



17 December 2015

2015 AGM - Chairman's Address

Attached is a copy of the Chairman's Address to the 2015 Elders Limited Annual General Meeting being held today in Adelaide.

Peter Hastings
Company Secretary



Address by the Chairman, Mr Hutch Ranck

2015 Annual General Meeting of Elders Limited

INTRODUCTION

It gives me great pleasure to address you today as your Chairman, in what has been another year of significant improvement for Elders.

Having served the Elders board for more than seven years, today I stand on stage feeling extremely privileged to have been a part of such a momentous business turnaround – for Elders – but also for Australia’s agricultural industry.

Our consistent improvement, year on year, reflects the vision and commitment of our management team and the hard work of our employees across Australia, China and Indonesia.

There’s no doubt that our journey has been challenging at times, so I would particularly like to thank our clients, suppliers and of course our shareholders, for your ongoing support and loyalty.

As outlined in our 2015 Annual Report, this year Elders continued to build on a significant financial turnaround, recording a \$38.3 million statutory profit, coming from a \$3 million statutory profit recorded in the previous year.



There were a number of highlights throughout the year, which I'd like to share with you today, including:

- Our balance sheet and finance
- Capital structure normalisation; and
- Leadership renewal.

Our Managing Director and Chief Executive Officer Mark Allison will then summarise our operational results, our progress against our three year strategy or Eight Point Plan and opportunities available to us in the future.

Balance sheet and finance

After watching the company progress through seven years in which debt has been reduced from in excess of \$1 billion, I am pleased to confirm that this financial year saw Elders reach zero term debt.

For too long, our debt levels have been an issue of concern for shareholders and the Board alike, so this milestone has played a key role in the Elders turnaround story.

The position we now hold would not have been possible without the support of our three core financiers ANZ, NAB and Rabobank, with whom we continue to build improved financing terms with extended tenure, lower fees and improved terms.



With zero term debt, we are now in a strong position to be able to shift our focus from debt repayment and we are now directing our cash flow back to Eight Point Plan initiatives.

I'm pleased to see the business responding well with a reinvigorated and strengthened team of employees, ready to see Elders continue to grow its earnings and returns, and meet our strategic targets.

The Chief Executive Officer will outline additional steps we are taking in his address shortly.

Capital structure normalisation

This year, we continued to simplify our capital structure, with a reset of both our hybrid and ordinary share registers. In August, we announced that our wholly-owned subsidiary Elders Finance would offer to acquire on market up to \$30 million of Elders Hybrids.

Ideally, our preference for the acquisition of Hybrids would have been a pro rata off-market offer to all holders, giving all holders an equal opportunity to participate, however under the Corporations Act your Company was prohibited from doing so.

Regardless, this offer was well accepted, with Elders Finance acquiring 375,000 Elders Hybrids. This purchase represents another important step of normalisation of our capital and debt structures.



While we have no immediate plan for dealing with the remaining hybrids, we will continue to assess capital management opportunities as they present themselves, and act on those which are in the best interest of Elders, and you, our shareholders.

During our financial year, we also conducted a small holding sale facility and top-up facility for our ordinary shares. Once again this received good acceptance with a large number of small holders electing not to retain their shares, while others chose to either retain or retain and top up.

This process saw a total of 709,019 shares either purchased by shareholders, or sold on behalf of shareholders, allowing us to reduce the significant administrative costs of managing small shareholdings.

And as a final confidence boost to end our financial year, September saw Elders re-admitted into the S&P/ASX 300 index, following a three year hiatus.

As your Company's performance improves and the business gears for growth, as shareholders I have no doubt you are wondering when you can expect to see dividends.



At the time of our September 2014 capital raising we stated that our priority for the short to medium term was to direct cash flow back into re-invigorating and strengthening the business to grow earnings and returns and, as a result, ordinary share dividends and hybrid distributions were unlikely to resume in the next two to three years at the least. Now that we are part way through that journey our ambition remains the same.

I understand for many long standing shareholders, there has been considerable time between dividends. And whilst I understand we still have some work to do before you view our performance as acceptable (which, for many of you no doubt, involves payment of dividends), I hope that you can see the significant progress that has been made and our vision to create value for our stakeholders in the near future.

Leadership renewal

Turning now to the leadership renewal that has occurred at a board level this year.

In September we saw the appointment of our newest non executive director Ms Robyn Clubb. Ms Clubb will stand for election today and if elected, will continue to add significant value to the Board through her extensive knowledge of the agriculture and financial services sectors to Elders.



As a New South Wales beef producer and stonefruit grower, Ms Clubb brings with her significant experience and interest in agriculture, further complementing the strong skill set of our Board, and providing sound support to your Company's strategic growth plans, as a profitable agribusiness.

Ms Clubb's appointment expands the Board to five people, including our Managing Director.

The Board is operating well and I believe the smaller-sized Board not only reflects the size and needs of the business, but allows us to operate efficiently as a team.

As such, today the Board wishes to take this opportunity to update the Company's constitution, and as outlined in item 7, we are proposing the maximum number of directors must not be more than 8, unless the company in general meeting determines otherwise.

As reported in the remuneration report of the 2015 Annual Report, the current director fees remain well within the aggregate fee limit of \$1.2 million, which was approved by the Board shareholders at the 2013 Annual General Meeting.

Non-executive director fees are reviewed by the Board on an annual basis, taking into consideration the accountability and time commitment of each director. Once again the Board determined this year not to increase fees other than, from 1 October 2015, the Committee fee payable to the Chairman of the Remuneration and Human Resources Committee will be \$15,000 or



150% of the committee fee of \$10,000 to reflect the significant workload of this position.

Today, we also seek your approval as shareholders to the proposed Long Term Incentive for Mr Allison as set out in Item 6 of the Notice of Meeting. The Board understands the importance of aligning Mr Allison's remuneration and long-term incentive with long-term returns for shareholders.

As a Board, we believe that the Long Term Incentive for which we seek your approval is appropriately structured to ensure Mr Allison performs his duties in a way that benefits you as shareholders.

I would like to take this opportunity to thank my fellow Board members, and in particular our Managing Director for their valuable contribution and dedication to Elders' future. I know I speak on their behalf when I say it is an absolute honour to be responsible for such a historic and important part of Australia's landscape.

I am conscious that there is still a long way for us to go until you – as shareholders - will view our performance as fully acceptable.

However, over the past 18 months there has been an obvious shift in mindset and culture within the business, and within the communities in which we operate, and I am confident that we are yet another step closer in creating value for all stakeholders.



The results achieved this year would not have been possible without the hard and disciplined work of the entire Elders team, so thank you to our team in pink, who live and breathe the Elders story each day.

Meeting Procedures

Your Chairmen have, in the past, put votes held at a general meeting to a show of hands before proceeding to a poll if necessary. In order to align the conduct of Elders' general meetings with what is becoming market practice, Elders intends, at the 2016 AGM and beyond, to take all motions direct to a poll. This will better reflect the voting intentions of all holders who have voted, not only those present at the meeting.

In closing, I extend another sincere thank you to our clients, our customers and each and every one of our shareholders who continue to support Elders.

I am extremely humbled to have been your Chairman through what has been an incredible year of milestones for Elders and I look forward to taking Elders into its next exciting period of growth as Australia's leading agribusiness.