

13 February 2009

Company Announcements  
Australian Securities Exchange

## 2009 Half Year Results Discussion & Analysis

Please find attached the Half Year Results Discussion and Analysis for the six months ending 31 December 2008.

Ross Mallett  
Company Secretary

## Discussion and Analysis of 2009 First Half Financial Results

Results for the six months ended 31 December 2008

### 1. Profit and Loss

Underlying and Reported Profit and Loss				
	\$ million	Operating Profit		
		H109	H108	
<b>Underlying EBIT from continuing operations</b>		<b>(5.1)</b>	60.1	<i>Lower EBIT from all operations but principally Rural Services and Automotive</i>
Net interest		<b>(25.5)</b>	(20.3)	<i>Higher average debt levels</i>
Underlying profit/(loss) before tax		<b>(30.6)</b>	39.8	<i>Lower ebit, higher interest</i>
Minority interests		<b>(0.0)</b>	(2.6)	<i>Largely eliminated due to divestment of Amcom</i>
Tax		<b>8.5</b>	(5.2)	<i>Tax benefit due to losses incurred</i>
<b>Underlying Profit/(loss) to shareholders from continuing opns.</b>		<b>(22.1)</b>	32.0	
Net Profit/(loss) after tax and minority interests from discontinued operations		(134.4)	(4.5)	<i>Amcom, Horticulture, BWK</i>
Other non-recurring items after tax		(172.7)	(0.0)	<i>Largely arising from Agenda for Change</i>
<b>Reported profit/(loss) after tax</b>		<b>(329.2)</b>	27.5	
<b>Earnings per share – underlying basic</b>		<b>(2.8)</b>	3.6	
<b>Earnings per share – reported basic</b>		<b>(41.4)</b>	3.7	
<b>Earnings per share – underlying - diluted</b>		<b>(2.4)</b>	3.3	
<b>Earnings per share – reported diluted</b>		<b>(35.7)</b>	3.4	

## Calculation of 2009 First Half Reported and Underlying income

	<i>Company</i>	<i>Rural Serv.</i>	<i>Fin. Serv</i>	<i>Forestry</i>	<i>Auto.</i>	<i>Inv/Other</i>	
<b>A.</b>	<b>Underlying results from Continuing Operations</b>						
	External Sales	1,255.24	878.34	123.23	88.67	164.91	0.10
	Sales	1,322.22	895.05	167.70	99.55	158.90	1.02
	Depn & Amort	19.85	8.73	0.39	2.72	8.01	0.00
	<b>Underlying EBITDA</b>	14.80	6.73	8.06	9.50	1.21	(10.70)
	<b>Underlying EBIT</b>	(5.05)	(2.00)	7.67	6.78	(6.79)	(10.71)
	<b>Underlying profit before tax</b>	(30.60)					
	<b>Underlying profit after tax &amp; OEI</b>	(22.05)					
<b>B</b>	<b>Results* from discontinuing Opns</b>						
	External Sales	163.43	155.48	0.00	0.00	0.00	7.96
	Sales	165.52	157.50	0.00	0.00	0.00	8.03
	Depn & Amort	0.00	0.00	0.00	0.00	0.00	0.00
	Underlying EBIT Result	0.00	0.00	0.00	0.00	0.00	0.00
	Profit before tax	(133.37)	(134.54)	0.00	0.00	0.00	1.16
	Profit after tax & OEI	(134.42)	(134.81)	0.00	0.00	0.00	0.81
<b>C</b>	<b>Other non-recurring items</b>						
	- pre tax	(179.64)	(83.26)	0.00	(49.00)	(21.61)	(25.76)
	- post tax& OEI	(172.70)	(79.93)	0.00	(49.00)	(18.57)	(25.19)
<b>D= B+ C</b>	<b>Total non-recurring items</b>						
	- Pre-tax	(313.01)	(217.79)	0.00	(49.00)	(21.61)	(24.60)
	-Post tax& OEI x	(307.12)	(214.74)	0.00	(49.00)	(18.57)	(24.38)
<b>E= A +D</b>	<b>Reported result per 4D</b>						
	EBITDA	(295.11)	(208.32)	8.06	(39.50)	(20.39)	(34.96)
	EBIT	(314.96)	(217.05)	7.67	(42.22)	(28.40)	(34.96)
	Pre tax profit to shareholders	(343.61)					
	Post tax & OEI profit to shareholders	(329.17)					

