Simmons
CORPORATE FINANCE

NZ Farming Systems Uruguay Limited

Independent Adviser's Report

In Respect of the Full Takeover Offer by Olam International Limited

October 2012

Statement of Independence

Simmons Corporate Finance Limited confirms that it:

- has no conflict of interest that could affect its ability to provide an unbiased report
- has no direct or indirect pecuniary or other interest in the Olam Offer considered in this report, including any success or contingency fee or remuneration, other than to receive the cash fee for providing this report.

Simmons Corporate Finance Limited has satisfied the Takeovers Panel, on the basis of the material provided to the Takeovers Panel, that it is independent under the Takeovers Code for the purposes of preparing this Independent Adviser's Report.

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1. Introduction

1.1 NZ Farming Systems Uruguay Limited

NZ Farming Systems Uruguay Limited (**NZFSU** or the **Company**) owns and develops agricultural land and owns livestock in Uruguay. The Company is the largest single producer of milk in Uruguay.

NZFSU is listed on the main board equity security market (**NZSX**) operated by NZX Limited (**NZX**) with a market capitalisation of NZ$181 million as at 29 October 2012 and audited total equity of US$145 million as at 30 June 2012.

A profile of NZFSU is set out in section 4.

1.2 Olam International Limited

Olam International Limited (**Olam**) is NZFSU's largest shareholder. Olam currently holds 209,966,659 shares, representing 85.97% of the Company's shares.

Olam is a leading global integrated supply chain manager and processor of agricultural products and food ingredients, supplying various products across 16 platforms to over 12,300 customers worldwide.

A profile of Olam is set out in section 5.

1.3 Olam Offer

On 2 October 2012, Olam sent NZFSU a notice of intention to make a full takeover offer for all of the shares in NZFSU that it does not already own (the **Olam Offer**).

Olam sent its Offer Document to NZFSU's shareholders on 23 October 2012.

Consideration

Olam is offering cash of NZ$0.75 per ordinary share.

Conditions

The Olam Offer is conditional on Olam receiving sufficient acceptances such that, when taken together with the shares it already holds, Olam holds or controls more than 90% of the voting rights in NZFSU (the **Minimum Acceptance Condition**).

Olam may waive the Minimum Acceptance Condition at its discretion.

Change in Circumstances

The Olam Offer contains provisions that if there is a change in circumstances on or after 2 October 2012 that impacts on the Company's shares, then an adjustment will be made so as to ensure that the Olam Offer results in the same financial outcome for Olam as if the change in circumstance did not occur. The changes in circumstance relate to NZFSU:

- declaring, making or paying any dividend or any other distribution
- authorising, declaring or making any issue of shares, convertible securities or other securities of any nature by way of bonus issue
- making any issue of ordinary shares to any person other than by way of bonus issue
- subdividing or consolidating its shares.

Offer Dates

The offer is open from 23 October 2012 and closes at 5pm on 30 November 2012 (unless extended by Olam).

1.4 Previous Takeover Offers by Olam

Olam acquired a 14.35% shareholding in NZFSU on 1 September 2009 when it acquired 35,050,856 shares from Hunter Hall Investment Management Limited (**Hunter Hall**) at NZ$0.41 per share. It purchased a further 10,000,000 shares on 17 May 2010 from the receivers of Rural Portfolios Investments Limited (**RPI**) at NZ$0.41 per share to take its shareholding to 18.45%.

On 19 July 2010, Olam gave notice of its intention to make a full takeover for all of the shares in NZFSU at NZ$0.55 per share (the **First Offer**).

On 16 August 2010, Union Agriculture Group Corp. (**UAG**) gave notice of its intention to make a full takeover for all of the shares in NZFSU 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. UAG elected not to proceed with its proposed takeover and on 20 September 2010 Olam declared its offer unconditional.

Following the completion of the First Offer on 24 September 2010, Olam held 77.98% of the Company's shares.

On 6 May 2011, Olam made another full takeover offer for all of the shares in NZFSU that it did not already own for NZ$0.70 cash per share (the **Second Offer**).

The Second Offer closed on 29 June 2011 with Olam increasing its shareholding to 85.93% through acceptances and on-market purchases over the offer period.

Olam acquired 97,902 shares on-market between 3 October 2012 and 24 October 2012 at NZ$0.74 per share, increasing its shareholding to 85.97%.

In total, Olam has invested approximately NZ$134 million to acquire 209,966,659 NZFSU shares at an average price of approximately NZ$0.64 per share.

1.5 Regulatory Requirements

NZFSU is a code company for the purposes of the Takeovers Code (the **Code**).

Rule 6 of the Code prohibits:

- a person who holds or controls less than 20% of the voting rights in a code company from increasing its holding or control of voting rights (together with its associates) beyond 20% and
- a person holding or controlling 20% or more of the voting rights in a code company from increasing its holding or control of voting rights

unless the person and that person's associates comply with exceptions to this fundamental rule.

One of the exceptions, set out in Rule 7(a) of the Code, enables a person to increase its control of voting rights beyond 20% by making a full offer for all of the shares of the target company.

Rule 21 of the Code requires the directors of a target company to obtain an Independent Adviser's Report on the merits of the offer. This Independent Adviser's Report is to accompany the Target Company Statement required to be sent to the target's shareholders pursuant to Rule 46 and Schedule 2 of the Code.

1.6 Purpose of the Report

A committee of the Company's directors not associated with Olam consisting of Tim Storey and Peter Wilson (the **Independent Directors Committee**) has engaged Simmons Corporate Finance Limited (**Simmons Corporate Finance**) to prepare an Independent Adviser's Report on the Olam Offer in accordance with Rule 21 of the Code.

Simmons Corporate Finance was approved by the Takeovers Panel on 8 October 2012 to prepare the Independent Adviser's Report.

Simmons Corporate Finance issues this Independent Adviser's Report to assist the Company's shareholders in forming their own opinion on whether or not to accept the Olam Offer. We note that each shareholder's circumstances and objectives are unique. Accordingly, it is not possible to report on the merits of the Olam Offer in relation to each shareholder. This report on the merits of the Olam Offer is therefore necessarily general in nature.

The Independent Adviser's Report is not to be used for any other purpose without our prior written consent.

1.7 Currency References

Currency references in this report are to:

- New Zealand dollars (**NZ$**)
- United States dollars (**US$**)
- Uruguayan pesos (**UYU**)
- Singapore dollars (**S$**).

2. Evaluation of the Merits of the Olam Offer

2.1 Basis of Evaluation

Rule 21 of the Code requires an evaluation of the *merits* of the Olam Offer.

There is no legal definition of the term *merits* in New Zealand in either the Code or in any statute dealing with securities or commercial law.

In the absence of an explicit definition of *merits*, guidance can be taken from:

- the Takeovers Panel guidance note on the role of independent advisers dated August 2007
- definitions designed to address similar issues within New Zealand regulations which are relevant to the proposed transaction
- overseas precedents
- the ordinary meaning of the term *merits*.

We are of the view that an assessment of the merits of the Olam Offer should focus on:

- the assessed value of NZFSU's shares and the value of the consideration to be received by shareholders
- the implications of the conditions attached to the offer
- the likelihood of alternative offers or alternative transactions
- the advantages and disadvantages for the shareholders of accepting the Olam Offer
- the implications for the shareholders of not accepting the Olam Offer.

Our opinion should be considered as a whole. Selecting portions of the evaluation without considering all the factors and analyses together could create a misleading view of the process underlying the opinion.

2.2 Rationale for the Olam Offer

Olam has previously made 2 full takeover offers for NZFSU in July 2010 and May 2011 and currently holds 85.97% of the Company's shares. Olam has made clear its intention since the First Offer that it wishes to own 100% of NZFSU.

Olam has been instrumental in developing the Company's strategy since the completion of the First Offer in September 2010. It has also provided a significant level of capital to NZFSU in the form of a US$110 million loan facility (the **Olam Loan**).

The initial loan facility provided in December 2010 was for US$50 million. The facility was increased to US$85 million in June 2011 and increased to US$110 million following shareholder approval on 24 November 2011. The Olam Loan has been used to fund the Company's capital expenditure requirements, working capital requirements and to repay other loans.

The key terms of the Olam Loan are:

- an interest rate (including withholding tax) of 8.9% per annum
- the loan is unsecured
- it is repayable by 31 December 2012.

Olam has previously expressed its views that equity is a more appropriate source of funding for NZFSU rather than additional debt given the Company's performance history and its financial situation. Olam has been supportive of the Company's plans to raise additional equity capital. However, feedback from other shareholders has been far less supportive. This led the Company to cancel its plans in 2011 to raise US$120 million by way of a pro rata non-renounceable rights issue.

Olam has held the ability to achieve its objective of owning all of the shares in NZFSU since 30 June 2012 under the *creep* provisions of the Code. Rule 7(e) of the Code permits a holder of more than 50% of the voting rights in a code company to acquire up to a further 5% of the voting rights per annum, commencing 12 months after when it last acquired any shares in the Company. Accordingly, Olam could have commenced *creeping* on 30 June 2012 in an attempt to acquire 4.07% of the Company's shares on-market, thereby reaching the 90% shareholding threshold which would enable it to invoke the compulsory acquisition provisions of the Code and acquire all of the remaining shares in the Company.

Rather than utilise the *creep* provisions, Olam has elected to make a full takeover offer in an attempt to reach the 90% threshold. This ensures that all shareholders are treated in the same manner by being offered the same price and also sets a defined timeframe for when Olam may potentially reach the 90% threshold. Furthermore, if Olam does reach the 90% threshold through the Olam Offer, Olam with have certainty as to the price that it will have to pay to compulsorily acquire the remaining shares (being the Olam Offer price of NZ$0.75).

Olam has stated in the Olam Offer that if it becomes entitled to invoke the compulsory acquisition provisions of the Code, it proposes to promptly invoke those provisions so as to acquire all of the remaining shares and delist NZFSU from the NZSX.

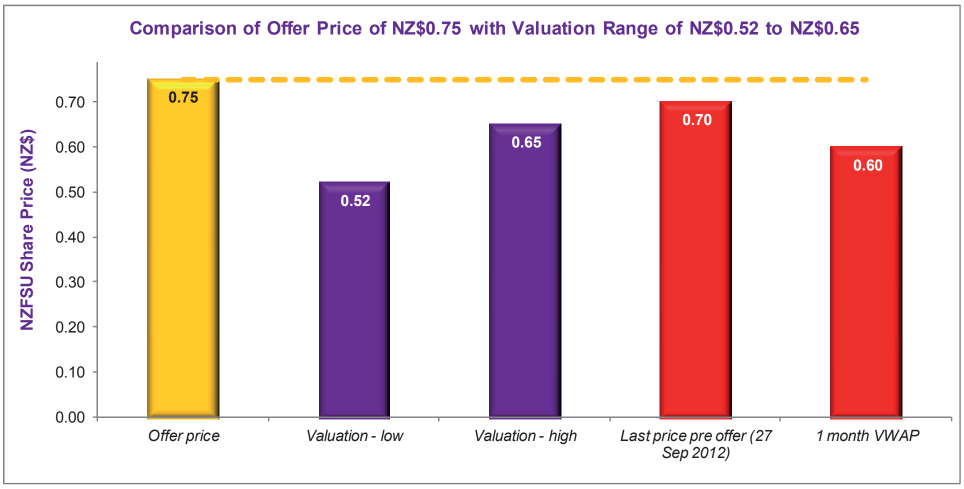
By wholly-owing NZFSU, Olam will have total control over the Company's strategy and will be able to structure the Company's capital in the manner it deems to be the most appropriate. NZFSU will be delisted from the NZSX and will not need to be domiciled in New Zealand.

2.3 Value of NZFSU's Shares Compared with the Offer Price of NZ$0.75

In our opinion, the full underlying value of the NZFSU shares is in the range of NZ$0.52 to NZ$0.65 per share, as set out in section 6.

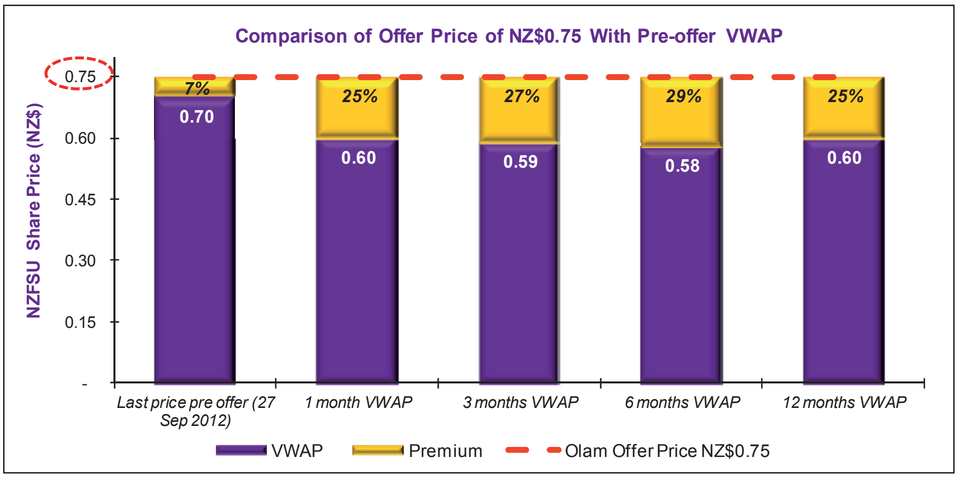
This value is for 100% of the ordinary shares based on the Company's current strategic and operational initiatives and therefore reflects the value of control. However, it excludes the value of any synergies that Olam may specifically derive from acquiring full control of NZFSU.

The Olam Offer consideration is cash of NZ$0.75 per share, which is 15% above the top end of our valuation range of NZ$0.65 and 44% above the bottom end of our valuation range of NZ$0.52.



2.4 NZFSU Share Price Compared with Offer Price of NZ$0.75

The Olam Offer of NZ$0.75 per share represents a premium of 7% over NZ$0.70 (being the last trading price before the Olam Offer was announced) and premia ranging from 25% to 29% over the volume weighted average share price (**VWAP**) measured over one to 12 months.



The last pre-offer price of NZ$0.70 was recorded on 27 September 2012 (4 trading days before the announcement of the Olam Offer). Prior to that, the shares last traded at NZ$0.62 on 25 September 2012. The Olam Offer of NZ$0.75 per share is a 21% premium above that price.

The premia over the one month to 12 months VWAP of 25% to 29% are in line with the majority of premia observed in successful takeovers of other listed companies.

Olam's 85.97% shareholding enables it to singlehandedly control the outcome of any ordinary resolution and any special resolution. Accordingly, Olam already has significant control over the affairs of NZFSU. In such circumstances, it may be reasonable to expect that a rational bidder would not pay a significant premium for control.

We note that trading in the Company's shares is extremely thin with only approximately 0.2% of the free float (or public pool) traded on average each month.

Since the announcement of the Olam Offer on 3 October 2012, 112,352 NZFSU shares have traded in a price range of NZ$0.74 to NZ$0.75 at a VWAP of NZ$0.74. The VWAP is marginally below the Olam Offer price.

2.5 Potential Synergies

The obvious immediate synergies available to Olam arising from its full ownership of NZFSU will be a reduction in the level of administration costs that would be incurred once the Company was delisted from the NZSX. The Company would no longer need to be domiciled in New Zealand. It would not incur NZX listing fees, would not need to have any independent directors on its board, its financial statements would not need to be prepared in accordance with New Zealand equivalents of International Financial Reporting Standards (**NZ IFRS**) and it would only have one shareholder to report to. This could lead to approximately US$0.9 million of cost savings per annum.

