
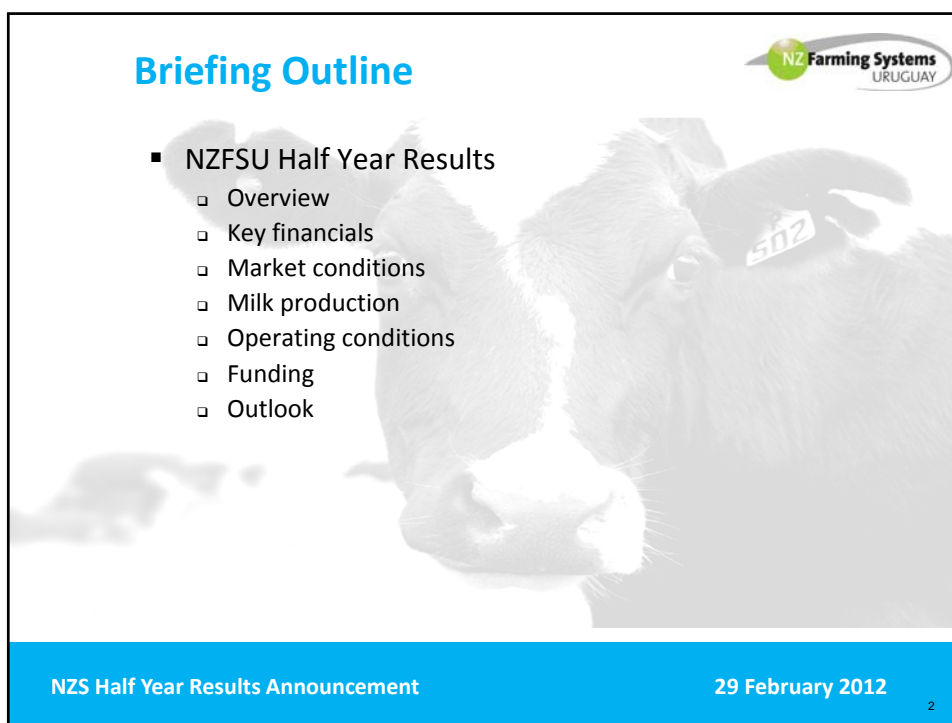




NZ Farming Systems Uruguay Limited
Half Year Results Announcement
Six months ended 31 December 2011

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Briefing Outline

- **NZFSU Half Year Results**
 - Overview
 - Key financials
 - Market conditions
 - Milk production
 - Operating conditions
 - Funding
 - Outlook

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Overview



- Profit of \$0.4m for the six month period to 31 December 2011 compared to a loss of \$6.8m in the previous six month period (to 31 Dec 2010)
 - First half 2012 includes \$5.5m of fair value adjustment of livestock which was nil in the previous comparable period
- Operational cash flow -\$7.8m. If all interest payments had been made on Olam shareholder loan then Operational cash flow would have been -\$12.2m.
- Milk revenue 81% higher than previous period due to 51% increase in milk production and 21% increase in milk price
- Profit before interest and finance costs of \$6.6m (\$1.1m before fair value adjustment) increased by \$10.6m on \$4.0m loss in the previous comparable period
- Climate has been a limiting factor on operating performance with a severe hot and dry period extending from late October through into the second half of the year
- Concentrate feed regime incorporated in October 2010 has had increasingly positive impact on animal and overall business performance
- Increase in total livestock valuation over June 2011 by 15% includes a 9% increase in dairy herd quantity
- Substantial development undertaken with 7 new milking sheds operational and 8 now under construction, plus irrigation and electricity infrastructure underway

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Key Financials – P&L



	6 months ended 31 Dec 2011 \$USm	6 months ended 31 Dec 2010 \$USm
Revenue ⁽¹⁾	42.1	21.7
Livestock cost of sales	1.5	1.2
Employee benefits expense	4.8	2.6
Farm operating expenses	26.6	16.9
Management fee / depreciation / other expenses	3.4	6.0
Gain (loss) on property sales	0.9	1.0
Operating Profit (loss) from farming activities	6.7	(4.0)
Interest / finance costs / unwind of discount on VAT receivable	6.1	2.6
Tax (benefit) / expense	0.2	0.2
Net profit after tax (NPAT)	0.4	(6.8)