## ***Movement in Underlying Profit before tax***

<b>Factors in Underlying PBT movement</b>	
	<i>\$ million</i>
<b>2008 First half underlying profit before tax per Note 8 of Appendix 4D</b>	<b>37.6</b>
Adjustment for operations now classified as discontinued	2.2
<b>2008 First half underlying profit before tax from continuing operations</b>	<b>39.8</b>
<b><i>Movement in:</i></b>	
Elders Rural services EBIT	(21.10)
Elders Financial Services EBIT	(7.5)
Futuris Automotive EBIT	(14.2)
Forestry EBIT	(9.2)
Investment and other EBIT	(11.5)
Other	(1.7)
<b>Total EBIT movement</b>	<b>(65.2)</b>
<b>Financial Services investment income</b>	<b>1.9</b>
<b>Net interest (excluding insurance interest)</b>	<b>(7.2)</b>
<b>2009 First half Underlying Loss before tax</b>	<b>(30.6)</b>

Underlying profit before tax fell by \$70.5 m<sup>1</sup>.

EBIT generation was \$65.2 m lower due to lower earnings from all operations, although Rural Services, Automotive and Investment and Other accounted for approximately 70% of the movement.

EBIT movement classified as 'Other' relates to items included in the FY08 underlying result that no longer form part of underlying (such as discontinued operations or FY08 items considered non-recurring).

Performance of individual operations is discussed in detail in the review of operations commencing on page 10.

Net interest expense attributable to continuing operations, exclusive of insurance investment income rose by \$7.2 m.

Interest income earned on insurance cash reserves rose by \$1.9 m

<sup>1</sup> m = million

## Non-recurring items

<b>Non-recurring items</b>	<i>\$ million</i>	
	<b>Pre-tax</b>	<b>Post tax</b>
Reported	<b>(343.6)</b>	(329.2)
Write-down of assets to be divested/discontinued	(131.4)	(131.4)
Loss on divested assets	(30.6)	(30.6)
Results from discontinued operations/assets held for sale	(13.1)	(16.4)
Impairment of assets retained	(66.6)	(70.2)
ERS Project Transformation costs	(47.8)	(38.6)
Auto write-offs and charges	(21.6)	(18.6)
Other	(1.9)	(1.3)
Adjustments for underlying profit	(313.0)	(307.1)
<b>Underlying Loss from continuing operations</b>	<b>(30.6)</b>	(22.1)

The Reported Profit for the 2009 First Half includes a number of non-recurring items which total a loss of \$307.1 m after tax and which were foreshadowed by the Agenda for Change announcement on 1 December 2008. These items include:

- **Write-down of assets to be divested or discontinued** totalling \$131.4 m comprising:
  - Wool processing assets in Germany and Turkey which are being closed (\$110.0 m).
  - Abattoir interests were written down on basis of anticipated discounted cash flows (\$5.9 m). Assets to be divested.
  - Horticulture and Fodder interests (\$4.3 m). Divestment of these assets is proceeding with some being sold during or shortly after the period and the balance being marketed.
  - Shareholding in Aspen Development Trust (\$11.2 m).
- **Loss on sale of assets divested** during the period totalling \$30.6 million. Relevant assets include shareholdings in Amcom, Webster, Run Corp and Broadwater Hospitality Management.
- **Results from discontinued or discontinuing** assets totalling a loss of \$16.4 m and comprising:
  - BWK wool processing (\$21.1 m loss), the loss reflects contraction in volume and price.
  - Horticulture trading result of (\$1.1 m loss);
  - AAco (\$5.4 m profit) being the dividends received less tax.
  - Trading profit after tax of divested Amcom (\$0.4 m)

