19 April 2016

Presentation to the 13th PAC Partners Agribusiness and Food Conference

Attached is a presentation delivered today by Elders' CEO Mark Allison to the 13th PAC Partners Agribusiness and Food Conference.

Sanjeeta Singh
Joint Company Secretary



Elders Limited

Mark Allison, MD & CEO

13th PAC Partners Agribusiness and Food Conference

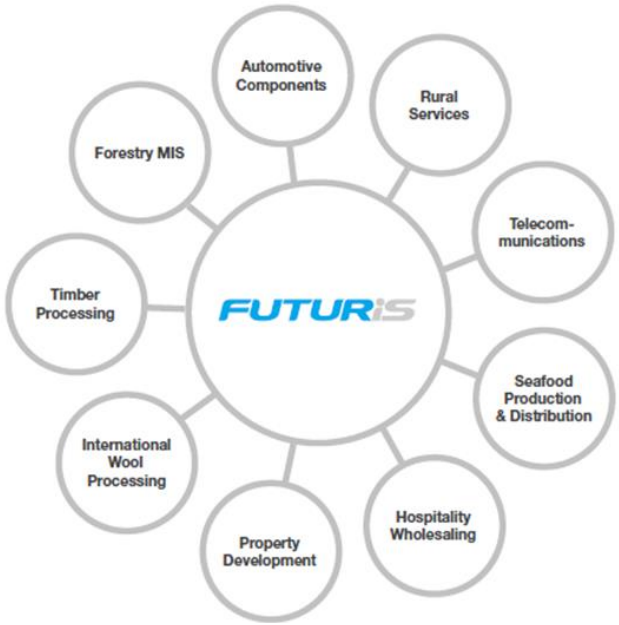
19 April 2016

Agenda

- Background
- Business Model
- Eight Point Plan
- FY15 Year in Review
- Financial Performance
- FY16 Priorities
- Outlook – By Commodity
- Outlook – By Product and Service
- Summary

Elders Transformation

Then (2008)



Now (2016)



Our Journey

- ☑ FY08 to FY13 – Survival
- ☑ FY13 to FY15 – Turnaround
- ☑ FY16 to FY20 – Growth



Elders Today

- Iconic Australian agribusiness
- Over 177 years old
- 1,800 employees
- 440 points of presence in Australia, Indonesia, Vietnam and China



Business Model

Retail Products



- Farm Supplies
- Fertiliser

- $926m retail sales
- 505k tonnes fertiliser

Agency Services



- Livestock
- Real Estate
- Wool
- Grain

- 9.4m head sheep
- 1.7m head cattle
- $1.4b real estate turnover
- 364k wool bales
- 0.4m grain tonnes

Financial Services



- Banking
- Insurance

- $2.7b loan book
- $1.4b deposit book
- $566m gross written premium

Principal positions are held by Rural Bank and Elders Insurance (QBE subsidiary) respectively