2.6 Minimum Acceptance Condition

The Olam Offer is conditional on Olam receiving acceptances for more than 90% of NZFSU's shares by the end of the offer period being 30 November 2012 (unless extended by Olam).

Olam currently holds 85.97% of the Company's shares and the remaining shareholders, who number around 550, collectively hold 14.03% of NZFSU's shares.

Olam will require acceptances from shareholders holding a further 4.03% of the shares on issue (9,846,188 shares) to meet the Minimum Acceptance Condition.

The largest shareholding in the Company after Olam is held by one of the Company's directors, Robert Poole, and represents 0.74% of the shares on issue. Mr Poole and his associates collectively hold 1.04% of the Company's shares. Mr Poole has stated in the Target Company Statement that he will accept the Olam Offer.

The 10 largest shareholders in the Company (other than Olam) collectively hold 5.04% of the Company's shares, the 20 largest hold 7.44% and the 30 largest hold 8.55%. Accordingly, the decision of these shareholders will be instrumental in determining whether the Minimum Acceptance Condition is met.

If Olam is not successful in achieving the minimum acceptance level of more than 90% at its current offer price, it may or may not choose to waive the Minimum Acceptance Condition.

2.7 Potential Outcomes

Olam Secures 90% or More of the Shares

If, as a result of the Olam Offer, Olam secures 90% or more of the shares in NZFSU, Olam will have the right to, and has stated that it intends to, compulsorily acquire the remaining shares.

The remaining NZFSU shareholders will also have the right to sell their shares to Olam, in which case Olam must purchase those shares.

The price under both scenarios will be NZ$0.75 per share, subject to the terms of the Code (which include certain rights of objection, and if sufficient objections are received, the price will be determined by expert determination).

If Olam is successful in acquiring 100% of NZFSU, it has stated that it intends to delist the Company from the NZSX.

Olam Secures Less Than 90% of the Shares

If Olam is not successful in achieving the minimum acceptance level of more than 90%, it may or may not choose to waive the Minimum Acceptance Condition.

If Olam chooses not to waive the Minimum Acceptance Condition, then its offer will lapse and it will not be able to acquire any NZFSU shares under the Olam Offer.

If Olam chooses to waive the Minimum Acceptance Condition, then it can acquire all the shares accepted into the Olam Offer. NZFSU will remain a listed company with Olam owning between 85.97% and potentially up to 89.99% of the shares in the Company (depending upon the number of shares that are accepted into the offer).

In our view, such an outcome will result in negligible change from the perspective of shareholders who retain their shareholding:

- Olam will continue to be able to control appointments to the Company's board of directors. As an NZSX listed company, NZFSU is required to have a minimum of 2 independent directors
- Olam will continue to be able to control the outcome of any ordinary resolution (50% of votes cast acceptance level) and any special resolution (75% acceptance level) put to shareholders. Any transactions between Olam and NZFSU will be required to satisfy the requirements of the NZSX Listing Rules with respect to transactions with related parties which include restrictions on voting where shareholders or their associates are involved in the relevant transaction. The Companies Act 1993 also provides some level of control in respect of related party transactions and changes to a company's constitution which are designed to provide protection to minority shareholders
- the liquidity of NZFSU's shares may reduce even further. The current free float of 14.03% of the shares is held by over 500 shareholders and is thinly traded. If Olam acquires any shares under the Olam Offer, the size of the free float will decrease. This will likely lead to a further reduction in the liquidity of the Company's shares which may suppress the price at which NZFSU's shares trade in the future
- the attraction of NZFSU as a takeover target will remain negligible
- Olam will be permitted to *creep* towards the 90% threshold over time by buying up to a further 5% per annum commencing 12 months after the current offer closes. If this results in Olam holding 90% or more of the Company's shares, it could then invoke the compulsory acquisition provisions of the Code. Olam would be required to offer a price certified as fair and reasonable by an independent adviser
- depending on Olam's level of shareholding after the Olam Offer has closed, Olam may decide to make another "mop up" takeover offer at a later date. We note that the Olam Offer is in effect a "mop up" takeover offer itself following the Second Offer. Based on Olam's history of takeover offers for NZFSU, a subsequent takeover offer could well be at the price of NZ$0.75 per share as per the Olam Offer. However, there is no certainty that such an offer would occur and it is possible that such an offer could be at a discount to the current offer if NZFSU's share price dropped significantly

- unless a subsequent takeover offer by Olam is anticipated by the market, NZFSU's shares are likely to trade at levels below the Olam Offer price of NZ$0.75 following the close of the Olam Offer. The analysis in section 2.14 shows that NZFSU's share price decreased after both the First Offer and the Second Offer closed
- non-accepting shareholders are unlikely to face any material change in business risk as the Company's operating policies are unlikely to be changed (positively or negatively) due to Olam's increased shareholding
- the Company has not articulated its dividend policy. The Company has not paid a dividend since its incorporation and it is uncertain as to if and when it may pay dividends.

However, one significant issue that remaining shareholders would be exposed to is the Company's need for additional equity capital. The Olam Loan is due for repayment by 31 December 2012. We are advised by the Independent Directors Committee that Olam has advised the Company that it will not demand repayment of the Olam Loan pending the outcome of the Olam Offer. However, if Olam is not successful in acquiring all of the shares in the Company, then NZFSU will need to repay the Olam Loan shortly after the Olam Offer closes. This will require the Company to raise equity capital which it plans to do via a pro rata rights issue of at least US$135 million. Therefore shareholders will be required to contribute an amount of capital similar to the value of their current investment in the Company in order to avoid being diluted.

2.8 Change in Circumstances Provisions in the Olam Offer

The change in circumstances provisions in the Olam Offer relate to any distributions and changes to NZFSU's capital structure that are made after the announcement of the Olam Offer.

Provisions of this nature are common in takeover offers and are designed to ensure that the Olam Offer has the same financial outcome for Olam if NZFSU makes distributions or changes to its capital structure after the offer is announced.

2.9 Likelihood of Alternative Takeover Offers is Remote

We are advised by the Independent Directors Committee that as at the date of this report, it is not aware of any alternative takeover offers or alternative transactions impacting on the control of the Company.

Given that Olam already holds 85.97% of the Company's shares and can move to a 90% shareholding via on-market purchases under the *creep* provisions of the Code, we consider the likelihood of an alternative takeover offer for NZFSU to be remote.

However, if an alternative takeover offer was made and Olam decided not to match it, then those shareholders who had already accepted the Olam Offer would not be able to accept those shares into the alternative takeover offer until the Olam Offer lapsed.

2.10 No Likelihood of Olam Increasing the Offer Price

In its media release dated 2 October 2012 announcing the Olam Offer, Olam stated in reference to the NZ$0.75 per share offer price:

> *"Olam believes this is a full and fair price for NZFSU shares, and accordingly the Offer Price will not be increased."*

Olam reiterated this statement in its Offer Document.

This represents a last and final statement and accordingly Olam will not be able to increase its price under this offer without the risk of breaching Rule 64 of the Code which deals with misleading or deceptive conduct.

2.11 Advantages of Accepting the Olam Offer

Realise Cash of NZ$0.75 per Share

Assuming the Olam Offer is declared unconditional, acceptance of the offer will enable shareholders to realise cash of NZ$0.75 for each of their shares. This price is a premium of between 25% to 29% to the VWAP that the shares have traded at in the one to 12 months up to the announcement of the Olam Offer.

Trading in the Company's shares on the NZSX is very thin. The Olam Offer provides an opportunity for shareholders to dispose of some or all of their shares that is otherwise not readily available on the NZSX – especially for larger parcels of shares.

In any event, since the announcement of the Olam Offer, the Company's shares have traded on the NZSX in a price range of NZ$0.74 to NZ$0.75 at a VWAP of NZ$0.74, which is marginally below the offer price.

Eliminate Requirement to Contribute Further Equity

The Olam Loan is repayable by 31 December 2012 but Olam will not demand repayment pending the outcome of the Olam Offer. However, in the event that Olam does not acquire all of the Company's shares, then NZFSU will undertake a pro rata rights issue to raise at least US$135 million of equity capital to repay the Olam Loan and meet the Company's operational and capital expenditure requirements. This means shareholders will be required to contribute an amount of capital that is roughly equal to the value of their existing investment in the Company to avoid being diluted.

The Olam Offer provides shareholders with an opportunity to sell their shares before they are called upon to participate in the rights issue or face the prospect of their shareholding being diluted.

2.12 Disadvantages of Accepting the Olam Offer

Forego Possible Future Uplift in NZFSU Share Price

By accepting the Olam Offer, shareholders will forgo the possibility that the value of the Company's operations may increase in time and may be reflected in an increase in NZFSU's share price.

The Company has recorded losses each year since its incorporation in 2006 and is forecasting that it will record a loss in the 2013 financial year. It is forecasting that it will reach a steady state position by the 2016 financial year. At that point in time, the Company forecasts that it will be producing almost 300 million litres of milk per annum from over 48,000 milking cows with almost 16,000 dairy hectares in production. Assuming that milk prices remain at current levels and that operating costs do not escalate significantly, then the Company is expected to generate profits from the 2014 financial year onwards.

Enhanced earnings may lead to a re-rating of NZFSU's share price. However, shareholders should bear in mind that NZFSU faces considerable industry and business risks (as discussed in section 4.6) which may impact on the Company's ability to achieve its forecasts.

Inability to Transact Accepting Shares

If a shareholder accepts the Olam Offer, then, until the expiry of the offer period, they will be unable to dispose of the shares which they have accepted into the Olam Offer, whether by selling them on-market or by accepting them into an alternative takeover offer.

However, since the announcement of the Olam Offer, only 112,352 shares have traded on the NZSX at a VWAP of NZ$0.74 (ie below the Olam Offer price) and we consider the possibility of an alternative takeover offer to be remote. Accordingly, we do not view the inability to transact accepting shares to be a major disadvantage for shareholders.

2.13 Implications of Not Accepting the Olam Offer

If Olam receives acceptances which increase its shareholding level to 90% or more, it will be able to compulsorily acquire the remaining shares at NZ$0.75 per share. Non-accepting shareholders will be required to sell their shares to Olam and will not be able to dispute the purchase price.

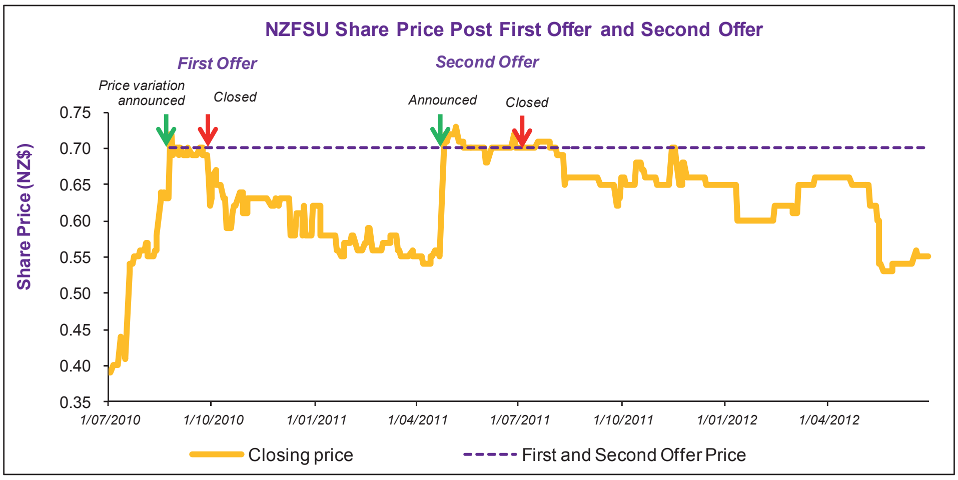
If Olam does not reach the minimum acceptance level of more than 90% and does not waive the Minimum Acceptance Condition, the Olam Offer will lapse and Olam will not acquire any shares in the Company under the offer.

If Olam does not reach the minimum acceptance level of more than 90% and waives the Minimum Acceptance Condition, then shareholders who do not accept the Olam Offer will continue as shareholders in a company listed on the NZSX and will be subject to the issues set out in section 2.7 *Olam Secures Less Than 90% of the Shares*.

2.14 Impact on NZFSU Share Price if the Olam Offer is not Successful

NZFSU's shares have traded between NZ$0.53 and NZ$0.72 in the year prior to the announcement of the Olam Offer on 3 October 2012 and between NZ$0.74 and NZ$0.75 since the announcement.

In the event that the Olam Offer is not successful, we are of the view that the Company's share price will likely revert closer to its trading range prior to the announcement of the Olam Offer as occurred following the previous 2 takeover offers.



Following the completion of the First Offer on 24 September 2010, NZFSU's share price dropped from the offer price of NZ$0.70 to a post offer VWAP (between one month and 12 months) ranging from NZ$0.60 to NZ$0.64, representing a discount of between 8% and 14% to the offer price.

Following the completion of the Second Offer on 29 June 2011, NZFSU's share price dropped from the offer price of NZ$0.70 to a post offer VWAP (between one month and 12 months) ranging from NZ$0.63 to NZ$0.70, representing a discount of between nil and 10% to the offer price.

While the Olam Offer has provided the market with greater information upon which to evaluate the Company's prospects and its value, trading in the Company's shares is minimal due to the small free float and limited demand and these factors may lead to a decrease in the share price.

However, given that this is the third full takeover offer that Olam has made in the past 2 years, there may be an expectation of a further "mop up" takeover offer and this expectation may keep the share price at levels close to the Olam Offer price of NZ$0.75.

2.15 Summary of Evaluation of the Merits of the Olam Offer

The Olam Offer is a full offer for all of the shares in the Company that Olam does not currently hold or control.

Factors that shareholders should consider when deciding whether to accept or reject the Olam Offer include:

- Olam has stated its intention to own 100% of the shares in the Company. Olam can achieve its objective through either a full takeover offer (as per the Olam Offer) or via the *creep* provisions of the Code (where it can acquire up to a further 5% of the Company's shares each year)
- Olam already has significant control over the Company in that it can singlehandedly control the outcome of any ordinary resolution or special resolution and control appointments to the Company's board of directors
- we assess the full underlying value of NZFSU to be in the range of NZ$0.52 to NZ$0.65 per share. The Olam Offer consideration of NZ$0.75 per share is 15% above the top end of our valuation range
- the Olam Offer of NZ$0.75 per share represents premia ranging from 25% to 29% over the Company's VWAP for the past year

- since the announcement of the Olam Offer, the Company's shares have traded on the NZSX in the range of NZ$0.74 to NZ$0.75 at a VWAP of NZ$0.74, which is marginally below the offer price
- given Olam's 85.97% shareholding, we consider the likelihood of an alternative takeover offer to be remote
- assuming that the Olam Offer is successful, Olam will wholly own NZFSU and the Company will be delisted from the NZSX.

The main advantage for shareholders of accepting the Olam Offer is that they will be able to realise cash of NZ$0.75 per share for their shares. This represents an exit opportunity for all shareholders which is not readily available on the NZSX (particularly for larger parcels of NZFSU shares) as the shares are thinly traded and is at a premium price.

The main disadvantage of accepting the Olam Offer is that shareholders will not participate in any appreciation in the value of the Company's shares as a result of improved performance. NZFSU forecasts that its operations will reach a steady state position by the 2016 financial year. Shareholders should however take into consideration that the Company faces considerable risks in its operations and there is no guarantee that NZFSU will successfully execute its business strategy or that the achievement of the targeted operational improvements will result in an appreciation in the Company's share price.