## ***Non-recurring items (continued)***

- **Impairments to assets to be retained** (\$70.2 m) The impairments relate to:
  - FEA: to recognise the reduction to value of listed investment (\$34.0 m);
  - MV Torrens: revision to estimated life and revaluation based on anticipated discounted cash flows (\$20.3 m);
  - PlantTech, write-down based on DCF (\$0.9 m);
  - Timber processing; written down to bring into line with anticipated earnings performance (\$15.0 m).
- **Elders Rural Services transformation costs** (\$38.6 m) incorporating expenditure and write-offs of capitalised costs:
  - Write off of capitalised expenditure on various prior business improvement projects (\$17.4 m).
  - Expenditure on organisational design, cost saving, pricing, go-to-market, transition and recruitment (\$19.5 m).
  - Redundancies (\$1.7 m).
- **Automotive write-offs and restructuring totalling** \$18.6 m comprising write-off of stock, design and development expenditure, tooling and provision for onerous leases.
- **Other** (\$1.3 m) being final payment to former CEO.

## Revenue and expenses

Profit and loss items		
<i>\$ million, six months to 31 Dec</i>	<b>2008</b>	<b>2007</b>
<b>Sales revenue</b> (cont. opns only)	<b>1,255.2</b>	1,321.8
<b>Total sales revenue</b>	1,418.7	1,496.7
<b>Depreciation &amp; amortisation</b>	<b>19.9</b>	21.8
<b>Income from associates</b>		
- continuing	1.0	16.6
-discontinuing	(0.2)	1.5
<b>Interest Revenue</b>		
- continuing	<b>11.3</b>	9.5
-discontinuing	<b>0.2</b>	0.6
<b>Borrowing costs</b>		
- continuing	<b>36.9</b>	29.8
-discontinuing	<b>3.3</b>	4.5
<b>Net Borrowing costs</b>		
- continuing	<b>25.6</b>	20.3
-discontinuing	<b>3.1</b>	3.9

Significant revenue and expense outcomes for the year include:

- Sales revenue from continuing operations was 5% (\$66.6 m) lower. The result incorporates lower sales from Rural Services (down \$59.2 m); Forestry (down \$6.9 m), Automotive (down \$12.8 m) and Investment and other (down \$ 0.5 m) offset in part by a \$12.8 m lift in sales from financial services.
- Sales revenue inclusive of discontinued operations was \$1,418.7 m, (down \$78 m).

- Depreciation and amortisation was 9% (\$1.9 m) lower due to Automotive and the divestment of Amcom.
- Income contribution from continuing associates and joint ventures was \$15.6 m lower with the main elements being:
  - a \$12.9 m reduction to income from automotive associates and joint ventures, \$11.6 m of which is due to Air International Thermal Systems
  - a \$3.4 m reduction in income from HiFert due to lower volumes.
  - \$0.9 m lower income from Australian Wool Handlers due to reduction in volumes brought by lower greasy wool production.
  - Increased income from Elders Rural Bank (up \$1.5 m) and FEA (up \$2.1 m) and Agricultural Land Trust (up \$0.4 m)

Income contribution from associates and joint ventures inclusive of discontinuing operations was \$17.2 m lower. The 2008 first half accounts incorporate equity income of \$2.0 m from Amcom's shareholding in iiNet.

- Net borrowing costs from continuing operations rose \$5.3 m due to higher average debt levels.
- Expenses included an unrealised loss on mark to market of forward interest rate swap contracts totalling \$1.8 m before tax.

Futuris holds interest rate hedging contracts totalling \$379.1 m in relation to the Company's long term debt. Only \$25 million of this total is not allocated to specific debt and mark to market valuations on these contracts are recognised directly against profit and loss. The substantial movement in interest rate swap curves during the period resulted in the unusually large unrealised loss of \$1.8 m at balance date valuation.

