply chain manager and processor of 20 core agricultural products and food ingredients and has operations in more than 64 countries, employing more than 10,000 people.

Olam is listed on the Singapore Stock Exchange and has a market capitalisation of approximately S$6 billion. Olam's key shareholders include:

- its founder, Kewalram, with a 21.6% holding;
- Temasek Holdings (**Temasek**). Through its wholly owned subsidiary Seletar Investments, Temasek acquired a stake in the company in 2003. In 2009, Temasek injected another US$300 million into Olam taking its shareholding to 13.1%. Temasek is owned by the Ministry of Finance of Singapore;
- Olam's management, who collectively hold 9.8% of the company; and
- the public and 300 institutional investors from over 28 countries who control the remaining 55.5%.

Acquisitions have formed a key part of Olam's growth strategy. The table below outlines the acquisitions completed from 2007 to 2010:

Olam – M&A Activity since April 2007

Date	Company name	Investment (US$m)	Holding %
Apr 2007	Universal Blanchers	73.1	100
Jul 2007	Queensland Cotton	136.3	100
Aug 2007	Key Foods Ingredients	18.5	100
Sep 2007	Naarden Agro	3.8	100
Oct 2007	PT DUS	14.0	100
2008	Nauvu Investments	122.0	50
Jun 2008	Ouangolo Gin	5.0	100
Jul 2008	PureCircle	53.1	10
Jul 2008	Open Country Dairy	76.8	24.8
Nov 2008	GSIL Sugar Mill	9.9	100
Dec 2008	Onion Dehydration Facility	10.0	100
Feb 2009	IMC	7.0	100
Jul 2009	Tomato Processing Assets	39.0	100
Sep 09/ May 10	NZ Farming Systems Uruguay	12.8	18.5
Jan 2010	Almond Orchards	267.4	100
Jan 2010	Crown Flour Mills	107.6	100
July 2010	Gilroy Foods & Flavors	250.0	100
Aug 2010	NZ Farming Systems Uruguay	73.0	59
Dec 2010	tt Timber International	24.8	100
Total		**1,304.1**	

Olam's only investment in New Zealand, other than its 78% shareholding in NZS is a 24.75% shareholding in Open Country Dairy Limited (**Open Country**). Open Country is a dairy company with a turnover of almost NZ$500 million in the 12 months ended 31 July 2010. It is the second largest milk processor in New Zealand, albeit only a fraction of the size of Fonterra.

5.2 Operations

Olam operates an integrated supply chain, sourcing and supplying over 10,000 customers in more than 64 countries. In addition to its supply chain management services, Olam also has direct investment in upstream plantations, farming, forest concessions and agri-inputs businesses, mid-stream processing operations and downstream contract manufacturing, private label manufacturing and distribution operations. Olam's operations are segmented as follows:

- **Edible nuts, spices and beans** – cashews, peanuts, almonds, spices and dehydrates, sesame and beans (pulses, lentils and peas);
- **Confectionery and beverage ingredients** – cocoa, coffee and sheanuts;
- **Food staples and pre-packaged foods** – rice, sugar, grains (wheat, barley, corn), palm products, dairy products and packaged foods;
- **Industrial raw materials** – cotton, wool, wood products and rubber;
- **Commodity financial services** – market making, risk management solutions and commodity funds management.

5.3 Financial Profile

A brief financial profile of Olam is summarised below:

Olam Financial Profile (S$ millions)				
Year end 30 June	**2007**	**2008**	**2009**	**2010**
Revenue	5,466	8,128	8,588	10,455
EBITDA	255	359	334	399
EBIT	238	323	292	329
Net profit after tax	109	168	252	360
Total assets	3,178	5,239	5,415	7,805
Total liabilities	(2,745)	(4,601)	(4,370)	(6,034)
Net assets	433	638	1,046	1,771
Earnings per share (cents) – diluted	6.7	10.1	12.4	14.8

Source: Olam Financial Reports.

6. Valuation of NZS

6.1 Summary

Grant Samuel's valuation of the equity in NZS is US$116.1 million to US$133.2 million as summarised below:

NZS – Valuation Summary		
US$ million except where otherwise stated	**Low**	**High**
Enterprise value	234.2	251.3
Net debt for valuation purposes	(118.1)	(118.1)
Equity value	**116.1**	**133.2**
Fully diluted shares on issue (million)	244.2	244.2
Value per share (US$)	**0.48**	**0.55**
Value per share (NZ$) at NZD/USD 0.7900	**0.60**	**0.69**

The valuation represents the estimated full underlying value of NZS assuming 100% of the company was available to be acquired and includes a premium for control. The value exceeds the price at which, based on current market conditions, Grant Samuel would expect NZS shares to trade on the NZX in the absence of a takeover offer or proposal similar in nature to the Olam Offer.

The valuation reflects the strengths and weaknesses of NZS and takes into account the following factors:

- NZS' current stage of development and the significant capital investment it requires before reaching a steady-state. NZS is in the early stages of development with several farms operating at below optimal levels and herd quality being below target levels. The company requires further capital of approximately US$69 million to enable it to complete the development of dairy sheds, its irrigation programme, to apply capital fertiliser to enhance soil quality and pasture nutrition, and to install feeding pads and troughs throughout its farm network to enable the efficient delivery of supplement and concentrate feed. This capital is fundamental to the ongoing success of the NZS business and the stability of future performance;
- The significant change in the business plan and the movement away from a purely New Zealand based farming system. NZS has determined that a New Zealand based system involving predominantly grass feeding is not viable for the Uruguayan environment and although pasture will continue to comprise a significant proportion of the milking cows' diet, a substantial level of concentrate feeds will also be applied. The new business plan is estimated to cost an additional 7 cents per litre in direct costs (moving from 17 cents per litre under the old business plan to 24 cents per litre under the new business plan). The 41% increase in direct costs per litre is expected to result in a 31% increase in milk volumes per cow. The new management of NZS are adamant that the previous model was not achievable and that the increase of concentrate feeds will be an ongoing cost necessary to keep the cows in condition to produce both milk and progeny. Although milk volumes have increased significantly since the implementation of the revised feeding regime in late 2010, the sustainability of the increase in supply has yet to be verified. Striking a balance between marginal increases in milk volumes and the cost of additional concentrate feeds will be key for the future profitability of NZS;
- The future milk price able to be achieved by NZS. Milk prices are relatively volatile. The Uruguayan farm gate price is significantly influenced by the international dairy commodity prices and tends to follow the USA Class IV farm gate milk price. NZS has no control over the milk price it achieves for its production and its profitability will be affected to a large extent by small movements in the milk price it is paid; and

- The influence of foreign currency movements. Whilst NZS operates as a Uruguayan company, solely based in Uruguay, the company is a US dollar denominated business, with the majority of its costs and revenues linked to the US dollar. Locally incurred costs such as salaries and wages will be subject to the high inflation currently prevalent in Uruguay (approximately 7%), however, substantially all of NZS' costs are based in US dollars. Accordingly, the currency risks associated with the NZS business are relatively low. NZS' share price in New Zealand dollars is, however, subject to fluctuations in the NZD/USD exchange rate.

Net debt for valuation purposes

NZS estimates that its net debt position as at 30 June 2011 will be approximately US$118.1 million based on the actual net debt position as at 30 April 2011 and the forecast cash flows, including significant capital expenditure of US$16.6 million due to take place in May and June 2011. NZS' net debt at 30 June 2011 includes a loan from Olam of $50 million (plus accrued interest).

Grant Samuel has adopted the forecast 30 June 2011 net debt position for the purposes of its valuation.

Exchange rate

NZS is based solely in Uruguay and the majority of its revenues and costs are denominated in US dollars. Grant Samuel has valued NZS on the basis of its forecast future US dollar cash flows and then converted that valuation to New Zealand dollars at a NZD/USD exchange rate of US$0.79. For New Zealand domiciled shareholders the value of their investment fluctuates with movements in the NZD/USD exchange rate. At the time of Grant Samuel's August 2010 Independent Adviser's Report the NZD/USD exchange rate was US$0.705. The prevailing exchange rate at the date of this report is approximately US$0.79 and this exchange rate is unlikely to move significantly during the period of the Olam Offer. Accordingly, Grant Samuel has adopted this exchange rate for the purposes of translating the US dollar per share valuation into a New Zealand dollar per share equivalent. This is appropriate as the remaining NZS shareholders are being offered the opportunity to exit their shareholding at NZ$0.70 per share at any stage between 6 May 2011 and 7 June 2011 (unless otherwise extended), a very short time horizon in the context of an exchange rate. The NZD/USD exchange rate has a material impact on the NZ dollar value per share. The exchange rate adopted for the purposes of this valuation has reduced Grant Samuel's valuation of NZS by approximately 12% in NZ dollar terms when compared with prevailing exchange rate at the time of the previous Olam offer in 2010. Had the prevailing NZD/USD exchange rate remained constant at US$0.705 from the time of Olam's previous offer the valuation range would have been NZ$0.68 to NZ$0.77 per share.

6.2 Preferred Methodology

Overview

Grant Samuel's valuation of NZS has been estimated on the basis of fair market value as a going concern, defined as the estimated price that could be realised in an open market over a reasonable period of time assuming that potential buyers have full information. The valuation of NZS is appropriate for the acquisition of the company as a whole and accordingly incorporates a premium for control. The value is in excess of the level at which, under current market conditions, shares in NZS could be expected to trade on the sharemarket. Shares in a listed company normally trade at a discount of 15% - 25% to the underlying value of the company as a whole, but the extent of the discount (if any) depends on the specific circumstances of each company.

The most reliable evidence as to the value of a business is the price at which the business or a comparable business has been bought and sold in an arm's length transaction. In the absence of direct market evidence of value, estimates of value are made using methodologies that infer value from other available evidence. There are four primary valuation methodologies commonly used for valuing businesses:

- capitalisation of earnings or cash flows;
- discounting of projected cash flows;
- industry rules of thumb; and
- estimation of the aggregate proceeds from an orderly realisation of assets.

Each of these valuation methodologies has application in different circumstances. The primary criterion for determining which methodology is appropriate is the actual practice adopted by purchasers of the type of business involved. A detailed description of each of these methodologies is outlined at Appendix A.

Preferred Approach

Grant Samuel has placed primary reliance on discounted cash flow analysis in determining a value range for NZS. Discounted cash flow is the most commonly used methodology for valuing projects in the early stages of development such as NZS where earnings during the first few years can be negative. This approach is considered appropriate because it enables the pending investment in additional irrigation, feeding pads and troughs and dairy sheds to be modelled explicitly.

NZS has provided Grant Samuel with a very comprehensive financial model to support its revised business plan.

6.3 Discounted cash flow analysis

The valuation of NZS is very sensitive to changes in the assumed milk price, the volume of milk produced and the costs associated with the production of that volume. Grant Samuel's assessment of each of these key profitability drivers is outlined in turn below, together with other factors that have an impact on the outcome of the discounted cash flow analysis:

Milk Price

International dairy commodity prices are primarily driven by global supply and demand and government policy in the EU and US. Supply and demand for dairy commodities is influenced by a number of factors including:

- economic and population growth;
- feed costs;
- weather conditions; and
- the potential for product substitution.

In recent years the price of dairy commodities, in common with most commodities, has been volatile and materially impacted by the global financial crisis and rapid emergence of demand from China and other Asian markets. The milk price in Uruguay has also been very volatile over the past five years. Currently NZS is receiving an average farm gate milk price of US$0.45 per litre. In January 2009 the price was US$0.20 per litre and in January 2010 US$0.29 per litre. For the purposes of valuation it is necessary to form a view on an appropriate long-term milk price.

It is possible that the substitution of particular oils for dairy fats (such as the use of palm oil in the production of chocolate) combined with increased supply in response to the current high commodity prices will ultimately cause dairy prices to decline. Offsetting this potential for decline is the accelerating demand from Asia and the effect of ethanol production on the price of feeds (such as corn) particularly in key markets such as the US. It is widely believed that dairy commodity prices have moved to new, higher levels.

Grant Samuel's long-term price forecasts are premised on the assumption that international dairy commodity prices will ultimately be driven by internal prices in either the US or EU, depending upon which market is the most competitive. A relatively small change in export levels from either of these markets can have a material impact on worldwide supply as they are, in effect, the 'top up tanks' for world markets.

Grant Samuel has reviewed a number of forecasts of long run milk powder and farm gate milk prices. Based on our analysis Grant Samuel has formed a view that the long run price for Skim Milk Powder is around US$2,800 per tonne. The actual price will fluctuate due to the factors discussed above.

It is not possible to readily convert a long-term international Skim Milk Powder price per tonne into a farm gate price milk price per litre in Uruguay. The payment for milk NZS receives from Conaprole is, among other things, a function of the mix of products produced by Conaprole, Conaprole's cost structure, the USD exchange rate and the ratio of milk solids per litre of milk supplied to Conaprole. Based on Grant Samuel's estimate of a long run Skim Milk Powder price of US$2,800 per tonne, Grant Samuel believes, based on its analysis, that a Uruguayan milk price of US 35 cents per litre is appropriate.

For the purposes of its discounted cash flow analysis Grant Samuel has adopted current high milk price levels of between US$0.42 and US$0.38 per litre for FY2012 and FY2013 reducing to a long run milk price range of US$0.34 to US$0.36 cents per litre. This is above NZS management's view of a long-term milk price of US 32 cents per litre which Grant Samuel believes is conservative.

Milk production volumes

One of the key drivers of productivity for NZS is the level of milk produced per cow. NZS is forecasting to increase its production from 4,175 litres per cow per annum currently to 6,143 litres per cow per annum once it reaches a steady state in 2014. Increasing production volumes requires striking a balance between improving the total volume of milk produced (which generally results in a lower milk solid content) and improving the milk solid content per litre (which results in a lower total volume produced). NZS' new management believes that focusing on total milk volumes, rather than milk solid yields, will improve the overall profitability of the company. The new feed regime being implemented by NZS is designed to increase milk volumes per cow significantly. Despite the new business plan having 12.5% fewer milking cows, total milk production is forecast to be 15% higher than the previous business plan. Although the steady state milking volume per cow appears ambitious, management believes the target is achievable. There is already evidence from the last 6 months under the new feeding regime that milk volumes have improved significantly. Further improvements are expected over the coming years as herd and pasture quality improves and the development of the remaining dairies, feeding pads and troughs and irrigation systems is completed. For the purposes of its valuation Grant Samuel has accepted management's strong belief that these milk volumes are achievable, however it is important to note that the valuation is very sensitive to movements in production volumes and Grant Samuel has undertaken various sensitivity and scenario analysis relating to milk production volumes as outlined in section 6.5 of this report.

Cost of production

The largest costs associated with NZS' forecast milk production volumes are the costs associated with the grazing and rearing of young stock and the cost of concentrate feed. NZS' revised business plan involves the use of 2 tonnes of concentrate feed per cow per annum. This is a significant increase on the volume of concentrate feed under the previous business plan and is a key driver of the forecast uplift in production volumes. The increased use of concentrates has increased the cost of production per litre from a long run cost of US$0.17 per litre under the previous business model to US$0.24 per litre under the new business plan. Offsetting the large increase in the use of concentrate feed is the reduction in costs associated with managing and maintaining NZS' pastures. A higher use of concentrate feed means that the impact on pastures is lower and enables higher stocking rates per hectare. This has reduced the need for the purchase of additional land and also enabled management to scale back the level of irrigation required for pasture maintenance.

The cost of concentrates, while sourced locally, is strongly correlated to the international price of corn and other grain feed commodities. These commodity prices are currently at record highs due to demand influences from ethanol producers in the US.

Uruguayan tax losses and Project of National Importance status

As at the date of this report NZS has approximately US$42 million of carry forward tax losses. In addition to this the company has been granted Project of National Importance status on the investment undertaken from April 2008 until May 2012. NZS has estimated that the granting of Project of National Importance status will provide a further tax benefit of US$42 million.

Under Uruguayan tax law, tax losses are able to be used to offset taxable income for up to 5 years after they are incurred. The accumulated tax losses and the benefit from being granted Project of National Importance status will offset most of NZS' income tax payments for the next 5 to 8 years

Planned and long term capital expenditure requirements

In order to complete the development of NZS' farmland and to implement the revised feeding strategy, the company has identified a total capital expenditure requirement of US$69 million. The details of the capital expenditure plan are outlined in section 4.5 of this report and the development is expected to be completed by the end of the 2012 calendar year. The phasing of the capital expenditure plan has been taken into consideration in Grant Samuel's discounted cash flow analysis. NZS has ongoing maintenance capital expenditure of approximately US$2 to US$3 million per annum.