Shareholders should also take into consideration that if Olam does not succeed in acquiring all of the shares in NZFSU, then the Company will undertake a pro rata rights issue to raise at least US$135 million of equity capital to repay the Olam Loan and meet the Company's operational and capital expenditure requirements. This means shareholders will be required to contribute an amount of capital that is roughly equal to the value of their existing investment in the Company to avoid being diluted.

2.16 Acceptance or Rejection of the Olam Offer

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

3. Overview of the Uruguay Dairy Sector

3.1 Uruguay Economy

Uruguay is one of the smallest countries in South America, located on the northern bank of the River Plate between Argentina and Brazil. It has a land mass of 173,215 km^2 and a population of approximately 3.4 million.

Uruguay's exports are dominated by agricultural products. Its main exported goods are meat (16%), soybean (9%), grains (9%), wood and their derivatives (9%) and dairy (8%). Its main services exports include tourism, transportation, corporate services, information technology and financial services.

Uruguay is a member of the Mercosur customs union (the *Common Market of the South*), an economic and political agreement between Argentina, Brazil, Paraguay (currently suspended), Uruguay and Venezuela. Mercosur's primary interest has been eliminating obstacles to regional trade such as high tariffs and income inequalities.

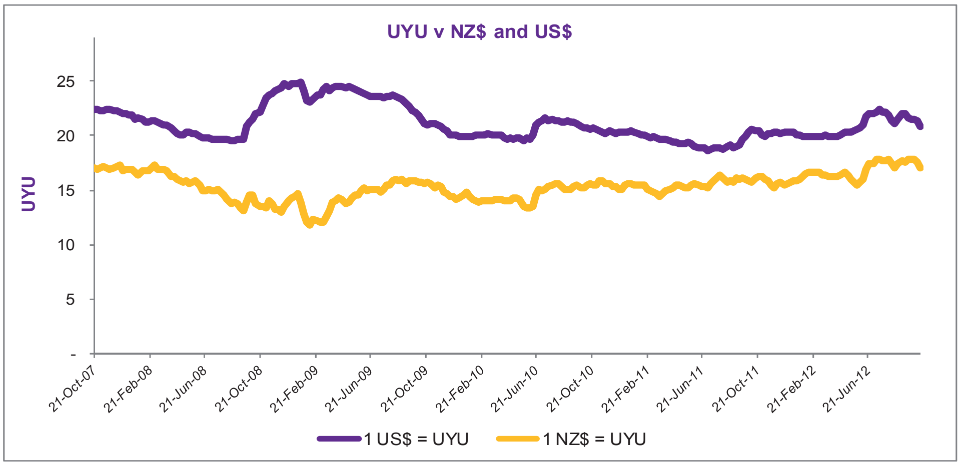
Associate members include Bolivia, Chile, Colombia, Ecuador and Peru. These countries do not enjoy full voting rights or complete access to the markets of Mercosur's full members. They receive tariff reductions but are not required to impose the common external tariff that applies to full Mercosur members. Of these countries, Bolivia is being considered for full membership.

The Uruguayan economy grew by 8.9% during 2010 and 5.7% in 2011. It is forecast to grow by 4.2% in 2012 and 3.9% in 2013.

Unemployment is at a historically low level at 6.5% as at June 2012 and the average wage and the minimum wage both increased moderately in real terms in 2011.

Uruguay has relatively high inflation levels. Inflation was 8.6% for the year ended September 2012, which is above the Central Bank of Uruguay's (the **CBU**) target range for 2012 of 4% to 6%. Anticipating this situation, the CBU raised interest rates at the start of October 2012 by 25 basis points to 9.0%, hoping to cool strong domestic demand.

The movement of the UYU against the NZ$ and the US$ over the last 5 years is set out below.



Source: OANDA Corporation

3.2 Uruguay Dairy Industry

Uruguayan dairy farming is predominately pastoral-based. Herds graze on both natural and cultivated pastures and are commonly supplemented with both forages (silages and hay) and concentrates (carbohydrate and protein grains). When climatic conditions cause a shortfall in pasture production, additional supplements are normally provided.

Uruguay's national herd comprises approximately 401,000 dairy cows and total dairy land covers approximately 857,000 hectares. Approximately 90% of the dairy cow herd are Holstein-Friesian, with the remainder Jersey or Normande. 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 2011 Uruguay produced 2,201 million litres of milk at an average productivity of approximately 5,500 litres per cow per annum.

Milk production in Uruguay accounts for approximately 0.3% of total world production. Uruguay's milk production has increased by approximately 3% per annum over the last decade and approximately 4% over the last 5 years. The exported component of Uruguayan milk production represents approximately 2% of world exports.

While most major milk producing countries consume the majority of their milk production domestically, Uruguay exports more than 60% of its milk production. Uruguay's main dairy exports are powdered milk (approximately 45%) and cheeses (approximately 34%) with the balance comprising other dairy products such as butter, yoghurt and some liquid milk. Export is predominately destined to Latin American countries such as Venezuela, Brazil, Mexico and Cuba due to the difficulties of scale and shortcomings in marketing, product presentation and limited know-how in trading to additional regional markets.

3.3 Dairy Processors

Uruguay's milk processing is undertaken by 36 companies which range from large multinational and co-operatives to smaller national companies. Approximately 96% of Uruguay's dairy production is processed by 10 large firms.

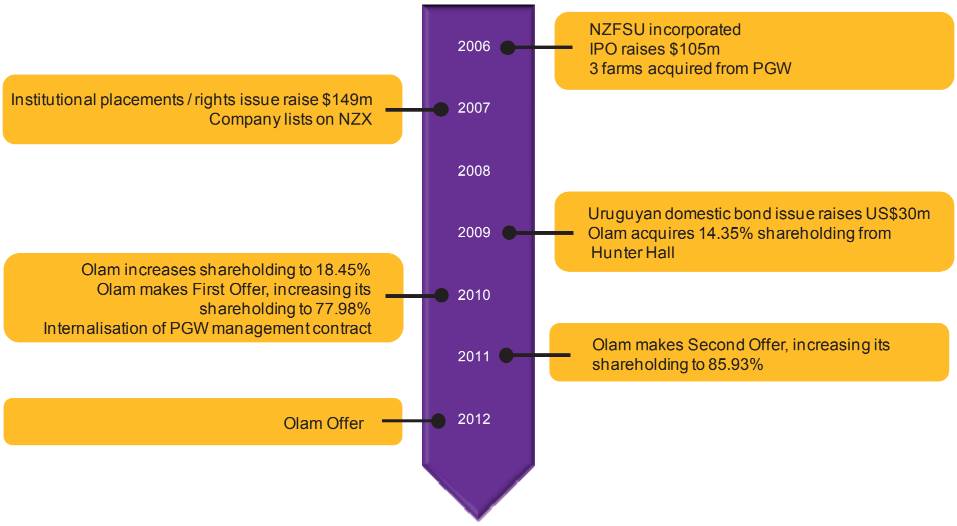
The largest processor is Cooperativa Nacional de Productores de Leche S.A. (**Conaprole**), a farmer owned co-operative that processes approximately 65% of Uruguay's total milk supply. Conaprole is the largest exporter of milk and dairy products in the Latin American region and the largest private sector company in Uruguay. Conaprole was formed by a merger of Uruguay's 5 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 Parmalat, Nestlé, Danone and Bongrain and international companies such as Argentinean SanCor, US Schreiber Foods and Brazilian LBR Lacteos 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. Until recently, NZFSU supplied 100% of its milk production to Conaprole and continues to supply over 90% of its milk to Conaprole under a medium term supply agreement.

Farm gate milk prices closely follow the world market as the majority of milk is exported and the raw material price is established according to sales to the world market. On most occasions there is comparatively little difference between farm gate milk prices paid by each processor due to competition for milk within Uruguay.

4. Profile of NZFSU

4.1 Company Background and History

Key events in the Company's history are set out below.



NZFSU was incorporated on 26 September 2006. The Company was established by PGG Wrightson Limited (**PGW**) for the purpose of applying New Zealand's high performing pastoral based farming systems to extensive areas of high quality, low cost and under-utilised farm land in Uruguay, principally for dairy farming.

PGW had been operating in Uruguay since 1999 and purchased 3 farms in Uruguay in 2005. PGW managed NZFSU under a management contract when the Company began its operations.

In December 2006, NZFSU raised NZ$105 million through a partly paid initial public offering (**IPO**). Part of the proceeds from the IPO was used to acquire the 3 Uruguayan farms from PGW for US$11.9 million.

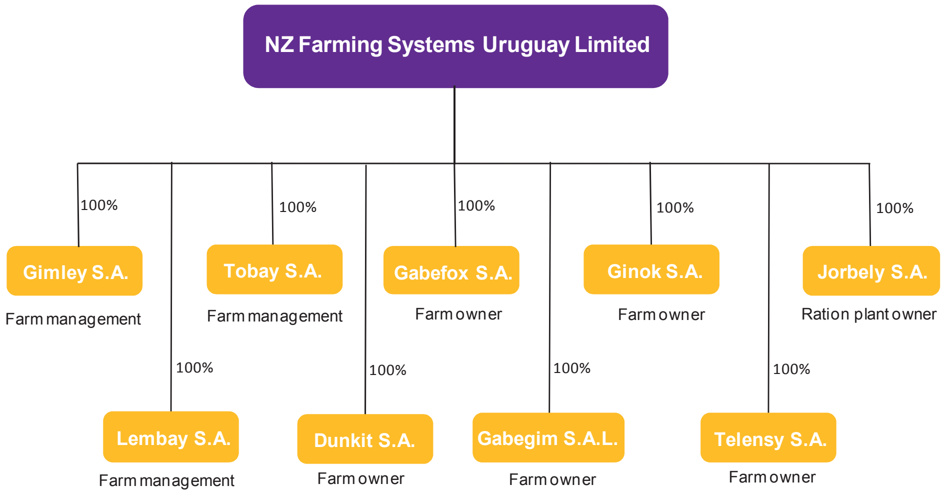
A further NZ$39 million was raised in an institutional placement in April 2007 and 7,564,058 fully paid NZ$1.00 shares were issued in June 2007 in part consideration for the purchase of land and farm assets. The final call on the IPO partly paid shares was made in December 2007 and the Company's shares were listed on the NZSX. An additional NZ$110 million was raised at this time through an institutional placement and a non-renounceable rights issue at NZ$1.50 per share.

The proceeds from the issue of capital were used to acquire farms, substantially increasing NZFSU's land holdings in Uruguay. More farms were acquired in 2008 and since then some farms have been sold. NZFSU currently owns 28,276 hectares.

Since Olam moved to majority ownership following the First Offer in September 2010, significant changes were made to the Company at the board and management level. The composition of the board changed with 4 Olam nominated directors replacing the PGW nominated directors and a new management team based in Uruguay was established following the internalisation of the PGW management contract in August 2010.

4.2 Organisation Structure

The Company's organisation structure is set out below.



4.3 Directors and Senior Management

The directors of NZFSU are:

- David Beca, managing director and chief executive officer
- Robert Poole, independent director
- Tim Storey, independent director
- Vivek Verma, chair and Olam representative
- Peter Wilson, independent director.

Ravi Kumar resigned as a director in July 2012 and Richard Haire resigned as a director in September 2012. Both were Olam representatives.

The Company's senior management team comprises:

- David Beca, managing director and chief executive officer
- Silvina Crosa, chief financial officer
- Rafael Secco, operations manager – Centre / West
- Pablo Cappellino, operations manager – East
- Luis Pedro Olaso – development manager
- Daniel Paredes – human resources manager
- Manuel Ternande – IT manager
- Luis Oliú – purchasing manager.

4.4 Nature of Operations

Overview

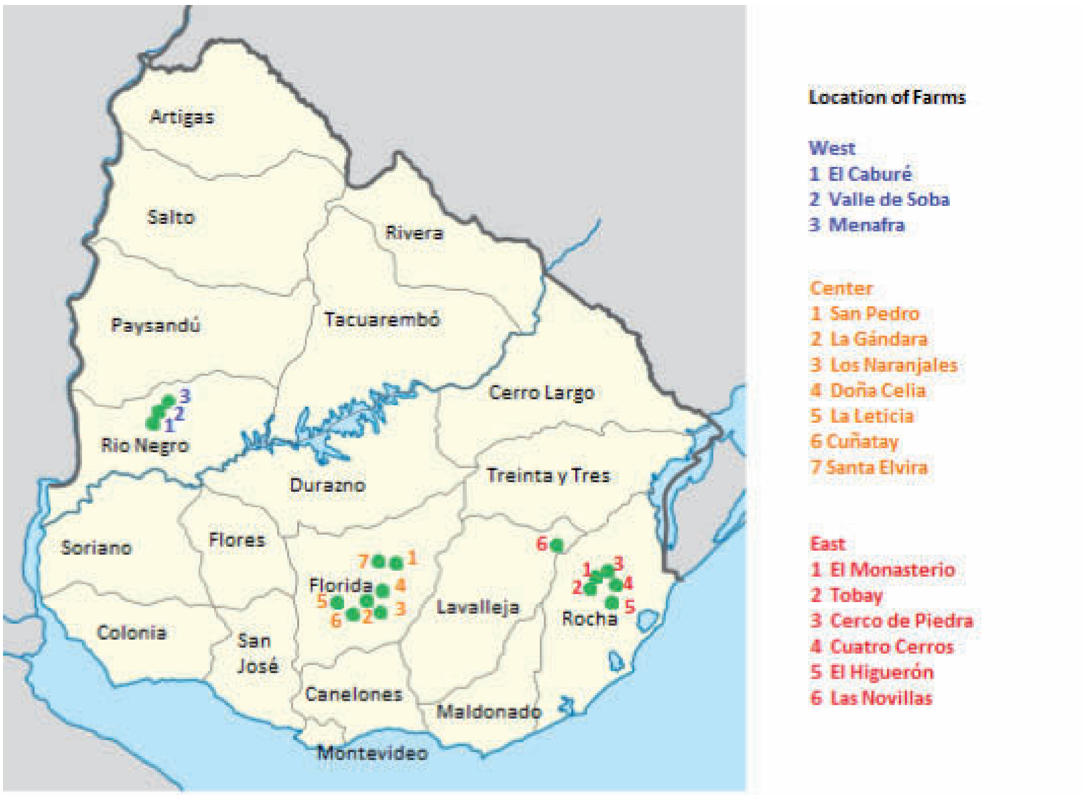
Since the IPO in 2006, NZFSU has focused on the acquisition and development of agricultural land in Uruguay and the acquisition of livestock. NZFSU has spent approximately US$245 million on the purchase and development of dairy land and livestock, with an estimated further US$33 million remaining to be spent to complete the development expenditure.

The development work has focused primarily on:

- pasture development - the re-grassing of paddocks with improved grass species and the raising of base soil fertility levels through the application of fertiliser
- farm infrastructure and development – construction or upgrading of dairy sheds, farm workers' houses, irrigation dams, roading, reticulation of high tension wiring for electricity supply, drinking troughs and fencing
- irrigation – with the target of having irrigation installed for 44% of dairy hectares.

Farms

NZFSU currently owns 28,276 hectares of farmland across 3 regions of Uruguay (West, Centre and East) and leases a further 7,471 hectares in the Centre and East regions.



