NZ Farming Systems URUGUAY

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NZ Farming Systems Uruguay Ltd ('NZS') Trading Result for the six months ended 31 December 2011

The overall trading result for the six months ended 31 December 2011 is a profit of USD 0.4 million. For the same period last year (2010), the result was a loss of USD 6.8 million. This year's result includes a fair value adjustment to livestock of USD 5.5 million (2010 nil). Excluding the fair value adjustment, the result for the six months is a loss of USD 5.1 million.

This result includes *Earnings Before Interest and Tax (EBIT)* before the fair value adjustment of USD 1.1 million, compared to a loss of USD 4.0 million in the December 2010 half year. This EBIT result is consistent with the business plan review referred to in last year's half year report where it was stated that 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.

Revenue (*excluding Change in Fair Value of Livestock*) was USD 34.2 million, an increase of 81.2 percent compared to USD 18.9 million in the prior comparable period (pcp). This was primarily due to an increase in milk production from 55.1 million litres to 83.2 million litres, and an increase in average milk price from USD 32.9 cents per litre to USD 39.8 cents per litre. However, operating performance on milk revenue is below the current business plan target.

Change in Fair Value of Livestock was USD 7.9 million compared to USD 2.8 million for the pcp. In addition to Births and Deaths, this included USD 1.5 million of category changes (USD 3.0 million in pcp) and a fair value adjustment of the total herd of USD 5.5 million (nil in pcp). Category changes relate to evolution of livestock into older/heavier categories

Total Revenue including *Change in Fair Value of Livestock* was USD 42.1 million, an increase of 93.8%, from USD 21.7 million in the pcp.

Dairy livestock numbers increased during the six month period from 58,502 to 63,574 at 31 December 2011. This increase came from a combination of purchases of livestock to populate the eight new dairies that are coming on line in autumn 2012, plus increasing numbers of livestock resulting from natural increase in the herd.

Farm Operating Expenses increased to USD 26.6 million in the first half year compared with USD 17.0 million in the pcp. The largest contributor to this increase was concentrate feed costs at USD 13.1 million in the first half year compared with USD 5.5 million in the pcp. This was mainly a consequence of the decision made in October 2010 to increase concentrate feeding rates to the milking cows on an ongoing basis. In addition, there was an increase in all purchased feed prices in Uruguay, as well as a severe hot and dry period extending from late October through into the second half of the year.

Net Interest and Finance Costs increased to USD 6.6 million in the first half year compared to USD 2.6 million in the pcp. The increase was due to the additional funding required for farm development priorities in accordance with the business plan referred to above, and an incomplete capital raising program that is now anticipated in the 2012 calendar year.

Operational Cash flows was USD 7.8 million negative compared to USD 26.8 million negative for the pcp. Interest on Olam's shareholder loan has not been paid except for the corresponding withholding tax. If all of the interest owing as at 31 December 2011 had been paid the negative operational cash flow would have been USD12.2 million of which USD1.2 million relates to the 2011 financial year.

Earnings per share was a profit of USD 0.15 cents compared to a loss of USD 2.77 cents in the pcp.

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

Total Assets at 31 December 2011 were USD 309.1 million, up from USD 290.1 million at 30 June 2011. This includes an increase in property, plant and equipment to USD 190.4 million at 31 December 2011 compared with USD 173.9 million at 30 June 2011, an increase in livestock to USD 66.3 million at 31 December 2011, compared with USD 57.6 million at 30 June 2011, and nil assets held for sale at 31 December 2011 compared with USD 3.8 million at 30 June 2011.

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Total Liabilities at 31 December 2011 were USD 155.2 million, up from USD 134.2 million at 30 June 2011. This includes an increase of USD 17.0 million in a short term loan facility from Banco de la República Oriental del Uruguay and an increase of USD 2.3 million in deferred tax liability arising from a change in Capital Gains Tax on revalued property, plant and equipment.

There were no significant changes in the business subsequent to 31 December 2011.

There were no other material unrealised gains / losses during the six month ended 31 December 2011.

Outlook

The trends evident during the first half of the year of increasing milk production and revenue but with higher expenses and interest are expected to continue into the second half of the 2012 year. However the operating performance is still expected to achieve a break even position at the EBIT level for the full year before any livestock fair value adjustment.