(1) Milk revenue \$32.0m, livestock sales \$2.1m, changes in fair value of livestock \$7.9m

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Key Financials – Farm Operating Expenses



	6 months ended 31 Dec 2011 \$USm	6 months ended 31 Dec 2010 \$USm
Pasture	2.3	2.0
Farm repairs and maintenance	2.2	1.2
Farm management fees	-	1.1
Animal health, breeding, calf rearing	2.7	2.2
Cropping and feed costs ⁽¹⁾	14.9	7.9
Other farm expenses	4.5	2.5
TOTAL	26.6	16.9

(1) Cropping and feed costs are primarily higher due to concentrate feeding regime established in Oct-2010.
Drought and higher costs per ton of feed have also impacted on this result.

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Key Financials – Balance Sheet



	As at 31 Dec 2011 \$USm	As at 30 Jun 2011 \$USm
Property, Plant & Equipment ⁽¹⁾	190.4	173.9
Livestock ⁽²⁾	66.4	57.6
Cash and other assets	52.3	58.6
Total Assets	309.1	290.1
Liabilities ⁽³⁾	155.2	134.2
Equity	153.9	155.9
Net Tangible Assets (US cps)	64.37 c	64.18 c
Net Tangible Assets (NZ cps) ⁽⁴⁾	76.96 c	77.56 c

(1) Property, Plant & Equipment increase in value at 31-Dec-11 from farm development

(2) Livestock increase in value at 31-Dec-11 from revaluation to market values, natural growth and purchases

(3) Liabilities increase at 31-Dec-11 from Banco de la República Oriental del Uruguay loan during the period

(4) NZD:USD exchange rate of 0.8364 as at 29-Feb-2012 and 0.8275 as at 30-Jun-2011 used to convert NTA to NZD

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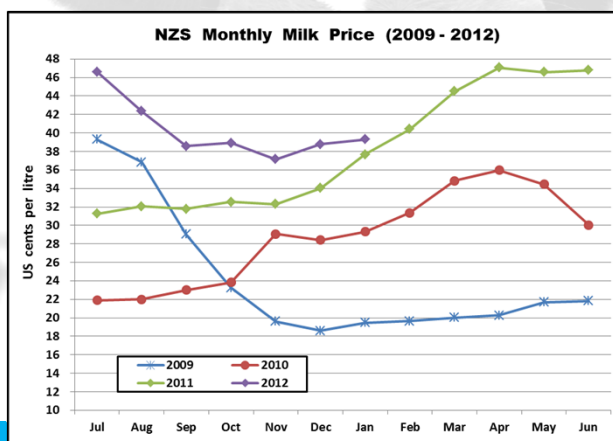
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Market conditions



- International dairy prices have eased recently
- Uruguay has benefited from strong export prices to Venezuela & Brazil
- Average price of 39.8c/litre in half year 2011 compared with 32.9 c/litre in 2010
- Present Uruguay milk prices appear stable with some downside risk



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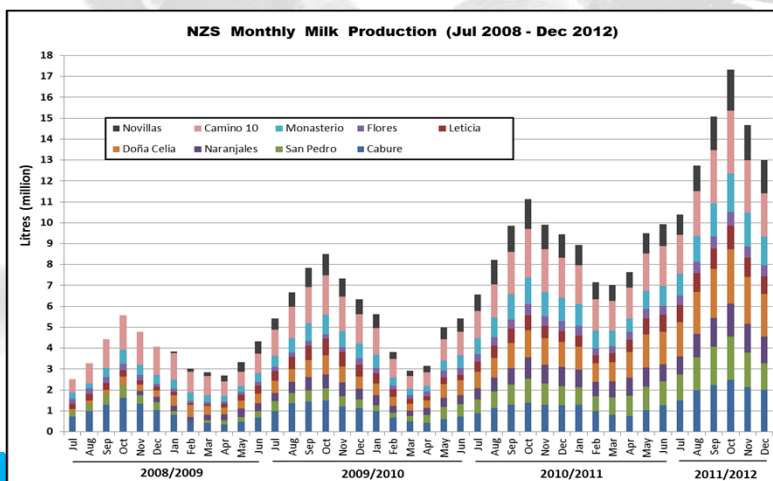
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Milk production (1)