### 3. Cash Flow

Cash Flow Items		
<i>\$ million six months to 31 Dec</i>	2008	2007
<b>Net operating cash flows</b>	<b>(372.3)</b>	(248.5)
Investment property & PP & E payments	<b>(41.3)</b>	(69.8)
Payments for Investments	<b>(15.6)</b>	(48.4)
Proceeds from sale of investments	<b>36.9</b>	9.8
<b>Net investing cash flows</b>	<b>(27.5)</b>	(119.1)
<b>Net financing cash flows</b>	<b>385.1</b>	348.9
<b>Cash movement</b>	<b>(14.7)</b>	(18.7)
<b>Net debt movement</b>	<b>436.0</b>	370.0

The seasonal nature of the Company's cash flow is customarily reflected in strong cash outflow in the six months to December and strong cash inflow in the six months to June.

The 2009 first half featured a larger than normal outflow resulting in a greater increase in net debt (\$436.0 m) than in H108 (\$370 m).

Cash outflow from operations for the period rose from \$370.0 m to \$436.0 m with the following factors contribution to the increase:

- a greater increase in working capital (\$324.8 m vs \$237.4 m in H108);
- lower sales,
- the unfavourable cash impact of a number of non-recurring expense items, which collectively impacted cash flows by a total of \$41.7 m; and

- a \$10.5 m increase in net interest payments.

At the business level, the increase in cash outflow from operations is largely attributable to Rural Services which recorded a larger than customary seasonal outflow (\$279.4 m vs \$161.0 m). The Rural Services cash flow bore the major share of cash impacting non-recurring items (\$37.4 m) and incurred a larger build up in working capital (\$57 m higher) than in the previous corresponding period due largely to increased debtors and reduced creditors balances.

In respect of other operations:

- Financial Services generated \$19.4 million from operations (H108: outflow of \$24.1 m)
- Forestry recorded a reduced cash outflow of \$29.2 m (H108: \$32.4 m)
- Automotive recorded a cash outflow of \$9.0 m (H108: inflow \$11.7 m)
- an increased cash outflow of \$74.0 m (H108: \$42.7 m) from activities within Investment and other. The result includes higher interest and tax payments, and the non-inclusion of cash receipts from discontinued Amcom.

Cash outflow from investing activities of \$27.5 m was significantly lower than H108 (\$119.1m) due to lower capital expenditure and investment and the receipt of proceeds from assets divested under the Agenda for change. Features of the movement included:

- a 41% (\$28.5 m) reduction in capital expenditure on property, plant and equipment and investment properties.
- Application of \$15.6 m to investments, principally being capital contribution for Elders Rural Bank (\$14.5 m).
- Proceeds of \$36.9 m from sale of investments and controlled entities, chiefly being sale of shareholding in Webster and Amcom.

## 4. Balance Sheet

<b>Balance sheet: key items</b>			
<i>\$ million (unless otherwise indicated) as at:</i>	31 Dec 2008	30 June 2008	31 Dec 2007
<b>Shareholders' equity</b>	<b>850.4</b>	1,296.2	<b>1,309.7</b>
<b>Cash: unrestricted</b>	<b>43.3</b>	69.1	65.8
<b>Cash, total*</b>	<b>229.4</b>	244.0	225.6
<b>Current inventories</b>	<b>439.7</b>	396.8	<b>436.9</b>
<b>Property, P &amp; E</b>	<b>183.6</b>	313.0	<b>325.4</b>
<b>Investments- equity a/c</b>	<b>437.3</b>	694.5	<b>620.8</b>
<b>Investment property</b>	<b>288.3</b>	256.4	<b>298.1</b>
<b>Intangibles</b>	<b>294.4</b>	306.8	<b>311.7</b>
Derivative Financial instruments	<b>20.8</b>	-	<b>27.3</b>
<b>Current borrowings</b>	<b>455.6</b>	164.9	<b>314.4</b>
<b>Non-current borrowings</b>	<b>768.3</b>	550.7	<b>619.8</b>
<b>Gross Borrowings</b>	<b>1,223.9</b>	715.6	<b>934.2</b>
<b>Net debt**</b>	<b>959.0</b>	522.9	<b>734.9</b>
<b>Gearing# (%)</b>	<b>112%</b>	40%	<b>56%</b>
<b>NTA per share (\$)</b>	<b>0.67</b>	\$1.16	<b>\$1.06</b>