Feed & Processing Services



- Killara Feedlot
- Elders Indonesia
- Elders China

Killara	50k head
Indonesia	17k head
China	$13m sales

Live Export Services



- Short haul livestock
- Long haul livestock

- 119k head short haul
- 33k head long haul

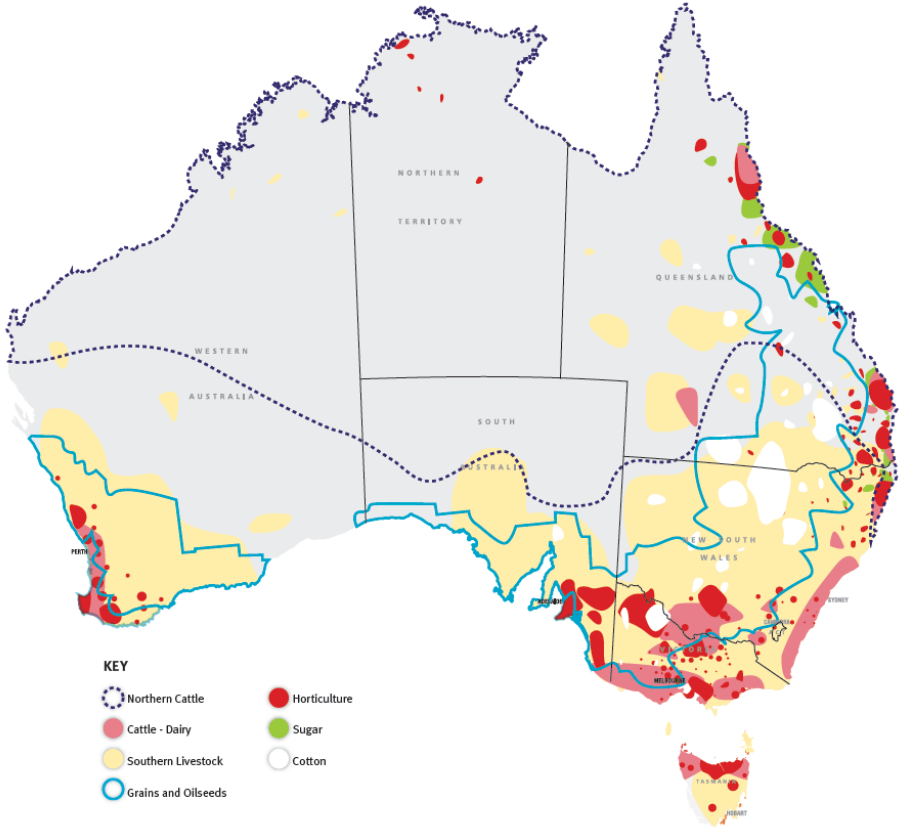
Online Platforms

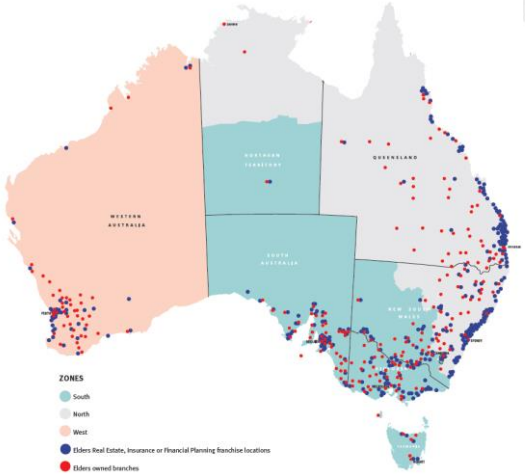
- Elders Online
- Auctions Plus (50%)
- Livestock.com.au

Based on FY15 statistics

Points of Presence

Elders' footprint in Australian agriculture





- Over 440 points of presence in Australia and overseas including full service branches, real estate and insurance franchises
- Key produce areas covered through our footprint
- Focus on improving reach into horticulture and sugar segments

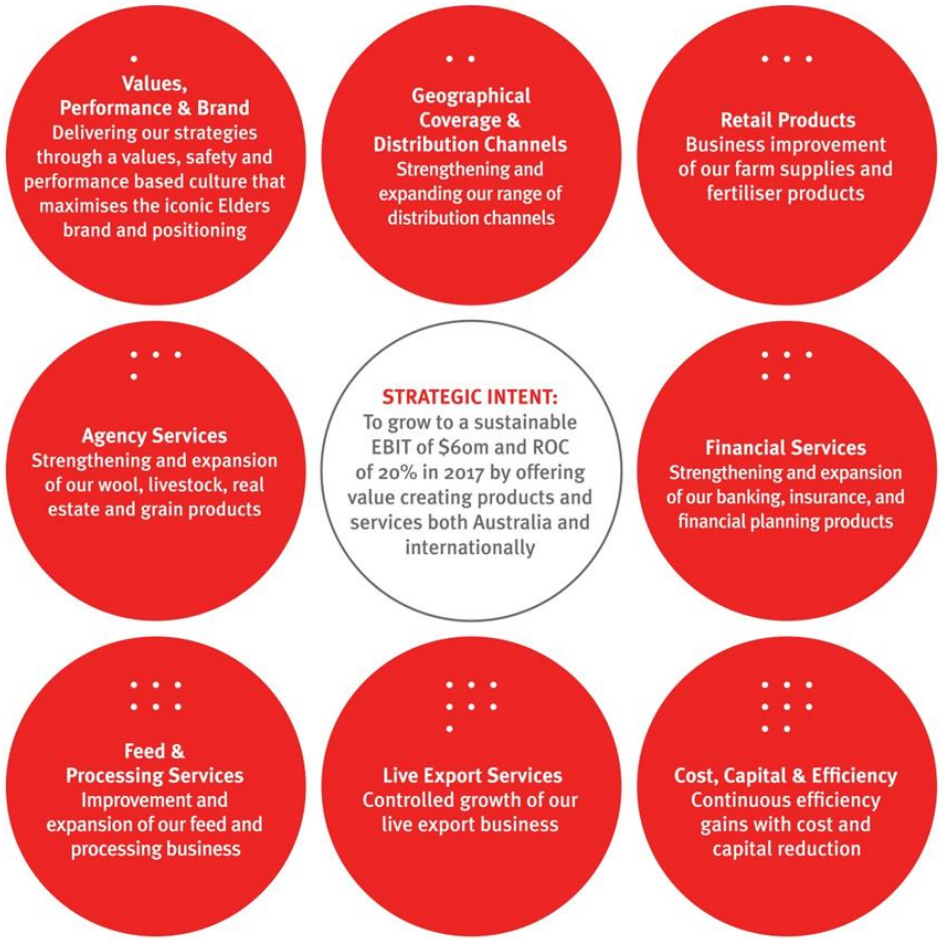
Proximity to Growth Markets



- ✓ Key operations in China, ASEAN, North-East Asia, and access to world markets
- ✓ Proximity to Asia provides opportunity to capitalise on growing middle class demand for premium agricultural products

