

SHAREHOLDER UPDATE

AUGUST 2015

BALLANCE DELIVERS CASH TO SHAREHOLDERS FASTER

Ballance has this year paid out 94% of our gross trading result in our rebate and dividend distribution – and we fast-tracked the payment to get cash to our farmers faster.

On 30 July, we began distribution of an average \$60 per tonne, seven weeks ahead of its normal payment schedule. The rebate, averaging \$55.83 a tonne along with a 10 cent dividend per share is a total distribution to shareholders of \$76 million.

Chairman David Peacocke says the co-operative's solid performance meant we could support our shareholders and move quickly to do so.

"We've had a strong year and it came down to the simple question of who needs the money most? We are debt-free at year-end and can afford a one-off stay on retentions, so handing over almost the entire trading profit was an easy call to make.

"The low payout has many dairy farmers facing the winter months with limited cashflow. Drought, then storms and floods have also hit beef and sheep farmers hard in many districts.

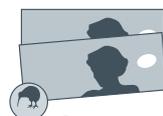
We value our shareholders' loyalty and they are doing it hard, largely through no fault of their own. Every bit helps and we hope our early rebate payment has gone some way to ease cashflow pressure".

For more details visit www.ballance.co.nz

RESULTS AT A GLANCE



Equity ratio



\$60 PER TONNE

Combined rebate & dividend

\$76M



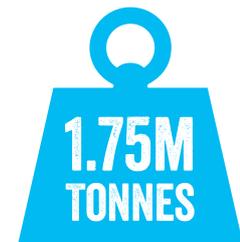
Total distribution to shareholders

\$893M



Total revenue

1.75M TONNES



Record group sales volumes

OVER THE GATE

CHAIRMAN'S COLUMN



Our co-op has turned in another good performance and it is especially pleasing to get our rebate out to farmers in record time.

This won't be the easiest year for many of our shareholders, especially with dairy returns so low, but you can look to your co-op to keep prices as competitive as possible. Talking to shareholders at Mystery Creek, it was obvious that costs were being closely watched and all the options were being weighed up ahead of any significant spending.

But it was also clear that farmers are focused on managing their way through the current rough patch and drawing on experience from the previous downturns which are an inevitable part of farming.

Mystery Creek is always a good opportunity to catch up with people and this year was no exception with our site attracting more than 7,000 visitors from around the country. We had a lot of positive feedback on the site and on our co-op generally.

That positivity is also reflected in our share registry with your co-operative signing up another 426 shareholders in the year ended 31 May 2015. We now have a record 19,253 farmers signed up to benefit from the co-operatives rebates and dividends.

Farm sizes keep growing while actual farm numbers decrease, so we are doing well to attract new shareholders while retaining those on the registry. Our consistent track record with rebates and our good dividend performance work in our favour and we know that through the year, farmers appreciate our advice-based approach to nutrient sales. With so much pressure on to manage nutrient losses as well as budgets, we see our job as helping farmers increase production sustainably, not to sell the most fertiliser.

Like our shareholders, we will be looking to manage through tight times in the new financial year. Like all commodities, fertiliser is facing some volatile conditions, but the upside for farmers is that pricing prospects currently look stable, helping to offset the lower Kiwi dollar.

I look forward to catching up with many of you at our annual meeting on 30 September in Tauranga this year.

DAVID PEACOCKE
Chairman

FAREWELL WARWICK

Fertiliser industry stalwart, Warwick de Vere retired at the end of May closing the door on a 45-year career with our co-operative.

Warwick earned a reputation as a legend who "lives, breathes and eats fertiliser" and made a significant contribution during his co-op career. He joined the industry as a laboratory technician in 1970 at New Zealand Farmers Fertiliser, Te Papapa, one of Ballance's legacy companies. That was the start of a career which spanned a number of technical and management roles, culminating as General Manager Corporate Services.

He spent the last two years leading Ballance's human resources, information systems and corporate communications functions, as well as its agro-science division.

As CEO Mark Wynne said on Warwick's retirement "a piece of co-op history has left the building."

“ Warwick has made a huge contribution to our co-op and our leadership team and he has brought out the best in so many of our people over his long career. ”



FORDS CREATE HISTORY FOR NORTH ISLAND FARMERS

John and Catherine Ford have become the first North Island farmers to win the National Ballance Farm Environment Award for 2015.

They were selected from 10 outstanding regional supreme winners, with our judges commenting that their 1240 ha sheep and cattle property stood out in terms of environmental sustainability and impressive production and performance figures.

The winning pair own Highlands Station – a productive and well-maintained hill-country farm south of Rotorua. Sitting within the Lake Tarawera and Rotokakahi catchments, the farm's distinctive contour was shaped by volcanic activity which flattened forests, carved out hill faces and left the area covered in phosphate-rich mud.