\*Includes insurance reserves and cash held in trust of \$186.1 million (\$159.8 million as at 31 Dec '07)

\*\* Net debt comprises interest bearing debt less debt related financial derivatives of \$35.5 million less cash.

# Calculated as net debt/shareholders' equity

Futuris experiences strong seasonal patterns in its cashflow, debt and working capital. Debt and working capital typically peak in December while cash peaks in June. Accordingly, balance sheet movements are most meaningfully analysed on a 12-month comparative basis.

Balance sheet movements for the period reflect the impact of initiatives taken under the Agenda for Change program and the impact of the weaker than normal cashflow on the seasonal debt patterns. In particular the effect of the balance sheet adjustments and divestments arising from the Agenda for Change had the effect of reducing certain asset values and equity significantly.

### *Borrowings*

Gross borrowings rose 31% (\$289.7 m) to \$1,223.9m compared with Dec.07. Net debt of \$959.0 m comprises interest bearing debt of \$1,223.9 m less debt related financial derivatives of \$35.5 million less cash of \$229.4 million.

Gearing (as measured by the ratio of net debt/equity) as at 31 December was affected by the reduction to equity brought by the balance sheet adjustments and the higher debt levels. Gearing as at 31 December was 112% compared with 56% at the conclusion of the 2008 first half. Unrestricted cash of \$43.3 m compares with \$65.8 m at 31 December 2007.

Total cash as at 31 December 2008 includes insurance reserves and cash held in trust totalling \$186.1 m.

### *Covenants and Facilities*

As at 31 December 2008 the Company had over \$150 m of unused capacity within its total corporate finance facilities of \$1.35 billion.

Results for the period ended 31 December 2008 are within the Company's financing covenants. The covenants use gearing ratio and interest cover metrics.

*Other balance sheet movements*

Significant movements in the balance sheet compared with the December 2008 first half included:

- a 44% (\$141.8 m) reduction in property plant and equipment reflecting the divestment of Amcom, impairments to assets retained and writedowns made to automotive assets.
- a 30% (\$183.5 m) reduction in Investments accounted for using the equity method. The reduction is due to the divestment or intention to divest Webster and AAco and the write-down to the value of FEA.
- Investment properties were \$9.8 m lower, having been reduced in the 2008 second half by sale and leaseback.
- Intangibles fell 6% (\$17.3 m) due to the sale of Amcom and impairments to goodwill previously attributed to timber processing operations.

Non current asset derivative financial instruments of \$20.8 m comprises of debt related derivatives (\$35.5 m debit balance) and foreign exchange related (\$14.7 m credit balance) derivatives.

## Review of operations

### Rural Services

<b>Rural Services First Half Financial Results</b>		
<i>\$ million, 6 months to 31 Dec.</i>	<b>2008</b>	<b>2007</b>
<b>Sales</b> (continuing operations)	<b>878.3</b>	<b>937.5</b>
<b>Depreciation &amp; amortn.</b>	<b>8.7</b>	7.6
<b>EBIT:</b>		
<b>Network &amp; related</b>	<b>(5.9)</b>	18.1
<b>Other Agribusiness</b>	<b>3.9</b>	1.0
<b>Underlying EBIT</b>	<b>(2.0)</b>	19.1
<b>Non-recurring items:</b>		
Write-down of assets to be divested/discontinued	(120.2)	-
Profit/Loss on divested assets	(18.0)	5.4
Results from discontinued operations/assets held for sale	(11.5)	(2.9)
Impairment of assets retained	(17.6)	(0.5)
ERS Project Transformation costs	(47.7)	-
Other	-	3.3
<b>Reported EBIT</b>	<b>(217.0)</b>	19.4
<b>Net operating cash flows</b>	<b>(279.3)</b>	(161.0)
<b>Capital Expenditure</b>	<b>9.4</b>	14.0