Eight Point Plan

Our strategic vision for becoming an efficient user of capital and a business that generates returns for its stakeholders



FY15 Year in Review

Positive environment, solid progress

- Statutory net profit after tax of **$38.3m** up $35.3m
- Underlying net profit after tax of **$32.6m** up $23.5m
- Underlying EBIT of **$45.8m** up $18.2m
- Operating cash outflow **$5.3m** for the year
- Return on capital of **21.9%** up from 13.6% at September 2014
- Completed $30m hybrid acquisition
- Winner of 2015 Large Company Turnaround of the Year Award by TMA
- Added into ASX 300 index in September 2015

FY15 Financial Performance

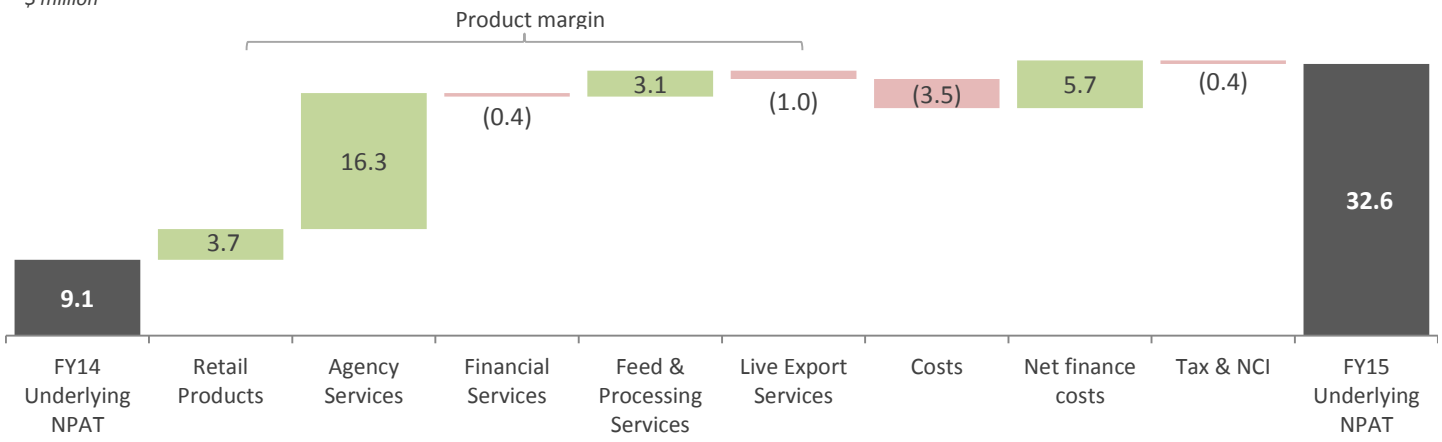
$ million	FY15	Change	FY14
Sales revenue	1,514.2	↑ 82.7	1,431.5
Underlying EBIT	45.8	↑ 18.2	27.6
Underlying finance cost	(10.0)	↓ 5.7	(15.7)
Underlying profit after tax	32.6	↑ 23.5	9.1
Reported profit after tax	38.3	↑ 35.3	3.0
Net debt	(136.2)	↓ 1.4	(137.6)
Operating cash flow	(5.3)	↓ 20.4	15.1
Average working capital	215.8	↓ 3.4	219.2
Return on capital (%)	21.9%	↑ 8.3%	13.6%
Underlying earnings per share (cents)	39.4	↑ 21.5	17.9

Performance by Product

Strong performance with livestock price tailwind

Underlying profit movement

$ million



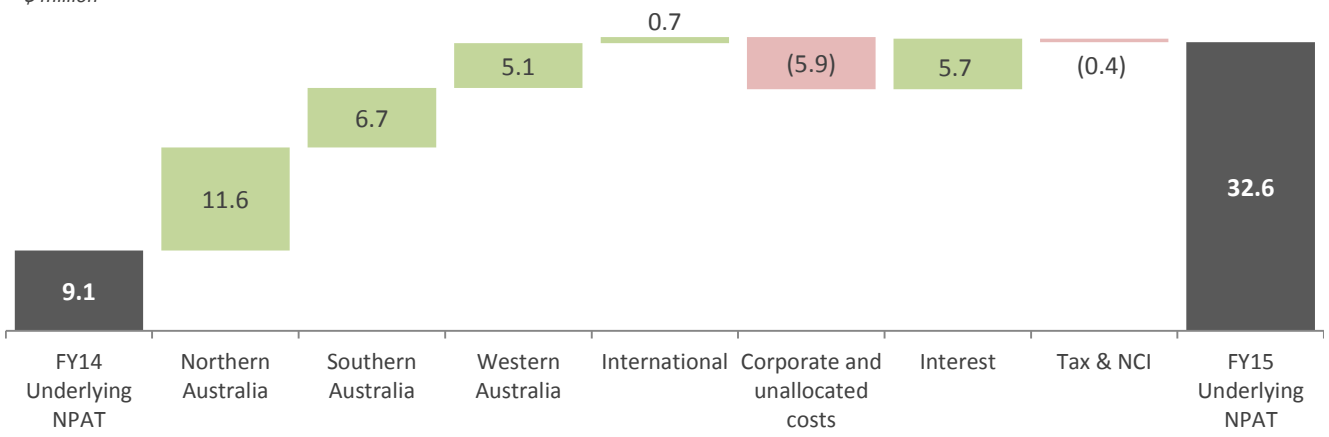
- Retail margin benefits through price book management and consolidation of supplier base
- Agency uplift with strong livestock prices and volumes
- Financial Services decline with subdued banking activity in northern and western Australia
- Feed and Processing margin improved through increased occupancy and efficiency at Killara and profitability of Elders China business post restructure
- Live Export saw softening conditions in China and Indonesia offset by strong demand from Vietnam
- Higher costs to improve workforce capability and rebuilding Elders brand
- Reduced finance costs with lower debt levels and savings from refinance