NZFSU Farms				
Farm	**Year Purchased**	**Title Area (ha)**	**Value [1] US$000**	**Value per ha US$**
El Caburé	2006	1,161	12,000	10,331
Valle de Soba	2006	625	6,300	10,085
Menafra	2006	1,019	9,300	9,130
Total West region		2,805	27,600	9,840
San Pedro	2007	1,001	6,900	6,889
La Gandara Sur	2007	588	4,500	7,656
Los Naranjales	2007	2,416	15,500	6,414
Doña Celia	2007	2,085	13,200	6,331
La Leticia	2007	2,012	12,500	6,214
Cuñatay	2008	911	5,300	5,819
Santa Elvira	2008	1,796	11,300	6,292
Total Centre region		10,809	69,200	6,402
El Monasterio and Cerco de Piedra	2006	4,548	27,100	5,959
Tobay	2007	1,454	9,000	6,192
Cuatro Cerros	2007	691	3,000	4,340
El Higuerón	2007	1,067	5,600	5,249
Las Novillas	2007/2008	6,902	34,900	5,056
Total East region		14,662	79,600	5,429
Total owned		28,276	176,400	6,238
Gamarra		657		
Arin		1,518		
Cardo Azul		411		
Cerro Zarco		1,315		
Danulia		109		
Don Sebastian		685		
Iruleguy		535		
Mariezcurrena		118		
Olalquiaga		334		
Santa Rita		890		
Sastre		899		
Total rented		7,471		
Total		35,747		

1 Value of land and improvements as at 30 June 2012 as per the Crighton Anderson Valuation Review

Source: NZFSU

A valuation of the farms was undertaken as at 30 June 2012 by Uruguayan valuers Escritorio Dutra Ltda and reviewed by Crighton Anderson Property and Infrastructure Limited as set out in the report *Property Portfolio Asset Valuation Review and Livestock Valuation Review for Financial Reporting Purposes as at 30 June 2012* dated 22 August 2012 (the **Crighton Anderson Valuation Review**).

Livestock

NZFSU's livestock numbered 76,180 as at 30 June 2012 (including 32,166 milking cows) with a value of US$83.4 million as assessed in the Crighton Anderson Valuation Review.

NZFSU Livestock

	Number as at 30 Jun 12	Value [1] US$000
Dairy cattle	71,995	82,186
Beef cattle	3,039	447
Other livestock	1,146	791
	76,180	83,424

1 As per the Crighton Anderson Valuation Period

Source: NZFSU

Milk Production

NZFSU is the largest single producer of milk in Uruguay. The 152 million litres produced by NZFSU in the 2012 financial year represented approximately 7% of national production. The Company projects that it will be milking over 48,000 cows and producing 296 million litres of milk by the 2016 financial year, representing approximately 13% of the total milk currently produced in Uruguay.

Until recently, NZFSU supplied 100% of its milk production to Conaprole and continues to supply over 90% of its milk to Conaprole under a medium term supply agreement. This requires a compulsory investment in the capital of Conaprole. As at 30 June 2012, NZFSU held 3.51% of Conaprole's equity at a cost of US$2.4 million.

Key Operating Metrics

A summary of NZFSU's key operating metrics for the past 4 years and its forecast for the current year is set out below.

Key Operating Metrics

	Year to 30 Jun 09	Year to 30 Jun 10	Year to 30 Jun 11	Year to 30 Jun 12	Year to 30 Jun 13
Milking cow numbers (period end)	11,300	14,500	24,000	32,166	44,949
Dairy hectares in production	10,500	12,500	12,619	14,459	15,752
Irrigated area (hectares)	406	2,018	2,984	3,885	4,911
Milk price (US cents / litre average)	23.7	28.3	38.1	39.1	34.0
Milk production (million litres)	44.6	68.0	105.3	152.0	220.5
- litres / cow per year	3,951	4,690	4,388	4,726	4,906
- litres / hectare per year	4,251	5,441	8,346	10,514	13,998
Milk production (000 Kgs MS)	3,068	4,757	7,373	10,872	15,431
- Kgs MS / cow per year	290	290	307	338	343
- Kgs MS / hectare per year	420	420	584	752	980
Milking sheds (period end)	26	31	32	47	49

Source: NZFSU

4.5 Business Plan

Previous Business Plans

Prior to the First Offer, NZFSU's development was much slower than projected in its original business plan. This was mainly due to:

- significantly higher land purchases than originally planned
- extended periods of drought in 2008 and 2009 which led to poor pasture production and poor cow production
- significant additional investment in irrigation and electricity infrastructure (due to insufficient capacity in the Uruguay grid) which was not originally anticipated.

The lower than expected pasture production led to reduced milk volumes and low pregnancy rates across the herd which impacted the overall level of herd profitability and resulted in NZFSU not meeting its financial forecasts and performance targets in the IPO prospectus.

Following the completion of the First Offer in September 2010, Olam undertook a strategic review of NZFSU and in conjunction with the Company's independent directors, developed a comprehensive business plan to improve NZFSU's performance and productivity. A summary of the business plan was released by the Company in February 2011 and an analysis of the business plan was set out in the independent adviser's report prepared in respect of the Second Offer.

The updated business plan involved significant changes in operational strategy and required a considerably higher level of capital investment than previously planned. The operational changes included a reduction in the planned development area and irrigation and a significantly higher use of supplementary feed in the form of forages and concentrates. Overall steady state production costs were projected to be US$0.23 per litre compared with the previous projections of US$0.15 to US$0.16 per litre. Accordingly, despite the projected increase in productivity due to the use of supplementary feed, NZFSU's associated operating costs were projected to be materially higher, leading to significantly lower steady state earnings which were less than half the performance predicted in the previous business plan.

2012 Business Plan

The business plan has recently been updated by the Company's management and approved by NZFSU's directors on 10 October 2012 following their visit to Uruguay to review the Company's business operations (the **2012 Business Plan**).

The Company announced on 19 October 2012 that it is now anticipated that full implementation of the Company's longer term farm development strategy will be delayed 2 years to the 2016 financial year, although the Company's projected long term profitability has not changed. Anticipated increases in expenses (particularly administration, wages and salaries, livestock rearing and feed purchases) are likely to be offset by increases in the long term milk price and additional livestock revenue over the period.

The key metrics of the steady state position under the 2012 Business Plan are set out below, together with the key metrics for the current position (as at 30 June 2012) and the targeted steady state position under the previous business plan.

2012 Business Plan Key Operating Metrics				
		Steady State		
	Current 30 Jun 12	2012 Business Plan	Previous Business Plan	Change
Milking cow numbers (period end)	32,166	48,226	48,226	-
Dairy hectares in production	14,459	15,752	16,037	(285)
Irrigated area (hectares)	3,885	6,991	6,991	-
Milk price (US cents / litre average)	39.9	35.0	32.0	3.0
Milk production (million litres)	152.0	296.2	296.2	-
- litres / cow per year	4,726	6,143	6,143	-
- litres / hectare per year	10,514	18,807	18,473	334
Milk production (000 Kgs MS)	10,872	20,737	20,737	-
- Kgs MS / cow per year	338	430	430	-
- Kgs MS / hectare per year	752	1,316	1,293	23
Milking sheds (period end)	47	49	49	-

Source: NZFSU

NZFSU's farm development program is expected to be largely completed during the 2013 financial year. The 2012 Business Plan includes capital expenditure of US$32.9 million in the 2013 financial year and negligible capital expenditure thereafter. Pasture maintenance and farm repairs and maintenance are projected to be in the vicinity of US$3 million to US$4 million each year.

4.6 Key Issues Affecting NZFSU

The main industry and specific business factors and risks that NZFSU faces include:

- country risks – Uruguay is governed democratically but has had instances of military rule in its past
- economic risks – Uruguay is a small country that is vulnerable to the global economic climate and the performance of the economies of its larger neighbours Argentina and Brazil
- exchange rate risks – NZFSU's operations are conducted largely in US$. Milk is nominally priced in UYU but the price is generally adjusted to reflect changes in the US$ / UYU exchange rate. Appreciation in the value of the NZ$ against the US$ would reduce the value of NZFSU's Uruguayan farm assets and US$ cash flows in NZ$ terms
- farming risks – farming is an activity which is subject to a wide range of risks and uncertainties relating to:
  - nature
  - the climate
  - disease and pests
  - international commodity prices
- operational risks, including:
  - achieving sufficient scale of operations
  - achieving targeted production levels
  - attracting and retaining suitably qualified farm managers

- taxation issues – NZFSU's operations are subject to Uruguay tax legislation and shareholder returns are subject to New Zealand tax legislation.

4.7 Financial Performance

A summary of NZFSU's recent financial performance is set out below.

Summary of Financial Performance

	Year to 30 Jun 09 (Audited) US$000	Year to 30 Jun 10 (Audited) US$000	Year to 30 Jun 11 (Audited) US$000	Year to 30 Jun 12 (Audited) US$000	Year to 30 Jun 13 (Forecast) US$000
Total revenue	22,051	30,681	63,962	83,133	87,631
EBITDAR	(13,230)	(2,233)	(1,772)	8,235	6,843
EBIT	(39,463)	(2,848)	(4,305)	5,202	2,365
Loss for the year	(45,851)	(7,902)	(8,694)	(7,593)	(8,700)
Comprehensive loss	(54,828)	(11,290)	(1,588)	(10,909)	(8,700)
EPS (US$)	(0.19)	(0.03)	(0.04)	(0.03)	(0.04)

EBITDAR: Earnings before interest, tax, depreciation, amortisation and NZ IFRS revaluations (other than livestock fair value adjustments)
EBIT: Earnings before interest and tax
EPS: Earnings per share
Source: NZFSU annual reports and 2012 Business Plan

NZFSU has recorded significant increases in revenue each year, driven primarily by increased milk sales from production increases each year.

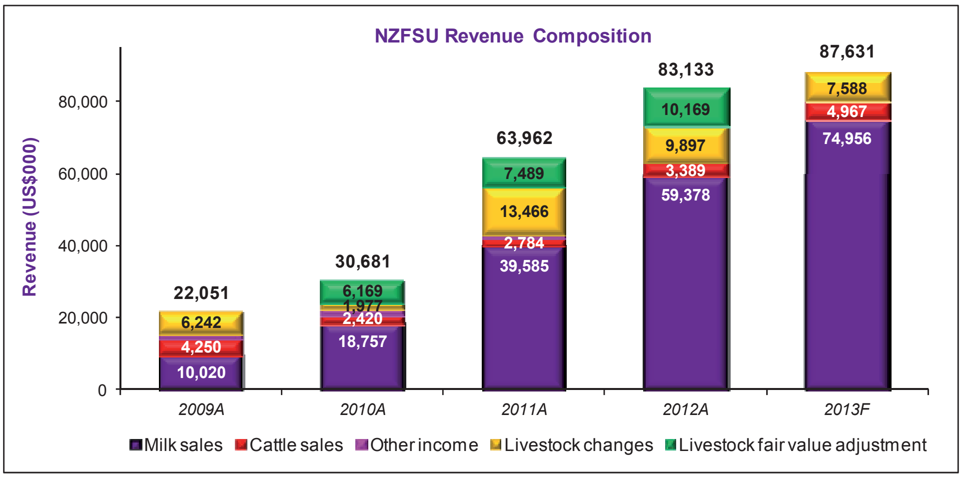
EBITDAR levels have improved each year as the Company's development program moves closer to reaching the targeted steady state production and efficiency levels.

Fair value adjustments in respect of livestock or property have a significant impact on the Company's reported results each year. The forecast for the 2013 financial year does not include any fair value adjustments, unlike the actual results for previous years such as:

- 2012 financial year:
  - livestock fair value adjustments increased revenue and earnings by US$10.2 million
  - other fair value adjustments and movements in deferred tax amounted to a net cost of US$3.3 million, resulting in the loss for the year of US$7.6 million increasing to a comprehensive loss for the year of US$10.9 million
- 2011 financial year:
  - livestock fair value adjustments increased revenue and earnings by US$7.5 million
  - property fair value adjustments amounted to a net gain of US$7.1 million, resulting in the loss for the year of US$8.7 million decreasing to a comprehensive loss for the year of US$1.6 million.

Revenue

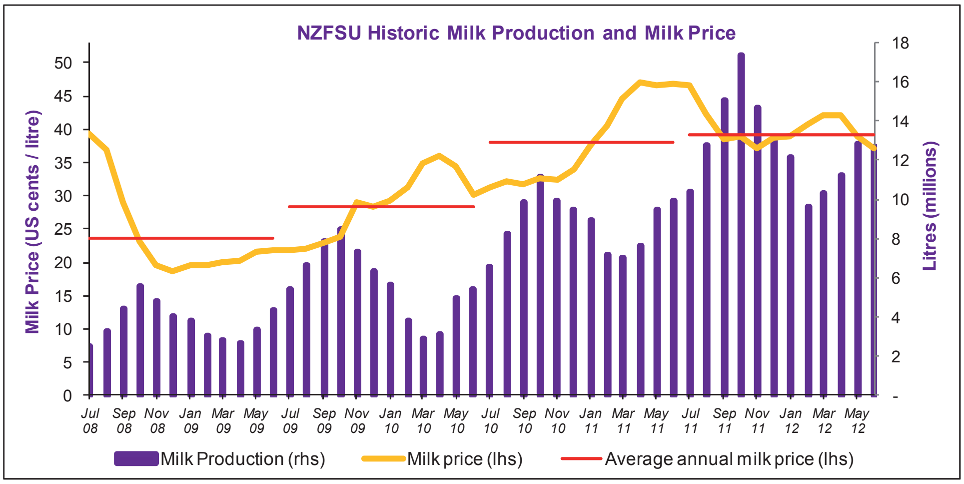
NZFSU's revenue has grown significantly from US$22.1 million in the 2009 financial year to US$83.1 million in 2012. Revenue is derived mainly from milk sales and the change in the fair value of livestock.



Note: Other income values are not displayed as they are not material

Milk Sales

The increase in revenue has been driven primarily by increased milk production and sales.



Milk production has increased from 44.6 million litres in the 2009 financial year to 68.0 million litres in 2010 (up 52%), 105.3 million litres in 2011 (up 55%) and 152.0 million litres in 2012 (up 44%). Milk production is forecast to increase by 45% to 220.5 million litres in 2013.

The Company has also benefited from higher milk prices with the average milk price per litre achieved increasing from US$0.237 per litre in the 2009 financial year to US$0.283 in 2010 (up 19%), US$0.381 in 2011 (up 35%) and US$0.391 in 2012 (up 3%). The milk price has recently dropped to US$0.35 in September 2012 based on ownership of full lactic capital (shares) in Conaprole and the Company is forecasting the average milk price for the 2013 financial year to be US$0.34 per litre (a 13% decrease on the 2012 average price).

Change in Fair Value of Livestock

The change in the fair value of livestock arises from:

- livestock changes
- fair value adjustments.

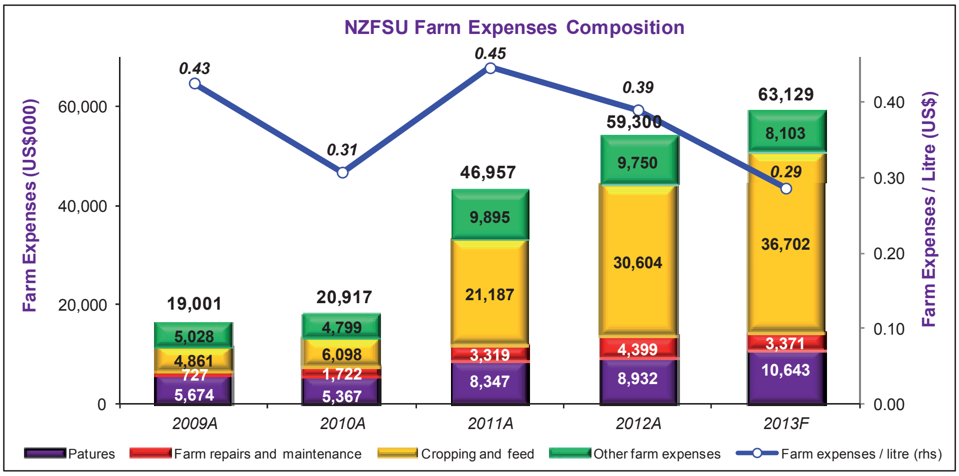
Livestock changes reflect the net natural increase (births less deaths) of the herd as well as the increase in value of the herd each year due to an improvement in body condition of the livestock.