### Underlying result

- Both the 2009 and 2008 first half sales results incorporate revenue from sources not included in the corresponding periods. The 2009 first half sales revenue incorporates sales of \$50.1 million from New Zealand operations, which were consolidated for the first time. The 2008 first half results include sales revenue of \$115.6 million from grain operations which were subsequently transferred to the equity accounted Elders Toepfer Grain joint venture.

After adjusting for these changes, Rural Services recorded a \$6.0 million (0.7%) increase in sales revenue. Further discussion of sale results by product is provided under the heading Network Operations on page 11.

- Underlying EBIT loss of \$2.0 m incorporates an EBIT loss of \$5.9 m from Network and Related operations and EBIT of \$3.9 m from Other Agribusiness.
- Network and Related result incorporates:
  - o a \$18.9 m reduction in gross margin generated from Network operations. Merchandise (down \$11.2 m – discussed further on following page), Wool (down \$2.7 m), Real Estate (down \$1.1 m) and banking distribution (down \$4.5 m) contributed to the reduction in gross margin. Trading results are discussed in more detail on following page under heading “Network Operations”.
  - o New Zealand operations consolidated for the first time, contributed a loss of \$2.6 m compared to the equity accounted loss of \$1.0 m in the 2008 first half.
  - o A \$4.1 m increase in overhead expenditure in Australia. This increase will be more than offset by savings in the second half as a result of the Support Centre Review completed in November 2008.
- Other Agribusiness incorporates Australian Wool Handlers (AWH) and HiFert (both 50 % owned) and Livestock trading and exports. The \$2.9 m improvement in EBIT generated includes:

- Strong improvement from livestock exports.
- Lower equity accounted earnings from AWH (down \$0.9 m) and HiFert (down \$3.4 m).

### Non-recurring items

- Non-recurring items are as described on page 4 & 5 of this document
- Write-down of assets to be divested or discontinued comprises wool processing, abattoir interests, horticulture and fodder assets and RUN Corp.
- Retained assets impaired includes MV Torrens, PlantTech.

### Network Operations

The Australian rural and regional sector experienced generally adequate seasonal conditions but volatile and declining prices. In particular, weaker grain prices and initially high fertiliser and agricultural chemical prices resulted in growers being less prepared to commit to merchandise purchases than in the previous first half. Demand did not react to sharp declines in fertiliser and agricultural chemical prices late in the period.

Features of the network revenue result by product include:

- Merchandise: revenue up 3% if additional sales brought by New Zealand consolidation excluded but margins reduced substantially. Fertiliser volume of 200 k tonnes down 29% from 282K tonnes. Price cut of 40% and 14% for fertilizer and glyphosate in December resulted in stock write-downs of \$5.0 million at balance date and additional losses of a similar size through loss of margin on goods sold.
- Livestock: stronger prices offset the impact of lower volumes: cattle volumes down 2%; sheep volumes down 4%.
- Wool: bales sold fell 21% to 250k due to lower wool production and stock retention by growers. Prices and earning rates down in weakening market.

- Real Estate: revenue down 35% as activity fell sharply in both broadacre and residential markets with the latter most significantly affected. Broadacre turnover off 30%.
- Financial Services distribution revenue was 12% lower. The reduction is due to the introduction of a new distribution fee agreement between Elders Rural Services and Elders Rural Bank.