Performance by Geography

Improvement across all geographies

Underlying profit movement

$ million

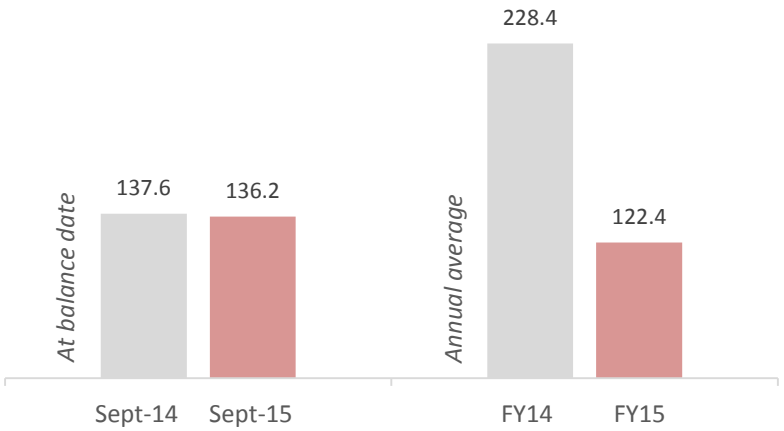


- Strong livestock performance underpinned improvement in Australian geographies
- Retail improvements in Western Australia resulting from active selling and promotional activities supported by good seasonal conditions
- Restructure benefits in Elders China driving improvement in International geography
- Increase in Corporate and other unallocated costs with reinvestment in IT, training, brand refresh, strategy and leadership roles as well as incentive programs to drive business growth

Net Debt

Key debt ratios improved

Net debt
$ million



Key ratios	Sept-14	Sept-15	Change
Leverage *[net debt to EBITDA]*	7.8	3.3	+ 4.5
Interest cover *[EBIT to net interest]*	0.6	3.4	+ 2.8
Gearing *[net debt to equity]*	241%	122%	+ 119%

- Improvement across all key debt ratios
- Refinance completed in August 2015 delivered restructure of facilities, extended tenor and pricing and covenant benefits
- $30m hybrid acquisition funded through business cash generation

Capital Structure

Committed to simplifying capital structure

- Progress to date in line with plan
- $30m hybrid acquisition successfully completed in August 2015 using earnings cash flow
- Ongoing review of optimal capital structure in relation to funding business growth and acquisitions
- Immediate priority to continue embedding Eight Point Plan into the business to enable sustainable growth to shareholder value

Eight Point Plan

Actions Delivered

Values, Performance & Brand

- "Elders. Live it."
- "Stand Up. Speak Up"
- Performance culture
- Local community engagement

Geographical Coverage & Distribution Channels

- Wholesale strategy
- livestock.com.au
- 45 branches on 90 day branch improvement program

Retail Products

- Consignment stock
- Margin management
- Better supplier terms, limits and rebates

Agency Services

- "Welcome Back" campaign
- New grain strategy
- Livestock financing facility
- Remuneration model

Financial Services

- Financial Planning restructure
- 100% Elders Home Loans

Feed & Processing Services

- Asian meat brands
- Killara portfolio management
- China turnaround
- Indo expansion