Discount rate

Selection of the appropriate discount rate to apply to forecast cash flows of any business enterprise is fundamentally a matter of judgement. The capital asset pricing model (**CAPM**) is probably the most widely accepted and used methodology for determining the cost of equity capital. While the theory underlying CAPM is rigorous, the practical application is subject to very substantial shortcomings and limitations. There is a tendency to regard the discount rates calculated using CAPM as inviolate, however, a mechanistic application of formulae derived from that theory can obscure the reality that there is no "correct" discount rate. Valuation is an estimate of what real world buyers and sellers of assets would pay and must therefore reflect criteria that will be applied in practice. For the purposes of valuing NZS Grant Samuel has adopted a discount rate range of 12.0% to 12.5%.

6.4 Assessment of Implied Multiples

Grant Samuel estimates the value of NZS on an un-geared basis to be in the range of US$234.2 million to US$251.3 million. This range implies the following multiples of earnings:

NZS - Implied Multiples

	Valuation Range	
	Low	**High**
Multiple of EBITDA – year ending 30 June 2011	nm*	nm
Multiple of EBITDA – year ending 30 June 2012	13.4	13.1
Multiple of EBIT – year ending 30 June 2011	nm	nm
Multiple of EBIT – year ending 30 June 2012	18.6	17.3

* nm = not meaningful as NZS forecasting an EBITDA and EBIT loss for FY2011

Although there are no directly comparable listed entities to NZS, the multiples outlined in the above table are higher than multiples implied by other listed entities around the world with operations in the wider agricultural sector.

6.5 Sensitivity and Scenario Analysis

Grant Samuel has also undertaken an analysis of the sensitivity of the value of NZS to changes in the underlying discounted cash flow assumptions. The table below outlines the impact of changes in key assumptions on the value range of NZS in both US and NZ cents per share:

Sensitivity Analysis – Impact on the Per Share Value Range of NZS

Change in key assumption	Value range per NZS share			
	Low		High	
	USD	NZD*	USD	NZD*
Grant Samuel base case valuation range	**US$0.48**	**NZ$0.60**	**US$0.55**	**NZ$0.69**
Milk Price +1 cent per litre	US$0.54	NZ$0.68	US$0.61	NZ$0.77
Milk Price -1 cent per litre	US$0.44	NZ$0.56	US$0.48	NZ$0.61
Milk Production Volume +5%	US$0.59	NZ$0.74	US$0.66	NZ$0.84
Milk Production Volume -5%	US$0.43	NZ$0.54	US$0.45	NZ$0.57
Concentrate price +10%	US$0.44	NZ$0.56	US$0.47	NZ$0.59
Concentrate price -10%	US$0.55	NZ$0.70	US$0.62	NZ$0.78
Discount rate +0.5%	US$0.43	NZ$0.54	US$0.49	NZ$0.62
Discount rate -0.5%	US$0.53	NZ$0.67	US$0.60	NZ$0.76
Exchange rate (NZD/USD) +1 cent	US$0.48	NZ$0.59	US$0.55	NZ$0.68
Exchange rate (NZD/USD)- 1 cent	US$0.48	NZ$0.61	US$0.55	NZ$0.70

* assumes a NZD/USD exchange rate of US$0.79 unless otherwise stated

As can be seen in the table above the valuation of NZS is particularly sensitive to the volume of milk produced, to changes in the concentrate price and to movements in the price per litre of milk. Grant Samuel has analysed a number of scenarios that represent differing combinations of key assumptions. A brief description of each of the scenarios is set out below:

Scenario A: assumes that target production volumes are 5% below anticipated levels.

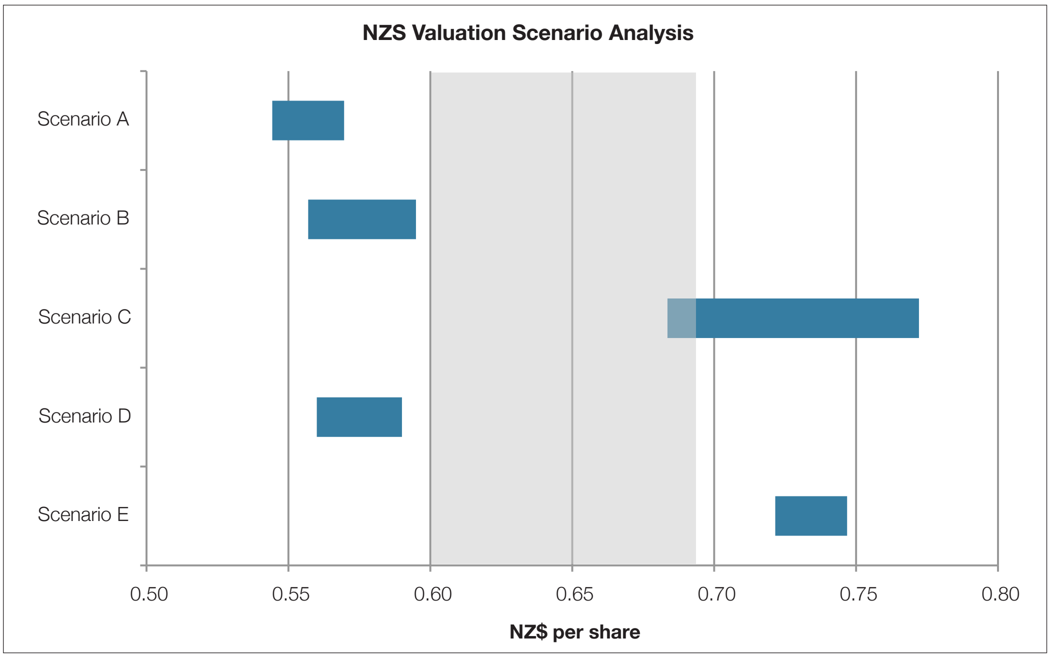
Scenario B: assumes that the target level of production is achieved but that the cost of concentrates is 10% higher than anticipated.

Scenario C: assumes that targeted production levels are achieved using 10% less concentrated feed. This situation may arise if, for example, the genetics of the herd improve to a greater extent than anticipated.

Scenario D: assumes that milk price is lower than anticipated and falls between US$0.32 per litre and US$0.33 per litre over the longer term. The milk price assumed in this scenario reflects the milk price NZS management firmly believes is the likely long run milk price, which has been adopted for the purposes of NZS' new business plan. This scenario is most likely to occur as a result of a strengthening of the US dollar and accordingly, the NZD/USD exchange rate assumed under this scenario is US$0.75.

Scenario E: assumes that the milk price is higher than anticipated with the long term milk price between US$0.37 per litre and US$0.38 per litre but that the cost of concentrate feeds also increases by 10%.

The discounted cash flow valuations of each of the scenarios above are summarised in the chart below. Other than Scenario D which adopts an NZD / USD exchange rate of US$0.75, all of the other scenarios has been translated into a NZ dollar value per share at a NZD / USD exchange rate of US$0.79, being an estimate of the likely spot rate applicable for the period during which the Offer is open.



The range of net present value outcomes produced by the above scenario analysis is significantly wider than the value range ascribed to NZS' business operations of NZ$0.60 to NZ$0.69 per share reflecting the sensitivity of the NZS business to changes in milk prices, production volumes and direct costs.

7. Merits

7.1 The Value of the Olam Offer

- ***Grant Samuel's assessment of the value of NZS.*** In Grant Samuel's opinion the full underlying value of NZS shares is in the range of NZ$0.60 to NZ$0.69 per share as set out in section 6 of this report. The full underlying value is the price a person or entity would be expected to pay to acquire the company as a whole and accordingly includes a premium for control. The Offer price of NZ$0.70 per share is slightly above Grant Samuel's valuation range. However, it is important to note that the valuation of NZS is particularly sensitive to key assumptions. Shareholders should have regard to section 6.5 of this report which outlines the degree to which the US dollar value per share would change as a result of changes in key assumptions. By way of example, in the event that the milk price per litre was 1 cent higher than the long run average assumed by Grant Samuel of US$0.34 to US$0.36 per litre, Grant Samuel's valuation range would increase by NZ$0.08 per share. NZS management has based its business plan on a long run milk price of US 32 cents per litre, which it believes to be the likely milk price over the longer term;

- ***the premium implied by the Olam Offer.*** The Olam Offer represents a premium of approximately 24% relative to the closing price of NZ$0.55 per share on 21 April 2011 being the day prior to the announcement of the Olam Offer and a premium of 26% over the volume weighted average share price (**VWAP**) over the 30 trading days prior to the announcement. Over the longer term the Olam Offer represents an 18% premium to the 6-month VWAP and a 24% premium to the 12-month VWAP. These offer premia are consistent with generally observed takeover premia;

- ***comparable company evidence.*** Although there are no listed entities with operations comparable to those of NZS, Grant Samuel has had regard to the forecast trading multiples implied by a range of listed agricultural entities globally, with operations loosely comparable to NZS. The multiples implied by the Olam Offer are high when compared to the trading multiples of these agricultural entities;

- ***the net tangible assets per share.*** NZS' net tangible assets (**NTA**) per share is forecast to be NZ$0.78 by 30 June 2011, assuming a NZD/USD exchange rate of US$0.79. Grant Samuel's valuation range implies a discount of between 12% and 31% to NTA. The discount to NTA reflects the current poor return on assets, the absence of positive cash flows from the assets and the significant investment that is still required in order to generate positive cash flows;

- the new business plan is more conservative than that adopted by the previous Board of NZS and moves away from a purely New Zealand based farming system. Although target milk production volumes are well above those forecast under the old plan, the additional costs associated with increasing production are significant. The result is a lower level of cash generation and a higher level of investment. These factors combined with a decline in the value of the US dollar relative to the New Zealand dollar have resulted in a decrease in the estimated value range of NZS; and

- the NZD/USD exchange rate is near its all time high since the New Zealand dollar was floated. Had the exchange rate remained constant since the earlier takeover offer, the valuation range would have been NZ$0.68 – NZ$0.77 per NZS share. In this regard the timing of the Olam Offer could be seen to be opportunistic.

7.2 Rationale for the Olam Offer

- Olam is principally a supply chain management company, however, it has stated that it seeks access to sources of supply where it believes it can produce commodities at a materially lower cost than what it can achieve by acquiring those commodities on the international market. NZS represents such an investment for Olam; and

- Olam is seeking to secure 100% of the shares in NZS despite already having substantial control over the company by virtue of its 78% shareholding. By acquiring all of the shares in NZS Olam will be able to delist NZS from the NZSX, thereby removing approximately US$500,000 per annum of costs (such as independent directors fees, listing fees and the costs associated with producing annual reports etc) together with the significant compliance burden associated with being a listed vehicle and a Code Company. Although these costs are not material in the context of NZS' wider operations, acquiring 100% of NZS is likely to be a more preferable outcome for Olam than increasing its shareholding in NZS to a level above its current 78% shareholding but below the 90% compulsory acquisition threshold.

7.3 Implications of Olam acquiring 100% of NZS

- The Olam Offer is unconditional. For Olam to succeed in acquiring 100% of NZS it needs acceptances of a further 12% of the shares in NZS (or 55% of the NZS shares on issue Olam does not hold) to reach the 90% compulsory acquisition threshold. NZS' shares are held by more than 1,000 shareholders and the next largest shareholder after Olam holds only 1% of the shares on issue. No single shareholder is in a position to prevent Olam from reaching the 90% acceptance level, conversely, it may be difficult for Olam to elicit sufficient acceptances from such a diverse and widely held shareholder base;
- The compulsory acquisition provisions of the Takeovers Code come into effect when a shareholder reaches ownership control of 90% of all the voting securities on issue. If Olam receives sufficient acceptances of its Offer to increase its shareholding to 90% or more it has stated in clause 11 of the Appendix to its Offer that it will compulsorily acquire any outstanding shares in NZS. Holders of any remaining shares will not have the option to retain their shares and will receive the same consideration as shareholders who accepted the Olam Offer (i.e. 70 cents per share); and
- If Olam acquires 100% of the shares in NZS, NZS will be delisted from the NZSX. The company will cease to have any connection with New Zealand and will become a wholly owned subsidiary of Olam. The proposed US$110 million to US$115 million rights issue will not take place in these circumstances.

7.4 Implications if Olam does not reach the 90% compulsory acquisition threshold

- If Olam is not successful in acquiring 100% of NZS, it is still likely that Olam will acquire additional shares in NZS as a result of the Olam Offer. In this case Olam will hold between 78% and 90% of the total NZS shares on issue;
- NZS has been very thinly traded following the completion of Olam's previous offer in September 2010 with only 2.72% of the shares not held by Olam being traded in the last 6 months, as shown in the table below:

Share Trading Summary						
Time period	Low	High	VWAP	Volume	Liquidity	
					Total	Free Float
1 months	0.54	0.56	0.55	163,185	0.07%	0.30%
3 months	0.54	0.59	0.56	516,043	0.21%	0.96%
6 months	0.54	0.64	0.60	1,461,092	0.60%	2.72%

  If Olam is not successful in achieving a shareholding of at least 90% in NZS, but increases its shareholding above 78% as a result of the Offer, liquidity will further reduce which may have a negative impact on the NZS share price;
- when Olam's previous offer closed on 24 September 2010, the NZS share price declined to around 60-62 cents per share and subsequently to around 55 cents. If Olam does not acquire 100% of NZS the share price can be expected to fall below the 70 cent offer price again;
- Shareholders remaining as investors in NZS will continue to hold a relatively minor stake in a company controlled by a single, large and financially robust shareholder, Olam. Olam will continue to control the board and day-to-day operations of NZS, as well as set the strategic direction of the

company. Minority shareholders will have limited influence over the operations of NZS, a continuation of their current position;

- Due to NZS' shares being very thinly traded, remaining shareholders will also have very little prospect of exiting their shareholding other than in the event Olam elects to either make a further takeover offer for NZS or to sell a majority shareholding in NZS to a third party. If Olam proposes to divest its investment in NZS to a third party, that third party would have to make a full takeover offer for NZS or minority shareholders would need to pass a resolution approving the acquisition. Olam would not be permitted to vote on such a resolution. Divestment by Olam in the short term seems an unlikely prospect;
- if Olam is not successful in reaching the 90% compulsory acquisition threshold it cannot acquire any further shares for a period of twelve months without making another formal takeover offer for all of the remaining shares. Grant Samuel believes that if Olam does not acquire 100% of the shares in NZS there is a low probability of Olam making another offer in the medium term. It is more likely that Olam will use the "creep" provisions of the Takeovers Code which enable Olam to acquire up to a further 5% of NZS per annum on-market commencing 12 months after its current offer has closed[3]. Olam is only required to disclose to the market its share purchases when it has acquired a further 1% of the issued capital. Importantly Olam cannot acquire an increased percentage shareholding in NZS under the proposed rights issue without shareholder approval; and
- Depending upon acceptances under the current Olam Offer, Olam may not need to acquire many shares on-market (following the 12 month stand down period, if applicable) to reach the 90% compulsory acquisition threshold. If it does become the dominant owner as a result of on-market share purchases the consideration paid for the shares it compulsorily acquires must be certified as fair and reasonable by an independent adviser. Shareholders holding 2% or more of the total NZS shares on issue or 10% of the outstanding shares can object to the price being offered under such circumstances, in which case the price will be determined by an expert appointed by the Takeovers Panel.

Potential rights issue

- If Olam does not acquire 100% of the shares in NZS, NZS has indicated that it will undertake a rights issue to raise between US$110 million and US$115 million in the second half of 2011 and Olam has indicated that it will support that capital raising. The terms of the proposed rights issue have not yet been determined and it is unclear at this stage whether such a rights issue would be underwritten by Olam. The proceeds of the capital raising will be used in part to fully repay the short-term Olam loan and to provide sufficient resources to complete the planned capital expenditure. Effectively Olam would be swapping debt for equity;
- at the time of the takeover in August 2010 NZS identified the need to raise cash of US$62 million over the ensuing two years. This requirement has now been forecast at US$110 to US$115 million. The principle causes of the additional funding requirement are:
  - additional capital expenditure of US$15 million due to the installation of additional feed pads and higher costs associated with irrigation than were previously forecast;
  - cash to fund higher losses than originally forecast for the 2011 and 2012 financial years;
  - an increase of US$9 million in the amount paid to PGW in December 2010 that had not been accrued at the time of the last estimate; and
  - bank debt repayments of US$5.5 million not previously scheduled.
- If Olam does not acquire 100% of NZS the funding of this expenditure will be by way of the proposed rights issue.

