31 May 2013

2013 Half-Year Results Discussion and Analysis

Attached is the discussion and analysis of the financial results for the 6 month period ended 31 March 2013.

Peter Hastings
Company Secretary

F13H1 Financial Results Discussion and Analysis

Results for the 6 months ended 31 March 2013

31 May 2013

31 May 2013

2013 First Half Financial Results

Discussion and Analysis

This document provides discussion and analysis of Elders Limited's financial results for the 6 months ended 31 March 2013 as announced to the ASX today.

Calculation of underlying profit

This document and accompanying announcements, such as the 2013 First Half Financial Results Press Release, refer to and discuss underlying profit to enable analysis of like-for-like performance between periods, excluding the impact of discontinued operations or events which are not related to ongoing operating performance.

Underlying profit measures reported by the Company have been calculated in accordance with the FINSIA/AICD principles for the reporting of underlying profit. Underlying profit is non-IFRS financial information and has not been subject to review by the Group's external auditors, but is derived from audited accounts by removing the impact of discontinued operations and items not related to ongoing operating performance.

Reconciliation between statutory and underlying profit is provided on page 3 of this document.

Prior period comparatives

Prior period comparatives presented in the 2012 Annual Financial Report, the 2012 First Half Financial Report and this document recognise the impact of changes in the composition of the business to recognise discontinuation of assets and operations divested. Details of discontinued operations are provided in Note 18 of the 2013 First Half Financial Report.

Where appropriate, prior period comparatives have been amended to provide a like-for-like comparison.

Abbreviations & Definitions	
2012 and FY12:	12 months ended 30 September 2012
2013 and FY13:	12 months ended 30 September 2013
F13 H1 and F12 H1:	first half year: i.e. six months to 31 March of 2013 or 2012
F13 H2 and F12 H2:	second half year: i.e. six months to 30 September of 2013 or 2012
pcp:	prior corresponding period, 6 months ended 31 March 2012
EBIT:	earnings before interest and tax
Statutory/Reported profit/loss:	profit or loss as defined by International Financial Reporting Standards (IFRS)
Underlying profit/EBIT:	profit/EBIT before recognition of discontinued operations and items not related to ongoing operating performance
Contribution:	earnings before support centre and other costs, interest and tax; i.e. gross margin less costs
F/(UF):	favourable/unfavourable variance
k:	thousand
m:	million
n/m:	not meaningful
Elders:	Elders Limited and/or its subsidiaries
Company and Group:	Elders Limited and/or its subsidiaries

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Reconciliation of Statutory and Underlying Profit

The statutory loss after tax attributable to owners of the parent (shareholders) of $(303.2m) for the 6 months ended 31 March 2013 (F12 H1: $47.1m profit) includes a number of items considered either not related to ongoing operating performance or related to discontinued operations.

Calculation of underlying profit by excluding these items enables more meaningful comparison of results between periods by providing like-for-like figures for ongoing operations.

Underlying profit is calculated as follows:

Statutory and Underlying Profit		
$m after tax 6 months ended 31 March:	**F13 H1**	**F12 H1**
Reported profit/(loss) after tax to shareholders	**(303.2)**	**47.1**
Items excluded from underlying profit/(loss):		
Rural Services	(62.3)	(1.5)
Corporate & other	(15.0)	5.9
Automotive	(166.0)	10.3
Forestry	(1.6)	(12.8)
Tax on items excluded from underlying profit/(loss)	(35.5)	40.7
Items excluded from underlying profit/(loss)	**(280.4)**	**42.6**
Underlying profit/(loss) after tax to shareholders	**(22.8)**	**4.5**

As at balance date, the Company has determined the process relating to the proposed divestment of Automotive is sufficiently advanced to require classification of the division as ‘held for sale’, and the Forestry disposal groups continue to meet the held for sale classification requirements. The Company also determined that the process relating to the proposed divestment of Rural Services business is not sufficiently advanced to require classification as “held for sale” and as such continues to be classified as in use in accordance with Accounting Standards.