<b>Elders Rural Services Sales Revenue</b>		
<i>\$ million six months to 31 Dec:</i>	<b>2008*</b>	<b>2007*</b>
<b>Network</b>		
Merchandise	<b>533.2</b>	484.0
Livestock	<b>59.8</b>	52.6
Wool	<b>36.3</b>	35.8
Real Estate	<b>31.9</b>	49.0
Grain	<b>0.7</b>	115.6
Financial services distbn	<b>18.0</b>	20.5
Other	<b>0.3</b>	0.4
<b>Total Network</b>	<b>680.2</b>	757.9
Related	<b>6.7</b>	2.2
<b>Total Network &amp; related</b>	<b>686.9</b>	760.1
<b>Other Agribusiness</b>	<b>191.4</b>	177.4
<b>Total Continuing Operations</b>	<b>878.3</b>	937.5
<b>Discontinued Opns</b>	<b>155.5</b>	153.2
<b>Rural Service Segment</b>	<b>1,033.8</b>	1,090.7

\* H109 sales revenue includes revenue of \$50.1 million from NZ, consolidated for first time. H108 revenue includes \$115.6 million of revenue from grain operations subsequently transferred to ETG joint venture.

## Elders Financial Services

<b>Elders Financial Services Results</b>		
<i>\$ million, six months to 31 Dec</i>		
	<b>2008</b>	2007
Sales Revenue	<b>123.2</b>	110.4
<b>Underlying EBT</b>		
Elders Rural Bank (equity share npat)	<b>11.2</b>	9.7
Elders Insurance	<b>6.3</b>	13.0
Other	<b>(1.5)</b>	(2.3)
<b>Total Operating EBT</b>	<b>16.0</b>	21.6
Financial Services Interest income	<b>8.3</b>	6.4
Underlying EBIT	<b>7.7</b>	15.2
Non-recurring items		-
<b>Reported EBIT</b>	<b>7.7</b>	15.2
<b>Reported EBT</b>	<b>16.0</b>	21.6
<b>Net operating cash flows</b>	<b>19.4</b>	(24.1)

Earnings generated by Elders Financial Services was in line with expectations and below that of the previous first half due to the impact of deteriorating financial markets and lower discount rates on insurance operations.

Elders Rural Bank , (a 50/50 joint venture with Bendigo and Adelaide Bank) increased its (equity accounted NPAT) contribution by 15%. Features of the Bank's performance included:

- loans under management rose 9% to \$3.69 billion from \$3.39 billion at 31 Dec 07.
- deposits rose 18% to \$4.01 billion (\$3.39 billion at 31 Dec 07)
- credit quality remained solid: ratio of net non-performing loans to gross loans at 31 December improved to 0.35% (H108:0.36%).

Elders Insurance results featured:

- 10% growth in gross written premium which rose from \$225.7 m to \$249.2 m. Premium growth was supported by expansion of product lines underwritten by Elders Insurance during the previous year.
- Increased claims provisions resulting from the reduction in the discount rate (brought by lower interest rates), increased premium volume and higher underlying claims ratios which were partially offset by a reduction in sufficiency margins.
- Increased distribution costs due to premium growth and a write down of deferred expenses related to higher loss ratios.
- Investment income of \$8.3 m million (H108: \$6.4 m) due to higher balances.

## Forestry

<b>Forestry financial results</b>		
<i>\$ million six months ending Dec</i>	<b>2008</b>	<b>2007</b>
Total Revenue	<b>99.5</b>	105.2
Underlying EBITDA	9.5	18.9
Depreciation & Amortisation	<b>2.7</b>	2.9
<b>Underlying EBIT</b>	<b>6.8</b>	16.0
<b>Non-recurring items</b>	<b>(49.0)</b>	0.2
<b>Reported EBIT</b>	<b>(42.2)</b>	16.2
<b>Net operating cash flows</b>	<b>(29.2)</b>	(32.4)
<b>Capital expenditure</b>	<b>27.0</b>	50.5
<b>Sale of PPE/property</b>	-	-
<b>Revenue analysis:</b>		
<b>Forestry</b>		
Establishment income	10.7	18.4
Management fees	11.5	8.2
Land rental	15.6	15.2
Harvest & port fees	13.6	16.1
<b>Total forestry</b>	<b>51.4</b>	57.9
<b>Timber revenue</b>	<b>36.5</b>	36.5
<b>Inv. Property &amp; SGARA</b>	<b>5.6</b>	5.0
<b>Other income</b>	<b>2.1</b>	4.7
<b>Equity accounted income</b>	<b>3.9</b>	1.1
<b>Total Revenue</b>	<b>99.5</b>	105.2