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[3] in the event the Olam Offer results in Olam increasing its shareholding by less than 5% it may commence "creeping" immediately provided that it does not increase its shareholding by more than 5% from the percentage it held at 24 September 2010 (the date its previous offer closed)

- As in any rights issue all shareholders would need to participate in the rights issue to avoid their shareholding being diluted. The dilution effect of not participating in a rights issue increases as the discount implied by the rights issue price (as compared to the trading price) becomes greater. To raise US$110 million shareholders will be asked to fund a further US$450 (or NZ$570, at current exchange rates) for every 1,000 NZS shares they own;

- The final form of any potential rights issue has not been determined. However, the Takeovers Code prevents Olam from increasing its shareholding in NZS without prior shareholder approval. A prospective rights issue of the size contemplated would therefore require such approval in advance, or for the rights issue to be structured to ensure that any rights not taken up by non-Olam shareholders could be placed for example through an oversubscription facility or underwrite by a third party. The latter mechanism would ensure that Olam's shareholding remained at its percentage shareholding prior to the rights issue; and

- Olam controls NZS with a 78% shareholding. It is also a major debt provider to the company with US$50 million (plus accrued interest) forecast to be outstanding as at 30 June 2011. As a consequence Olam is both the major equity holder and debt provider to the company. It also firmly believes in the outlook and prospects for NZS, as evidenced by the initial takeover, this takeover offer, and the signalled rights issue in the event it does not acquire 100% of NZS. Given the recognised funding need within NZS and Olam's position as major equity holder and debt provider, Olam has two funding options:

  - take over the company and fund the necessary capital expenditure in any form it wishes (debt or equity); or

  - in the event Olam does not acquire 100% of NZS, supporting a substantial rights issue.

  Importantly, NZS needs funding in the short term. A takeover is likely to be preferable to Olam than undertaking a rights issue due to the costs associated with remaining a listed entity in New Zealand and the resulting compliance burden. NZS shareholders may well be willing to participate in the rights issue, if it is needed. After all, the major shareholder endorses the continued funding of the company and minority shareholders may wish to participate in that projected upside.

7.5 Opportunities for the NZS Business

- Under PGW management, incentivised by a management fee based on NZS' gross asset value, NZS undertook a land acquisition programme that far exceeded the plan outlined in its prospectus and, as a result, the company consistently underperformed and ran out of funds to complete its very ambitious, expanded development plan. It also became evident that the New Zealand dairy farming model of a diet based almost entirely on grass would not work in Uruguay for a number of reasons (principally climatic). Accordingly NZS has moved to a business plan that involves feeding milking cows additional concentrate feeds of 2 tonnes per cow per annum;

- Olam's involvement in NZS appears to have had a positive impact on the performance of NZS. The review undertaken immediately following Olam gaining control has resulted in the development of a new and comprehensive business plan which is, in a number of key respects, materially different to the previous plan. A new feeding regime has been implemented resulting in milk volumes increasing dramatically. In the first six months of the current financial year milk volumes were 6.5 million litres behind budget. The latest forecasts for the second six months to 30 June 2011 is for milk volume to exceed budget in that period by 14.6 million litres. The new regime is designed to increase annual production per cow from a high under the previous plan of 4,675 litres per annum to 6,140 litres per annum – an increase of 31%. The increased use of concentrates comes at a price but is designed to ensure more consistent milk supply albeit with a lower percentage of milk solids per litre. Evidence to date suggests the new feed regime is effective with the existing herd;

- the current business plan is based on maximising the output from the existing land holdings and for that reason does not forecast any further expansion. The strong cash flows from 2014 suggest that NZS could increase production through expanding the number of dairies beyond the 50 proposed.

A considerable sum of money will have been spent on bringing electricity to a number of farms. New farms purchased in adjoining areas would be able to take advantage of this capital expenditure for little additional cost; and

- the business plan also does not envisage any growth in the number of cows beyond 2014. In all likelihood, if the revised business plan proves to be successful it can be expected that NZS will continue to expand the production through further land acquisition. The business plan is forecasting significant cash flows from 2014 and beyond and low levels of debt which would permit continued explanation of production.

7.6 Risks of the NZS Business

- NZS is forecasting positive EBIT in 2012 of US$3 million rising to US$24 million in 2016 and remaining flat thereafter. In reality, NZS' earnings will fluctuate with the price it receives for milk, the volume of milk produced, fluctuations in the relative values of the US dollar and the Uruguayan peso and the price of feed concentrates. In Grant Samuel's opinion the earnings of NZS are likely to increase substantially over the next two years;

- it became apparent that the 'New Zealand model' needed to be adapted to suit local Uruguayan conditions. To date the model has not proved itself, with milk production still well below forecast levels. The new business plan is based on increasing the volume of milk per cow very significantly and to levels well above those achieved in New Zealand but lower than those achieved in the US where the use of supplemental feed inputs is significant. To achieve the forecast high milk volumes NZS is using concentrated feeds at the rate of 2 tonnes per cow per annum. The business plan forecasts peak productions being achieved by the 2014 financial year and Grant Samuel's valuation of NZS assumes management forecast volumes are achievable. A reduction in milk volumes of 5% reduces EBITDA by US$3.7 million and the valuation by NZ$0.06 cents per share;

- NZS is exposed to external factors over which it has little control. The two largest external influences are climate and milk price. Whilst NZS can mitigate the risk of these influences they will cause earnings to fluctuate, potentially significantly. The Uruguayan farm gate milk price is strongly influenced by prevailing dairy commodity prices which are very volatile. There is little NZS can do to mitigate its exposure to these commodity prices. NZS has also recognised that, unless grown on irrigated land, grass does not grow as well in Uruguay as in most parts of New Zealand nor is the nutritional content of the pasture as high, necessitating the increased use of concentrate feed products. The climatic conditions experienced by NZS since commencing production have been varied with droughts and wetter and colder conditions than anticipated. NZS is yet to experience a 'normal' climate year. Climate will continue to impact the results of NZS; and

- being a New Zealand domiciled company with all of its assets valued in US dollars, certain operating costs in Uruguayan pesos and revenues reflective of movements in US dollar denominated commodity prices, shares in NZS can be expected to be more susceptible to foreign exchange movements than the majority of stocks listed on NZX.

7.7 Other Merits

- In August 2010 Olam made a full takeover offer for NZS at 55 cents per share. The offer was subsequently increased to 70 cents per share. The current Offer is at the same price. Shareholders who accepted the previous offer have had their use of the sale proceeds since the end of September 2010;

- the only aspect of the Olam Offer that can be varied is the Offer closing date of 7 June 2011 which can only be extended to 4 August 2011. Importantly Olam may not elect to increase its Offer price as it has clearly stated that it will not do so, and any increase in the Offer price would be in breach of rule 64 of the Takeovers Code which prohibits misleading and deceptive conduct;

- the Olam Offer is unconditional and accordingly Olam must acquire any shares accepted into its Offer, it cannot choose whether or not to do so regardless of the ultimate level of acceptances;

- NZS is highly unlikely to be the target of another takeover offer by a third party and in Grant Samuel's opinion in the event of such an offer eventuating Olam would be highly unlikely to accept any such offer. In the absence of a takeover NZS' shares can be expected to trade at materially lower prices than both Grant Samuel's valuation and the Olam Offer price;
- Olam is a financially strong shareholder and has demonstrated this by advancing US$50 million to NZS to fund losses and capital expenditure. Under NZSX listing rules Olam cannot increase this loan to NZS without the approval of shareholders not associated with Olam;
- by 30 June 2011 NZS estimates it will have land, buildings, plant, equipment and livestock with a book value of US$246 million. This is a very large investment and significantly greater than that envisaged when NZS was first listed in November 2006. The result of the higher level of investment has resulted in forecast net debt increasing to US$118.1 million as at 30 June 2011 or NZ$0.61 per share. NZS is currently too highly geared. Access to loans from Olam has enabled NZS to accelerate its capital expenditure and this combined with an increase of US$15 million in the capital expenditure plan has contributed to the sharply increased level of debt;
- Olam already has control of NZS and has the ability to pass any shareholder resolutions, other than those where it is prohibited from voting (including for example, resolutions involving increasing its shareholding in NZS). Increasing its shareholding to less than 90% will give it no greater level of influence over NZS;
- some shareholders may wish to retain an investment in NZS in the expectation that once NZS is in full production the share price may be re-rated. Remaining as a minority shareholder in NZS will require further investment in the proposed rights issue if dilution is to be avoided. The lack of liquidity and small free float mean that institutional investors are unlikely to be attracted to NZS and any re-rating could be quite modest and some years away; and
- NZS has not yet paid any dividends. If Olam does not acquire 100% of NZS it is unlikely to approve the payment of dividends which if paid may have a positive impact on the share price. Shareholders considering not accepting the Offer should also consider both the probable lack of dividends for a number of years and the high probability of a very large rights issue.

7.8 Acceptance or Rejection of the Olam Offer

Acceptance or rejection of the Olam Offer is a matter for individual shareholders based on their own view as to value and future market conditions, risk profile, liquidity preference, portfolio strategy, tax position and other factors. In particular, taxation consequences will vary widely across shareholders. Shareholders will need to consider these consequences and, if appropriate, consult their own professional adviser(s).

GRANT SAMUEL & ASSOCIATES LIMITED

19 May 2011

Grant Samuel + Associates

Appendix A
Valuation Methodology Overview

Capitalisation of Earnings

Capitalisation of earnings or cash flows is most appropriate for businesses with a substantial operating history and a consistent earnings trend that is sufficiently stable to be indicative of ongoing earnings potential. This methodology is not particularly suitable for start-up businesses, businesses with an erratic earnings pattern or businesses that have unusual expenditure requirements. This methodology involves capitalising the earnings or cash flows of a business at a multiple that reflects the risks of the business and the stream of income that it generates. These multiples can be applied to a number of different earnings or cash flow measures including EBITDA, EBITA, EBIT or net profit after tax. These are referred to respectively as EBITDA multiples, EBITA multiples, EBIT multiples and price earnings multiples. Price earnings multiples are commonly used in the context of the sharemarket. EBITDA, EBITA and EBIT multiples are more commonly used in valuing whole businesses for acquisition purposes where gearing is in the control of the acquirer.

Where an ongoing business with relatively stable and predictable earnings is being valued Grant Samuel uses capitalised earnings or operating cash flows as a primary reference point. Application of this valuation methodology involves:

- estimation of earnings or cashflow levels that a purchaser would utilise for valuation purposes having regard to historical and forecast operating results, non-recurring items of income and expenditure and known factors likely to impact on operating performance; and
- consideration of an appropriate capitalisation multiple having regard to the market rating of comparable businesses, the extent and nature of competition, the time period of earnings used, the quality of earnings, growth prospects and relative business risk.

The choice between the parameters is usually not critical and should give a similar result. All are commonly used in the valuation of industrial businesses. EBITDA can be preferable if depreciation or non-cash charges distort earnings or make comparisons between companies difficult but care needs to be exercised to ensure that proper account is taken of factors such as the level of capital expenditure needed for the business and whether or not any amortisation costs also relate to ongoing cash costs. EBITA avoids the distortions of goodwill amortisation. EBIT can better adjust for differences in relative capital intensity.

Determination of the appropriate earnings multiple is usually the most judgemental element of a valuation. Definitive or even indicative offers for a particular asset or business can provide the most reliable support for selection of an appropriate earnings multiple. In the absence of meaningful offers, it is necessary to infer the appropriate multiple from other evidence.

The usual approach is to determine the multiple that other buyers have been prepared to pay for similar businesses in the recent past. However, each transaction will be the product of a unique combination of factors. A pattern may emerge from transactions involving similar businesses with sales typically taking place at prices corresponding to earnings multiples within a particular range. This range will generally reflect the growth prospects and risks of those businesses. Mature, low growth businesses will, in the absence of other factors, attract lower multiples than those businesses with potential for significant growth in earnings.

An alternative approach used in valuing businesses is to review the multiples at which shares in listed companies in the same industry sector trade on the sharemarket. This gives an indication of the price levels at which portfolio investors are prepared to invest in these businesses. Share prices reflect trades in small parcels of shares (portfolio interests) rather than whole companies and it is necessary to adjust for this factor.

The analysis of comparable transactions and sharemarket prices for comparable companies will not always lead to an obvious conclusion as to which multiple or range of multiples will apply. There will often be a wide spread of multiples and the application of judgement becomes critical. Moreover, it is necessary to consider the particular attributes of the business being valued and decide whether it warrants a higher or lower multiple than the comparable companies. This assessment is essentially a judgement.

Discounted Cash Flow

Discounting of projected cash flows has a strong theoretical basis. It is the most commonly used method for valuation in a number of industries, and for the valuation of start-up projects where earnings during the first few years can be negative. DCF valuations involve calculating the net present value of projected cash flows. This methodology is able to explicitly capture the effect of a turnaround in the business, the ramp up to maturity or significant changes expected in capital expenditure patterns. The cash flows are discounted using a discount rate, which reflects the risk associated with the cash flow stream. Considerable judgement is required in estimating future cash flows and it is generally necessary to place great reliance on medium to long-term projections prepared by management. The discount rate is also not an observable number and must be inferred from other data (usually only historical). None of this data is particularly reliable so estimates of the discount rate necessity involve a substantial element of judgment. In addition, even where cash flow forecasts are available the terminal or continuing value is usually a high proportion of value. Accordingly, the multiple used in assessing this terminal value becomes the critical determinant in the valuation (i.e. it is a "de facto" cash flow capitalisation valuation). The net present value is typically extremely sensitive to relatively small changes in underlying assumptions, few of which are capable of being predicted with accuracy, particularly beyond the first two or three years. The arbitrary assumptions that need to be made and the width of any value range mean the results are often not meaningful or reliable. Notwithstanding these limitations, DCF valuations are commonly used and can at least play a role in providing a check on alternative methodologies, not least because explicit and relatively detailed assumptions need to be made as to the expected future performance of the business operations.

Realisation of Assets

Valuations based on an estimate of the aggregate proceeds from an orderly realisation of assets are commonly applied to businesses that are not going concerns. They effectively reflect liquidation values and typically attribute no value to any goodwill associated with ongoing trading. Such an approach is not appropriate in NZS' case.

Industry Rules of Thumb

Industry rules of thumb are commonly used in some industries. These are generally used by a valuer as a "cross check" of the result determined by a capitalised earnings valuation or by discounting cash flows, but in some industries rules of thumb can be the primary basis on which buyers determine prices. Grant Samuel is not aware of any commonly used rules of thumb that would be appropriate to value NZS. In any event, it should be recognised that rules of thumb are usually relatively crude and prone to misinterpretation.

Appendix B
Qualifications, Declarations and Consents

Qualifications

The Grant Samuel group of companies provides corporate advisory services (in relation to mergers and acquisitions, capital raisings, corporate restructuring and financial matters generally), property advisory services and manages private equity and property development funds. One of the primary activities of Grant Samuel is the preparation of corporate and business valuations and the provision of independent advice and expert's reports in connection with mergers and acquisitions, takeovers and capital reconstructions. Since inception in 1988, Grant Samuel and its related companies have prepared more than 400 public expert and appraisal reports.

The persons responsible for preparing this report on behalf of Grant Samuel are Michael Lorimer, BCA and Alexa Preston, BBus, CA. Each has a significant number of years of experience in relevant corporate advisory matters.

Limitations and Reliance on Information

Grant Samuel's opinion is based on economic, market and other conditions prevailing at the date of this report. Such conditions can change significantly over relatively short periods of time. The report is based upon financial and other information provided by the directors, management and advisers of NZS. Grant Samuel has considered and relied upon this information. Grant Samuel believes that the information provided was reliable, complete and not misleading and has no reason to believe that any material facts have been withheld.

The information provided has been evaluated through analysis, enquiry, and review for the purposes of forming an opinion as to the underlying value of NZS. However in such assignments time is limited and Grant Samuel does not warrant that these inquiries have identified or verified all of the matters which an audit, extensive examination or "due diligence" investigation might disclose.

The time constraints imposed by the Takeovers Code are tight. This timeframe restricts the ability to undertake a detailed investigation of NZS. In any event, an analysis of the merits of the offer is in the nature of an overall opinion rather than an audit or detailed investigation. Grant Samuel has not undertaken a due diligence investigation of NZS. In addition, preparation of this report does not imply that Grant Samuel has audited in any way the management accounts or other records of NZS. It is understood that, where appropriate, the accounting information provided to Grant Samuel was prepared in accordance with generally accepted accounting practice and in a manner consistent with methods of accounting used in previous years.