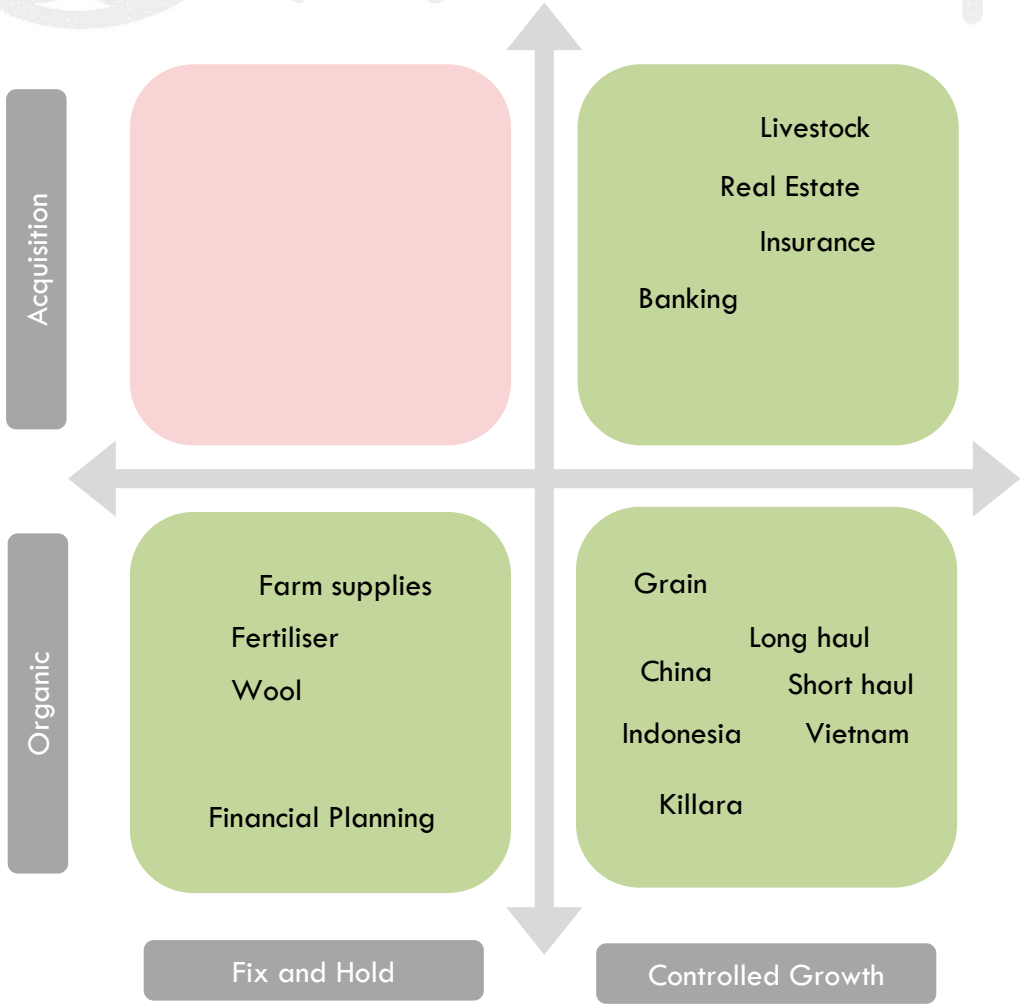
Live Export Services

- Market diversification
- New Zealand JV
- Animal welfare focus
- Livestock traceability system

Cost, Capital & Efficiency

- Focus on cost savings
- Business plan process
- Refinance completed
- Hybrid acquisition

Growth Strategy by Product



FY16 Priorities

Safety Performance

- Continued emphasis on safety
- Strengthen employee safety engagement program
- Target is to be LTI free

Operational Performance

- Implementation of Eight Point Plan initiatives
- FY16 Annual Operating Plan
- Growth in underlying EBIT
- Maintain ROC
- Drive cost and capital optimisation initiatives
- Comprehensive branch improvement program

Key Relationships

- Maintain high levels of employee effectiveness and enablement
- Conduct client and non-client focus group research across 10 locations Australia-wide
- Initiate customer satisfaction tracking study
- Conduct national TV brand campaign
- Engage in regional sponsorship agreements in key focus regions
- Rationalise and refocus our relationships with key suppliers
- High transparency levels, communication and engagement with key investors and potential investors

Efficiency and Growth

- Launch Elders Grain platform
- Launch Elders Online platform
- Implement Real Estate growth plans
- Implement growth strategies for livestock and wool businesses
- Implement banking and insurance growth plans
- Launch and grow branded meat business in China, Indonesia and Vietnam
- Actively seek acquisition and growth candidates with strong ROC

Eight Point Plan

FY16 Initiatives

Values, Performance & Brand

- Invest in leadership capabilities
- Brand campaign
- Sponsorship activities
- Drive performance management

Geographical Coverage & Distribution Channels

- Elders Online and wholesale strategy
- Foreign corporate investment group
- Segment gap analysis

Retail Products

- Home brand strategy
- Agency product
- Vendor managed inventory
- Agronomic CoE

Agency Services

- Product specialists recruitment
- Product development
- Acquisition growth
- Livestock demand strategy

Financial Services

- Leadership refresh
- Joint venture arrangements
- Recruitment drive

Feed & Processing Services

- Killara optimised
- China controlled growth
- Indonesia expansion
- Vietnam expansion

Live Export Services

- Continue animal welfare focus
- Diversification of markets and customers
- China feeder and slaughter market

Cost, Capital & Efficiency

- Control underlying cost base
- Investment in sales and technical roles
- Growth funding