With the farm in the green lake catchments the careful and responsible management of nutrient runoff was rated by the winners as one of their most critical on farm issues to get right. The award judges were impressed with the couple's deep knowledge of techniques to achieve this including the careful mix of stock and up to 200 detention dams built to slow down runoff and scouring from the hills during heavy rainfall.

The Fords have a deep connection to the property originally developed by John's father Allen in the early 1930s. Their property has a "much loved feel" and its outstanding meat and wool production puts it among New Zealand's leading sheep and beef farming operations.

Highlands Station also has extensive native bush areas, including 140 ha under QE II National Trust covenants, but the business of farming sits comfortably beside environmental sustainability. The Fords' sheep and cattle production and profitability was rated in the top 5 percent in the country with excellent stock in top class condition producing an impressive economic farm surplus.



Sign up

Entries for the 2016 Ballance Farm Environment Awards opened on 1 August.

Facilitated by the New Zealand Farm Environment (NZFE) Trust, the awards promote best-practice land management by showcasing the work of people farming in a way that is environmentally, economically and socially sustainable.

Open to all farming and horticultural types, the 2016 awards will be held in 11 regions, with Auckland joining the popular competition for the first time.

Entering the free competition is as easy as filling out a form, available online at www.bfea.org.nz. There is also an option for entrants to have entry forms mailed to them, if preferred.

SCHOLARSHIP APPLICATIONS OPEN

Ballance is calling for applications for our scholarship programme, open to children of shareholders or employees who are keen on a tertiary education in areas supporting agriculture.

The scholarships are awarded to four successful candidates, providing \$4,000 each year for up to three years of tertiary level study in either general primary industry or in process engineering.

From soil and water scientists to farmers, vets and bankers, there are a wide range of careers which Ballance is proud to support with its annual scholarship programme.

This year's round of application open

on 1 September and close on 30 October 2015.

For more information please visit www.ballance.co.nz/community/scholarships/application

NEW FACES ON OUR LEAD TEAM

We have some new faces and a trimmed-down management team at Ballance Corporate Office.

The lead team has been reduced from nine to seven, with some general management roles changed to reflect new priorities in the business around customer service and securing growth in fertiliser, animal feed and ag-information.

Edith Sykes has been appointed as General Manager People and Capability, a promotion from her former role as Human Resources Manager. Jodi Tong is our new General Manager Customer Experience and Marketing. Joining us in October is Campbell Parker as General Manager Sales.

We're delighted to promote Edith to her new role. In her three years with us she has led the building of a high performance culture, enhancing employee engagement levels and building leadership capability across the organisation.

Jodi has more than 20 years of marketing experience, including ten in the agribusiness sector. In her newly created role in Ballance she leads our Marketing,

AgInformation, Customer Service and Research and Development portfolios.

Campbell is joining Ballance following a successful banking career, including leadership of BNZ's Partners Network and a track record in rural lending. He combines sales leadership experience with a strong understanding and connection with the agri-business sector.

We look forward to introducing you to new leadership team members at our annual meeting.



Edith Sykes



Jodi Tong



Campbell Parker

PRECISION AERIAL SPREADING A REALITY

Precision fixed wing aerial fertiliser application on hill country is a reality with technology developed by Ballance.

SpreadSmart is a variable rate application system which allows different amounts of fertiliser to be applied to different areas of the farm to boost productivity and protect waterways and sensitive areas.

The technology was developed in our \$19.5 million, Clearview Innovations Primary Growth Partnership programme with the Ministry for Primary Industries, which aims to improve nitrogen and phosphorus use efficiency and reduce losses to the environment through new products and services for farmers.

Ballance Science Strategy Manager Warwick Catto says

fertiliser requirements of hill country vary with slope, aspect, stocking rates, soil type and species composition. To get the most out of any fertiliser application and maximise production, different land forms need different treatments.

"For the first time we now have the technology to apply more than one rate of a fertiliser to better match the fertiliser rate with potential productivity, such as flat areas for finishing versus steep slopes."

SpreadSmart is available through the Super Air network. To learn more visit our website or call 0800 787 372.



YOU CAN'T MANAGE WHAT YOU CAN'T MEASURE

It's more important than ever that farmers understand nutrient flows on farm and how to manage them, says Science Strategy Manager Warwick Catto.

He's encouraging farmers to get out to workshops and discussion groups to compare nutrient budget numbers and pick up pointers on measuring and managing nutrient losses.

"Nutrient management strategies are a must have, not a nice to have. Increasingly councils are looking at imposing N or P loss limits, and the primary sector through initiatives like the Sustainability Dairying Water Accord have nutrient targets requiring farmers to record and report fertiliser, feed and irrigation data."