The livestock fair value adjustment reflects the estimated increase in value of the herd due to an increase in market values.

The forecast for the 2013 financial year includes US$7.6 million of revenue attributable to livestock changes but does not include any livestock fair value adjustment.

Farm Operating Expenses

Farm operating expenses comprise direct farm working expenses and the costs of improving and maintaining pastures.



Farm operating expenses have grown significantly from US$19.0 million in the 2009 financial year to US$59.3 million in 2012. Cropping and feed costs increased significantly in the 2011 and 2012 financial years due to the implementation of the concentrates feeding 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.

Other Operating Expenses

Wages and salaries represent NZFSU's largest other operating expenses. Uruguay has had relatively high rates of inflation in the range of 6% to 8% over the past few years. Wages and salaries tend to increase in line with inflation and the increase in employee benefits expense over time reflects this, although wages and salaries have increased by an additional 4% to 5% above inflation in the last 2 years. Furthermore, additional employee expenses were incurred in the 2011 financial year after the termination of the PGW management contract and the Company establishing its own management team.

Net interest and finance costs increased from US$5.7 million in the 2011 financial year to US$12.8 million in 2012 (including US$2.2 million of foreign exchange losses) as a result of the increase in the Company's borrowings from US$110.2 million as at 30 June 2011 to US$155.8 million as at 30 June 2012.

Tax Expense

NZFSU's Uruguayan subsidiaries have unrecognised deferred tax assets estimated at approximately US$58 million as at 30 June 2012 relating to tax losses carried forward. These companies were granted *Project of National Importance* status on the investment undertaken between 2008 and 2012. The *Project of National Importance* status provides a further tax benefit of approximately US$47 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 are expected to offset most of NZFSU's income tax payments for the next 7 years.

Comprehensive Loss

Comprehensive loss is after fair value adjustments in respect of farm land, buildings and improvements as required under NZ IFRS as well as movements in deferred tax on the revaluation of farm property and changes in tax legislation.

2013 Forecast

The forecast for the 2013 financial year is based on the Company's actual results for the 2 months to August 2012. The Company announced on 19 October 2012 that challenging conditions so far in the 2013 financial year have resulted in milk production levels being approximately 10% behind budget. The 2013 forecast is based on the following key assumptions:

- 35,699 hectares of land under management (28,276 hectares owned / 7,423 hectares leased), with 15,752 effective dairy hectares
- a dairy herd of 44,949 cows at year end
- an average milk price of US$0.34 per litre
- total milk volumes of 220.5 million litres with productivity of 4,906 litres per cow per annum and 13,995 litres per effective hectare
- more than 98,000 tonnes of concentrate feed being purchased.

4.8 Financial Position

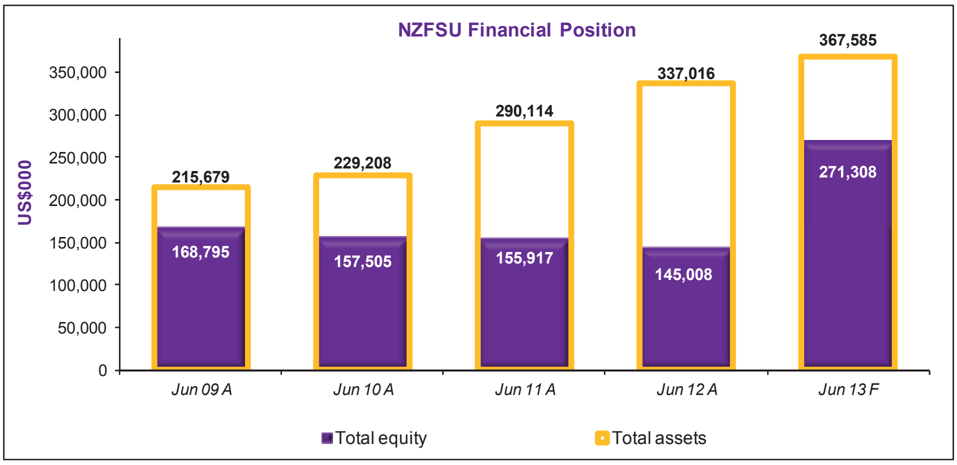
A summary of NZFSU's recent financial position is set out below.

Summary of Financial Position					
	As at 30 Jun 09 (Audited) US$000	As at 30 Jun 10 (Audited) US$000	As at 30 Jun 11 (Audited) US$000	As at 30 Jun 12 (Audited) US$000	As at 30 Jun 13 (Forecast) US$000
Current assets	11,280	27,997	54,902	50,192	35,206
Non current assets	204,399	201,211	235,212	286,824	332,379
Total assets	215,679	229,208	290,114	337,016	367,585
Current liabilities	(29,354)	(24,808)	(100,596)	(157,162)	(11,432)
Non current liabilities	(17,530)	(46,895)	(33,601)	(34,846)	(84,845)
Total liabilities	(46,884)	(71,703)	(134,197)	(192,008)	(96,277)
Total equity	168,795	157,505	155,917	145,008	271,308

Source: NZFSU annual reports and 2012 Business Plan

The NZFSU business is capital intensive, with significant investment having being made in the Company's farms and livestock since operations commenced in 2006.

The capital expenditure was initially funded primarily by equity but of late has been funded by interest bearing debt (**IBD**). If the Olam Offer is not successful, then the Company plans to undertake a pro rata rights issue in the 2013 financial year to raise at least US$135 million of equity.



NZFSU's main current assets are trade and other receivables and consumable supplies and feed, representing 72% of current assets as at 30 June 2012. The Company also had US$6.1 million of cash and cash equivalents as at 30 June 2012.

Trade and other receivables increased significantly in the 2011 financial year due to the inclusion of prepayments of capital expenditure on irrigation equipment.

Non current assets consist mainly of property, plant and equipment and livestock:

- the carrying value of property, plant and equipment as at 30 June 2012 was US$207.0 million, consisting mainly of:
  - farm land, buildings and improvements – US$176.5 million (based on the fair value assessed in the Crighton Anderson Valuation Review)
  - farm plant and equipment – US$30.1 million (at cost less accumulated depreciation)
- livestock as at 30 June 2012 amounted to US$83.4 million, based on the fair value assessed in the Crighton Anderson Valuation Review.

Current liabilities consist of accounts payable and accruals and the current portion of loans and borrowings. Included in the US$32.1 million of accounts payable and accruals as at 30 June 2012 was US$7.7 million of accrued interest on the Olam Loan.

Non current liabilities consist of loans and borrowings and deferred tax liability (being timing differences on the revaluation of properties).

The Company had US$155.8 million of IBD owing as at 30 June 2012, consisting of:

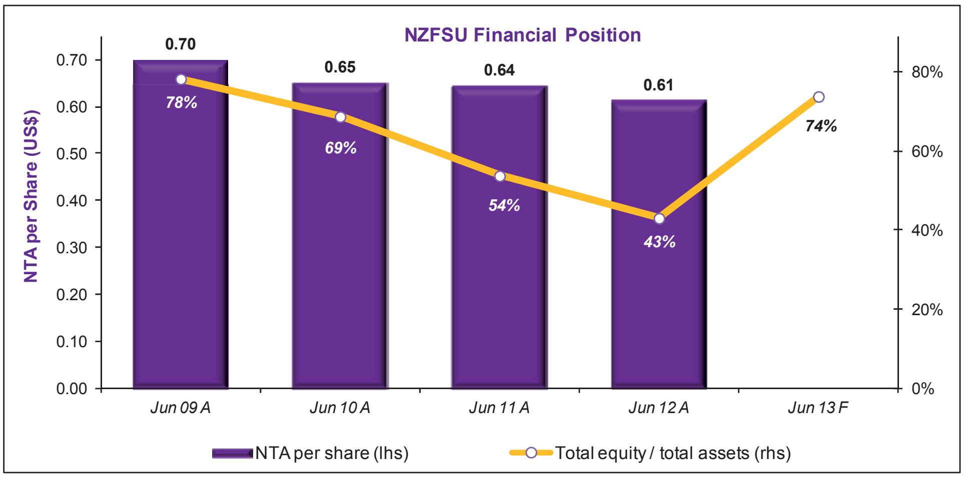
- the Olam Loan – US$95.0 million
- Uruguayan bank short term loans – US$30.1 million
- Uruguayan bank long terms loans – US$5.0 million
- Uruguayan bonds – US$25.7 million.

The key terms of the Olam Loan are set out in section 2.2.

NZFSU had US$28.1 million of short term loans owing to Banco de la República Oriental del Uruguay (**BROU**) and HSBC Bank (Uruguay) S.A. (**HSBC**) as at 30 June 2012. These short terms loans have funded the Company's recent operational and capital expenditure requirements. The interest rates for the loans are 5.5% per annum for the BROU loans and 4.5% for the HSBC loans. Security provided is by the way of mortgages over certain NZFSU properties, pledges on livestock and direct repayments of the loan from Conaprole out of NZFSU's milk revenues in the event of default on the repayment of the loan.

NZFSU has a US$7.0 million long term loan from BROU that matures on 11 December 2015. US$2.0 million is repayable in the 2013 financial year. The interest rate for the loan is 6 Month LIBOR + 4.0% (which equated to approximately 4.7% as at 30 June 2012).

NZFSU issued US$30 million of long term bonds on 31 July 2009 via a 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 NZFSU of its obligations under the trust agreement. The independent trustee has the ability to sell the farms only in the event that NZFSU 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$84.9 million. 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 be repaid by 2022.



The Company's level of net tangible assets (**NTA**) per share has decreased from US$0.70 as at 30 June 2009 to US$0.61 as at 30 June 2012 due to the US$23.8 million of losses recorded during the 3 year period. NZFSU has recorded accumulated losses of US$76.7 million between its incorporation and 30 June 2012.

The decrease in the Company's equity : total assets ratio from 78% as at 30 June 2009 to 43% as at 30 June 2012 has been due to the accumulated losses recorded over the 3 year period and that the Company's capital expenditure on farms and livestock assets since 30 June 2009 has been funded by debt. NZFSU has not raised any equity capital since the 2008 financial year. The forecast increase in the ratio to 74% as at 30 June 2013 reflects a forecast US$135 million equity raising in the 2013 financial year.

The forecast balance sheet as at 30 June 2013 is based on the following key assumptions:

- a US$135 million equity capital raising
- the repayment of the Olam Loan
- the drawdown of US$25 million of new term IBD.

4.9 Cash Flows

A summary of NZFSU's recent cash flows is set out below.

Summary of Cash Flows

	Year to 30 Jun 09 (Audited) US$000	Year to 30 Jun 10 (Audited) US$000	Year to 30 Jun 11 (Audited) US$000	Year to 30 Jun 12 (Audited) US$000	Year to 30 Jun 13 (Forecast) US$000
Net cash flow used in operating activities	(22,180)	(23,355)	(35,022)	(8,732)	(33,255)
Net cash (used in) / from investing activities	(26,059)	1,481	(9,788)	(43,089)	(32,889)
Net cash (used in) / from financing activities	(77,075)	23,918	53,036	44,000	63,000
Net increase / (decrease) in cash held	(125,314)	2,044	8,226	(7,821)	(3,144)
Opening cash balance	128,941	3,627	5,671	13,897	6,076
Closing cash balance	3,627	5,671	13,897	6,076	2,932

Source: NZFSU annual reports and 2012 Business Plan

Net cash used in operating activities improved in the 2012 financial year, driven by the increased level of milk sales. However, interest on the Olam Loan was not paid (except for the applicable withholding tax). If all of the interest on the Olam Loan had been paid by 30 June 2012, operating cash flows would have been negative US$14.8 million.

The significant levels of cash used in investing activities reflect the Company's capital expenditure on farms and livestock each year. The Company sold a number of undeveloped properties for US$15.5 million in the 2010 financial year, the Don Pepe farm for US$6.9 million in the 2011 financial year and the Los Naranjos farm for US$4.9 million in the 2012 financial year.

Net cash from financing activities in the 2009 to 2012 financial years represent the net levels of debt drawn down each year. No equity has been raised since the 2008 financial year.

The forecast cash flows for the 2013 financial year are based on the following key assumptions:

- capital expenditure of US$33 million
- US$135 million of equity is raised
- the Olam Loan is repaid
- US$25 million of new term IBD is drawn down.

Net cash used in operating activities in the 2013 financial year is forecast to be US$33.3 million, reflecting the payment of the significant level of accounts payable and accruals as at 30 June 2012 (US$32.1 million) and the payment of the accrued interest on the Olam Loan.

4.10 Capital Structure and Shareholders

NZFSU currently has 244,236,495 ordinary shares on issue held by 553 shareholders.

The names, number of shares and percentage holding of the 10 largest ordinary shareholders as at 15 October 2012 (the Olam Offer record date) are set out below.

10 Largest Shareholders

Shareholder	No. of Shares Held	%
Olam [1]	209,966,659	85.97%
Robert Poole and Clare Poole	1,800,000	0.74%
Hapua Koko Forests Limited	1,699,700	0.70%
Kevin Goble and Diane Goble	1,500,000	0.61%
Kevin Honeyfield and Jaculyn Honeyfield	1,500,000	0.61%
Thomas Lees and Anne Lees	1,250,000	0.51%
James Raymond Holdings Limited	1,035,000	0.42%
Christopher Putt, Dorothy Putt and C A Putt Nominees Limited	1,000,000	0.41%
Martin Van Zonneveld	906,946	0.37%
New Zealand Central Securities Depository Limited	863,129	0.35%
	221,521,434	90.70%
Others (543 shareholders)	22,715,061	9.30%
Total	244,236,495	100.00%

1 Includes 72,902 shares acquired on-market on 17, 18 and 24 October 2012

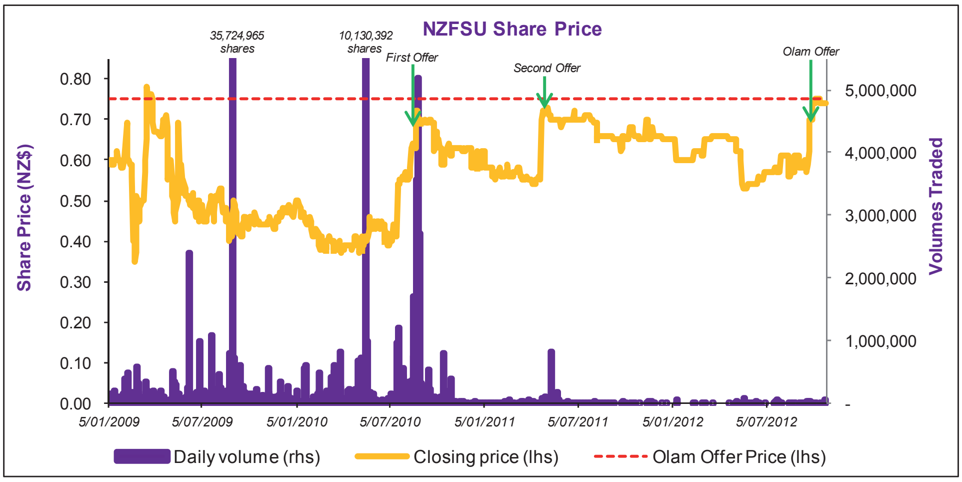
*Source: Computershare Investor Services Limited (**Computershare**)*

Section 1.4 sets out how Olam accumulated its 85.97% shareholding.