An important part of the information base used in forming an opinion of the kind expressed in this report is the opinions and judgement of the management of the relevant enterprise. That information was also evaluated through analysis, enquiry and review to the extent practicable. However, it must be recognised that such information is not always capable of external verification or validation.

The information provided to Grant Samuel included projections of future revenues, expenditures, profits and cashflows of NZS prepared by the management of NZS. Grant Samuel has used these projections for the purpose of its analysis. Grant Samuel has assumed that these projections were prepared accurately, fairly and honestly based on information available to management at the time and within the practical constraints and limitations of such projections. It is assumed that the projections do not reflect any material bias, either positive or negative. Grant Samuel has no reason to believe otherwise.

However, Grant Samuel in no way guarantees or otherwise warrants the achievability of the projections of future profits and cashflows for NZS. Projections are inherently uncertain. Projections are predictions of future events that cannot be assured and are necessarily based on assumptions, many of which are beyond the control of management. The actual future results may be significantly more or less favourable.

To the extent that there are legal issues relating to assets, properties, or business interests or issues relating to compliance with applicable laws, regulations, and policies, Grant Samuel assumes no responsibility and offers no legal opinion or interpretation on any issue. In forming its opinion, Grant Samuel has assumed, except as specifically advised to it, that:

- the title to all such assets, properties, or business interests purportedly owned by NZS is good and marketable in all material respects, and there are no material adverse interests, encumbrances, engineering, environmental, zoning, planning or related issues associated with these interests, and that the subject assets, properties, or business interests are free and clear of any and all material liens, encumbrances or encroachments;
- there is compliance in all material respects with all applicable national and local regulations and laws, as well as the policies of all applicable regulators other than as publicly disclosed, and that all required licences, rights, consents, or legislative or administrative authorities from any government, private entity, regulatory agency or organisation have been or can be obtained or renewed for the operation of the business of NZS, other than as publicly disclosed;
- various contracts in place and their respective contractual terms will continue and will not be materially and adversely influenced by potential changes in control; and
- there are no material legal proceedings regarding the business, assets or affairs of NZS, other than as publicly disclosed.

Disclaimers

It is not intended that this report should be used or relied upon for any purpose other than as an expression of Grant Samuel's opinion as to the merits of the Olam Offer. Grant Samuel expressly disclaims any liability to any NZS security holder who relies or purports to rely on the report for any other purpose and to any other party who relies or purports to rely on the report for any purpose whatsoever.

This report has been prepared by Grant Samuel with care and diligence and the statements and opinions given by Grant Samuel in this report are given in good faith and in the belief on reasonable grounds that such statements and opinions are correct and not misleading. However, no responsibility is accepted by Grant Samuel or any of its officers or employees for errors or omissions however arising in the preparation of this report, provided that this shall not absolve Grant Samuel from liability arising from an opinion expressed recklessly or in bad faith.

Grant Samuel has had no involvement in the preparation of the Target Company Statement issued by NZS and has not verified or approved any of the contents of the Target Company Statement. Grant Samuel does not accept any responsibility for the contents of the Target Company Statement (except for this report).

Independence

Grant Samuel and its related entities do not have any shareholding in or other relationship or conflict of interest with NZS or Olam that could affect its ability to provide an unbiased opinion in relation to the Olam Offer. Grant Samuel had no part in the formulation of the Olam Offer. Its only role has been the preparation of this report. Grant Samuel will receive a fixed fee for the preparation of this report. This fee is not contingent on the outcome of the Olam Offer. Grant Samuel will receive no other benefit for the preparation of this report. Grant Samuel considers itself to be independent for the purposes of the Takeovers Code.

Information

Grant Samuel has obtained all the information that it believes is desirable for the purposes of preparing this report, including all relevant information which is or should have been known to any Director of NZS and made available to the Directors. Grant Samuel confirms that in its opinion the information provided by NZS and contained within this report is sufficient to enable NZS security holders to understand all relevant factors and make an informed decision in respect of the Olam Offer. The following information was used and relied upon in preparing this report:

Publicly Available Information

- annual reports for NZS for the years ended 30 June 2009 and 30 June 2010;
- NZS half year report for the six months ended 31 December 2010;
- information from the NZS website;
- FAPRI 2010 Agriculture Outlook;
- New Zealand Dairy Statistics 2009-10; and
- other information on the Uruguayan dairy sector including press reports, industry studies, presentations and information pertaining to publicly listed companies with operations broadly comparable to NZS.

Non Public Information

- NZS five year business plan for the period from FY2012 to 30 June 2016;
- NZS financial model supporting the five year business plan;
- forecast earnings, balance sheets and cash flows for NZS for the year ending 30 June 2010;
- NZS Board Papers for the months of June 2010 to October 2010 and January 2011 to March 2011;
- monthly milk production statistics by farm for the period from July 2010 to March 2010 and forecast monthly milk production for the months of April, May and June 2011;
- updated land and livestock valuations by Escritorio Dutra Rematadores dated May 2011; and
- other confidential correspondence, reports and legal advice as provided by NZS.

Declarations

NZS has agreed that it will indemnify Grant Samuel and its employees and officers in respect of any liability suffered or incurred as a result of or in connection with the preparation of the report. This indemnity will not apply in respect of the proportion of any liability found by a Court to be primarily caused by any conduct involving gross negligence or wilful misconduct by Grant Samuel. NZS has also agreed to indemnify Grant Samuel and its employees and officers for time spent and reasonable legal costs and expenses incurred in relation to any inquiry or proceeding initiated by any person. Where Grant Samuel or its employees and officers are found to have been grossly negligent or engaged in wilful misconduct Grant Samuel shall bear the proportion of such costs caused by its action. Any claims by NZS are limited to an amount equal to the fees paid to Grant Samuel.

Advance drafts of this report were provided to the directors and executive management of NZS. Certain changes were made to the drafting of the report as a result of the circulation of the draft report. There was no alteration to the methodology, evaluation or conclusions as a result of issuing the drafts.

Consents

Grant Samuel consents to the issuing of this report in the form and context in which it is to be included in the Target Company Statement to be sent to security holders of NZS. Neither the whole nor any part of this report nor any reference thereto may be included in any other document without the prior written consent of Grant Samuel as to the form and context in which it appears.

Target Company Statement

This Target Company Statement has been prepared by NZ Farming Systems Uruguay Limited pursuant to Rule 46 and Schedule 2 of the Takeovers Code in relation to a full takeover offer made by Olam International Limited.

1 DATE

1.1 This target company statement ("**Statement**") is dated 23 May 2011.

2 OFFER

2.1 This Statement relates to a full takeover offer by Olam International Limited ("**Olam**") to purchase all of the fully paid ordinary shares ("**Shares**" or "**NZS Shares**") not already held by it in NZ Farming Systems Uruguay Limited ("**NZS**"), for a cash purchase price of NZD 0.70 per Share (the "**Offer**"). The Offer closes (subject to any extension) at 5.00pm New Zealand time on 7 June 2011.

2.2 At the date of the Offer, Olam held 77.98% of the Shares.

2.3 The terms of the Offer are set out in the Offer Document dated 6 May 2011 ("**Offer Document**").

3 TARGET COMPANY

3.1 The name of the target company is NZ Farming Systems Uruguay Limited.

4 DIRECTORS OF TARGET COMPANY

4.1 The names of the directors of NZS are as follows:

(a) David Anthony Beca

(b) Richard George Andrew Haire

(c) Krishnan Ravi Kumar

(d) Vivek Verma

(e) John Cecil Roadley

(f) Graeme Henry Wong

5 OWNERSHIP OF EQUITY SECURITIES OF TARGET COMPANY

5.1 The number and the percentage of any class of equity securities in NZS (being ordinary shares) held or controlled by the directors and senior officers of NZS and their associates are set out in Schedule One of this Statement.

5.2 Except as set out in Schedule One, no other person referred to in paragraph 5.1 holds any NZS Shares.

5.3 The number and the percentage of any NZS Shares held or controlled by any other person known by NZS to hold or control 5% or more of the NZS Shares are set out in Schedule Two.

5.4 No directors or senior officers of NZS or their associates have, in the two year period ending on the date of this Statement, been issued NZS Shares.

5.5 No directors or senior officers of NZS or their associates have, in the two year period ending on the date of this Statement, obtained a beneficial interest in any NZS Shares under any NZS employee share scheme or other remuneration arrangement.

6 TRADING IN TARGET COMPANY EQUITY SECURITIES

6.1 Details of all other acquisitions or disposals of NZS Shares by any director or senior officer of NZS or their associates, or any person holding or controlling 5% or more of NZS Shares, during the six month period before the latest practicable date before the date of this Statement, being 19 May 2011 ("**Reference Date**"), are set out in Schedule Three, including the number of Shares acquired or disposed in, consideration for, and the date of, each transaction.

7 ACCEPTANCE OF OFFER

7.1 Each of NZS' Directors, senior officers and their associates who holds or controls NZS Shares has indicated that their intention is to sell into the Offer any of those Shares.

8 OWNERSHIP OF EQUITY SECURITIES OF OFFEROR

8.1 The number and the percentage of any class of equity securities in Olam (being ordinary shares "**Olam Shares**") held or controlled by NZS, the directors and senior officers of NZS and their associates are set out in Schedule Four.

8.2 Except as set out in Schedule Four, no other person referred to in paragraph 8.1 holds or controls any Olam Shares.

9 TRADING IN EQUITY SECURITIES OF OFFEROR

9.1 Neither NZS, nor any director or senior officer of NZS or any of their associates, has acquired or disposed of any Olam Shares during the six month period before the Reference Date.

10 ARRANGEMENTS BETWEEN OFFEROR (AND OFFEROR'S ASSOCIATES) AND TARGET COMPANY (AND TARGET COMPANY'S RELATED COMPANIES)

10.1 No agreement or arrangement (whether legally enforceable or not) has been made, or is proposed to be made, between Olam or any associates of Olam and NZS or any related company of NZS, in connection with, in anticipation of, or in response to, the Offer.

11 RELATIONSHIP BETWEEN OFFEROR (AND OFFEROR'S ASSOCIATES), AND DIRECTORS AND OFFICERS OF TARGET COMPANY (AND TARGET COMPANY'S RELATED COMPANIES)

11.1 No agreement or arrangement (whether legally enforceable or not) has been made, or is proposed to be made, between Olam or any associates of Olam, and any of the directors or senior officers of NZS or any related company of NZS in connection with, in anticipation of, or in response to, the Offer.

11.2 No directors of NZS are also directors of Olam.

11.3 Krishnan Ravi Kumar, a director of NZS, is Olam's Group Chief Financial Officer. Vivek Verma, a Director of NZS, is a Managing Director heading Olam's Coffee, Dairy and Commodity Financial Services divisions. Richard Haire, a Director of NZS, is Regional Managing Director, Australia and New Zealand. Richard is also the Executive Director of Olam's wholly owned subsidiary, Queensland Cotton Holdings Pty Ltd. These Olam executives receive remuneration from Olam in their capacity as executives. Richard Haire does not receive director's fees for his directorship of Queensland Cotton Holdings Pty Ltd. Other than the NZS directors named in this paragraph 11.3, none of the other directors or any senior officers of NZS are also directors or senior officers of Olam, or any related company of Olam.

12 AGREEMENT BETWEEN TARGET COMPANY (AND TARGET COMPANY'S RELATED COMPANIES), AND DIRECTORS AND OFFICERS OF TARGET COMPANY (AND TARGET COMPANY'S RELATED COMPANIES)

12.1 No agreement or arrangement (whether legally enforceable or not) has been made, or is proposed to be made between NZS or any related company of NZS, and any of the directors or senior officers or their associates of NZS or its related companies, under which a payment or other benefit may be made or given by way of compensation for loss of office, or as to their remaining in or retiring from office in connection with, in anticipation of, or in response to, the Offer.

13 INTERESTS OF DIRECTORS AND OFFICERS OF TARGET COMPANY IN CONTRACTS OF OFFEROR (OR A RELATED COMPANY OF THE OFFEROR)

13.1 Other than as set out in this clause 13, no director or senior officer of NZS or their associates has any interest in any contract to which Olam, or any related company of Olam, is a party.

13.2 Richard George Andrew Haire, Krishnan Ravi Kumar and Vivek Verma are Directors of NZS and are associated with Olam. Olam entered a loan agreement for up to USD 50 million with NZS in 2010, under which Olam is the lender.

13A INTERESTS OF TARGET COMPANY'S SUBSTANTIAL SECURITY HOLDERS IN MATERIAL CONTRACTS OF OFFEROR (OR A RELATED COMPANY OF THE OFFEROR)

13A.1 Other than Olam, no person, who to the knowledge of the directors or the senior officers of NZS holds or controls 5% or more of any class of equity securities of NZS, has an interest in any material contract to which Olam, or any related company of Olam, is a party.

14 ADDITIONAL INFORMATION

14.1 Potential capital raising - NZS updated its shareholders in February 2011, in its half year report of the six months ended 31 December 2010 concerning potential capital raising to fund the updated business plan capital expenditure to enable completion of development and to repay the shareholder loan made by Olam to NZS pursuant to which it agreed to lend up to USD 50 million to NZS. NZS has further updated the market (on 28 April 2011) that it is considering raising the additional capital through a rights issue to all existing shareholders. The amount of capital intended to be sought is in the range of USD 110 million to USD 115 million. The Board had considered on a preliminary basis that the rights issue price should be set close to market with a minimal discount to the prevailing price. However that was prior to receiving the Olam takeover notice and no final decision on pricing has been made. No details have been agreed at this stage and are unlikely to be finalised pending the outcome of the Offer. Olam has stated in its Offer that, should it receive sufficient acceptances under the Offer to take its shareholding to 90% or more, it will promptly invoke the compulsory acquisition provisions under the Takeovers Code to require all of the remaining Shares and delist NZS, in which case no capital raising will occur. Olam has also stated in its Offer that if it does not reach a shareholding of 90% or more, it intends to continue to work with the Board of NZS to implements its business plan, including the previously indicated capital raising required to do this. Prior to entry into the new loan facility (outlined in paragraph 14.3 below), the NZS Board sought an assurance that Olam would support the capital raising by way of any rights issue. Olam has provided that assurance to NZS, subject to the NZS Board agreeing to use reasonable endeavours to come to an agreement with Olam on underwriting the capital raising on reasonable terms. Any underwrite by Olam would require shareholder approval. No money is currently being sought and no applications for securities will be accepted or money received by NZS unless a subscriber has first received a simplified disclosure prospectus.

14.2 Potential delisting - The NZX generally has limits for listed companies where it requires a listed company, such as NZS, to have at least 500 shareholders who are members of the public holding at least 25% of the Shares of the Company. As at 19 May 2011, NZS has more than 1000 shareholders. If Olam receives acceptances that do not reach the 90% threshold (which would allow it to exercise its powers under the Takeovers Code to compulsorily acquire the remaining NZS Shares), but the number of shareholders drops to a level where NZX determines there is not a sufficient spread of shareholders to ensure there is a sufficiently liquid market for NZS Shares, NZS may be delisted by the NZX. If this happens, the liquidity for trading Shares or exiting NZS will be restricted as the Shares will no longer be tradable on market. Generally NZX will not remove listing from a listed company only because these minimum requirements are no longer satisfied.

14.3 New bank loans - Olam has stated in its Offer that if it does not reach a shareholding of 90% or more, it intends to continue to work with the Board of NZS to implement its business plan, including the previously indicated capital raising required to do this. NZS has secured a short term bank loan to fund capital expenditure prior to any capital raising, and the NZS Board requested that Olam provide it with written confirmation that Olam would support any capital raising commenced by the NZS Board and would subscribe for its full entitlement. Olam has provided the requested confirmation to NZS. At the date of this Statement, NZS has committed to a loan of up to USD 30 million with Banco de la República Oriental del Uruguay (a Uruguayan government bank).

15 RECOMMENDATION

15.1 The NZS Board has delegated authority to a committee of Independent NZS Directors ("**Committee**") to attend to matters associated with the Offer. The Committee consists of Directors Graeme Henry Wong and John Cecil Roadley.