He says all farmers need to clearly understand the relative significance of their farm's nutrient loss – not just dairy farmers.

"As the debate around water quality continues around the country, it's no longer seen as an issue just for dairy farms. A nutrient budget is a useful tool to understand nutrient flows on your farm. The metrics are good reference points and provide visibility of nutrient loss. The ultimate outcome of a good nutrient plan is a highly profitable farm. Rather than seeing nutrient management as something imposed by rules or regulations, they should see it as another path to profitability."

He says interest in nutrient flows and management is on the rise, with very good attendances at the practical

workshops run by Ballance this year with Dairy Women's Network, DairyNZ, Fonterra, Miraka, Synlait and Tatua. Farmers already receiving nitrogen reports from their co-op found the workshop useful for turning reports into actionable plans.

Warwick says farmers can benchmark their properties by using their farm metrics to compare to those of neighbours and other farms in a region.

"Each farm is unique with natural variations of soil and climate so our Business Extension Services team is here to help identify key areas of concern and develop the right nutrient plan for your farm. Insights from nutrient budgets also provide good data and information to make the right on-farm management decisions. After all, you can't manage what you haven't measured," he says.

The Ballance Business Extension Services team will provide nutrient budgets for resource consents, compliance and sale and purchase agreements. They are experts in OVERSEER® and modelling farms systems to give the best science-based advice.

For more information about nutrient budgets please contact your field consultant or email the Business Extension Services team on nutrient.budget@ballance.co.nz

AHUWHENUA TROPHY WON BY MANGAROA STATION

The 2015 Ahuwhenua Trophy BNZ Māori Excellence in Farming Award has gone to sheep and beef farmers Barton and Nukuhia Hadfield.



They farm in the Ruakituri Valley, about an hour's drive north west of Wairoa on the East Coast of the North Island.

Mangaroa Station consists of 1,506 ha (1,250 effective) rising to 620 m at its highest point. The Hadfields run 6,200 Romney Perendale ewes, 2,000 replacement ewe lambs and 70 rams. They also run 500 Angus breeding

cows and 400 heifers.

Barton and Nukuhia's win came at the end of an intensive judging process including finalists hosting a field day on their respective properties.

The judging panel said the standard of this year's finalists was outstanding, showing Māori agribusiness had come of age. Ballance is one of the trophy's sponsors.

GOCLEAR CLEARS THE AIR

Around 2,000 tonnes of harmful exhaust gases have been removed from the atmosphere with Ballance passing the 10 million litre mark with our GoClear exhaust purifier,

First launched six years ago, GoClear is used in Selective Catalytic Conversion (SCR) technology to remove nitrogen oxides from heavy vehicle exhaust. It reduces harmful nitrous oxide gases to harmless nitrogen gas and water vapour.

Our product has been adopted by many of the big bus and truck operators, including Fonterra's 550-strong fleet.

"Nearly all diesel-powered trucks and buses imported into New Zealand now have to meet the international Euro V exhaust emission standards, and most of the big diesel-engine manufacturers have opted for the SCR solution," says Dr Terry Smith, Process and Chemicals Manager at Ballance.

"As a result, the market for GoClear has grown every year in line with the arrival of new vehicles as local truck and bus fleets are updated. These trucks and buses won't run if the exhaust purification solution is not used."

To keep up with demand, Ballance has invested in additional storage capacity to ensure several months' worth of continuous supply in advance.

GoClear is distributed and marketed nationwide by IXOM through existing fuel distribution networks.



DR TERRY SMITH
Process and Chemicals Manager

NEW POSSIBILITIES FOR KAPUNI

Ballance is going into the potential redevelopment of our Kapuni urea plant with an open mind and a big wish list, says CEO Mark Wynne.

"We have a real chance here to aim for one of the lowest carbon footprint urea plants on the planet and to get one which is world-class in terms of costs, environmental performance and technology," he says.

After a year-long study, including discussions with international specialists in converting gas to fertiliser, Ballance has called tenders as the next step on the road to a potential redevelopment. No decision on the project is likely until the end of the year and then shareholder approvals may be required.

Under the Companies Act, shareholders need to approve any investment requiring more than half the value of company assets.

Mark says it's important to size up a redevelopment given the place of the Kapuni plant in meeting local needs for urea.

“ In the 20 or so years we have owned the plant it has produced around one third of New Zealand's total urea needs, saving around NZ\$150 million in foreign exchange annually in importation costs. ”

"Nitrogen fertiliser plays a key role in New Zealand food production, and we need to take a long-term view on providing a reliable and sustainable supply which is globally competitive."