Items excluded from statutory profit to determine underlying profit for the 6 months ended 31 March 2013 comprise:

- **Rural Services** items before tax of $(62.3m), including impairment of intangibles $(52.0m), other asset impairments $(7.2m), cost of putting on hold the IT platform replacement project pending the sale of Rural Services $(2.5m) and onerous contracts $(0.6m).
- **Corporate** items before tax of $(15.0m), including impairment of investment in Seafood Delicacies Ltd $(5.3m), costs for divestment of Automotive and Rural Services $(3.8m), interest relating to discontinued operations $(4.1m), restructure costs $(1.7m) and other items $(0.1m).
- **Automotive** items before tax of $(166.0m), including impairment of intangibles $(166.5m), restructure costs $(3.4m) and results from discontinued Automotive operations for the period $3.9m.
- **Forestry** items before tax of $(1.6m), including reversal of asset impairments for assets held for sale $13.2m and gain on disposal of assets $1.9m, which were offset by equity loss and impairment associated with the ALT investment $(5.6m), restructure costs $(3.4m) and results from discontinued forestry operations for the period $(7.7m).
- **Tax** items excluded from underlying results of $(35.5m), relating to de-recognition of Deferred Tax Asset on prior year losses $(52.0m), partly offset by realisation of taxable income on wind up of Forestry assets and provisions $14.0m and other items $2.5m.

Reported and Underlying Profit measures

Profit: Reported and Underlying			
$m 6 months ended 31 March:	F13 H1	F12 H1	F/(UF)
Underlying EBIT	**(10.7)**	**16.8**	(164%)
Net underlying finance costs	(9.0)	(9.6)	6%
Underlying profit/(loss) before tax	**(19.7)**	**7.2**	(374%)
Tax on underlying profit/(loss)	(1.2)	(1.1)	(9%)
Non-controlling interests	(1.9)	(1.6)	(19%)
Underlying profit/(loss) to shareholders	**(22.8)**	**4.5**	(606%)
Items excluded from underlying profit/(loss) [1]	**(280.4)**	**42.6**	n/m
Reported profit/(loss) after tax to shareholders	**(303.2)**	**47.1**	n/m
Earnings per share (cents)			
- reported basic	(67.6)	10.5	
- reported diluted	(67.6)	4.1	
- underlying basic	(5.1)	1.0	
- underlying diluted	(5.1)	0.4	

[1] *Items excluded from underlying profit are detailed on page 3 of this document*

Movement in Underlying Profit Before Tax

Profit Movement Analysis		
$m 6 months ended 31 March:		
F12 H1 Underlying profit/(loss) before tax		**7.2**
Change in F13 H1 from:		
Rural Services EBIT	**(28.8)**	
Corporate & other EBIT	**1.3**	
Change in underlying EBIT		(27.5)
Change in underlying finance costs		0.6
F13 H1 Underlying profit/(loss) before tax		**(19.7)**

Underlying profit before tax declined by $(26.9m) in comparison with pcp due to:

- Decrease in underlying EBIT by $(27.5m):
  - Rural Services EBIT down $(28.8m) due to lower earnings from the Australian Network, International Trading operations and unfavourable mark-to-market movements, which was partly offset by increased earnings from the New Zealand Network and cost reductions in Support Centres.
  - Corporate and other EBIT improved $1.3m from cost reductions.
- Net underlying finance costs $0.6m lower than pcp as detailed on page 5.

Key Profit and Loss Items

Key Profit & Loss items			
$m 6 months ended 31 March:	**F13 H1**	**F12 H1**	**F/(UF)**
Sales revenue			
- Continuing operations	751.9	860.5	(13%)
- Discontinued operations	175.3	178.0	(2%)
Total sales revenue	**927.2**	**1,038.5**	(11%)
Depreciation & amortisation			
- Continuing operations	3.4	3.3	(3%)
- Discontinued operations	9.4	8.6	(9%)
Total depreciation & amortisation	**12.8**	**11.9**	(8%)
Income from associates			
- Continuing operations	4.6	4.5	1%
- Discontinued operations	(0.1)	(0.8)	n/m
Total income from associates	**4.5**	**3.7**	22%
Net finance costs			
Finance cost on core debt - gross	(9.2)	(13.4)	31%
Finance cost excluded for asset being divested	2.2	4.9	n/m
- Underlying finance cost on core debt	(7.0)	(8.5)	18%
- Finance cost on self-liquidating facilities	(3.2)	(3.8)	16%
- Interest income	5.0	5.5	(9%)
- Other finance costs	(3.8)	(2.8)	(36%)
Underlying net finance costs	**(9.0)**	**(9.6)**	6%
Excluded from underlying finance costs	**(5.8)**	**6.4**	n/m
Total net finance costs	**(14.8)**	**(3.2)**	n/m