15.2 Richard George Andrew Haire, Krishnan Ravi Kumar and Vivek Verma are associated with Olam.

15.3 The Directors (excluding David Anthony Beca, Richard George Andrew Haire, Krishnan Ravi Kumar and Vivek Verma, who have abstained from making any recommendation in relation to the Offer), recommend to shareholders that they accept the Offer. Richard George Andrew Haire, Krishnan Ravi Kumar and Vivek Verma are all associated with Olam, and David Anthony Beca is abstaining because he was nominated to the NZS Board by Olam.

15.4 The Committee has considered the merits of the Offer in reaching its recommendation to shareholders. These merits are discussed in further detail in this Statement and in the accompanying letter from the Chairman of the Committee of Independent Directors, Graeme Wong.

15.5 As outlined in the letter from the Chairman of the Committee of Independent Directors, while the Independent Directors acknowledge that shareholders may conclude that the Olam Offer undervalues the Company, for the additional non-financial factors set out below, the Independent Directors recommend that shareholders accept the Olam Offer. The Independent Directors consider shareholders should take those additional non-financial factors that into account if Olam does not achieve a 90% shareholding in NZS. They include:

(a) the likelihood of a large capital raising by the Company in the short term;

(b) NZS Shares are likely to continue to be thinly traded and even more so if Olam achieves an increased shareholding;

(c) production forecasts depend on high average per cow milk yield across all farms, and not all farms are yet developed and stocked;

(d) the Company's financial performance is sensitive to milk prices and corn/grain prices which can be volatile and are beyond the control of management;

(e) Olam will be able to acquire a further 5% of NZS Shares 12 months after the end of the Olam Offer period. If that is sufficient to take Olam's total holding to 90%, it can then compulsorily acquire the balance of Shares it does not own at an assessed fair value. There can be no assurance that this will exceed 70 cents/share;

(f) shareholders have no assurance of receiving any dividends, at least in the short to mid-term;

(g) there is no immediate prospect of any other major buyer in the market for NZS unless Olam elects to sell some or all of its shareholding.

16 ACTIONS OF TARGET COMPANY

16.1 As set out in paragraph 14.3, the Company has committed to a short term loan from Banco de la República Oriental del Uruguay. This was committed to after NZS requested that Olam provide it with written confirmation that Olam would support any capital raising commenced by the NZS Board and would subscribe for its full entitlement if Olam did not reach a 90% shareholding under the Offer. Other than this loan, there are no other material agreements or arrangements (whether legally enforceable or not) entered into by NZS and its related companies as a consequence of, in response to, or in connection with the Offer.

16.2 There are no negotiations underway, as a consequence of, in response to, or in connection with, the Offer that relate to, or could result in:

(a) an extraordinary transaction (such as a merger, amalgamation, or reorganisation) involving NZS or any of its related companies; or

(b) the acquisition or disposition of material assets by NZS or any of its related companies; or

(c) an acquisition of equity securities by, or of, NZS or any related company of NZS; or

(d) a material change in equity securities on issue, or policy related to distributions, of NZS.

17 EQUITY SECURITIES OF TARGET COMPANY

17.1 There are currently 244,236,495 NZS Shares on issue. These are fully paid. Shareholders have in respect of each NZS Share, subject to the NZSX rules and NZS' constitution:

(a) the right to an equal share in dividends authorised by the Board of Directors of NZS;

(b) the right to an equal share in distribution of surplus assets of NZS;

(c) the right to participate in any further issues of NZS Shares by NZS; and

(d) the right to cast one vote on a show of hands or the right to cast one vote on a poll (for each Share held) on any resolution, including a resolution to:

(i) appoint or remove a director or the auditor;

(ii) alter NZS' constitution;

(iii) approve a major transaction by NZS;

(iv) approve an amalgamation involving NZS (other than an amalgamation of a wholly owned subsidiary); and

(v) put NZS into liquidation.

18 FINANCIAL INFORMATION

18.1 Every person to whom the Offer is made is entitled to obtain from NZS a copy of its most recent annual report (being the report for the period ended 30 June 2010) by making a written request to:

NZ Farming Systems Uruguay Limited
c/o DLA Phillips Fox
50 – 64 Customhouse Quay
Wellington, 6011
Fax: +64 4 472 7429
Email: reception@dlapf.com

18.2 A copy of the most recent half year report (being the report for the period ended 31 December 2010) is attached to this statement as Schedule Five.

18.3 On 23 August 2010, NZS confirmed the audited result for the twelve month period to 30 June 2010. The 2010 result shows net operating revenue for the twelve months of USD 22.5 million.

Earnings before Interest, Tax, Depreciation and Amortisation ("**EBITDA**") was a USD 8.7 million loss and Net Profit After Tax ("**NPAT**") was a USD 7.9 million loss.

A copy of the most recent annual report and the audited financial statements to 30 June 2010 are available on NZS' website at www.nzfsu.co.nz.

18.4 The material changes in the financial position or trading position, or prospects, of NZS since the annual report to 30 June 2010 are as follows:

(a) Milk production is expected to be around 105 million litres for the year ending 30 June 2011 which is a growth of 54% year on year. Milk prices have continued to strengthen during the year with the average price at farm gate received by NZS for the 10 months to April 2011 at USD 35.9 cents per litre. The annual independent valuation process conducted at 30 June 2010 resulted in an uplift of USD 6.2 million in livestock values, and based on a recent valuation process performed on 7 May 2011 by Escritorio Dutra Ltda as of April 2011 livestock values would be USD 10.3 million higher than book value.

(b) An update valuation on land, conducted on 9 May 2011 by Escritorio Dutra Ltda, values current landholding at USD 155.2 million which would result in an uplift on property, plant and equipment of USD 7.8 million

(c) NZS' Earnings before Interest and Tax (EBIT) result for the year ended 30 June 2010 was a loss of USD 10.4 million and a recent forecast in May 2011 for 30 June 2011 indicates an estimate EBIT loss of USD 11.4 million which includes the loss of USD 3.4 million from the PGG Wrightson Limited ("PGW") Agreement buyout when management of NZS was internalised. This is an improvement of USD 2.9 million over the forecast announced in February 2011.

(d) Olam provided NZS a short term loan facility of up to USD 50 million ("Loan Facility") to fund capital expenditure requirements and working capital, and to pay outstanding debts and the termination fee to PGW on internalisation of the management of NZS. On 20 December 2010, NZX Regulation granted a waiver of the application of Listing Rule 9.2.1 so that NZS could enter into the Loan Facility with Olam without prior shareholder approval. As of 16 May 2011 the Loan Facility was fully drawn down.

(e) During the period NZS sold the Don Pepe farm that was subject to a conditional sale contract as at June 2010, for USD 6.9 million net of commissions.

(f) Banco de la República Oriental del Uruguay has granted NZS on 11 May 2011 a short term loan facility for up to USD 30 million to fund immediate capital expenditure requirements. NZS intends to draw down against the facility during May and June 2011 to continue with its capital development.

18.5 The following matters are also material:

(a) The conditional agreement reached with PGG Wrightson Funds Management Limited, announced on 17 August 2010, for NZS to buy out the Management Contract between the parties on payment of NZD 4 million and to enter into a preferred supplier agreement with PGW until at least 2019, and a consultancy agreement with senior Uruguayan management until 2015, subject to necessary approvals. Following completion of the takeover offer by Olam on 27 September 2010, the terms of the agreement were renegotiated by NZS, PGW and

Olam and on 24 December 2010, NZS paid PGW a termination fee of NZD 4.6 million (equivalent to USD 3.4 million) to terminate the Management Agreement. All outstanding debt to PGW due under the Management Agreement was paid.

(b) In addition to carry forward tax losses of approximately USD 42 million in Uruguay, NZS was granted Project of National Importance status in June 2010 which entitles it to an additional tax benefit of USD 42 million which will be available to offset most of NZS' income tax liability on the operating companies (Gimley S.A. and Lembay S.A.) once they become profitable and use up accumulated tax losses. The tax benefit can be used until the 2018 – 2019 financial year.

18.6 Other than as set out above, there is no other information about the assets, liabilities, profitability and financial affairs of NZS that could reasonably be expected to be material to the making of a decision by shareholders to accept or reject the Offer.

19 INDEPENDENT ADVICE ON MERITS OF THE OFFER

19.1 Grant Samuel & Associates, as independent adviser, has prepared a report under Rule 21 of the Takeovers Code ("Independent Adviser's Report"). A full copy of the Independent Adviser's Report accompanies this Statement.

20 ASSET VALUATION

20.1 The NZS half year report to 31 December 2010 refers at pages 12 and 13 to valuation reviews on livestock and property, plant and equipment, conducted by Crighton Stone Limited ("Crighton Stone") to provide an independent review of valuation work undertaken by Escritorio Dutra Ltda in Uruguay of all livestock, and to undertake separate valuations of each property held by the NZS Group.

Crighton Stone has confirmed that in their opinion, the valuations undertaken by Escritorio Dutra Ltda in Uruguay are a fair reflection of the market value of the properties as at 30 June 2010. Crighton Stone also confirmed that these valuations were suitable for inclusion within the 2010 financial statements of the NZS Group.

Escritorio Dutra Ltda in Uruguay was requested to perform an update valuation on livestock and property, plant and equipment, as of May 2011. The basis of computation of the valuation and the key assumptions are set out below.

All properties are carried in the financial statements at fair value in accordance with New Zealand International Accounting Standard 16. Land is valued on a fair market, highest and best use basis, determined from market-based evidence including analysis of comparable sales and conditions that prevailed as at the valuation date. Land has been valued as if vacant and incorporates the influence of size, contour, soil quality, location, productivity and highest and best use. All buildings have been valued on either a fair market or depreciated replacement cost basis. The properties are valued excluding milking plant, travelling irrigators and other farm plant items. The land is valued subject to any rights, easements and other encumbrances. Livestock was valued at current market price, not taking into account disposal costs.

The basis of valuation for farmland, buildings and improvements reflects the fact that the assets are in continuing use by the NZS Group for the purpose of their current activities. The fair value of an asset is determined wherever possible by reference to the price in an active market for the same or similar asset. Where the fair value of an asset is not able to be reliably determined using market-based evidence, depreciated replacement cost is considered to be the most appropriate basis for determination of the fair value. The total fair value of property valued at May 2011 was USD 155.2 million (2010: USD 142.8 million). This would result in an increase in carrying value of the properties of USD 7.2 million. At 12 May 2011 the NZS Group owns 28,786 hectares of land, with an average capital value at USD 5,393 per hectare, based on the update valuation. At 30 June 2010 the NZS Group owned 28,656 hectares of land at various stages of development, with an average capital value based on valuation, of USD 4,985 per hectare (being an increase in the per hectare value of 10.1% on 30 June 2009: 35,535 hectares at average valuation of USD 4,527 per hectare). The total value of livestock at 9 May 2011 based on an update valuation performed by Escritorio Dutra Ltda is USD 52.2 million less disposal costs (which can be estimated at 6%). The total fair value of livestock at 30 June 2010 was USD 34.8 million.

The valuations referred to are as follows:

2010	
Crighton Stone	30 June 2010
Escritorio Dutra Ltda	4 May 2010 – 3 June 2010

Update Valuations May 2011	
Escritorio Dutra Ltda	7 May 2011 – 9 May 2011

20.2 Copies of the valuations and financial statements of NZS are available for inspection from NZS at its registered office and will also be sent to any shareholder on request, and extracts from the May 2011 update valuations by Escritorio Dutra Ltda are attached as the Appendix to this Statement. The Escritorio Dutra valuations were short valuations to update the full year valuations completed by Crighton Stone in December 2010.

21 PROSPECTIVE FINANCIAL INFORMATION

21.1 The Independent Adviser's Report contains prospective financial information in relation to NZS and the principal assumptions on which the prospective financial information is based are set out in the Independent Adviser's Report, and those principal assumptions also underpin the prospective financial information in clause 18.4 of this Statement.

22 SALES OF UNQUOTED EQUITY SECURITIES UNDER OFFER

22.1 The Shares, which are the subject of the Offer, are quoted on the NZSX. NZS has issued no unquoted equity securities.

23 MARKET PRICES OF QUOTED EQUITY SECURITIES UNDER OFFER

23.1 The closing price on the NZSX market operated by NZX of NZS Shares on:

(a) 19 May 2011, being the latest practicable working day before the date on which this Statement is sent to shareholders, was NZD 70 cents; and

(b) 20 April 2011, being the last day on which the NZSX was open for business before the date on which NZS received Olam's takeover notice, was NZD 56 cents.

23.2 The highest and lowest closing market price of NZS Shares on the NZSX and the relevant dates during the 6 months before the date on which NZS received Olam's takeover notice (21 April 2011) were as follows:

(a) the highest closing market price was NZD 64 cents on 26, 27 and 29 October 2010; and

(b) the lowest closing market price was NZD 53 cents on 14 April 2011.

23.3 There were no issues of equity securities or changes in the equity securities on issue that could have affected the market prices referred to in this section 23.

23.4 The Board of NZS determined that no dividend would be paid in respect of the 2009/10 financial year.

24 OTHER INFORMATION

24.1 Shareholders, when making decisions as to whether to accept or reject the Offer, and at what point any acceptance should be given, should be aware that the terms of the Offer state that, once given, acceptances may not be withdrawn by acceptors, whether or not the Offer is varied by Olam, unless Olam fails to pay acceptors in accordance with the Takeovers Code.

25 APPROVAL OF TARGET COMPANY STATEMENT

25.1 This Statement has been approved by the NZS Board through a delegation to the Committee of Independent Directors .

25.2 As disclosed in paragraph 15.3, Richard George Andrew Haire, Krishnan Ravi Kumar and Vivek Verma are not members of the Committee. As a result, they have not been asked to approve this statement in their capacity as directors of NZS, but have been asked to provide confirmation of statements of fact in relation to their equity and contractual dealings.

26 CERTIFICATE

26.1 To the best of our knowledge and belief, after making proper enquiry, the information contained in or accompanying this Statement is, in all material respects, true and correct and not misleading, whether by omission of any information or otherwise, and includes all the information required to be disclosed by NZS under the Takeovers Code.

SIGNED BY:

John Cecil Roadley
Director

Graeme Henry Wong
Director

David Anthony Beca
Managing Director/Chief Executive Officer

Silvina Crosa
Chief Financial Officer

Appendix – Update livestock and land valuations

Extracts from the Escritorio Dutra Ltda update valuations 9 May 2011 (paragraph 20.2)

Valuation Methodology

Land is valued on a fair market, highest and best use basis, determined from market-based evidence including analysis of comparable sales and conditions that prevailed as at the valuation date. Land has been valued as if vacant and incorporates the influence of size, contour, soil quality, location, productivity and highest and best use. All buildings have been valued on either a fair market or depreciated replacement cost basis. The properties are valued excluding milking plant, travelling irrigators and other farm plant items. The land is valued subject to any rights, easements and other encumbrances. Livestock was valued at current market price not taking into account disposal costs.

The basis of valuation for farmland, buildings and improvements reflects the fact that the assets are in continuing use by the NZS Group for the purpose of their current activities. The fair value of an asset is determined wherever possible by reference to the price in an active market for the same or similar asset. Where the fair value of an asset is not able to be reliably determined using market-based evidence, depreciated replacement cost is considered to be the most appropriate basis for determination of the fair value.

FARM	AREA 2011	PRICE PER HA	TOTAL AMOUNT
El Cabure	1,161.50	$9,475	$11,005,212.50
Valle de Soba	624.70	$8,645	$5,400,531.50
Menafra and Montesanos	1,018.60	$8,251	$8,404,468.60
Los Naranjos	944.60	$4,076	$3,850,189.60
San Pedro	1,001.60	$5,395	$5,403,632.00
La Gandara	587.80	$6,466	$3,800,714.80
Los Naranjales and Rincon de San Gabriel	2 378.10	$4,920	$11,700,252.00
Dona Celia	2,085.00	$5,516	$11,500,860.00
La Leticia	2,011.40	$5,479	$11,020,460.60
Cunatay	888.30	$5,051	$4,486,803.30
Santa Elvira	1,796.00	$5,656	$10,158,176.00
El Monasterio, Cerco de Piedra y Marchetti	4,548.00	$5 541	$25,200,468.00
Tobay	1,453.60	$4,677	$6,798,487.20
Cuatro Cerros	691.30	$3,616	$2,499,740.80
El Higueron	1,066.90	$4,499	$4,799,983.10
Las Novillas	6,528.80	$4,473	$29,203,322.40
	28,786.20	$5,393	$155,233,302

Based on the available market evidence, it is our opinion that the total current market value of all the properties above mentioned, to be:

US$155,233,302

One hundred and fifty five million, two hundred and thirty three thousand, three hundred and two United States dollars.