Robert Poole is the Company's second largest shareholder and a director of the Company. Mr Poole and his associates collectively hold 2,550,000 shares (1.04%).

4.11 Share Price History

Set out below is a summary of NZFSU's daily closing share price and daily volumes of shares traded from 5 January 2009 to 29 October 2012.



Source: NZX Data

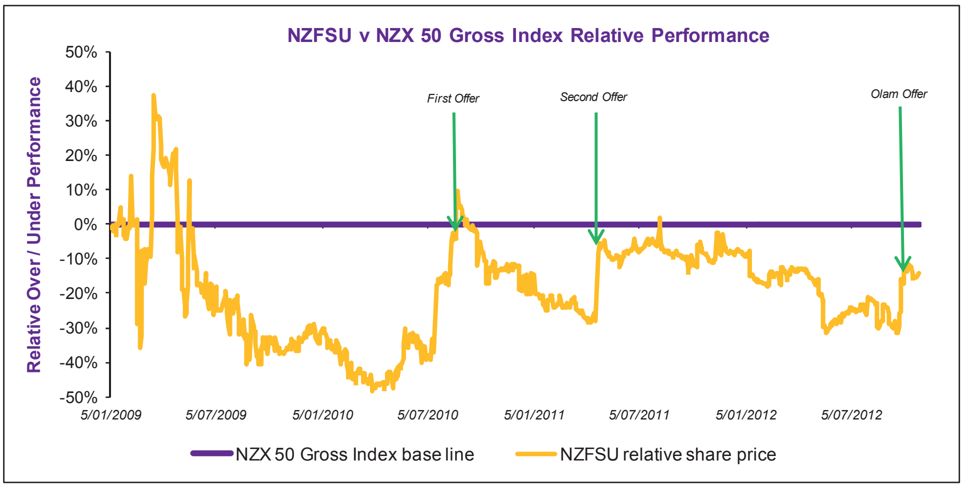
During the period, NZFSU's shares have traded between NZ$0.35 (on 25 and 26 February 2009) and NZ$0.78 (on 20 March 2009) at a VWAP of NZ$0.50.

Prior to the announcement of the Olam Offer, the shares last traded at the offer price of NZ$0.75 on 30 March 2009, some 3 and a half years ago.

35,724,965 shares traded at NZ$0.41 on 1 September 2009, including 35,050,856 shares acquired by Olam from Hunter Hall.

10,130,392 shares traded at NZ$0.41 on 17 May 2010, including 10,000,000 shares acquired by Olam from the receivers of RPI.

NZFSU's share price relative to the NZX 50 Gross Index (the **Index**) between 5 January 2009 and 29 October 2012 is set out below.



Source: NZX Data

Overall, NZFSU has generally underperformed the Index between 5 January 2009 and the current date. This was particularly so in March and April 2010. The increases in the Company's share price driven by the First Offer and the Second Offer resulted in the Company's relative share price performance matching the Index for brief periods.

An analysis of VWAP, traded volumes and liquidity (measured as traded volumes as a percentage of total shares outstanding and as a percentage of the free float) up to 2 October 2012 (the day before the Olam Offer was announced) is set out below.

NZFSU Share Trading up to 2 October 2012

	Low NZ$	High NZ$	VWAP NZ$	Volume Traded (000)	Liquidity Total Shares	Liquidity Free Float
1 month	0.57	0.70	0.60	240	0.1%	0.7%
3 months	0.56	0.70	0.59	423	0.2%	1.2%
6 months	0.53	0.70	0.58	701	0.3%	2.0%
12 months	0.53	0.72	0.60	999	0.4%	2.9%

Source: NZX Data

NZFSU's shares closed at NZ$0.70 on 2 October 2012 (based on a last trade of 35,000 shares on 27 September 2012).

Following the announcement of the Olam Offer on 3 October 2012, 112,352 shares have traded (0.3% of the free float) in the range of NZ$0.74 to NZ$0.75 at a VWAP of NZ$0.74.

Olam has purchased 97,902 of these shares at NZ$0.74 per share:

- 25,000 on 3 October 2012
- 6,100 on 17 October 2012
- 9,252 on 18 October 2012
- 57,550 on 24 October 2012.

5. Profile of Olam

5.1 Background

The Olam business was established in 1989 as Olam Nigeria Plc by the Kewalram Chanrai Group (**KC Group**) as a non-oil based export operation out of Nigeria. The business began with the export of cashews from Nigeria and then expanded into exports of cotton, cocoa and sheanuts. The success of that operation resulted in Olam establishing an independent export operation headquartered in London and sourcing and exporting other agricultural products not related to the KC Group.

Olam International Limited was incorporated in Singapore on 4 July 1995 and the Olam operations were relocated from London to Singapore in 1996.

5.2 Nature of Operations

Olam has grown over the past 23 years by taking advantage of adjacent opportunities in businesses which share geographies, channels, costs, suppliers and customers.

The company has evolved from one product and a one country business to a global leader in the supply chain management of agricultural products and food ingredients. It operates an integrated supply chain for 16 products with a direct presence in 65 countries, employing over 18,000 people, sourcing products from over 45 countries and selling to over 12,300 customers.

Olam's Key Agricultural Products	
Edible nuts, spices and beans • cashews • other edible nuts • beans • sesame • spices	Food staples and packaged foods • rice • sugar • dairy products • packaged goods
Fibre and wood products • cotton • wood products	Confectionary and beverage ingredients • coffee • cocoa • sheanuts

Source: Olam

Dairy Products

Olam's dairy business commenced in 2003 with the supply of milk powder into Algeria. It then expanded its marketing reach into other countries in Africa, the Middle East and Asia.

Olam's dairy business is now one of the top 5 traders of dairy ingredients in the world. It markets a full range of dairy products including:

- powders – full cream milk, skimmed milk, sweet whey, demineralised whey
- fats – butter, anhydrous milk fat
- cheese.

Olam initially sourced its dairy products from European traders. It now has export operations in more than 20 countries including New Zealand, Poland, Netherlands, Ukraine, Belarus, India, North America and South America.

5.3 Investments in New Zealand

As stated in section 1.4, Olam initially acquired a 14.35% shareholding in NZFSU in September 2009. It has since increased its shareholding to 85.97% via on-market purchases in 2010 and 2012 and the First Offer and the Second Offer.

Olam's only other significant investment in New Zealand is a 25% shareholding in Open Country Dairy Limited (**OCD**). OCD is a dairy ingredient manufacturer, producing a range of high quality milk products including milk powers, milk proteins, milk fats and cheeses.

5.4 Financial Performance

Summary of Olam Financial Performance

	Year to 30 Jun 09 S$m	Year to 30 Jun 10 S$m	Year to 30 Jun 11 S$m	Year to 30 Jun 12 S$m
Sales volume (000 tons)	5,721	7,006	8,452	10,675
Revenue	8,588	10,455	15,803	17,094
EBITDAR	334	608	866	893
EBIT	292	536	785	875
Net profit after taxation	252	360	445	404

Source: Olam audited financial statements

Sales volumes grew by 26% to 10.7 million tons in the 2012 financial year with food staples and packaged foods representing the largest segment at 5.8 million tons (55% of total volume).

44% of product by volume in the 2012 financial year was sourced from Asia and the Middle East and 21% was sourced from the Americas.

Sales revenue increased by 8% in the 2012 financial year, with confectionary and beverage ingredients representing the largest segment of sales revenue (35%) and Asia and the Middle East the largest sales revenue region (39%).

5.5 Financial Position

Summary of Olam Financial Position

	As at 30 Jun 09 S$m	As at 30 Jun 10 S$m	As at 30 Jun 11 S$m	As at 30 Jun 12 S$m
Current assets	4,267	5,673	2,981	4,442
Non current assets	1,148	2,132	9,599	9,386
Total assets	5,415	7,805	12,580	13,828
Current liabilities	(3,130)	(3,686)	(7,130)	(5,765)
Non current liabilities	(1,240)	(2,348)	(3,148)	(4,535)
Total liabilities	(4,370)	(6,034)	(10,278)	(10,300)
Total equity	1,045	1,771	2,302	3,528

Source: Olam audited financial statements

Olam's main investment is in inventories, which represent approximately one third of total assets. Interest bearing debt finances approximately 60% of total assets.

5.6 Capital Structure and Shareholders

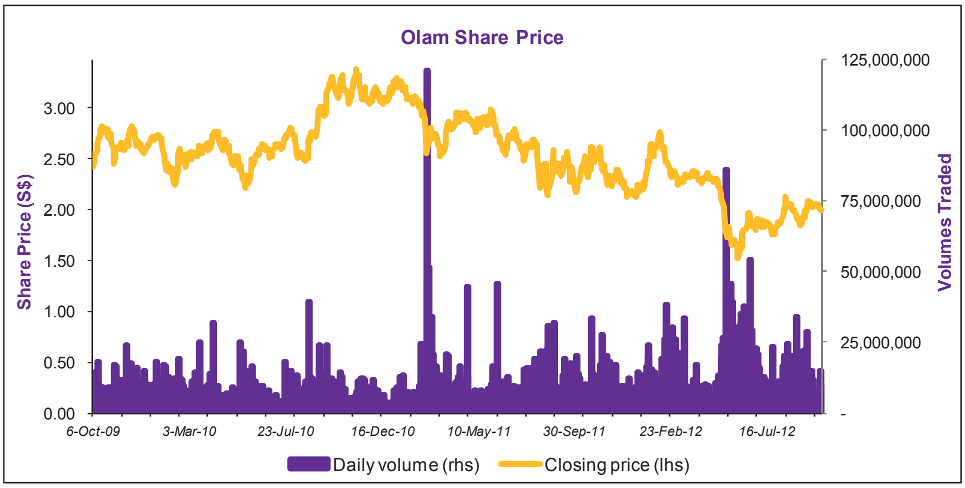
Olam currently has approximately 2,442 million ordinary shares on issue. Its largest shareholders are KC Group (approximately 20%), Temasek Holdings (approximately 16%) and Olam management (approximately 9%).

Olam's free float held by public shareholders accounts for approximately 55% of the shares on issue.

5.7 Share Price History

Olam listed on the SGX Main Board on 11 February 2005. Its current market capitalisation is approximately S$4.8 billion.

Set out below is a summary of Olam's daily closing share price and daily volumes of shares traded for the past 3 years.



Source: Capital IQ

6. Valuation of NZFSU

6.1 Introduction

The Olam Offer is a full takeover offer and is conditional upon Olam receiving acceptances to increase its shareholding to more than 90% of the Company's shares. In such circumstances, we are of the view that the appropriate basis upon which to evaluate the fairness of the Olam Offer is to compare the offer price of NZ$0.75 per share with the full underlying value of NZFSU on a standalone basis, pro-rated across all shares.

Such an approach attributes full control value to NZFSU under its current strategic and operational initiatives, but excludes the value of any synergies that may accrue to a specific acquirer. The resulting value exceeds the price at which we would expect minority interests in NZFSU to trade in the absence of the Olam Offer.

This approach is in line with one of the Code's core foundations that all shareholders be treated equally and is consistent with Rule 57(4) of the Code (which deals with specific circumstances when an expert determination is required in respect of compulsory acquisition), which seeks to avoid issues of premia or discounts for minority shareholdings.

6.2 Standard of Value

We have assessed the fair market value of 100% of the shares in NZFSU.

Fair market value is defined as the price that a willing but not anxious buyer, with access to all relevant information and acting on an arm's length basis, would be prepared to pay to a willing but not anxious seller in an open, unrestricted and stable market.

6.3 Basis of Valuation

In general terms it is recognised that the value of a share represents the present value of the net cash flows expected therefrom. Cash flows can be in the form of either dividends and share sale proceeds or a residual sum derived from the liquidation of the business.

There are a number of methodologies used in valuing shares and businesses. The most commonly applied methodologies include:

- discounted cash flow (**DCF**)
- capitalisation of earnings
- net assets or estimated proceeds from an orderly realisation of assets.

Each of these valuation methodologies is applicable in different circumstances. The appropriate methodology is determined by a number of factors including the future prospects of the business, the stage of development of the business and the valuation practice or benchmark usually adopted by purchasers of the type of business involved.

The DCF method is the fundamental valuation approach used to assess the present value of future free cash flows (**FCF**), recognising the time value of money and risk. The value of an investment is equal to the value of FCF arising from the investment, discounted at the investor's required rate of return.

The capitalisation of earnings method is an adaptation of the DCF method. It requires an assessment of the maintainable earnings of the business and a selection of a capitalisation rate (or earnings multiple) appropriate to that particular business for the purpose of capitalising the earnings figure.

An assets based methodology is often used in circumstances where the assets of a company have a market value independent of the profitability of the company that owns them. A valuation based on an orderly realisation of assets is normally restricted to instances where the investor holds sufficient control to effect a sale of the assets and / or there is some indication that an orderly realisation is contemplated.

6.4 Valuation Approach

We have assessed the fair market value of NZFSU using the DCF method.

The DCF method that we have applied derives an assessment of the value of the core operating business, prior to considering how the business is financed or whether it has any significant surplus assets. This ungeared business value is commonly referred to as the enterprise value and represents the market value of the operating assets (i.e. operating working capital, fixed assets and intangible assets such as brand names, software, licences, know-how and general business goodwill) that generate the operating income of the business.

In order to assess the value of NZFSU's shares, we have deducted the Company's net IBD from the enterprise value and added the value of any material surplus assets.

Our DCF assessment is undertaken in US$ in line with how the Company reports its financial results. NZFSU is based solely in Uruguay and the majority of its revenue and expenditure are denominated in US$.

We have translated the assessed US$ value per share to NZ$ using the current spot exchange rates.

6.5 Discounted Cash Flow Valuation

Overview

The DCF methodology assesses value in 2 stages:

- first, the FCF of the business are forecast over a given time frame and a forecast of maintainable FCF beyond then is used to determine a perpetuity value
- then the FCF are adjusted to reflect their value at a certain point in time. Present values are calculated by discounting the FCF at an appropriate discount rate.

FCF represent the surplus cash associated with the business after deducting operating expenses, tax, movements in working capital and capital expenditure. They represent the cash which is available to pay returns to providers of debt and equity capital.

The discount rate used to determine the present values of the FCF is the estimated weighted average cost of capital (**WACC**). The WACC is a blend of the cost of debt and the cost of equity, weighted in accordance with the target capital structure of an entity owning the business. The WACC represents the rate of return required by investors to compensate them for the business risks they bear by investing in the business.

Free Cash Flows

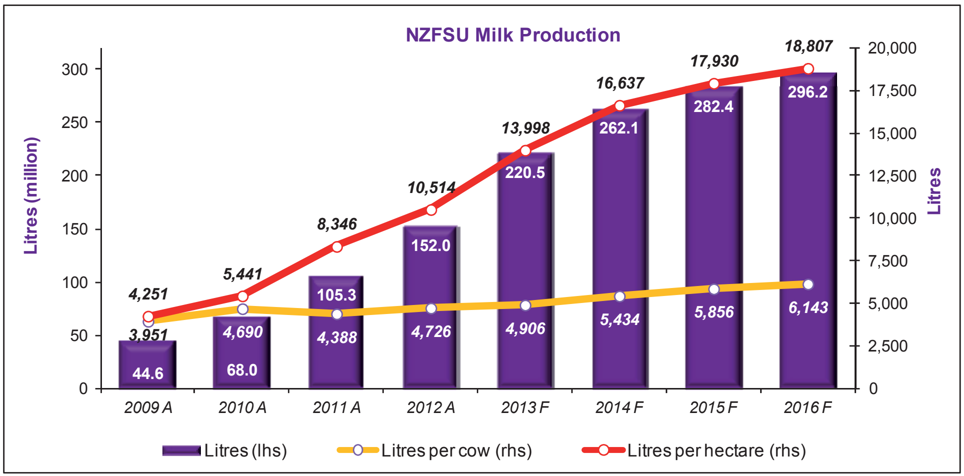
The base case FCF adopted in the DCF valuation are based on the NZFSU financial forecasts for the 14 years to 2026 as set out in the 2012 Business Plan. The 2012 Business Plan was approved by the Company's directors on 10 October 2012.