Key profit and loss items for the year include:

- **Continuing sales revenue** of $751.9m was down 13% or $(108.6m), with $(10.5m) relating to operations wound down in F12 (wool indent) and $(98.1m) relating to ongoing Rural Services operations:
  - Australian Network sales were down $(63.6m), mainly in Farm Supplies $(46.1m) from lower demand for agricultural chemicals due to hot and dry conditions and in Livestock $(14.4m) from lower sheep and cattle prices.
  - NZ Network sales were $(6.7m) lower from drought conditions with farmers offloading stock for slaughter which placed downward pressure on prices and limited cash flow spending on farm inputs.
  - International Trading sales were $(27.8m) lower as a result of reduction in Indonesian import quotas impacting short haul shipping volumes and resetting of a number of long haul shipping positions from F13 H1 to F13 H2.
- **Discontinued sales revenue** related to Automotive $174.4m (pcp $168.7m) and Forestry $0.9m (pcp $9.3m). Automotive sales were $5.7m higher with ramp up in Thailand $27.2m, USA $16.0m and China, which more than offset lower Australian sales from reduced vehicle build volumes.
- **Reported net finance costs** of $(14.8m) in F13 H1 includes:
  - **Underlying net finance costs of $(9.0m),** which comprises:
    - Underlying finance cost on core debt $(7.0m) which excludes interest to finance designated Forestry assets being divested $(2.2m). Total finance cost on core debt of $(9.2m) was $(4.2m) lower than pcp due to reduced core debt levels (Mar 13 $238.4m, Mar 12 $301.2m) and lower interest rates;
    - Finance cost on self-liquidating facilities was down due to lower interest rates;
    - Interest income includes interest on overdue debtors $4.0m (F12 H1 $4.3m), interest income from associates and other interest income; and
    - Other finance costs relating to facility fees and other interest related items.
  - **Excluded from underlying finance cost $5.8m**, which comprises:
    - Interest expense related to discontinued operations, comprising Forestry $(2.2m) [pcp $(4.9m)] and Automotive self-liquidating facilities $(1.9m),
    - Early termination costs $(1.9m) of Automotive's self-liquidating facilities;
    - Interest income from the ATO as a result of the successful objection to an amended tax assessment $10.9m in F12 H1; and
    - Other net income items of $0.2m (pcp $0.4m).

Cash Flow

Cash Flow			
$m 6 months ended 31 March:	**F13 H1**	**F12 H1**	**F/(UF)**
Operating cash flow	(30.1)	(39.9)	9.8
Investing cash flow	13.6	13.4	0.2
Financing cash flow	(2.2)	7.4	(9.6)
Total cash flow	**(18.7)**	**(19.1)**	**0.4**

By Segment	Group Total	Auto-motive	Forestry	Excl Auto Forestry	Rural Services	Corp & Other
F13 H1 Operating cash flow						
- before working capital	(5.4)	18.7	(6.7)	(17.4)	3.7	(21.1)
- working Capital movement	(24.7)	(27.1)	(15.3)	17.7	20.7	(3.0)
Total operating cash flow	**(30.1)**	**(8.4)**	**(22.0)**	**0.3**	**24.4**	**(24.1)**

Operating cash flow

Positive cash generation from Rural Services in F13 H1 was more than offset by cash outflow from Corporate, Automotive and Forestry.