Extracted from the 9 May 2011 update valuations by Escritorio Dutra Ltda.

Livestock

DESCRIPTION	QTY	VALUE	TOTAL
Bulls	462	$852	$393,624
Milking Cows	21,525	$1,000	$21,525,000
Empty Cows	1,606	$550	$883,300
Inseminated Cows	959	$1,213	$1,163,267
Pregnant Cows	7,448	$1,350	$10,054 800
Cull Cows	145	$440	$63,800
Empty Heifers	86	$700	$60,200
Inseminated Heifers	2,544	$1,252	$3 185,088
Pregnant Heifers	5,351	$1,350	$7,223,850
Heifers 1 to 2 years old	5,015	$550	$2,758,250
Female Calves	8,795	$392	$3,447,640
Female Calves (0-3 months old)	4,274	$240	$1,025 760
Steers	18	$546	$9,828
Male Calves	720	$234	$168,480
Male Calves (0-3 months old)	1,692	$50	$84,600
Horses	273	$400	$109,200
Total	**60,913**	**$856**	**$52,156,687**

Based on the available market evidence, it is our opinion that the total current market value of all livestock above mentioned, to be:

US$ 52,156,687

Fifty two million one hundred and fifty six thousand six hundred and eighty seven United States dollars.

Extracted from the 9 May 2011 update valuations by Escritorio Dutra Ltda.

Appendix (continued)

Rural Farms Sales Evidence

REF	DEP	CLOSEST TOWNSHIP	SIZE (HA)	ROAD NO.	SALE DATE	SALE PRICE	LAND SELLER	LAND PURCHASER	QUALITY OF IMPROVEMENTS	PRODUCTION	TOTAL PRICE
1	Soriano	Mercedes	347	No 14 and rural road	March	$8,250	Uruguayan farmer	Argentinian investor	Complete farm, good dwellings in good condition	Agriculture	$2,862,750
2	Paysandu	Paysandu	3.442	No 26 and rural road	March	$2,600	Argentinian farmer	Uruguayan farmer	Complete farm, good dwellings in good condition	Breeding	$8,949,200
3	Soriano	Cololo	1.200	Route No 14	March	$8,800	Uruguayan farmer	Uruguayan government		Agriculture	$10,560,000
4	Colonia	Nueva Helvecia	2.483	Route No 53	November 2010	$4,975	Argentinian farmer	Argentinian farmer	Complete farm with good dwellings	Agriculture and Breeding	$12,352,925
5	Florida		900	Route No 56	February	$3,400	Uruguayan farmer	Uruguayan farmer	None	Breeding and fattening	$3,060,000
6	Salto	Yacuai	1.974	Route No 3	December 2010	$3,200	Argentinian farmer		Complete farm	Breeding and fattening	$ 6,316,800
7	Rio Negro	Grecco	2.000	Route No 20	March	$7,000	Argentinian farmer	Uruguayan farmer	None	Agriculture	$14,000,000
8	Florida		1.165	Route No	February	$4,540	Uruguayan farmer	American farmer	Complete farm with good dwellings	Agriculture and Breeding	$5,289,100
9	Tacuarembo		2.000	Route No 28 (5 sauces)	March	$3,400	Argentinian farmer	Argentinian investor	Complete farm	Agriculture and Breeding	$ 6,800,000
10	Treinta y Tres	Treinta y Tres	950	Route No 8	March	$3,900	Argentinian farmer	Argentinian investor	Complete farm	Agriculture and Breeding	$3,705,000
11	Lavalleja		3.200	Route No 8	March	$3,450	European farmer	American farmer	Complete farm	Breeding	$11,040,000

Extracted from the 9 May 2011 update valuations by Escritorio Dutra Ltda.

Schedule One – Ownership of equity securities in NZS

Ownership of equity securities in NZS (Paragraph 5.1)

NAME OF DIRECTOR	ORDINARY SHARES HELD OR CONTROLLED BY DIRECTOR		ORDINARY SHARES HELD OR CONTROLLED BY ASSOCIATES OF DIRECTOR	
	NUMBER	PERCENTAGE	NUMBER	PERCENTAGE
John Cecil Roadley	50,000	0.02%	–	–
Graeme Henry Wong	90,000	0.04%	–	–

Notes:

1. Directors Richard George Andrew Haire, Krishnan Ravi Kumar and Vivek Verma are associated persons of Olam, who at 19 May 2011 held relevant interests in 192,357,380 NZS Shares, including 1,307,607 as a result of acceptances received under the Olam Offer and 597,636 as a result of on market acquisitions by Olam since the Olam Offer was made.
2. Graeme Wong holds his interest in NZS Shares through Jaguar Nominees Limited, a company of which he is both a director and shareholder.

Schedule Two – Substantial Security Holders

(Paragraph 5.3)

NAME OF SHAREHOLDER OR PERSON HOLDING OR CONTROLLING 5% OR MORE OF NZS SHARES	NUMBER OF ORDINARY SHARES HELD OR CONTROLLED AS AT 19 MAY 2011	PERCENTAGE	DATE OF LAST SUBSTANTIAL SECURITY HOLDER NOTICE
Olam International Limited	192,357,380	78.76%	28 September 2010

Notes:

1. This information is taken from substantial security holder notices filed with the NZX as at 19 May 2011, Rule 36 notices under the Takeovers Code, and NZS Share register as at 19 May 2011.

Schedule Three – Acquisitions and Dispositions by Substantial Security Holders and Directors and Officers

(Paragraph 6.1)

NAME OF SHAREHOLDER OR PERSON HOLDING OR CONTROLLING 5% OR MORE OF NZS SHARES, DIRECTOR OR SENIOR OFFICER OF NZS OR THEIR ASSOCIATES	NUMBER OF ORDINARY SHARES AFFECTED	ACQUISITION OR DISPOSAL	WEIGHTED AVERAGE CONSIDERATION PER SHARE (NZD)	DATE
Olam International Limited	604,910	Acquisition	$0.70	Week ended 15 May 2011
Olam International Limited	1,300,333	Acquisition	$0.70	Week ended 22 May 2011
Rafael Secco	25,000, 3,508, 1,360, 33,643, 2,000 and 3,489	Acquisitions	$0.55	On 24 February, 23 March, 1 April, 5 April, 6 April and 8 April 2011 respectively
	69,000	Disposal	$0.70	19 May 2011

Notes:

1. Rafael Secco is a senior officer of NZS.
2. Olam acquisitions are from acceptances received as at 19 May 2011 under the current Olam Offer and acquisitions on market under Rule 36 of the Takeovers Code.
3. This information is taken from substantial security holder records and notices filed with NZS and NZX as at 19 May 2011, Rule 36 notices under the Takeovers Code, and NZS Share register as at 19 May 2011.

Schedule Four – Ownership of equity securities in Olam

Ownership of equity securities in Olam (Paragraph 8.1)

NAME OF DIRECTOR	ORDINARY SHARES HELD OR CONTROLLED BY DIRECTOR		ORDINARY SHARES HELD OR CONTROLLED BY ASSOCIATES OF DIRECTOR	
	NUMBER	PERCENTAGE	NUMBER	PERCENTAGE
Krishnan Ravi Kumar	6,189,604	0.29%	–	–
Vivek Verma	3,300,500	0.15%	–	–

Schedule Five – Half Year Report

See following pages.

(Paragraph 18.2)

NZ Farming Systems Uruguay Limited

half year report

FOR THE SIX MONTHS ENDED 31 DECEMBER 2010

Chairman's Review

Vivek Verma

DEAR SHAREHOLDER

It is my privilege to report to you on a half-year that has brought a series of fundamental changes to the governance and management of your company.

As most shareholders will be aware, the company is now 78 percent owned by Olam International Limited – a leading global supply chain manager and processor of agricultural products and food ingredients. There thus remains a small but significant New Zealand based minority shareholding to benefit from the strong business platform established by the company. Soon after the shareholding structure emerged, changes were made at the board and management level and followed up with significant changes in the strategy and day to day operations of the company.

My expectation is that the changes made during the latest half-year, and actions yet to be taken by the new Board and management, will substantially improve the performance of the company. While it is still too early for the full impact of the changes to be realised and in fact the strategy is far from proven, there is already evidence of some improvements in the results for the half-year ended 31 December 2010, which are outlined below. The primary objective of your Board and management will be to hasten the company's progress towards the goal of successfully implementing a profitable pasture based dairy farming model in Uruguay.

Olam believes that Uruguay has a comparative advantage in dairy farming, and therefore the capacity to significantly expand its production. This is very consistent with the premises that NZ Farming Systems Uruguay was founded upon. Olam's move to seek a majority shareholding was motivated by its own strategy of increasing its upstream position in dairy production, and by a desire to assist in improving your company's performance.

Perhaps the most significant step in the near term is a full review of the company's business plan, including the operating platform, performance, funding and related matters. This review commenced shortly after the conclusion of the takeover offer from Olam, and has been recently concluded and discussed by your Board.

The Board has adopted a series of key strategies and changes arising out of the review. In summary, these are:

- Substantial increase in the use of concentrates in the diet of milking cows
- Maximisation of pasture growth through increased fertiliser use and increased irrigation
- A rapid increase in milk production due to increases in the size of the milking herd and the production level per cow on account of the changed feeding regime. Full dairy development on farms, with the number of dairy sheds rising to 50 and 16,000 hectares of dairy land.

Further comment on these measures is made below under "Strategic Review."

The company's new plan expects break-even at the Earnings Before Interest and Tax (EBIT) level in the 2011-12 year, and at the Net Profit After Tax (NPAT) level in the 2012-13 year.

In conjunction with the strategic review, Olam and your company entered into a short-term loan agreement for up to USD 50 million. These funds are being drawn as required to fund capital expenditure and provide working capital. This means the company is not constrained by funding concerns from taking the necessary steps to continue development of its operations and improve the performance of the existing business platform.

To fund the business plan outlined below and capital expenditure, and repay the Olam shareholder loan, will require a capital raising of USD 100-110 million. The company expects this to occur within the next six months.

Results

Revenue increased to USD 18.9 million in the first half year, compared with USD 10.9 million in the December 2009 half-year – an increase of 72 percent.

Milk production volumes continued to increase rapidly, and milk sales contributed revenue of USD 17.4 million net of charges (up from USD 10.2 million in the previous comparable period), and livestock sales of USD 1.1 million (compared with USD 0.7 million for the prior period). Livestock sales were mainly of cull dairy cows.

Earnings were ahead of forecast due to the stronger milk production and prices, despite difficult climatic conditions. As a result, full year earnings are also expected to be better than previously forecast.

The operating loss from farming activities before fair value adjustments[1] and other one-off items was USD 1.6 million – an improvement of USD 2.5 million on the previous comparable period.

We would like to provide more detail in relation to Note 12 of the financial statements. Properties are customarily independently revalued annually at June each year, with no mid year revaluation. In this half-year, there is a debit USD 1,057,000 movement in "Revaluation of property, plant & equipment" line shown in the Statement of Other Comprehensive Income. The revaluation reserve decreased by USD 1 million due to realisation of the revaluation reserve on the Don Pepe farm, once that sale was finalised in November 2010. The farm was held at sale value in June 2010 financials, which was USD 1 million more than cost plus additions.

Operating performance

Milk production for the first half-year was 55.1 million litres, an increase of 31 percent on the 42.1 million litres produced to December 2009. Average milk price received was US 32.9 cents per litre, compared with US 25.0 cents in the prior comparable period. Milk prices strengthened to US 34 cents in December, and there have been further increases since then.

The milking herd peaked at 24,400 cows in October, with 22,300 cows milking as at the end of December and producing an average of 13.3 litres per day.

Climate and lack of funding prior to completion of the Olam takeover offer in September were limiting factors, with a wet winter followed by dry spring and early summer. Pasture growth was significantly less than expected and required additional supplementary feeding.

The decision to increase the level of concentrates in animal diets was a key factor in farm operating expenses increasing by 116 percent over those for the prior comparable period. The change in feed regime is expected to lead to ongoing milk production gains, improvements in pregnancy rates and in young stock weight gain. Milk production in January and February reflects this expectation.

Farm development

Development expenditure was delayed in line with funding constraints for much of the first half-year. The sale of the Don Pepe farm, in October, and the provision of a short-term funding facility by Olam, allowed the company to act on immediate farm development priorities.

One further milking shed was commissioned, bringing the total to 32. Further irrigation pivots were installed, with just under 3,000 hectares now under irrigation. The high tension electricity line in the East of Uruguay is nearing completion, with the line connected since October.

The shareholder loan from Olam has allowed further irrigation pivots to be ordered, and the high tension electricity line in the Centre of Uruguay to be initiated. Some capital fertiliser was applied in the spring and all farms will receive further fertiliser this autumn.

Funding

As previously announced, NZS was required to obtain bond-holder and bank syndicate approval to the change in control and internalisation of management. Bond-holder approval was obtained in December 2010, and bank syndicate approval has now been obtained in February 2011.

To date, USD 30 million has been drawn on the shareholder loan from Olam, with the remaining USD 20 million expected to be drawn over the next few months to fund both farm development and working capital requirements.

The company has a covenant in its bank syndicate funding requiring cashflow to be at least 1.2 times debt servicing, to apply for the first time at June 2011. Given that farm development is still in progress, we expect to require a waiver to this covenant and have accordingly initiated discussions with the bank syndicate. An update will be provided in due course.

[1] Fair value adjustments were nil in the December 2010 half year, but previously have included price changes for livestock and farm properties. Other one-off items include gains or losses on farm sales, and the buyout of the PGG Wrightson (PGW) management agreement.

Uruguayan economy

The Uruguayan economy has continued to strengthen. Expectations for growth in Gross Domestic Product are running at slightly over 8 percent for the 2010 calendar year and 5 percent for 2011. Unemployment has been at record lows around 6 percent.

The Uruguayan Peso has been stable, at just under 20 to the US Dollar. Credit rating agency Moodys improved its Uruguayan debt credit rating two points in November, from Ba3 to Ba1, which is one point below investment grade, although the rating is not expected to reach investment grade within the coming year.

Governance and management

Significant changes were initiated both before and after the takeover offer from Olam.

The changes to the Board were a direct consequence of the takeover offer. Three directors – Murray Flett, Craig Norgate and Keith Smith – retired at the annual shareholders' meeting in October. Olam nominated four directors to fill the positions thus created, along with one other that had been vacant. The new Board is listed on page 16 of this report.

In January 2011 the Board elected to appoint me as Chairman, replacing John Parker, who had been Chairman since December 2009 and an independent Director since the company's inception. John resigned as a Director, effective immediately.

With John Parker's resignation, the Board appointed John Roadley to the Audit Committee and Richard Haire stood down. The Audit Committee now comprises Graeme Wong (Chairman), John Roadley and Ravi Kumar.

In August the incumbent Board had decided to terminate the management contract held by a subsidiary of PGG Wrightson Limited and internalise the management of your company. Alastair de Raadt was appointed Chief Executive Officer on a short-term contract, to 31 January 2011. Alastair subsequently elected not to extend his contract beyond that date.

The company has now established its own internal management team, with Managing Director / CEO David Beca appointed from 1 February 2011 and transition from services previously provided by PGG Wrightson under the management agreement. As previously announced, the company paid a termination fee of $NZ4.6 million, equivalent to USD 3.4 million, and paid the remaining outstanding amounts due to PGG Wrightson in respect of previously incurred performance fee, management fees and re-charged expenses.

The company's Chief Financial Officer, Andrew Clark, advised in January 2011 that he had chosen for family reasons not to relocate to Uruguay, where the CFO role will be based in future. Andrew left the company in late February 2011 and Silvina Crosa was appointed CFO. Silvina has been CFO of PGG Wrightson Uruguay, and has also had a major involvement in your company since its inception in 2006. She has an MBA from American University in Washington DC and strong experience in commerce and banking.

The departing directors and managers had all made significant contributions to NZ Farming Systems Uruguay and the Board offers them its thanks and best wishes.

Strategic Review

A review and update of the business plan commenced shortly after the completion of Olam's takeover offer. The updated plan has now been reviewed and approved by the Board.

Milk production is expected to increase rapidly from the current year's 100 million litre forecast, to close to 300 million litres, due to both an increase in milking herd to around 48,000 animals at steady state, and an increase in the litres produced per cow, to over 6,000 litres per cow annually. This is higher than the previous plan due to a higher level of concentrates being fed. Milk price is expected to be US 32 cents per litre long-term.

