



14 November 2011

## FY11 Financial Results

- **Statutory loss after tax of \$(395.3)m vs FY10 loss of \$(217.6)m**
- **Non-recurring items of net \$(400.0)m after tax**
- **Underlying EBIT of \$33.7m up from \$2.6m**
- **Underlying PBT of \$7.1m up from FY10 loss of \$(13.7)m**
- **Underlying Profit after tax \$4.7m up from FY10 loss of \$(15.1)m**
- **Continuing sales revenue up 16% to \$2,263.1m**
- **Strong improvement in Rural Services' earnings and sales**
- **Debt reduced further, finance restructuring ongoing**

Elders (ASX:ELD) has released its FY11 financial results today with an announcement that features a strong underlying improvement from its Rural Services business, reduced debt and a statutory loss brought by non-recurring items that principally arose from the Company's announcement of October 3 of its intention to withdraw from Forestry.

The Company announced a statutory loss of \$(395.3) million after tax and non-controlling interests for the twelve months to 30 September 2011. The loss includes non-recurring items totalling \$(400.0) million after tax, the overwhelming majority (\$(335.4) million) of which is attributable to forestry assets. As foreshadowed on October 3, the year end accounts incorporate fair value adjustments and provisions additional to those previously announced to reflect the information gathered on realisable value, woodfibre prices and anticipated costs through the sale and business closure preparation process since that date.

Debt restructuring and the divestment of other assets including Elders Toepfer Grain, Rural Bank, HiFert and the MV Torrens also gave rise to non-recurring items.

Excluding non-recurring items, Elders recorded an underlying<sup>1</sup> profit after tax and non-controlling interests of \$4.7 million compared with the loss of \$(15.1) million in 2010. Underlying EBIT was \$33.7 million, well above the 2010 comparative of \$2.6 million. Underlying results for 2010 have been adjusted to recognise those operations classified as discontinued in the current year.

Elders Managing Director Malcolm Jackman said that while the 2011 statutory results showed the costs associated with non-core assets and their divestment, particularly Forestry, the underlying result revealed a turnaround by the Company's traditional rural service network operations with a profitable performance. This was supported by a steady performance from Futuris Automotive despite tough market conditions.

"Underlying EBIT has improved substantially through the gains made by our network operations. After a difficult start to the year, seasonal conditions have been positive, and we are starting to see the benefits of the investment made in business transformation over the past 3 years as the business has clearly turned around" he said.

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<sup>1</sup> Detail on non-recurring items and a reconciliation of Statutory and Underlying Profit is provided in the Discussion and Analysis of 2011 Financial Results lodged with the ASX today.



Elders Rural Services increased its underlying EBIT contribution from \$0.5 million to \$25.0 million, despite a \$7.2 million reduction in contribution from Trading operations which suffered a sharp reduction in live export and feedlot income, and a substantial adverse balance date mark-to-market adjustment of \$(7.2) million. Australian network operations lifted their sales, and gross margin performance by 13% and 11% respectively with strong results in Farm Supplies, Wool and Livestock resulting in a 92% increase in its EBIT contribution.

Automotive operations recorded a marginally higher underlying EBIT contribution of \$15.3 million, up from \$15.0 million, notwithstanding significantly lower demand brought by lower Australian motor vehicle build schedules. The Company has entered into a number of substantial long term contracts in Thailand, China and North America.

"Given the industry circumstance, Futuris performed very solidly. Earnings have been broadly maintained despite a 10% contraction in Australian build volumes. More importantly, it is winning the new business in Asia and the USA that will provide growth and see an increasing share of its business come from expanding markets outside Australia" he said.

Borrowing costs were \$26.6 million, up from \$16.3 million in the previous year on an underlying basis. Malcolm Jackman said that reduction of debt levels was one of the key outcomes expected in 2012 from the strategy to return Elders to profitability.

"While it has been disappointing to record another statutory loss, the 2011 results clearly highlight three key positive takeaways.

"Firstly, we have growing, profitable and cash generating businesses in Rural Services and Automotive. Considering the year's circumstances of cyclones, floods, live export shutdowns and auto industry downturns, both have performed creditably.

"Secondly, a number of our unprofitable cash consuming operations have now been divested and there is a major and progressing divestment program designed to achieve a complete exit from forestry.

"Thirdly, while interest expense consumed most of our earnings in 2011, the forestry asset divestment program that is underway will lead to reduced debt, better cash flow and significantly lower interest.

"The end result is that Elders will be a company with substantially lower debt and focussed on its profitable, cash generating and growing businesses in Rural Services and Automotive" he said.

Elders announced that it had further advanced the divestment of its Queensland land holdings with the securing of sales agreements since 30 September with a total value of \$7 million. Elders has now sold or contracted for sale 69% of its Central Queensland estate for a total value of \$26 million. Divestment processes are in train for other forestry assets.

Elders reduced its debt levels over 2011 and achieved a restructuring and simplification of its debt facilities. Net Debt at 30 September of \$345.5 million was \$89.7 million or 21% lower than at the beginning of the year. Gearing, however, rose from 43% to 57% due to the impact of non-recurring items on shareholders equity.

Malcolm Jackman said that the Company was expecting ongoing improvement in 2012. "Seasonal and market conditions will have a high degree of influence on our result as always. But with that qualification, our Rural Services business goes into the new financial year with momentum from the turnaround in Network operations, and with its Trading operations on the rebound after what was a very disrupted year in 2011" he said. Automotive sales are expected to expand with the ramp up of new long term contracts.



**Further Comment:**

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**Conference Call:**

Details for the conference call and webcast slide presentation are as follows:

Webcast slide presentation

8:30 am EDT Monday 14 November 2011 > [View presentation webcast](#)

1800 123 296

Quote conference ID: 208 331 23

International numbers are available at:  
<http://investor.elders.com.au/full-year-results-announcement>

Hong Kong: 800908865

New Zealand: 0800452782

Singapore: 8006162288

United Kingdom: 08082340757

United States: 18552931544