The key value drivers that materially impact NZFSU's FCF are:

- milk production volumes
- milk price
- operating expenses (especially in respect of grazing and youngstock rearing and feed purchases)
- taxation
- capital expenditure.

Milk Production Volumes

NZFSU is forecasting to reach a steady state milk production volume of 296.2 million litres by the 2016 financial year.



Steady state milking cow numbers (48,226 cows), effective milking hectares (15,752 hectares) and irrigated milking hectares (6,991 hectares) are forecast to be achieved in the 2014 financial year.

Forecast increases in milk production volumes in the 2015 and 2016 financial years of 8% and 5% respectively are mainly attributable to herd optimisation (through selective culling) and pasture management.

Milk Price

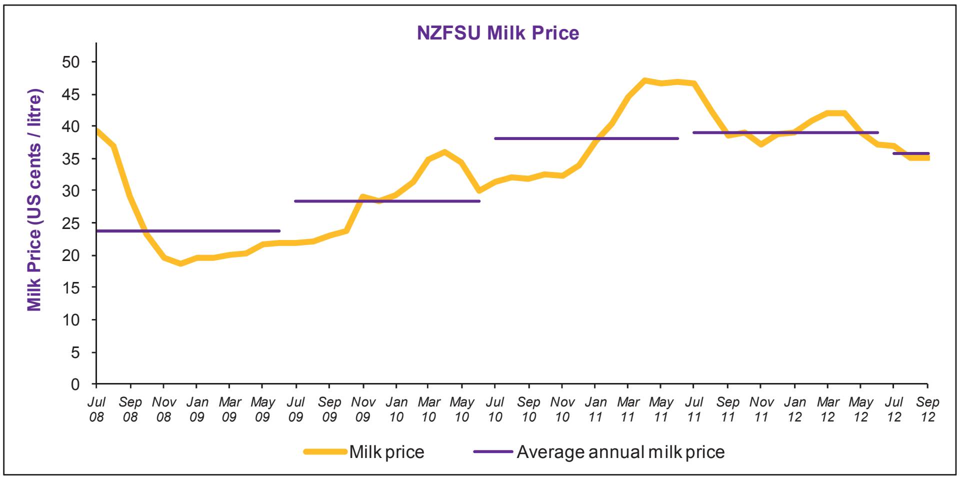
International dairy commodity prices are primarily driven by global supply and demand and government policy in the European Union and the USA. Supply and demand for dairy commodities is influenced by a number of factors including:

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

Dairy commodities prices have been relatively volatile in recent years (as have most commodities) and have been materially impacted by the global financial crisis and the emergence of demand from China and other Asian markets.

The Uruguayan farm gate price is significantly influenced by international dairy commodity prices. NZFSU has no control over the milk price it achieves for its production. The price paid by Conaprole is a function of various factors including the mix of products it produces, its cost structure, the US$:UYU exchange rate and the ratio of milk solids per litre of milk supplied.

The graph below shows that the milk price received by NZFSU has been very volatile over the past 4 years.



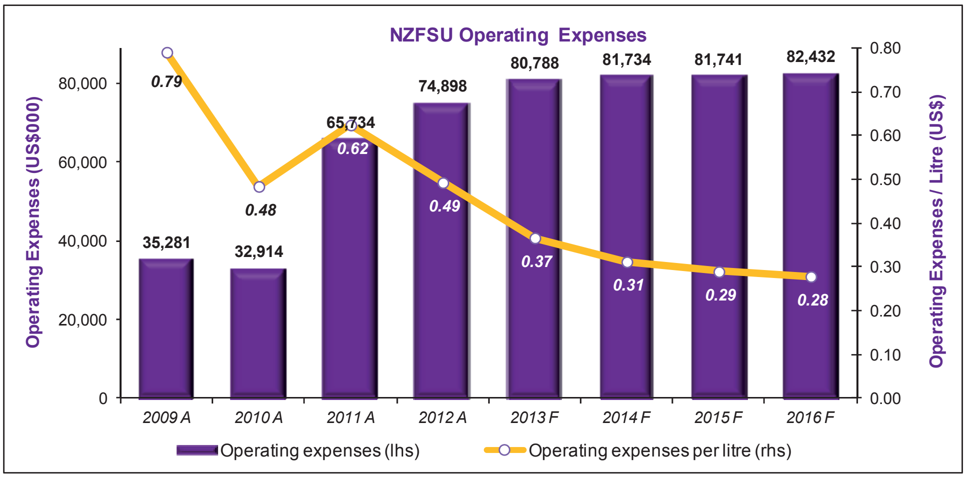
Prices have ranged between US$0.186 per litre (in December 2008) and US$0.471 (in April 2011). The average annual price rose each year between the 2009 and 2012 financials years but prices have been declining since April 2012 from US$0.42 per litre to US$0.35 in September 2012. The September 2012 price is based on ownership of full lactic capital (shares) in Conaprole. Immediately prior to September 2012, NZFSU was paid by Conaprole on the basis of less than 50% ownership of lactic capital and the milk price would have been around US$0.01 per litre lower at US$0.34 per litre.

The 2012 Business Plan assumes a milk price of US$0.34 per litre for the 2013 financial year and US$0.35 per litre thereafter.

Based on our review of various forecasts of long run milk powder and farm gate milk prices, we consider the milk prices adopted in the 2012 Business Plan to be reasonable.

Operating Expenses

The largest on-farm operating expenses are the costs associated with the grazing and rearing of young livestock and the cost of supplementary feed in the form of forages and concentrates. Wages and salaries represent the largest administrative expenses.



Total operating expenses are forecast to remain relatively steady from the 2014 financial year onwards upon the achievement of steady state levels of milking cow numbers, effective milking hectares and irrigated milking hectares.

The increase in forecast milk production volumes through to the 2016 financial year results in forecast operating costs per litre decreasing from US$0.37 in the 2013 financial year to US$0.28 per litre in the 2016 financial year.

Taxation

As discussed in section 4.7, NZFSU has significant unrecognised deferred tax assets relating to tax losses carried forward and tax incentives through the *Project of National Importance*. The accumulated tax losses and the benefit from being granted *Project of National Importance* status will offset most of NZFSU's income tax payments for the next 7 years.

Capital Expenditure

NZFSU expects to largely complete its farm development program in the 2013 financial year. The Company has identified capital expenditure requirements of US$32.9 million in the 2013 financial year. No significant capital expenditure is projected thereafter but ongoing pasture maintenance and farm repairs and maintenance is projected to be in the vicinity of US$3 million to US$4 million each year.

Weighted Average Cost of Capital

The calculation of the WACC, while being derived from detailed formula, is fundamentally a matter of professional judgement.

We have used the Capital Asset Pricing Model (**CAPM**) to assess the cost of equity for NZFSU. The inputs into our CAPM calculation are denominated in US$ from the perspective of an international investor and therefore includes an allowance for Uruguay country risk.

We have assessed the WACC for NZFSU to be in the vicinity of 10.5%.

Key inputs in the WACC assessment are:

- a risk free rate of 2.7% (based on long term US$ Treasury bonds yields)
- an asset beta of 0.6
- a market risk premium of 6.0%
- Uruguay country risk premium of 4.5% (based on the estimated Uruguayan bond default spread and the ratio of local equity market volatility and country bond volatility)
- a debt risk premium of 4.1%
- target financial leverage of 20%
- Uruguay corporate tax rate of 25%.

The above inputs result in a cost of equity in the vicinity of 11.7% and a cost of debt (before tax) in the vicinity of 6.8%.

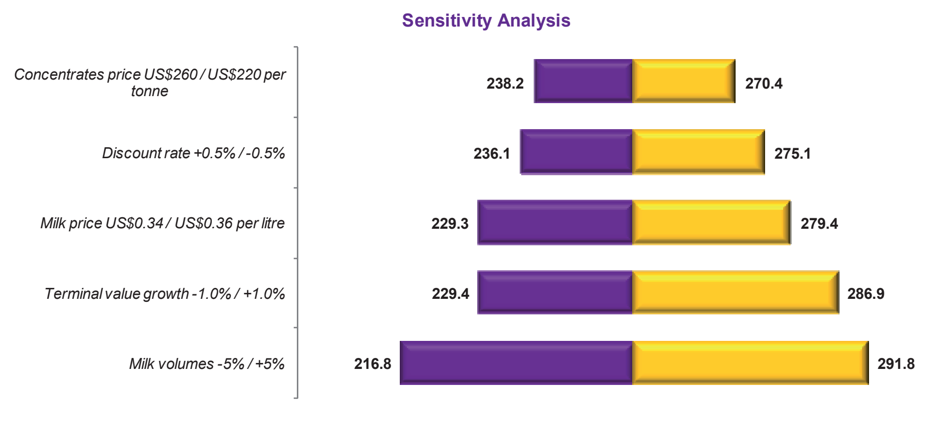
Base Case DCF Valuation Outcome

The base case FCF and WACC assumptions result in a base case valuation outcome in the vicinity of US$254.3 million.

Sensitivity Analysis

We have evaluated the sensitivity of the base case valuation outcome to changes to the key value drivers. The DCF assessment is particularly sensitive to the following factors:

- milk production volumes assumptions
- milk price assumptions
- concentrates feed price assumptions
- discount rate assumptions
- terminal growth assumptions.



In our view, the upside opportunities by and large outweigh the downside risks for NZFSU at this point in time:

- average annual milk prices in the past 2 years of US$0.381 per litre in the 2011 financial year and US$0.391 in 2012 have been significantly higher than the long run average price of US$0.35 adopted in the FCF
- reductions in milk volumes may likely be coupled with reductions in pasture and feed costs, thereby reducing the financial impact of this downside risk.

Valuation Conclusion

Based on the above, we assess NZFSU's enterprise value to be in the range of US$254 million to US$280 million. The bottom end of the range is based on the base case valuation outcome and the top end of the range is based on the milk price sensitivity analysis outcome.

6.6 Value of NZFSU Shares

To derive the value of NZFSU's shares, the value of surplus assets is added and the Company's net IBD is deducted from the enterprise value.

We are of the view that NZFSU has no material surplus assets at the present time. The US$2.4 million investment in Conaprole shares is an investment required under the Company's supply arrangements and therefore is not considered to be a surplus asset.

The Company's net IBD as at 30 June 2012 was US$149.7 million:

- cash and cash equivalents – US$6.1 million
- the Olam Loan – US$95.0 million
- Uruguayan bank loans – US$35.1 million
- Uruguayan bonds – US$25.7 million.

We assess the fair market value of 100% of the shares in NZFSU to be in the range of US$104.3 million to US$130.3 million. This equates to a value of US$0.43 to US$0.53 per share.

Based on the average exchange rate over the past month of NZ$1 = US$0.82, this equates to a value NZ$0.52 to NZ$0.65 per share.

Value of NZFSU Shares		
	Low US$m	**High US$m**
Enterprise value	254.0	280.0
Net IBD	(149.7)	(149.7)
Value of NZFSU shares	104.3	130.3
Number of ordinary shares currently on issue	244,236,495	244,236,495
Value per ordinary share (US$)	US$0.43	US$0.53
Exchange rate : NZ$1 = US$0.82		
Value per ordinary share (NZ$)	NZ$0.52	NZ$0.65

The relatively wide valuation range reflects the extreme sensitivity of the value of NZFSU to relatively small changes to the Company's key value drivers – particularly the milk price.

Each US$0.01 movement in the NZ$:US$ exchange rate has an approximate NZ$0.007 impact on the NZ$ valuation assessment. For example, if the NZ$:US$ exchange rate applied was NZ$1 = US$0.80, then the valuation range would be NZ$0.53 to NZ$0.67.

The valuation represents the full underlying standalone value of NZFSU based on its current strategic and operational initiatives. The value exceeds the price at which we would expect minority interests in NZFSU to trade on the NZSX at the present time in the absence of a takeover offer.

6.7 Implied Multiples

Given that NZFSU has forecast that it will not reach a steady state until the 2016 financial year, an evaluation of the implied valuation multiples based on its historic financial results or current year forecast is not overly useful in the evaluation of the reasonableness of the valuation outcome. Of more relevance is the implied valuation multiples based on the forecast steady state position in the 2016 financial year.

We have reviewed the implied 2016 steady state valuation multiples and consider them to be reasonable for a company of the nature of NZFSU and based on the risks it faces and its growth prospects. These implied multiples have not been disclosed in this report as to do so would effectively disclose the Company's forecast EBITDAR, EBIT and net profit for the 2016 financial year. The Company has chosen not to disclose these forecasts as they relate to a period 3 years hence.

6.8 Net Tangible Asset Backing

NZFSU's NTA as at 30 June 2012 amounted to US$149.1 million, equating to US$0.61 per share (NZ$0.75 per share). NTA as at 30 June 2012 exceeds our valuation range of US$0.43 to US$0.53 per share and is equivalent to the Olam Offer price of NZ$0.75 per share.

In our view, NTA on its own is not an appropriate measure of the value of a share. If the value of NZFSU's shares was to be measured based on asset values, then account would need to be taken of either:

- the costs to liquidate the Company in order to provide a cash return to shareholders (ie all asset realisation costs and company liquidation costs must be taken into account) or
- the costs that would be incurred each year to maintain the Company's operations as a going concern. This is most commonly taken into account in an assets valuation by capitalising the assessed level of maintainable corporate overheads at an appropriate earnings multiple and deducting this from NTA.

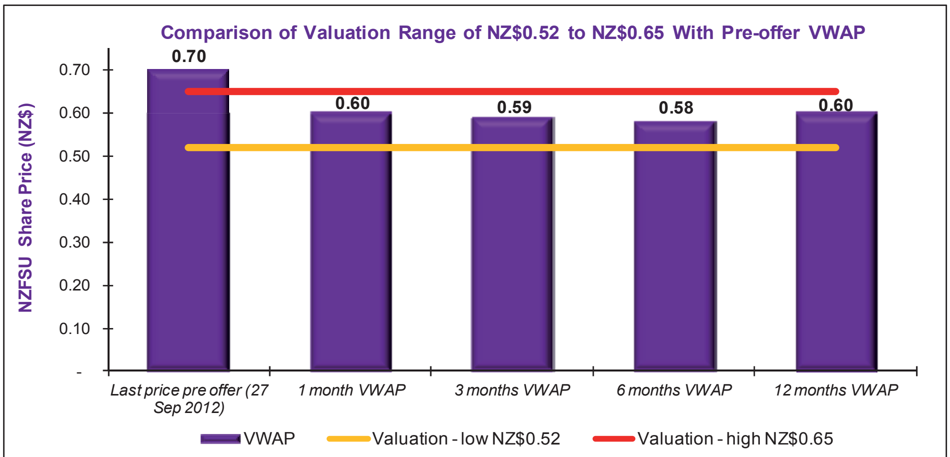
Either scenario would result in the assessed value of the shares based on asset values being lower than the Company's reported NTA.

6.9 Implied Premium for Control

Purchasers may be prepared to pay a premium in an acquisition that will give them control of a company. Frequently, purchasers will pay more for control of a business where they perceive they can add substantial value to the business operations through synergies with other operations, changed management practices, reduced or eliminated competition, ensured sources of material supply or sales or other means.