- Production lifted to 83m litres in first half year 2011 from 55m litres in 2010
- Spring peak milk of 17.3m litres in October and peak milking cow numbers of 31,370 in November



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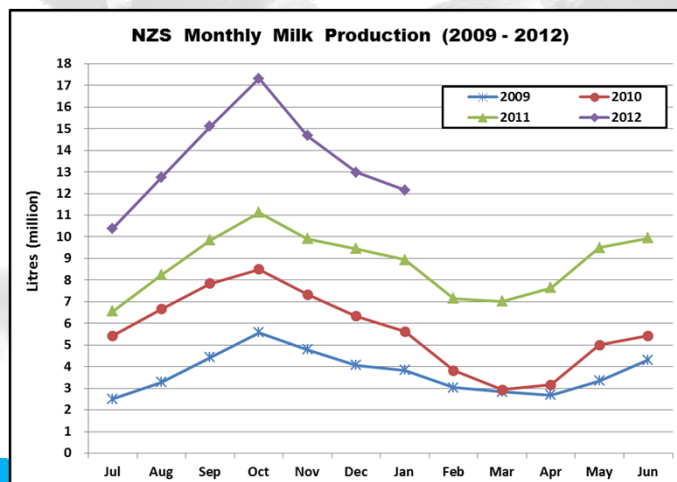
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Milk production (2)



- Very hot and dry weather in Nov and Dec resulted in lower milk than planned
 - Highlighted need to further develop management processes to limit impact of rapidly changing environmental and/or trading conditions in future



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Operating Conditions



- Feeding regime established on October 2010 and maintained during the period has allowed for higher milk production, improved pregnancy rates, higher young stock weight gain and good livestock body condition
 - Autumn 2012 calving herds in very good condition
- Climate limited productivity with a severe hot and dry period extending from late October through into the second half of the year
 - Milk production below business plan for this period
- Irrigation helped to maintain soil moisture and provide higher grass growth on approx 25% of milking area, though costs were high due to the use of generators and completing the irrigation development for next summer remains important
- Livestock revenue above business plan due to increase in fair value adjustment
- Concentrate use above business plan for the half year
 - Feed costs per ton remained high during the first half
- Employee expenses above business plan for the half year with high inflation and high rotation of farm staff, with higher labour productivity required
- Cost of production for half year above business plan due to lower milk production and higher operating expenses

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Funding



- Amendment to Olam's shareholder loan approved at November 2011 Annual Shareholders Meeting with:
 - Extension of term of loan to become repayable by 31-Dec-2012
 - Increase in credit limit to a total amount of US\$110 million
- Uplifted short term loans from Banco de la República Oriental del Uruguay ('BROU') for a total of \$17m for capex funding
- Approx \$50m funding required to complete development and livestock purchases
- Funding to come from drawdowns from BROU's and Olam's shareholder loan facilities
- Capital raising expected to be completed during 2012 calendar year

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Outlook



- Milk production will increase with eight new dairies during autumn
- Drought conditions easing with good recent rains in all regions
- Milk prices stable at around US 39 cents per litre
- Concentrate feed prices lower from existing purchases and contracts
- Forage/silage prices higher due to impact of summer drought
- Projected EBIT at break even for year end (excluding any livestock fair value adjustment)
- External challenges / downside risks;
 - Milk prices
 - Feed (concentrate and forage/silage) prices
 - Weather conditions
- Management challenges / downside risks;
 - Meeting milk production target
 - Meeting concentrate and forage/silage consumption targets
 - Meeting labour productivity targets
 - Maintaining cost control across business

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Summary



- Year of increasing milk and pasture production, and developing the basis for continuing profitable growth
- Production profile improving with farm development, irrigation, electricity infrastructure and focus on feed management
 - Development underway with 8 new dairies being built for late autumn completion
- Strong management emphasis on developing processes and reporting so that performance is more consistent
- Increased focus on developing middle and upper management commercial skills and staff management capability
- Dairy price outlook remains cautiously favourable
- Forecast for 2012 full year (excl. interest) unchanged with higher milk prices and livestock revenue offsetting lower milk production and higher feed, out-grazing, and employee costs
 - Interest forecast at \$5.2m above plan due to delay in capital raising
- Steady state production and performance expected across business in 2014

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Briefing on Half Year Results

Six months ended 31 December 2011

THANK YOU



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