Outlook – By Commodity

ABARES Agricultural Commodities Outlook 2016

- Cattle
- Live exports
- Sheep
- Wool
- Dairy
- Wheat
- Coarse grains, oilseeds and pulses
- Horticulture
- Sugar
- Cotton

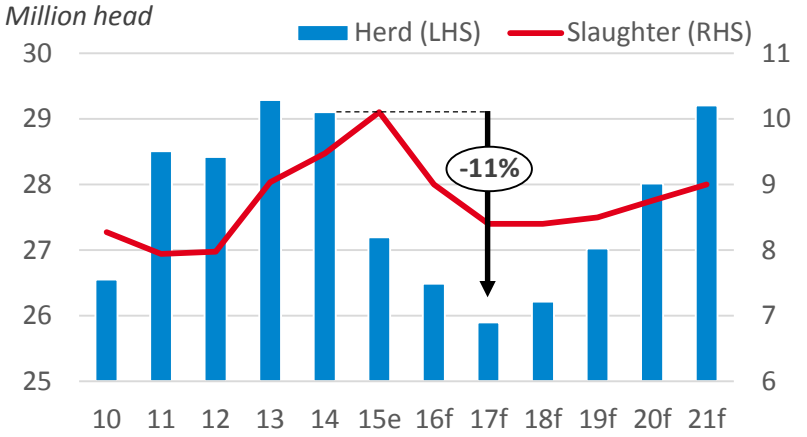
Note: ABARES data presented are based on 30 June financial years

Cattle

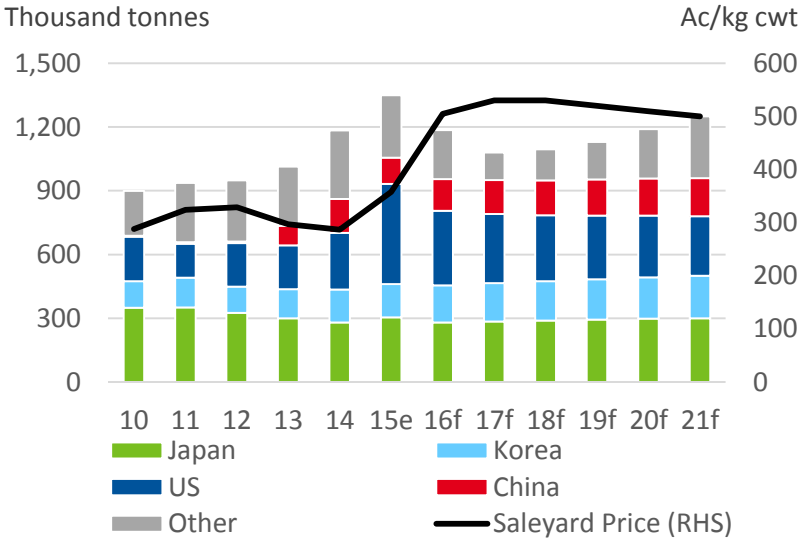
Record cattle prices but increased competition likely in key export markets.

- Cattle prices are forecast to remain strong driven by increased restocker demand, reduced supply and strong international demand.
- In later years increased competition in major export markets is expected to drive a softening in beef prices, placing downward pressure on cattle prices to average of 500c/kg (nominal) in FY21.
- Cattle slaughter is expected to decline to 9m head in FY16, assuming improved seasonal conditions and herd rebuilding.
- The Australian cattle herd is predicted to fall to 26.5m in FY16, before declining a further 5% to 25.9m head in FY17.
- Beef exports are expected to fall 9% in FY16 to 2.4mt cwt following reduced supply and increased competition in key export markets.

Australian cattle herd and slaughter



Australian beef and veal exports and cattle price



Source: ABARES Agricultural Commodities Outlook, March 2016

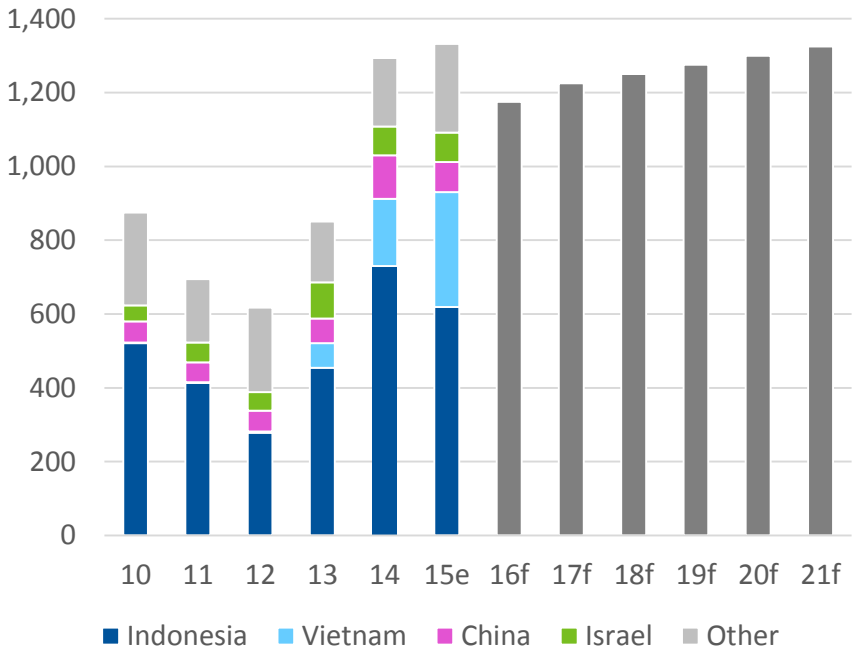
Live Cattle Exports

Demand remains robust in Indonesia and Vietnam.