ITC's underlying EBIT contribution for the period fell from \$16.0 m to \$6.8 m. The movement is largely attributable to:

- A 17% (\$6.7 m) reduction in EBIT generated from MIS activities due to lower sales in FY08.
- increased leasing charges (up \$5.8 m).

The impact of these factors was offset in part by improved EBIT generation from Timber operations up \$2.0 m and the increased equity accounted income from FEA up \$2.1 m.

Factors in the revenue result included:

- Forestry revenue down \$6.5 m;
  - Establishment income lower due to lower MIS sales in 2008;
  - Management fees & land rental growth reflecting an expansion of plantation area under management;
  - Harvest and port fees were lower due to mix. Port Fees were higher on greater volume throughput offset by lower 3<sup>rd</sup> party harvesting activity.
- Timber revenue was unchanged at \$36.5 m
- Investment property/SGARA increase rose by \$0.6 m reflecting an appreciation in the value of ITC properties
- Equity accounted income was up \$2.8 m attributable to the adjustment made in the first half to take up equity share of FEA 2008 results not previously recognised.

Reported EBIT includes net non-recurring items of \$49.0 m, comprising the impairment to the value of ITC's investment in FEA and to its timber processing assets detailed on page 5 of this document.

Lower cash flow from operations reflects the decrease in underlying EBIT.

Capital expenditure includes \$23.5 m (2,966 ha) of plantation land acquisition.

## Automotive

<b>Automotive Financial Results</b>		
<i>\$ million, 6 months to 31Dec:</i>	<b>2008</b>	<b>2007</b>
Sales	<b>164.9</b>	177.7
<b>Underlying EBITDA</b>	<b>1.2</b>	15.9
Depreciation & Amortisation	<b>(8.0)</b>	(8.5)
<b>Underlying EBIT:</b>		
Interiors	4.9	6.3
Thermal Systems & other (equity acc)	(11.7)	1.1
<b>Underlying EBIT</b>	<b>(6.8)</b>	7.4
Non-recurring items	<b>(21.6)</b>	-
<b>Reported EBIT</b>	<b>(28.4)</b>	7.4
<b>Operating cash flow</b>	<b>(9.1)</b>	(11.7)
<b>Capital expenditure</b>	<b>(4.3)</b>	4.6

Automotive operations comprise wholly-owned subsidiary Futuris Automotive (which includes Australian Interior Systems operations and 70% owned Chinese joint venture Futuris Automotive Interiors (Anhui) and 35% owned Air International Thermal Systems (AITS)). As the Chinese and Thermal Systems interests are accounted for as associates, the Automotive financial results include equity accounted share of profits but no sales revenue from these operations.

Automotive operations were impacted by reduction to vehicle build schedules in all markets

Sales revenue from Futuris Automotive Interiors for the period was 7% lower, due to lower demand from Australian vehicle manufacturers.

The \$14.2 m reduction in underlying EBIT is largely due to AITS which recorded an \$10.7 m equity accounted loss (H108: \$1.1 profit). AITS' principal market is the US, where it has been affected by substantial schedule reductions and some project cancellations.

EBIT from Futuris Automotive Interiors of \$4.9 m reflects the impact of reduced volumes in Australia and lower than expected volumes in China.

Non-recurring items comprise:

- a \$5.3 m provision for onerous leases
- write-off of stock, capitalised design and development and tooling of \$10.9 m for discontinued programs
- Interior Systems redundancies of \$3.1 m associated with cost rationalisation
- \$2.3 m for restructuring and redundancies in respect of joint ventures.