Rural Services and Corporate generated operating cash inflow of $0.3m. Features of operating cash flow include:

- Rural Services' recorded cash inflow from operating activities of $3.7m prior to working capital movements of $20.7m, which reflects lower turnover together with the active management of debtors and focus on Farm Supplies inventory.
- Corporate recorded an operating cash outflow of $(24.1m) mainly due to borrowing costs $(15.9m), working capital movements of $(3.0m), head office costs $(3.0m) and costs relating to divestments of Rural Services and Automotive.

Automotive operations generated an operating cash inflow of $18.7m before working capital movements of $(27.1m), which reflects requirements of new programs in USA and Thailand, and tooling recoveries expected to be received in the June quarter.

Forestry operations recorded cash outflow of $(6.7m) before working capital movements. Working capital movements $(15.3m) comprises payments associated with maintaining assets held for sale, including lease obligations prior to sale.

Investing cash flow

Investing cash flow of $13.6m in F13 H1 includes receipts of $23.8m from asset sales (mainly Forestry), partially offset by capital expenditure of $(10.4m) by Automotive on design and development for new contracts, together with expenditure on new facilities related to expansion of operations overseas.

Financing cash flow

Financing cash flow of $(2.2m) in F13 H1 includes the receipt from an additional $60m facility in November 2012, which was offset by repayment of Term debt $(10.2m) and a seasonal reduction in the balance of the self-liquidating facilities $(51.1m). The additional facility of $60m was sourced to fund operations through to the expected completion of the sales of Futuris Automotive and Rural Services businesses and the divestment of Forestry assets.

Balance Sheet and Finance

Balance Sheet: key items			
$m as at end:	**Mar 13**	**Sep 12**	**Mar 12**
Assets and Liabilities: key items			
Inventory and livestock	**187.8**	234.4	263.2
Trade and other receivables	**340.5**	498.0	520.4
Trade and other payables	**(263.7)**	(386.6)	(371.7)
Working Capital	**264.6**	345.8	411.9
Assets(Liabilities) held for sale - net	**135.0**	71.5	165.9
Property, plant and equipment	**43.0**	95.7	83.9
Investments	**74.4**	80.5	83.4
Intangibles	**105.0**	277.3	260.3
Provisions	**(100.8)**	(146.0)	(122.2)
Net Debt and Equity			
- Borrowings - current: self-liquidating facilities	**148.1**	199.2	134.7
- Borrowings - current: core debt [1]	**234.9**	103.8	216.9
- Borrowings - non current: core debt [1]	**3.5**	82.8	84.3
- Debt related financial derivatives	**0.9**	1.5	-
- Cash and cash equivalents	**(73.3)**	(92.0)	(62.5)
Net debt	**314.1**	295.3	373.4
Shareholders' equity	**251.1**	551.8	647.3
- Gearing % - core net debt / equity	**66.1%**	17.4%	36.9%
- Gearing % - self-liquidating facilities / equity	**59.0%**	36.1%	20.8%
Gearing % - net debt / equity	**125.1%**	53.5%	57.7%
Net Tangible Asset per share $	0.19	0.40	0.64

Assets and liabilities

The Company, at 31 March 2013, resolved that the Futuris Automotive divestment had progressed to a stage where it was appropriate to classify the Automotive segment as held for sale and as a discontinued operation. Both Forestry and Automotive balances are now included in 'Assets(Liabilities) held for sale'.

Significant movements during the 6 months to 31 March 2013 include:

- Working capital movement was lower by $81.2m
  - Automotive is now reclassified to Assets (Liabilities) held for sale, with $37.2m included in the working capital balance at 30 Sep 12.
  - The remaining working capital reduction of $44.0m is predominantly in Rural Services as a result of active debtor management and focus on inventory, seasonal variations and impact of the seasonal and market conditions in early 2013 that reduced sales turnover. The $44.0m reduction is reflected in:
    - Inventory and livestock $9.4m lower as a result of higher cattle on hand at Sep 12 to fill several global cattle trade shipments post balance date.
    - Receivables $80.1m lower with the reduction mainly in Rural Services from reduced livestock turnover due to lower sheep and cattle prices, lower farm input sales from hot and dry conditions and active debtor management.
    - Payables $45.5m lower from reduced trade payables in Rural Services as a result of the lower turnover in livestock and farm supplies.
- Assets held for sale (net of liabilities) $135.0m at Mar 13 related to Forestry $59.9m and Automotive $75.1m (as detailed in Note 18 of the 2013 First Half Financial Report). The net increase due to Automotive reclassification to assets held for sale is reflected in corresponding movements in Working Capital, Property, plant and equipment and Provisions.
- Intangibles reduced by $172.2m as a result of the impairments in Rural Services and Automotive and reclassification to asset held for sale.