- From a record 1.3 million heads in FY15, live feeder and slaughter cattle exports are forecast to fall 9% to 1.18 million heads in FY16 as the supply of exportable cattle continues to shrink.
- The decline also reflects the reduction in permits allocated by the Indonesian Government during Q1 of FY16.
- Live cattle exports are expected to increase 4% in FY17 to 1.23 million head, supported by strong demand in Indonesia and Vietnam where beef consumption continues to exceed domestic production.
- Live cattle exports to China are expected to increase over the medium term.

Australian live cattle exports

Thousand heads



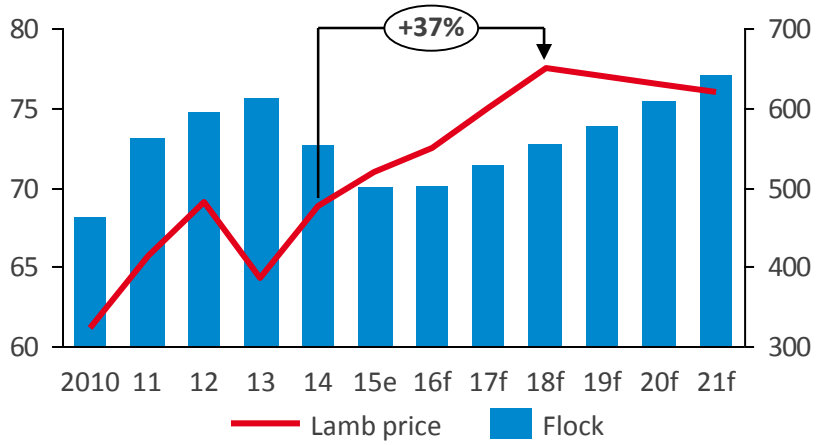
Source: ABARES Agricultural Commodities Outlook, March 2016

Sheep and Lamb

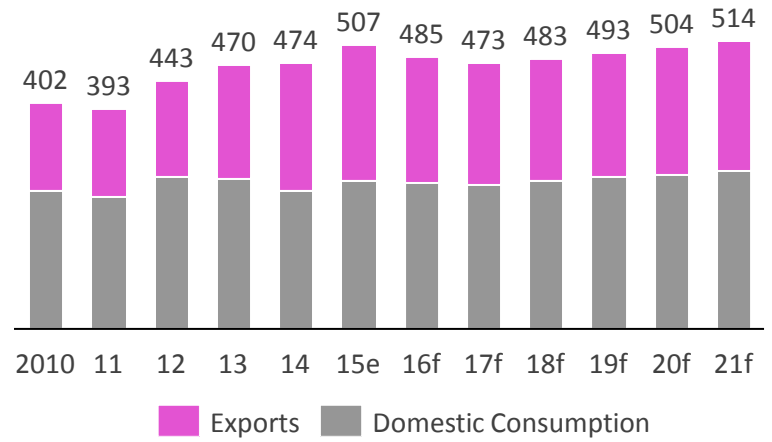
Prices to rise, lamb slaughter and production to fall.

- Sheep and lamb prices are forecast to increase strongly in response to increased restocker demand, low supply, and strong export demand from the US and Middle East.
- The national sheep flock is expected to increase marginally to 71.4 million head in FY16 before reaching 77 million head by FY21.
- Lamb production is forecast to fall in the short term, declining 4% in FY16 to 485,000 tonnes swt.
- Lamb slaughter is projected to increase over latter end of the projection period, increasing to 22.8m head in FY21.
- Domestic lamb consumption is expect to remain at the current level over the next few years with lamb exports projected to fall 7% to 224,000 tonnes in FY16, as slaughter and production decline.