Ballance will update shareholders once the tender process is finalised.

RICHARD BECOMES #100

Lower South Island Key Accounts Manager Richard Preston has become the 100th graduate of the Nutrient Management Advisor Certification Programme.

Launched in late-2013, the programme ensures qualified advisers provide effective and consistent nutrient advice to farmers. It was established under the Transforming the Dairy Value Chain programme.

Richard, who has a Bachelor of Agricultural Commerce, says it's great to be certified under the programme.

"In my role I really enjoy getting out and working with farmers and giving them advice on the sustainable use of nutrients. Having achieved the Certified Adviser standard I know the advice I give is both economically and environmentally sound."

Among their skills, Certified Nutrient Management Advisers have the experience and qualifications to use the OVERSEER® tool for managing nutrients, taking into account production and environmental considerations to meet regulatory requirements.



EFFICIENCY UP, FEED PRICES DOWN

SealesWinslow is turning business efficiencies into lower feed costs, sharing gains with farmers at a time when budgets are tight.

COO Chris Brown says the \$10 million upgrade of its production and distribution facilities and cost savings through improved procurement mean significant price cuts for its calf and bulk dairy ranges.

"We're out to support dairy farmers through what looks to be a tough season ahead, giving customers certainty to make budget decisions for their on-farm feed programmes

and the red meat sector will also benefit from feed savings," he said.

SealesWinslow's manufacturing site in Wanganui was recently awarded FeedSafeNZ accreditation from the New Zealand Feed Manufacturers Association (NZFMA). Morrinsville and Ashburton are expected to follow.



CALVES AND CARERS GET QUALITY CARE

With its market-leading feed taking care of calves, our animal nutrition team at SealesWinslow decided this year it was time to take care of the carers.

By teaming up with celebrity chef Michael Van de Elzen and the Dairy Women's network, they have been able to arm carers with top tips for calf management and an arsenal of easy-as recipes to keep families fuelled fast during the calving season.

The idea proved a great success at calf rearing workshops which ran from May through to the end of July. In addition to practical rearing advice, workshop participants left armed with five special recipes developed by Michael Van de Elzen, backed up by tried and true dishes which DWN members turn to in the kitchen.

Seales Winslow ruminant nutritionist, Wendy Morgan,

says the effort put into rearing calves well pays off with healthy and productive replacement heifers and extra farm income from bobbies raised for veal.

The calf rearing workshops focused on developing calving plans and housing and covered the nutritional needs of calves before and after weaning. The free workshops were aimed at both first time and experienced rearers.

"We strongly supported the DWN's emphasis on caring for the carers this season and judging from the response, the gesture was appreciated."

Download Mike's recipes, and many more shared by Network members from www.dwn.co.nz/nourish/

PROPOSED CHANGES TO ENHANCE GOVERNANCE

Ballance is looking to improve access to director candidates with the best possible skills - no matter where they live - by proposing changes to our constitution.

They include a proposed shift from three Wards to two, and giving the Board the option to move to national director elections in future.

Ballance Chairman, David Peacocke, says that as a successful NZ Top 40 business Ballance needs to ensure it can secure both appointed and elected directors with the highest level of experience and knowledge to contribute.

"Under the Ward system the director pool is limited to shareholders in that particular area. By moving to two Wards - one in the North Island and one in the South - we are able to access a wider range of skilled candidates.

Shifting to two wards will also offer more flexibility to allocate directors based on shareholder numbers.

"While I am confident two wards will serve us well in the short to medium term, the proposed changes also include provisions for the future that would enable the Board to remove the Ward structure and elect

directors on a national basis. This step would only be taken if the Board is unanimous in its decision, but it is in line with the direction many co-ops have already taken."

With a national ward ultimately all shareholders would have a say and be able to vote on all directors.

The changes are in keeping with company law which requires directors to act in the best interests of the co-operative as whole rather than local interests of shareholders in a ward. David is confident directors will continue to engage with local shareholders around the country, as they do now.

Your co-op is also proposing other minor changes to bring the constitution up to date with current practices. These include enabling director to call a by-election without needing to call a shareholder meeting first, flexibility about where voting papers can be sent and some word changes to remove redundant definitions and clauses.

David says the current constitution requires a shareholder meeting to be called prior to a decision on a by-election - even though they are not called on to approve a by-election proceeding. The change for voting papers will enable votes to be sent to professional third parties such as Elections NZ.

Annual meeting packs will go out at the end of August with more detail on the constitutional changes. Shareholders wanting to comment on the proposals, or needing more information now can contact directors@ballance.co.nz.

For shareholder information
phone 0800 267 266

For customer information
phone 0800 222 090

www.ballance.co.nz