Indebtedness

Net debt was $18.8m higher than at September 2012 and $59.3m lower than pcp.

Gross borrowings of $385.6m at 31 March 2013 comprises core debt of $238.4m and self-liquidating finance facilities of $148.1m, which are securitised by farm supplies and automotive receivables.

At the date of this report, the Group has in place funding arrangements from its financiers which provide for the continuation of funding through the anticipated withdrawal from Forestry and the expected completion of the sales of Futuris Automotive and Elders Rural Services.

Review of Operations

Rural Services

Rural Services			
$m 6 months ended 31 March:	F13 H1	F12 H1	F/(UF)
Sales - continuing operations	**751.9**	**860.5**	(13%)
- Underlying	751.9	850.0	(12%)
- Excluded from underlying sales	-	10.5	(100%)
Depreciation & amortisation	**3.4**	**3.3**	(3%)
Gross margin	**135.4**	**156.5**	(13%)
- Australian Network	111.9	130.4	(14%)
- New Zealand	10.5	10.0	5%
- Trading	13.0	16.1	(19%)
Costs	**(146.0)**	**(146.8)**	1%
- Australian Network	(108.8)	(105.1)	(4%)
- New Zealand	(9.1)	(9.5)	4%
- Trading	(11.4)	(10.8)	(6%)
- Support centres & other	(16.7)	(21.4)	22%
Equity accounted earnings	**5.8**	**6.2**	(6%)
Underlying EBIT before FX mark-to-market	**(4.8)**	**15.9**	(130%)
FX mark-to-market	**(2.9)**	**5.2**	(156%)
Underlying EBIT	**(7.7)**	**21.1**	(136%)
Items excluded from underlying EBIT	**(62.2)**	**(1.5)**	n/m
Reported EBIT	**(69.9)**	**19.6**	n/m
Operating cash flows	**24.4**	**7.7**	**217%**

Underlying EBIT declined due to challenging seasonal and market conditions impacting the agribusiness sector in F13 H1. The three main factors contributing to the change in underlying earnings have been the record breaking hot and dry conditions in Australia and New Zealand, significant reductions in livestock market values compared to pcp and the deterioration in export conditions as the Indonesian government curtailed cattle import permits. The result was further impacted by an unfavourable FX mark-to-market adjustment. The benefit of cost reduction initiatives in Support Centres was more than offset by lower margins from operations.

Sales from continuing operations reduced 13% to $751.9m, with lower sales in the Australian Network $(63.6m), New Zealand $(6.7m) and Trading $(27.8m) due to the adverse seasonal and market conditions.

Gross margin was down 13% or $(21.1m) from lower sales, with decreases in the Australian Network $(18.5m) and Trading $(3.1m) that were partly offset by improved margins in New Zealand $0.5m.

Costs reductions were mainly in Support Centres with benefits realised in both F12 H2 and F13 H1 from the cost reduction program announced in July 2012. Support Centre costs reduced 22% or $4.7m from pcp, with costs in New Zealand also lower by 4%. These reductions were offset by increased costs in Australian Network and International Trading.

FX mark-to-market result in F13 H1 was an unrealised loss of $(2.9m), which partly reversed the unrealised gains in F12 due to settlement of contracts in the period and a lower AUD/USD exchange rate at balance date.