Operationally the plan expects concentrates to make up around 35 percent of milking cows' diets. This is expected to lead to higher levels of milk production per cow, better in-calf rates and improved animal health.

Maximisation of pasture grown, whether on irrigated or dry land, is also key to achievement of the plan. Improvements to pasture management, higher rates of nitrogen and phosphate application, and additional irrigation are targeted to achieve this.

NZS intends to continue full dairy development of its farms; over the next two years this will result in a further 18 milking sheds being developed for a total of 50 milking sheds on approximately 16,000 hectares of dairy land, and a total of around 7,000 hectares of dairy land being irrigated.

The plan calls for slightly smaller dairy areas than previously expected, due to a higher proportion of the diet being concentrates, and with replacement stock alongside the dairies where possible.

A continuation of the current leasing of land for other support stock is expected.

As noted above, the plan expects breakeven at an EBIT level in the 2011-12 year, and at a Net Profit After Tax (NPAT) level in the 2012-13 year.

NZS will monitor performance against the business plan, and may accelerate or slow development according to actual results.

Total capital expenditure in the plan is expected to be approximately USD 69 million, around USD 15 million higher than under the previous plan, due to inclusion of a number of productivity-related capex items such as feed mills, in-shed feeding systems, feed pads and storage pads, additional machinery, and irrigation cost increases.

The total additional capital requirement to complete development is expected to be between USD 100 to USD 110 m and the company expects to announce a capital raising shortly.

Outlook

Milk production has continued to lift very pleasingly since the end of December. The full year forecast milk production is now raised to around 100 million litres, from the previous guidance of 85-90 million litres.

Milk prices are very strong, with current price in February at US 37 cents per litre, equivalent to $NZ7.15 per kilogram of milksolids at current NZD:USD exchange rate of 76 cents. The price looks to be well supported for the coming months, although we expect ongoing volatility.

Feed prices are currently around double the budgeted price, and whilst we were able to purchase some quantities forward at better prices, a negative impact is anticipated over the remaining months.

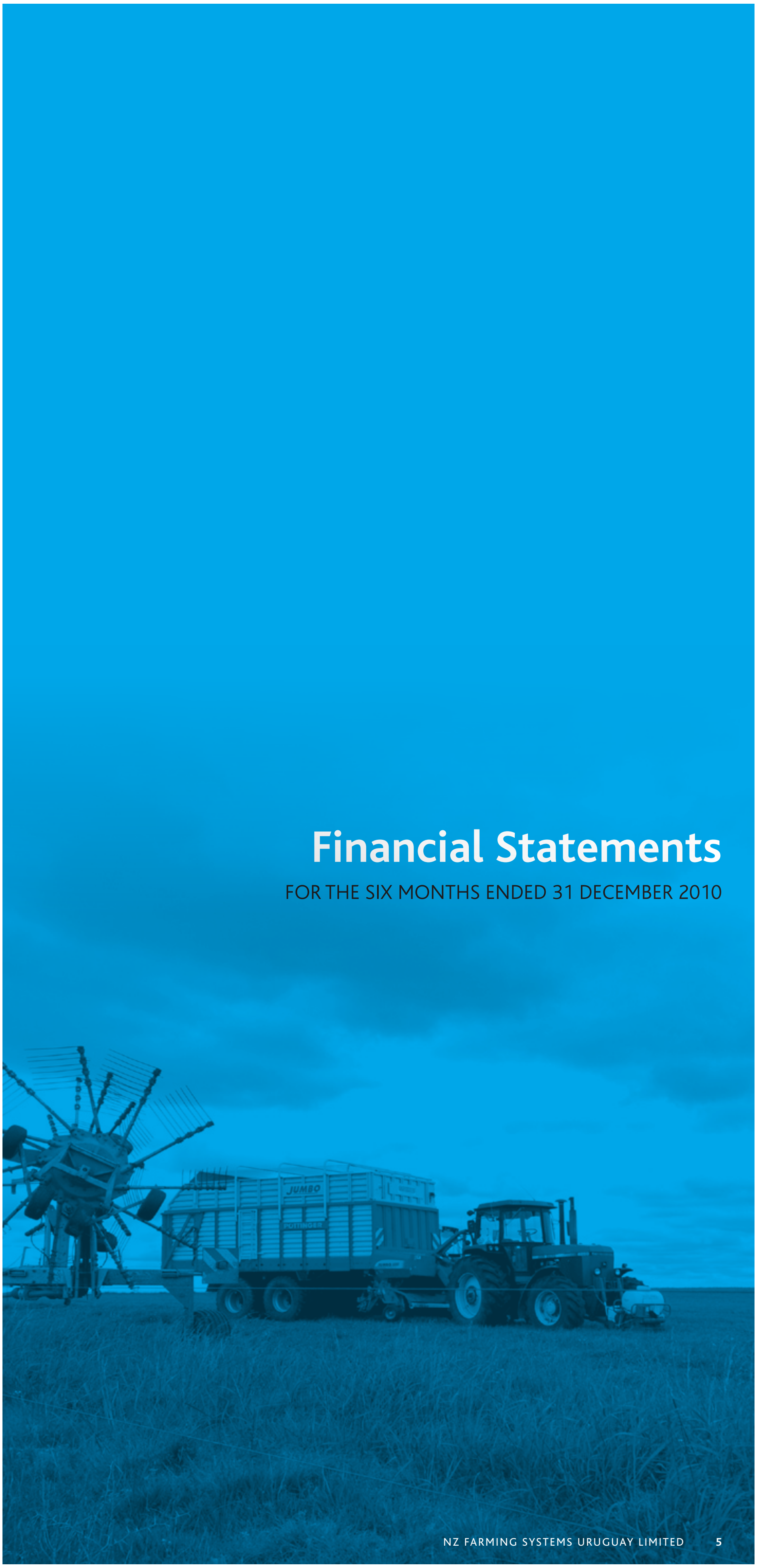
Recent rain in the west and east of Uruguay has led to improved pasture conditions, however the Centre region remains very dry on non-irrigated areas. Pasture growth is therefore forecast to remain lower than originally expected.

The Earnings Before Interest and Taxation (EBIT) forecast for the 2010-11 year is for a loss of USD 11-12 million. This is before the management agreement termination payment. The forecast previously announced in November 2010 expected an EBIT loss of USD 16 million prior to the termination payment. The improvement of USD 4-5 million is due to higher milk production and prices, and further gains in livestock body condition, partly offset by additional feed costs.

Livestock prices are trending upwards and are likely to result in an increase in livestock valuations at June 2011. However as in previous years any change in livestock valuations will be treated as a non-operating item in the Income Statement.

On behalf of the Board of NZ Farming Systems Uruguay.

Vivek Verma
Chairman



Financial Statements

FOR THE SIX MONTHS ENDED 31 DECEMBER 2010

NZ FARMING SYSTEMS URUGUAY LIMITED 5

Condensed Interim Consolidated Statement of Comprehensive Income

For the six months period ended 31 December 2010

	Note	Unaudited 6 mths ended Dec 2010 US$000	Audited Year ended Jun 2010 US$000	Unaudited 6 mths ended Dec 2009 US$000
Revenue	3	18,854	22,534	10,943
Change in fair value of livestock due to physical changes	4	2,844	1,977	750
Livestock and cropping cost of sales		(1,165)	(3,653)	(776)
Employee benefits expense		(2,564)	(4,225)	(1,968)
Farm operating expenses	5	(16,976)	(20,917)	(7,841)
Management fee		(357)	(2,211)	(1,096)
Depreciation and amortisation expense		(947)	(1,710)	(1,559)
Other operating expenses		(1,256)	(2,161)	(939)
Operating loss from farming activities before market movements in livestock & property and gains/losses from property sales		**(1,567)**	**(10,365)**	**(2,486)**
Gain/(loss) on property sales		1,027	253	(862)
Fair value adjustments	6	–	7,264	–
Management agreement termination fee	16	(3,440)	–	–
Loss before interest		(3,980)	(2,848)	(3,348)
Net interest and finance costs	7	(2,614)	(5,155)	(3,877)
Loss before income tax		(6,594)	(8,003)	(7,225)
Income tax (expense)/benefit		(180)	101	230
Loss for the period		**(6,774)**	**(7,902)**	**(6,995)**
Other comprehensive income				
Revaluation of property, plant and equipment		(1,057)	(3,664)	–
Movement in deferred tax on revaluation of property, plant and equipment		–	276	151
Other comprehensive income for the period, net of income tax		(1,057)	(3,388)	151
Total comprehensive income for the period		**(7,831)**	**(11,290)**	**(6,844)**
Loss attributable to:				
Shareholders of the Company		(6,774)	(7,902)	(6,995)
Loss for the period		**(6,774)**	**(7,902)**	**(6,995)**
Total comprehensive income attributable to:				
Shareholders of the Company		(7,831)	(11,290)	(6,844)
Total comprehensive income for the period		(7,831)	(11,290)	(6,844)
Earnings per share				
Basic and diluted earnings per share (USD)	8	(0.03)	(0.03)	(0.03)

The accompanying notes form an integral part of these financial statements.

Condensed Interim Consolidated Statement of Changes in Equity

For the six months period ended 31 December 2010

	Share capital US$000	Fair value reserves US$000	Retained earnings US$000	Total equity US$000
Balance at 1 July 2009	197,081	25,810	(54,096)	168,795
Loss for the year	–	–	(6,995)	(6,995)
Movement in fair value of property, plant and equipment, net of tax	–	151	–	151
Total comprehensive income for 6 months	**–**	**151**	**(6,995)**	**(6,844)**
Balance at 31 December 2009	**197,081**	**25,961**	**(61,091)**	**161,951**
Balance at 1 January 2010	197,081	25,961	(61,091)	161,951
Loss for the period	–	–	(907)	(907)
Movement in fair value of property, plant and equipment, net of tax	–	(3,539)	–	(3,539)
Total comprehensive income for 6 months	–	(3,539)	(907)	(4,446)
Balance at 30 June 2010	**197,081**	**22,422**	**(61,998)**	**157,505**
Balance at 1 July 2010	197,081	22,422	(61,998)	157,505
Loss for the period	–	–	(6,774)	(6,774)
Movement in fair value of property, plant and equipment, net of tax	–	(1,057)	–	(1,057)
Total comprehensive income for 6 months	–	(1,057)	(6,774)	(7,831)
Balance at 31 December 2010	**197,081**	**21,365**	**(68,772)**	**149,674**

The accompanying notes form an integral part of these financial statements.

Condensed Interim Consolidated Statement of Financial Position

As at 31 December 2010

	Note	Unaudited Dec 2010 US$000	Audited Jun 2010 US$000	Unaudited Dec 2009 US$000
ASSETS				
Current				
Cash and cash equivalents	9	11,891	5,671	19,591
Trade and other receivables	10	16,773	11,447	7,012
Income tax receivable		29	284	117
Assets held for sale		–	6,860	–
Inventories and consumable supplies		4,496	3,735	3,701
Total current assets		33,189	27,997	30,421
Non-current				
Other receivables	10	4,438	4,647	5,000
Livestock	11	38,194	34,833	27,288
Intangible assets		47	21	35
Property, plant and equipment	12	164,503	161,710	171,229
Total non-current assets		207,182	201,211	203,552
Total assets		**240,371**	**229,208**	**233,973**
LIABILITIES				
Current				
Loans and borrowings due within one year	13	77,500	11,154	16,143
Accounts payable and accruals	14	12,302	13,654	8,858
Total current liabilities		89,802	24,808	25,001
Non-current				
Long-term loans and borrowings	13	–	46,000	46,000
Deferred tax liability		895	895	1,021
Total non-current liabilities		895	46,895	47,021
Total liabilities		90,697	71,703	72,022
EQUITY				
Share capital		197,081	197,081	197,081
Reserves		21,365	22,422	25,961
Accumulated losses		(68,772)	(61,998)	(61,091)
Total equity		149,674	157,505	161,951
Total liabilities and equity		**240,371**	**229,208**	**233,973**

These condensed interim consolidated financial statements have been authorised for issue on 17 February 2011.

Vivek Verma
Chairman

Graeme Wong
Director

The accompanying notes form an integral part of these financial statements.

Condensed Interim Consolidated Statement of Cash Flows

For the six months period ended 31 December 2010

	Note	Unaudited Dec 2010 US$000	Audited Jun 2010 US$000	Unaudited Dec 2009 US$000
Cash flows from operating activities				
Inflows		16,931	22,442	10,953
Outflows		(43,775)	(45,797)	(25,272)
Net cash flow (to) operating activities	15	(26,844)	(23,355)	(14,319)
Cash flows from investing activities				
Inflows		6,880	15,770	6,538
Outflows		(3,816)	(14,289)	(6,250)
Net cash flow from investing activities		3,064	1,481	288
Cash flows from financing activities				
Inflows		31,500	28,918	31,508
Outflows		(1,500)	(5,000)	(1,513)
Net cash flow from financing activities		30,000	23,918	29,995
Net increase in cash held		6,220	2,044	15,964
Opening cash		5,671	3,627	3,627
Cash and cash equivalents		**11,891**	**5,671**	**19,591**

The accompanying notes form an integral part of these financial statements.

Notes to the Financial Statements

For the six months period ended 31 December 2010

1 Reporting Entity

NZ Farming Systems Uruguay Limited ("the Company") is a company domiciled in New Zealand, registered under the Companies Act 1993 and listed on the New Zealand Stock Exchange. The Company is an issuer in terms of the Financial Reporting Act 1993.

The condensed interim consolidated financial statements of NZ Farming Systems Uruguay Limited for the six months ended 31 December 2010 comprise the Company and its subsidiaries (together referred to as the "Group").

The Company is primarily involved in dairy farming in Uruguay.

2 Basis of Preparation

The condensed interim consolidated financial statements have been prepared in accordance with New Zealand Generally Accepted Accounting Practice ("NZ GAAP"). They comply with the New Zealand equivalents to International Financial Reporting Standards ("NZ IFRS") as applicable for interim financial statements for profit orientated entities, and in particular NZ IAS 34. The financial statements also comply with IAS 34.

The condensed interim financial statements do not include all of the information required for full annual statements. The condensed interim consolidated financial statements are presented in US dollars. The same accounting policies, presentation and methods of computation are followed in the condensed interim consolidated financial statements as applied in the Group's latest annual audited financial statements, with exceptions as described below.

The Group operates in one segment, that of developing and operating dairy farming activities in Uruguay. Although the Group operates from separate farm bases around the country, the transportability of livestock between these farms, particularly during this development phase of the business, makes any analysis by farm misleading and impractical.

These statements were approved by the Board of Directors on 17 February 2011.