Gaining control in itself does not create value - real value enhancement can only flow from factors that either increase future cash flows or reduce the risk of the combined entity. All rational bidders will have made some assessment of the value of the synergies that are available and the proportion of that value that they are prepared to pay away in order to complete the acquisition.

The top end of our valuation range of NZ$0.65 represents premia ranging from 8% to 12% over recent share prices. The recent share prices are close to the midpoint of our valuation range of NZ$0.59.



7. Sources of Information, Reliance on Information, Disclaimer and Indemnity

7.1 Sources of Information

The statements and opinions expressed in this report are based on the following main sources of information:

- the Olam takeover notice dated 2 October 2012
- the Olam takeover offer dated 18 October 2012
- the draft NZFSU Target Company Statement
- the NZFSU board minutes since February 2009
- the NZFSU annual reports for the years ended 30 June, 2008 to 2012
- the NZFSU management accounts for the 2 months ended 31 August 2012
- the NZFSU budget for the year ended 30 June 2013
- the 2012 Business Plan, including financial projections for the 14 years from 30 June 2013 to 30 June 2026
- the Crighton Anderson Valuation Review
- the offer documents and target company statements in respect of the First Offer and the Second Offer
- the NZFSU prospectus and investment statement dated 3 November 2006
- the NZFSU listing profile dated 16 November 2007
- publicly available information in respect of Olam
- share price data and shareholder data from NZX Data, Capital IQ and Computershare
- publicly available information regarding the New Zealand and Uruguay dairy industries.

During the course of preparing this report, we have had discussions with and / or received information from the Independent Directors Committee and the executive management of NZFSU and NZFSU's legal advisers.

The Independent Directors Committee has confirmed that we have been provided for the purpose of this Independent Adviser's Report with all information relevant to the Olam Offer that is known to them and that all the information is true and accurate in all material aspects and is not misleading by reason of omission or otherwise.

Including this confirmation, we have obtained all the information that we believe is necessary for the purpose of preparing this Independent Adviser's Report.

In our opinion, the information set out in this Independent Adviser's Report is sufficient to enable the Independent Directors Committee and the shareholders to understand all the relevant factors and to make an informed decision in respect of the Olam Offer.

7.2 Reliance on Information

In preparing this report we have relied upon and assumed, without independent verification, the accuracy and completeness of all information that was available from public sources and all information that was furnished to us by NZFSU and its advisers.

We have evaluated that information through analysis, enquiry and examination for the purposes of preparing this report but we have not verified the accuracy or completeness of any such information or conducted an appraisal of any assets. We have not carried out any form of due diligence or audit on the accounting or other records of NZFSU . We do not warrant that our enquiries would reveal any matter which an audit, due diligence review or extensive examination might disclose.

7.3 Disclaimer

We have prepared this report with care and diligence and the statements in the report are given in good faith and in the belief, on reasonable grounds, that such statements are not false or misleading. However, in no way do we guarantee or otherwise warrant that any forecasts of future profits, cash flows or financial position of NZFSU will be achieved. Forecasts are inherently uncertain. They are predictions of future events that cannot be assured. They are based upon assumptions, many of which are beyond the control of NZFSU and its directors and management. Actual results will vary from the forecasts and these variations may be significantly more or less favourable.

We assume no responsibility arising in any way whatsoever for errors or omissions (including responsibility to any person for negligence) for the preparation of the report to the extent that such errors or omissions result from our reasonable reliance on information provided by others or assumptions disclosed in the report or assumptions reasonably taken as implicit.

Our evaluation has been arrived at based on economic, exchange rate, market and other conditions prevailing at the date of this report. Such conditions may change significantly over relatively short periods of time. We have no obligation or undertaking to advise any person of any change in circumstances which comes to our attention after the date of this report or to review, revise or update this report.

We have had no involvement in the preparation of the Target Company Statement issued by NZFSU and have not verified or approved the contents of the Target Company Statement. We do not accept any responsibility for the contents of the Target Company Statement except for this report.

7.4 Indemnity

NZFSU has agreed that, to the extent permitted by law, it will indemnify Simmons Corporate Finance and its directors and employees in respect of any liability suffered or incurred as a result of or in connection with the preparation of the report. This indemnity does not apply in respect of any negligence, wilful misconduct or breach of law. NZFSU has also agreed to indemnify Simmons Corporate Finance and its directors and employees for time incurred and any costs in relation to any inquiry or proceeding initiated by any person. Where Simmons Corporate Finance or its directors and employees are found liable for or guilty of negligence, wilful misconduct or breach of law or term of reference, Simmons Corporate Finance shall reimburse such costs.

8. Qualifications and Expertise, Independence, Declarations and Consents

8.1 Qualifications and Expertise

Simmons Corporate Finance is a New Zealand owned specialist corporate finance advisory practice. It advises on mergers and acquisitions, prepares independent expert's reports and provides valuation advice.

The person in the company responsible for issuing this report is Peter Simmons, B.Com, DipBus (Finance), CFIP.

Simmons Corporate Finance and Mr Simmons have significant experience in the independent investigation of transactions and issuing opinions on the merits and fairness of the terms and financial conditions of the transactions.

8.2 Independence

Simmons Corporate Finance does not have at the date of this report, and has not had, any shareholding in or other relationship with NZFSU or Olam that could reasonably be regarded as capable of affecting our ability to provide an unbiased opinion in relation to this transaction.

Simmons Corporate Finance has not had any part in the formulation of the Olam Offer or any aspects thereof. Our sole involvement has been the preparation of this report.

Simmons Corporate Finance will receive a fixed fee for the preparation of this report. This fee is not contingent on the conclusions of this report or the outcome of the Olam Offer. We will receive no other benefit from the preparation of this report.

8.3 Declarations

An advance draft of this report was provided to the Independent Directors Committee for its comments as to the factual accuracy of the contents of the report. Changes made to the report as a result of the circulation of the draft have not changed the methodology or our conclusions.

Our terms of reference for this engagement did not contain any term which materially restricted the scope of the report.

8.4 Consents

We consent 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 NZFSU's shareholders. Neither the whole nor any part of this report, nor any reference thereto may be included in any other document without our prior written consent as to the form and context in which it appears.

Peter Simmons
Director
Simmons Corporate Finance Limited
30 October 2012

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 6 November 2012.

2 OFFER

2.1 This Statement relates to a full takeover offer by Olam International Limited ("**Olam**") to purchase all of the ordinary shares ("**Shares**" or "**NZS Shares**") not already held by it in NZ Farming Systems Uruguay Limited ("**NZS**"), for a cash purchase price of NZ$0.75 per Share (the "**Offer**"). The Offer closes (subject to any extension) at 5.00 pm New Zealand time on 30 November 2012.

2.2 At the date of the Offer, Olam held 85.94% of the Shares.

2.3 The terms of the Offer are set out in the Offer Document dated 18 October 2012 ("**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) Robert Ernest Poole

(c) Timothy Ian Mackenzie Storey

(d) Vivek Verma

(e) Peter David Wilson

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 Vivek Verma and David Beca are directors of NZS and associated with Olam. During the six month period before the last practicable date before the date of this Statement, being 29 October 2012 ("**Reference Date**") Olam has made the following acquisitions:

3 October 2012, 25,000 NZS Shares at NZ$0.74
17 October 2012, 6,100 NZS Shares at NZ$0.74
18 October 2012, 9,252 NZS Shares at NZ$0.74
24 October 2012, 57,550 NZS Shares at NZ$0.74

There have been no 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 Reference Date.

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 ("**Olam Shares**") held or controlled by NZS, the directors and senior officers of NZS and their associates are set out in Schedule Three.

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

8.3 NZS director Vivek Verma and Managing Director David Beca hold 3,350,000 and 925,000 options respectively to acquire Olam Shares pursuant to the Olam Employee Share Option Scheme. At the date of this Statement neither of these directors is yet to exercise any of the options granted to them.

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 Vivek Verma, a director of NZS, is an executive of Olam heading Olam's Coffee, Dairy and Commodity Financial Services divisions. Vivek Verma receives remuneration from Olam in his capacity as an executive. David Beca is a director of Outspan Cyprus, a related company of Olam investing in Russia and Olam New Zealand Limited (Olam New Zealand Limited currently has no assets). David Beca spends approximately 10% of his time on work related to Olam's investment in Russia and is remunerated by Olam for work done in this capacity. Other than Mr Verma and Mr Beca, none of the other directors or any senior officers of NZS is also a director or senior officer 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 Vivek Verma and David Beca are directors of NZS and associated with Olam. Olam entered a loan agreement for up to US$50 million with NZS in 2010, under which Olam is the lender. The loan term has been extended to 31 December 2012 and the credit limit increased to a total amount of US$110 million.

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

Potential capital raising - NZS updated its shareholders in September 2012, in its annual report concerning potential capital raising to fund the updated business plan capital expenditure to enable completion of development and to repay debt including the shareholder loan made by Olam to NZS pursuant to which it agreed to lend up to US$110 million to NZS. NZS advised that it was considering raising the additional capital through a rights issue to all existing shareholders. The amount of capital intended to be sought was up to US$135 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 advised NZS that it will not demand repayment of its loan 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 acquire all of the remaining Shares and delist NZS, in which case no capital raising will occur.

Potential delisting - 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 29 October 2012, NZS has more than 500 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. NZX can make that delisting subject to such conditions it thinks fit, which can include arrangements to protect minority shareholders. 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.

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 Tim Storey and Peter Wilson.

15.2 David Beca and Vivek Verma are associated with Olam.

15.3 The directors being Peter Wilson, Tim Storey and Robert Poole (excluding David Beca, and Vivek Verma, who have abstained from making any recommendation in relation to the Offer), recommend to shareholders that they accept the Offer. David Beca and Vivek Verma are abstaining as they are associated with 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, Tim Storey.

15.5 The directors recommend to shareholders that they accept the Offer for the following reasons:

(a) the Offer price is well above the Independent Adviser's value range of NZ$0.52 - NZ$0.65 per share; and

(b) if Olam does not acquire the balance of NZS Shares it does not already own, shareholders may be required to contribute significant additional equity to repay the Olam loan and meet operational and capital expenditure requirements. On the basis of a pro-rata rights issue discussed at page 9 of the Independent Adviser's Report included with this statement, to raise US$135 million, shareholders would be asked to subscribe at NZ$0.67 per each share they hold, based on exchange rates at 31 October 2012. There can be no assurance that shareholders could in the near future sell at a price that would recover that further investment, particularly given the value range in the Independent Adviser's Report and there is no assurance future performance will necessarily improve the price particularly in the short term.

16 ACTIONS OF TARGET COMPANY

16.1 There are no 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 2012) by making a written request to:

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

18.2 On 27 August 2012, NZS confirmed the audited result for the twelve month period to 30 June 2012. The 2012 result shows net operating revenue for the twelve months of US$63.1 million.

Gain before interest and finance costs was a profit of US$5.2 million (including a US$10.1 million livestock fair value adjustment) and Net Profit After Tax ("**NPAT**") was a US$7.6 million loss.

A copy of the most recent annual report and the audited financial statements to 30 June 2012 are available on NZS' website at www.nzfsu.co.nz.

18.3 The material changes in the financial position or trading position, or prospects, of NZS since the annual report to 30 June 2012 are as follows:

(a) challenging conditions year to date have resulted in milk production levels being approximately 10% behind forecast;

(b) during the period NZS has drawn down US$15 million from the Olam shareholder facility, currently owing the full amount of US$110 million; and

(c) during the period NZS has drawn down US$5 million from the Banco de la República Oriental del Uruguay facility in order to complete development, currently owing the full amount of US$30 million.

18.4 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 Simmons Corporate Finance Limited, 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 annual report to 30 June 2012 refers at pages 25 and 27 to valuation reviews on livestock and property, plant and equipment, conducted by Crighton Anderson Property and Infrastructure Limited ("**Crighton Anderson**") 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 Anderson 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 and livestock as at 30 June 2012. Crighton Anderson also confirmed that these valuations were suitable for inclusion within the 2012 Financial Statements of the NZS Group.

At 30 June 2012 the NZS Group owned 28,275 hectares of land with an average capital value based on valuation of US$6,238 per hectare (being an increase in the per hectare value of 15.1% on 30 June 2011: 27,871 hectares at average valuation of US$5,421 per hectare). The total fair value of livestock less disposal costs at 30 June 2012 was US$83.4 million. Please note that these figures are subject to rounding.

The valuations referred to are as follows:

2012

Crighton Anderson	30 June 2012
Escritorio Dutra Ltda	June – July 2012

Basis of computation and key assumptions

Land and improvements

All properties are carried at fair value. 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. The value of improvements incorporate the existing on farm improvements at an estimate of their added value to each farm. 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.

The basis for 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.

Livestock

Livestock is measured at fair value net of estimated point-of-sale costs. Fair value is defined as the amount for which an asset could be exchanged between knowledgeable, willing parties in an arm's length transaction. The value of each class of livestock has been assessed on a per head basis. The values assessed have been derived from comparison with recent livestock sales that have occurred in Uruguay. Livestock disposal costs in 2011 included commission payments depending on the class of livestock, and value added tax ("**VAT**") on the commission. In 2012 only commission payments have been included within livestock disposal costs as it is considered that VAT is a recoverable cost to the NZS Group.

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.

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.

22 SALES OF UNQUOTED EQUITY SECURITIES UNDER OFFER

22.1 The Shares, which are the subject of the offer, are quoted on the NZSX.

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) 29 October 2012, being the latest practicable working day before the date on which this Statement is sent to shareholders, was NZ$0.74; and

(b) 1 October 2012, being the last day on which the NZSX was open for business before the date on which NZS received Olam's takeover notice, was NZ$0.70.

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 (2 October 2012) were as follows:

(a) the highest closing market price was NZ$0.70 on 27 September 2012; and

(b) the lowest closing market price was NZ$0.53 cents on 28 May 2012.

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 2011/2012 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 Vivek Verma is a senior officer of Olam. As a result, he has not been asked to approve this statement in his capacity as a director of NZS, but has been asked to provide confirmation of statements of fact in relation to statements relating to Olam.

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:

Timothy Ian Mackenzie Storey
Director

Peter David Wilson
Director

Robert Ernest Poole
Director

David Anthony Beca
Managing Director/Chief Executive Officer

Silvina Crosa
Chief Financial Officer

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
Robert Poole	2,550,000	1.04%	–	–

Notes:

1. Director Robert Poole holds 1,800,000 of the ordinary shares (0.74%) jointly with C Poole and holds the remaining 750,000 ordinary shares (0.31%) as a Trustee of the Patiki Ranch Trust.
2. Directors Vivek Verma and David Beca are associated with Olam, who at 29 October held relevant interests in 209,966,659 NZS Shares.

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 29 OCTOBER 2012	PERCENTAGE	DATE OF LAST SUBSTANTIAL SECURITY HOLDER NOTICE
Olam International Limited	209,966,659	85.97%	24 June 2011

Notes:

1. This information is taken from substantial security holder notices filed with the NZX as at 24 June 2011, Rule 36 notices under the Takeovers Code, the Offer Document and NZS' share register as at 29 October 2012.

Schedule Three – 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
Vivek Verma	4,179,339	0.17%	–	–

Notes:

1. Director Vivek Verma also holds 3,350,000 options to acquire Olam Shares pursuant to the Olam Employee Share Option Scheme, however at the date of this Statement, is yet to exercise these options.
2. Director David Beca holds 925,000 options to acquire Olam Shares pursuant to the Olam Employee Share Option Scheme, however at the date of this Statement is yet to exercise these options.

NZ Farming Systems URUGUAY

www.nzfsu.co.nz