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Australian Network

Australian Network			
$m 6 months ended 31 March:	**F13 H1**	**F12 H1**	**F/(UF)**
Farm Supplies			
- Sales revenue	**403.5**	449.6	(10%)
- Gross margin	**44.8**	51.7	(13%)
Livestock Agency			
- Sales revenue	**43.3**	57.7	(25%)
- Gross margin	**30.3**	41.5	(27%)
Wool Agency			
- Sales revenue	**27.1**	30.3	(11%)
- Gross margin	**8.8**	9.2	(4%)
Real Estate			
- Sales revenue	**23.6**	23.9	(1%)
- Gross margin	**13.2**	13.8	(4%)
Banking Distribution			
- Sales revenue	**10.2**	10.6	(4%)
- Gross margin	**10.1**	10.5	(4%)
Others			
- Sales revenue	**4.8**	4.0	20%
- Gross margin	**4.7**	3.7	27%
Total Australian Network			
- Sales revenue	**512.5**	576.1	(11%)
- Gross margin	**111.9**	130.4	(14%)
- Equity accounted earnings	**5.4**	5.7	(5%)
- Costs	**(108.8)**	(105.1)	(4%)
Underlying EBIT	**8.5**	**31.0**	(73%)

Sales Revenue and Margin: Extreme temperatures were recorded in F13 H1 with the second warmest spring and hottest summer on record. These high temperatures and much below average spring and summer rainfalls across Southern and Eastern Australia resulted in lower disease pressures, restriction of summer crop plantings, decreased demand for agricultural chemicals, reduced feed availability and continued subdued broadacre property markets.

- **Farm Supplies**: Sales were $(46.1m) lower due to reduced demand for insecticide, fungicide and herbicide products (sales of agricultural chemicals down 21% or $(30.2m)) and lower fertiliser sales from reduced cropping activity.
- **Livestock Agency**: High livestock slaughter rates have reduced the national cattle herd and sheep flock, with lower re-stocker activity and reduced international demand placing downward pressure on prices. Livestock sales and margins declined mainly from the lower prices for sheep (down 37%) and cattle (down 16%).
- **Wool Agency**: Volumes rose 2%, however sales revenue declined 11% as the high AUD continued to pressure wool prices (down 12% from elevated levels). Fixed service fees restricted the margin decline to 4%.
- **Real Estate**: Broadacre property markets remained subdued, with adverse seasonal conditions impacting confidence levels.
- **Banking Distribution:** Loans and deposits were lower with land values under pressure and farmers remaining cautious in the current economic environment.
- **Other Revenue** includes income from accumulation of grain and distribution access fees from the Insurance and Financial Planning joint ventures.

Costs were 3.5% higher in line with an increased number of sales staff and inflationary increases in motor vehicle and property costs, partly offset by reduction in discretionary spending.

Equity accounted earnings are recognised for Elders' joint ventures, which include its financial services joint ventures Elders Insurance and Elders Financial Planning, the AWH logistics operation and Auctions Plus. Earnings were 5% down on pcp due to reduced earnings in Elders Financial Planning and Auctions Plus.

Equity Accounted Earnings - Australian Network			
$m 6 months ended 31 March:	**Interest %**	**F13 H1**	**F12 H1**
Australian Wool Handlers	50%	**2.2**	2.2
Elders Insurance	25%	**3.1**	3.0
Elders Financial Planning	49%	**(0.1)**	0.1
Auctions Plus	50%	**0.2**	0.4
Equity accounted earnings		**5.4**	5.7

New Zealand Network

New Zealand Network			
$m 6 months ended 31 March:	**F13 H1**	**F12 H1**	**F/(UF)**
Farm Supplies			
- Sales revenue	**22.9**	25.7	(11%)
- Gross margin	**2.1**	2.6	(19%)
Wool Agency			
- Sales revenue	**15.4**	17.9	(14%)
- Gross margin	**6.6**	5.3	25%
Livestock Agency			
- Sales revenue	**4.6**	5.9	(22%)
- Gross margin	**1.6**	1.8	(11%)
Others			
- Sales revenue	**0.2**	0.3	(33%)
- Gross margin	**0.2**	0.3	(33%)
Total New Zealand Network			
- Sales revenue	**43.1**	49.8	(13%)
- Gross margin	**10.5**	10.0	5%
- Costs	**(9.1)**	(9.5)	4%
- EBIT Underlying	**1.4**	**0.5**	180%

Underlying EBIT was $0.9m higher despite the whole of the North Island and much of the South Island experiencing an extensive drought.