3 Revenue

	Unaudited Dec 2010 US$000	Audited Jun 2010 US$000	Unaudited Dec 2009 US$000
Milk Sales	18,141	19,230	10,528
Charges against milk sales	(705)	(473)	(329)
Cattle sales	1,131	2,420	730
Other income	287	1,357	14
	18,854	**22,534**	**10,943**

4 Changes in Fair Value of Livestock

	Unaudited Dec 2010 US$000	Audited Jun 2010 US$000	Unaudited Dec 2009 US$000
Livestock - category changes	3,041	1,722	813
Livestock - births	913	1,393	561
Livestock - deaths	(1,110)	(1,138)	(624)
	2,844	**1,977**	**750**

5 Farm Operating Expenses

	Unaudited Dec 2010 US$000	Audited Jun 2010 US$000	Unaudited Dec 2009 US$000
Pastures	(2,043)	(5,367)	(1,148)
Farm repairs and maintenance	(1,218)	(1,722)	(736)
Farm management	(1,158)	(931)	(320)
Animal health, breeding & calf rearing	(2,198)	(2,931)	(1,484)
Cropping and feed costs	(7,902)	(6,098)	(2,223)
Other farm expenses	(2,457)	(3,868)	(1,930)
	(16,976)	**(20,917)**	**(7,841)**

6 Fair Value Adjustments

	Note	Unaudited Dec 2010 US$000	Audited Jun 2010 US$000	Unaudited Dec 2009 US$000
Change in fair value of livestock due to price changes	11	–	6,169	–
Change in fair value of farm properties below cost		–	1,095	–
		–	**7,264**	**–**

7 Net Interest and Finance Costs

	Unaudited Dec 2010 US$000	Audited Jun 2010 US$000	Unaudited Dec 2009 US$000
Interest income	90	82	48
Interest expense	(2,305)	(4,489)	(2,467)
Net foreign exchange losses	(371)	(671)	(1,414)
Facility fees	(28)	(77)	(44)
	(2,614)	**(5,155)**	**(3,877)**

8 Earnings Per Share and Net Tangible Assets

	Unaudited Dec 2010 US$000	Audited Jun 2010 US$000	Unaudited Dec 2009 US$000
Number of shares			
Weighted average number of ordinary shares	244,236	244,236	244,236
Number of ordinary shares at December / June	244,236	244,236	244,236

	Unaudited Dec 2010 US$000	Audited Jun 2010 US$000	Unaudited Dec 2009 US$000
Net Tangible Assets			
Total Assets	240,371	229,208	233,973
Total Liabilities	(90,697)	(71,703)	(72,022)
less Intangible assets	(47)	(21)	(35)
less Deferred tax	895	895	1,021
	150,522	**158,379**	**162,937**

	Unaudited Dec 2010 US$000	Audited Jun 2010 US$000	Unaudited Dec 2009 US$000
Net tangible assets per share at December / June	0.62	0.65	0.67
Earnings per share (basic and diluted)	(0.03)	(0.03)	(0.03)

Notes to the Financial Statements (continued)

For the six months ended 31 December 2010

9 Cash and Cash Equivalents

	Note	Unaudited Dec 2010 US$000	Audited Jun 2010 US$000	Unaudited Dec 2009 US$000
Bank and cash		11,891	5,360	8,461
Funds held by bond trustee	13	–	311	11,130
		11,891	**5,671**	**19,591**

10 Trade and Other Receivables

	Unaudited Dec 2010 US$000	Audited Jun 2010 US$000	Unaudited Dec 2009 US$000
VAT receivable	11,418	10,846	9,400
Discount on VAT receivable	(2,442)	(2,324)	(2,500)
Prepayments	5,713	3,651	2,383
Trade and other debtors	6,522	3,921	2,729
	21,211	16,094	12,012
Less non-current VAT receivable	4,438	4,647	5,000
Current Trade and Other Receivables	**16,773**	**11,447**	**7,012**

VAT recoverable in Uruguay is not generally recoverable from the tax authorities in cash, rather this asset can be used by the Group to offset other taxes payable in Uruguay such as income tax, wealth tax and social security tax. It is anticipated that it will take up to seven years to fully recover this amount. The VAT asset is initially recognised at cost, and subsequently measured at the lower of that amount and its recoverable amount. Recoverable amount is the higher of fair value less cost to sell, and value in use. Value in use is determined by discounting future estimated cashflows, with the discount being charged to the Statement of Comprehensive Income. VAT receivable is denominated in Uruguayan Pesos thus both the balance outstanding and the discount to reflect the fair value are affected by movements in the Peso-US$ exchange rate. The movement in discount is due to foreign currency movements. This asset can also be used to settle any obligation that arises with respect to the crystallisation of deferred tax liabilities in Uruguay.

Trade and other debtors includes an amount of $US752 thousand expected to be recoverable from Olam in respect of takeover costs under Rule 49 (2) of the NZ Takeovers Code.

11 Livestock

Livestock

Livestock is measured at fair value net of estimated point-of-sale costs. At 30 June 2010 a valuation review was performed by Crighton Stone Limited (Crighton Stone) to provide an independent judgement of the work of another valuer. Crighton Stone also sourced and independently contracted the Uruguayan firm of valuers Escritorio Dutra Ltda to undertake the valuation of all livestock held by the Group. The next independent valuation and review is scheduled for June 2011.

The Board has considered the impact of climatic, economic, milk powder pricing and other factors, including livestock sales in the six months to 31 December 2010 and is of the view that there has been no material change to the fair value of livestock over the six month period. The result to 30 June 2010 included a gain of US$6.1 million (six months to 31 December 2009: US$nil) being recorded in the Statements of Comprehensive Income for the respective periods.

During the period, livestock additions totalled US$1.6 million (12 months to 30 June 2010: US$2.6 million, 6 months to 31 December 2009: US$0.8 million).

12 Property, Plant and Equipment

Property, plant and equipment consist mainly of farm properties and improvements.

Legal titles of certain farms were transferred into a guarantee trust prior to 30 June 2009 for the purpose of guaranteeing the issue of debt securities. The value of the farms held in the guarantee trust is approximately US$71.3 million. US$30.0 million of bonds have been raised against the security of these properties. The independent trustee has the ability to sell the farms only in the event that the Group defaults on repayment obligations under the terms of the trust.

Properties are carried at fair value. As for livestock, Crighton Stone provided an independent review on the work of another valuer as at 30 June 2010. The Board has considered the impact of recent economic factors to determine whether an impairment in the value of the Group's properties should be recorded. The Board has concluded that there has been no material change to the fair value of the Group's properties over the six month period. The next independent valuation and review is scheduled for June 2011.

At 31 December 2010, there were capital commitments of US$1.1 million.

Acquisitions and disposals

During the six months ended 31 December 2010, the Group acquired assets with a cost of US$3.9 million (30 June 2010: US$13.9 million, 31 December 2009: US$6.7 million).

Assets with a net book value of US$5.6 million were disposed during the six months ended 31 December 2010 (30 June 2010: US$15.5 million, 31 December 2009: US$7.4 million), resulting in a gain on disposal of US$1.0 million (30 June 2010: gain of US$0.8 million, 31 December 2009: loss of US$0.9 million).

This included the Don Pepe farm, which was categorised in assets held for sale at 30 June 2010.

13 Loans and Borrowings

	Unaudited Dec 2010 US$000	Audited Jun 2010 US$000	Unaudited Dec 2009 US$000
PGG Wrightson Limited short term loan	–	9,654	14,635
Olam International Limited short term loan	30,000	–	–
Uruguayan bank short term loans	1,500	1,500	1,508
Uruguayan bank long term loans	16,000	16,000	16,000
Uruguayan bonds issued	30,000	30,000	30,000
	77,500	**57,154**	**62,143**
Payable within 12 months	77,500	11,154	16,143
Payable beyond 12 months	–	46,000	46,000
	77,500	**57,154**	**62,143**

The fair value of all loans and borrowings is equivalent to the carrying value.

The PGG Wrightson Limited short term loan carried a variable interest rate equal to PGW's cost of funds and was repaid in December 2010. This was the former performance fee payable in respect of the 2008 financial year, which was converted to an interest-bearing loan.

NZS has arranged a short term shareholder loan of up to $US50 million ("Loan") with Olam International Limited (Olam), NZS' controlling shareholder, to provide funding for immediate capital expenditure requirements, working capital, and to re-pay the outstanding balances owing to PGG Wrightson Limited ("PGW"). As at 31 December 2010, NZS has drawn down US$30 million. The Loan carries an interest rate (including withholding taxes) of approximately 9% per annum and is repayable by NZS on the earlier of 31 December 2011 or a capital raising sufficient to repay the Loan.

On 27 September 2010 US$1.5m of loans matured and were rolled to mature on 30 May 2011. The long term loans mature on 11 December 2015. The long term loans are with two local banks in Uruguay, and are secured over property in Uruguay. Approval of the bank syndicate is required for change of control and internalisation of management. This approval was obtained on 8 February 2011, subject to review of the Group's updated business plan. The updated business plan will be provided to the bank syndicate once approved by the Board, and bank syndicate approval is to be provided by 31 March 2011. At 31 December 2010 the loans were therefore classified as current liabilities. The Group has a covenant applicable at 30 June 2011, which requires opening cash plus operating cashflow less capital expenditure to be at least 1.2 times debt servicing (interest plus principal, if any). The Group does not expect to comply with this covenant at 30 June 2011 and has therefore requested a waiver from the bank syndicate.

The Group issued US$30.0m of long term bonds on 31 July 2009 via a trust structure in Uruguay. The structure required for an issue of debt securities in Uruguay is different from how a similar issue might be structured in New Zealand. Rather than the Company or a subsidiary issuing the bonds they are issued by a financial trust, with guarantees provided by a guarantee trust, and with both trusts being governed by an independent trustee. The purpose of the guarantee trust is to hold legal title of certain farms to guarantee compliance by the Company's Uruguayan subsidiaries of their obligations under the trust agreement. In substance, while the guarantee trust operates like a charge over the farms, there is a sale of the farms into the guarantee trust. The independent trustee has the ability to sell the farms only in the event that the Group defaults on its repayment obligations under the terms of the financial trust. The value of the farms held in the guarantee trust is approximately US$71.3 million.

13 Loans and Borrowings (continued)

The bonds were issued to provide funding for development of the Group's farms in Uruguay. Funds raised by the bonds are held by a trustee on behalf of the Group, pending confirmation of expenditure on farm development. As at 31 December 2010, the fiduciary held US$nil, (30 June 2010: US$0.3m, 31 December 2009 US$11.1m), with the balance of the US$30.0m having been provided to the Group during the respective periods.

The bonds have an initial fixed interest rate of 5% per annum for the period to 30 September 2010, and thereafter an annual variable interest rate of between 9% and 11% per annum calculated annually using a formula based on gross milk revenue and certain key input costs. The bonds are expected to have a term of approximately 15 years, and the expected average interest rate is 9.6% per annum, with interest being accrued to date on this basis. In December 2010 the Group agreed with bond-holders to renegotiate certain terms and conditions relating to the bonds, resulting in a similar expected overall interest rate but within a narrower band than the original 5% to 15% per annum range.

Bond-holder approval to change of control and the internalisation of management was obtained on 10 December 2010, subject to approval of the Group's updated business plan. The updated business plan will be provided to the bond-holders once approved by the Board, and their approval is to be provided by 31 March 2011. At 31 December 2010 the bonds were therefore classified as current liabilities.

14 Accounts Payable and Accruals

	Unaudited Dec 2010 US$000	Audited Jun 2010 US$000	Unaudited Dec 2009 US$000
Trade creditors and accruals	12,302	8,762	5,413
Related party creditors	–	4,892	3,445
	12,302	**13,654**	**8,858**

PGG Wrightson Limited, and its subsidiaries and related parties, were previously related parties of the Group. Following PGW's sale of its shareholding in the Group to Olam International Limited ("Olam") as part of Olam's takeover offer for the Group, PGW is no longer a related party of the Group. The Group continues to purchase various farm inputs from PGW, with the balances relating to those purchases included in trade creditors and accruals. The Group does not have any balances payable to Olam.

15 Reconciliation of Loss After Tax With Net Cash Flow from Operating Activities

	Unaudited Dec 2010 US$000	Audited Jun 2010 US$000	Unaudited Dec 2009 US$000
Loss after taxation	(6,774)	(7,902)	(6,995)
Add/(deduct) non-cash / non operating items:			
Depreciation, amortisation and impairment	947	1,710	1,559
Unrealised foreign exchange losses	(468)	671	1,414
Livestock value changes	(2,844)	(1,977)	(750)
Fair value adjustments	–	(7,264)	–
Bond raising costs	–	1,082	–
Conversion of performance fee from creditors to loan	–	12,548	–
(Increase)/decrease in deferred taxation	–	(635)	(509)
Other non-cash items	(1,230)	859	2,660
	(3,595)	6,994	4,374
Add/(deduct) movement in working capital items:			
(Increase) in accounts receivable and prepayments	(5,325)	(7,114)	(1,181)
(Increase) in inventories and consumable supplies	(762)	(2,152)	(2,118)
Increase/(decrease) in trade creditors and accruals	(10,643)	(14,187)	(9,572)
Decrease in income tax receivable	255	1,006	1,173
	(16,475)	(22,447)	(11,698)
Net cash flow to operating activities	**(26,844)**	**(23,355)**	**(14,319)**

The operating cashflow in the six month period to 31 December 2010 was negative largely due to paying the PGW management agreement termination fee and outstanding debts.

16 Related Parties

PGG Wrightson Funds Management Limited ("PGWM") formerly managed the assets of NZ Farming Systems Uruguay Limited ("NZS") pursuant to a management agreement, first entered into in 2006, and subsequently amended in 2009 ("Management Agreement").

On 17 August 2010 PGG Wrightson Limited ("PGW"), PGWM and NZS conditionally entered into a Transaction Implementation Agreement ("TIA"). The TIA contained provisions for the termination of the Management Agreement, and required that NZS enter into a long term preferred supplier agreement with PGW. Elements of the TIA (being the requirement to enter into a preferred supplier agreement with PGW) were subject to shareholder approval under NZSX Listing Rule ("Rule") 9.2.1.

On 27 September 2010, following a takeover offer ("Takeover"), Olam International Limited ("Olam") became the majority shareholder of NZS, holding 78% of NZS shares. This offer successfully closed on 24 September 2010.

Following the Takeover, the terms of the TIA were renegotiated by NZS, PGW and Olam ("Varied TIA"). Under the Varied TIA, on 24 December 2010, NZS paid PGW a termination fee of NZ$ 4.6 million (plus GST if any) (equivalent to US$ 3.4 million) to terminate the Management Agreement, and in addition paid all outstanding debts to PGW due under the Management Agreement. The requirement to enter into the preferred supplier agreement with PGW was waived by PGW as part of the renegotiation.

Olam has offered NZS a short term loan facility of up to US$50 million ("Loan Facility") to repay the outstanding debts and pay the termination fee under the Varied TIA, as well as to provide funds for the continued development of NZS' farms in Uruguay (both working capital and capital expenditure approved by the Board), until alternative funding arrangements can be established. As at 31 December 2010, NZS has drawn down US$30 million. The loan carries an interest rate (including withholding taxes) of approximately 9% per annum.

On 20 December 2010 NZX Regulation granted a waiver of the application of Listing Rule 9.2.1 so that NZ Farming Systems Uruguay Limited ("NZS") may enter into the Loan Facility with Olam International Limited ("Olam") without prior shareholder approval, on the condition that the Directors of NZS not Associated with Olam certify, in a form acceptable to NZX Market Supervision ("NZXMS") that:

- the terms of the Loan Facility are arms length and commercial and were negotiated with Olam on an arms length and commercial basis;
- entry into the Loan Facility is in the interest of NZS and shareholders not Associated with Olam;
- the need for the funding provided by the Loan Facility is sufficiently critical that funding is required before NZS is able to convene a shareholders meeting;
- the Directors of NZS have investigated alternative funding arrangements to the Loan Facility, and in their opinion there are no alternative funding arrangements that NZS could enter into on terms that are more favourable for NZS shareholders than the Loan Facility.

Management agreement (31 December 2009)

On 28 October 2009 NZX Regulation granted a waiver of the application of Listing Rule 9.2.1 in respect of the requirement to obtain approval from shareholders to the variation of the Farm and Fund Management contracts. The following changes were made:

- The Fund and Farm Management Agreements have been merged;
- The management fee percentage was reduced from 1% to 0.75% for gross asset value above $US400 million (gross asset value at 30 June 2010 was approximately US$ 229 million; at 31 December 2009 was approximately US$ 234 million);
- PGG Wrightson will at NZ Farming Systems Uruguay's request accept shares rather than cash for any future performance fee payments, subject to compliance with relevant law and listing rules;
- PGG Wrightson's right to charge a margin for the provision of Farm Management services (although it has not been exercised) has been waived by PGG Wrightson;
- A management performance review clause has been inserted to implement a formal annual review process;
- Any agreed farms sold and managed under any sale and leaseback arrangement would incur a reduced 0.5% management fee; and
- The Farm Management Agreement term has been extended to align with the Fund Management Agreement.

17 Events Subsequent to End of Interim Period

There are no material events occurring subsequent to 31 December 2010 and prior to the date of these financial statements.

Corporate Directory

Company Number: 1866126

Board of Directors as at 1 February 2011

Vivek Verma, Chairman *(appointed 11 January 2011)*
David Beca
Richard Haire
Ravi Kumar
John Roadley
Graeme Wong

Managing Director/Chief Executive

David Beca *(appointed 1 February 2011)*

Registered Office

NZ Farming Systems Uruguay Limited
c/o DLA Phillips Fox
50 – 64 Customhouse Quay
Wellington, 6011

Auditor

Ernst & Young
41 Shortland St
Auckland 1010
PO Box 2146
Auckland 1140

Telephone 64 9 377 4790
Fax 64 9 309 8137

Share Registry

Computershare Investor Services Limited
Level 2, 159 Hurstmere Road
Takapuna
Private Bag 92119
Auckland 1142

Shareholder enquiries about transactions or changes of address should be directed to Computershare
Telephone 64 9 488 8777
Fax 64 9 488 8787
Email: enquiry@computershare.co.nz

NZ Farming Systems URUGUAY

www.nzfsu.co.nz