Sales Revenue and Margin: Lower sales occurred across all products in the New Zealand Network. This was offset by higher margin generated by Wool over pcp.

- **Farm Supplies**: Adverse seasonal conditions impacted demand for pasture products, with farmers curtailing discretionary spending. Farm Supplies sales declined $(2.8m) and margins reduced as competition intensified from lower demand.
- **Wool Agency**: While volumes increased, sales declined $(2.5m) as a result of lower wool prices due to the high NZD/USD. Margins improved $1.3m from an increased proportion of higher margin Trading sales together with reduced level of discounting of fixed fee service charges.
- **Livestock Agency:** The lack of feed and water, particularly in the North Island, depressed interest from re-stockers, resulting in reduced Livestock volumes and sales. The decline in margin was limited as a result of higher margin retention from a greater proportion of sales by salaried livestock staff.
- **Other:** Other sales and margin decreased $(0.1m) as finance loan book is wound down, whilst continuing to generate income from insurance distribution.

Costs were $0.4m lower than pcp due to the focus on discretionary spending.

International Trading

Trading			
$m 6 months ended 31 March:	**F13 H1**	**F12 H1**	**F/(UF)**
Global Cattle Trading			
- Sales revenue	**96.0**	107.5	(11%)
- Gross margin	**3.2**	7.6	(58%)
Feedlots			
- Sales revenue	**57.5**	67.7	(15%)
- Gross margin	**5.6**	5.5	2%
NZ Wool Tading			
- Sales revenue	**25.4**	29.7	(14%)
- Gross margin	**1.0**	1.1	(9%)
Indonesian Operations			
- Sales revenue	**13.8**	12.5	10%
- Gross margin	**2.8**	1.5	87%
Others			
- Sales revenue	**3.6**	6.7	(46%)
- Gross margin	**0.4**	0.4	0%
Total Trading			
- Sales revenue	**196.3**	224.1	(12%)
- Gross margin	**13.0**	16.1	(19%)
- Equity accounted earnings	**0.4**	0.5	(31%)
- Costs	**(11.4)**	(10.8)	(6%)
- EBIT Underlying	**2.0**	**5.8**	(66%)

Underlying EBIT decreased $(3.8m) due to lower global cattle trading margins and increased costs, partly offset by improved profitability from in-country owned and operated Indonesian operations.

Sales Revenue and Margin

- **Global Cattle Trading:** Margins declined $(4.4m) through a combination of global commercial and regulatory market events impacting both the long haul and short haul businesses. The reduction in cattle import quota released by the Indonesian Government materially reduced short haul shipping volumes and margins. The result was also impacted by a number of long haul F13 H1 shipping positions that have been reset to occur during F13 H2.
- **Feedlots:** Lower residency levels due to prudent working capital management resulted in a $(10.2m) fall in feedlot revenues. However, margins increased 2% as a result of ongoing productivity improvements at the Killara feedlot and increased custom feeding operations at the Charlton and Killara feedlots.
- **NZ Wool Trading:** Higher volumes were more than offset by lower prices, with sales down $(4.2m) and margins marginally below pcp.
- **Indonesian Operations**: Favourable market and trading settings in Indonesia generated strong sales and margin outcomes. Specifically, the significant demand for Australian cattle from the Elders' feedlot at Lampung, Indonesia in a tight supply environment underpinned the improved sales and higher margin of $1.3m.

Costs were $(0.6m) higher through a combination of higher operating expenses across the feedlots and additional regulatory compliance costs.

Equity accounted earnings, which relates to Kilcoy Pastoral, were marginally lower $(0.1m) from a strong $AUD and reduction in demand for premium boxed beef into Japan.

Automotive

Automotive			
$m 6 months ended 31 March:	**F13 H1**	**F12 H1**	**F/(UF)**
Sales revenue			
- Discontinuing operations	174.4	168.7	3%
Depreciation & Amortisation			
- Discontinuing operations	(9.4)	(9.6)	2%
Profit and loss			
Gross margin	30.4	31.5	(3%)
Equity accounted earnings	(0.1)	(0.3)	67%
Costs	(25.3)	(25.8)	2%
Operational EBIT	**5.0**	**5.4**	(7%)
Operating cash flows	**(8.4)**	**(0.9)**	n/m
Capital expenditure	**(10.4)**	**(4.9)**	(112%)

Futuris Automotive continues to grow its global market share in the automotive components sector with new contracts in Thailand, China and the USA all contributing positively to the business. These markets, along with Australia, continue to be the strategic focus as Futuris Automotive establishes itself in the Asian automotive sector.

Asia: Growth opportunities remain strong across Asia. Futuris Automotive is well placed to capitalise on these by leveraging off existing strong relationships with Ford and General Motors to expand further into strategically selected Asian markets as these vehicle producers re-align their own global production strategies to the region.

Australia: High levels of competition in Australia for vehicle producers driven by the high AUD combined with lower year-on-year volumes for the current model GM Commodore (which is in 'run out' leading up to the launch of the new VF Commodore in May) resulted in a 15% reduction in Australian vehicle build volumes in F13 H1 vs F12 H1. Ford Australian vehicle production volumes were also lower. Toyota volumes were marginally higher, a good result given the high percentage of export volume that Toyota produces.

GM Holden, with assistance from Federal and State governments has secured the build of two new cars in Australia beyond their recently refreshed portfolio which should see production certainty out to 2022. The Ford Falcon and Territory will be updated in 2014 with production continuing until October 2016, when manufacture ceases in Australia. Toyota continues to assess the options to add a third vehicle to their production line-up to boost local volume.

China: Vehicle sales and production continue to grow and accordingly Futuris Automotive production in China was higher compared to pcp. This was largely due to stronger volumes in Futuris Automotive's joint venture with leading Chinese domestic producer Chery.

Thailand continues its rise to become a major low-cost production centre for automobile manufacture, exporting to markets globally. The two Futuris Automotive facilities are now operational with seating, interiors and trim production being delivered across a number of Thailand domestic and export programs, with multiple new awarded programs to be added over the next 2 years.

USA: Assembly of seats for the Tesla Model S program in Fremont, California commenced in mid-2012, with this vehicle popular in the US market. The F13 H1 financial results includes $16.0m of sales from this new business activity.

Profit & Loss: The Directors, at 31 March 2013, resolved that the Futuris Automotive divestment had progressed to a stage where it was appropriate to classify the Automotive segment as held for sale and as a discontinued operation. Accordingly, sales revenue and operational EBIT have been classified as 'discontinuing'.

- **Sales** revenue increased $5.7m vs. pcp as a result of increased sales in Thailand $27.2m, USA $15.2m and China. The higher overseas sales were offset by the impact of lower build volumes in Australia.
- **Equity accounted earnings** from associates contributed a loss of $(0.1m), with an improved performance over pcp from increased build volumes as Chinese joint venture partner Brilliance develops a stronger market presence.
- **Operational EBIT** was $5.0m compared with $5.4m in the previous period, with reduced margins partially offset by lower costs and improved equity earnings.

Capital expenditure was higher in F13 H1 as a result of the global expansion into Thailand and North America as well as expenditure related to production of the new VF Commodore in Australia.

Corporate (Investment and Other)

Corporate - Investment & Other			
$m 6 months ended 31 March:	**F13 H1**	**F12 H1**	**F/(UF)**
Income	-	-	-
Costs	(3.0)	(4.3)	30%
Underlying EBIT	**(3.0)**	**(4.3)**	30%
Items excluded from underlying EBIT	**(11.6)**	**(0.4)**	n/m
Reported EBIT	**(14.6)**	**(4.7)**	(211%)
Operating cash flows	**(24.1)**	**(13.6)**	(77%)

Corporate (investment and other) includes Elders' corporate operations and investments.

EBIT increased by $1.3m as a result of reduced costs.

Items excluded from underlying profit/(loss) are as detailed in page 3.