Sheep flock and lamb prices



Lamb production, consumption and exports



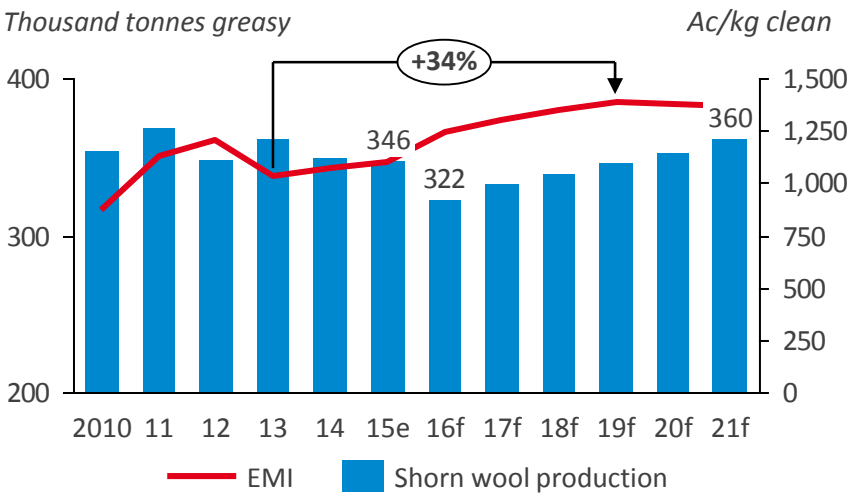
Source: ABARES Agricultural Commodities Outlook, March 2016

Wool

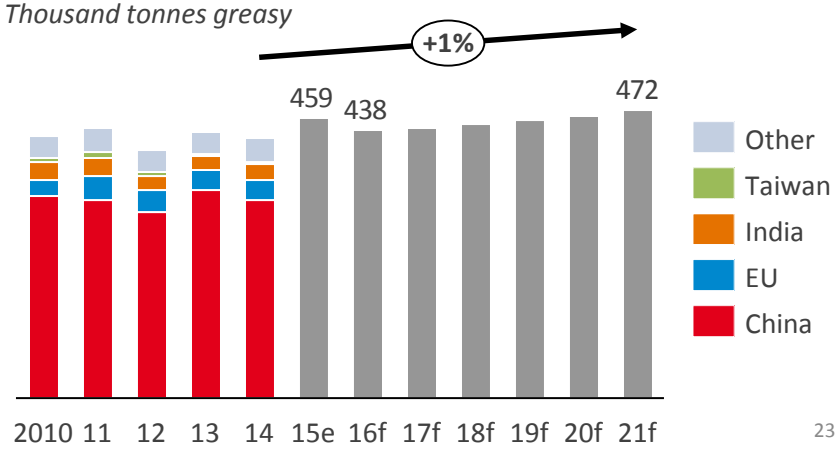
Prices to rise on the back of declining production.

- Shorn wool production is expected to slip 7% in FY16 to 322,000t greasy, driven by a smaller sheep flock and lower fleece weights.
- Production will rebound slowly to reach 360,000t in FY21, reflecting the increase in number of sheep shorn as the national flock increases.
- The projected fall in wool production is expected to support wool prices in the short term with the EMI forecast to increase 13% in FY16 to 1,240 c/kg clean.
- On the back of reduced supply, wool exports are forecast to decline 56% in FY16 to 438,000t before increasing gradually as the flock rebuilds.
- The demand for Australian wool may weaken in the short term as consumer demand for woollen textiles softens.

Shorn wool production and EMI



Australian wool exports by destination



Source: ABARES Agricultural Commodities Outlook, March 2016

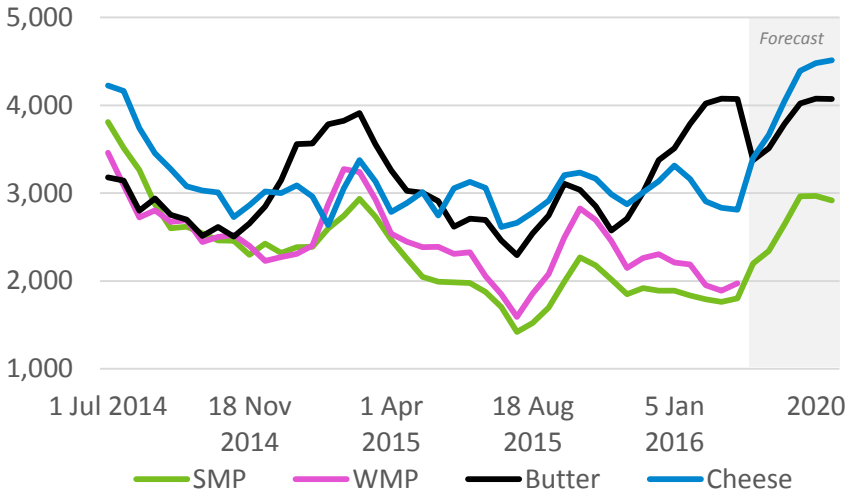
Dairy

Global prices to rise.

- China's imports of whole milk powder and skim milk powder is expected to recover in FY16, increasing by 14% and 5% respectively.
- In response to firmer demand from China and other developing countries, Global diary prices are forecast to recover in FY17 after experiencing falls in FY16.
- Increases in global dairy prices in the short term are expected to be constrained from projected increases in global milk production, primarily from the European Union.
- Australian milk production is expected to grow moderately out to FY21, driven by increased dairy cows numbers and growth in milk yields.

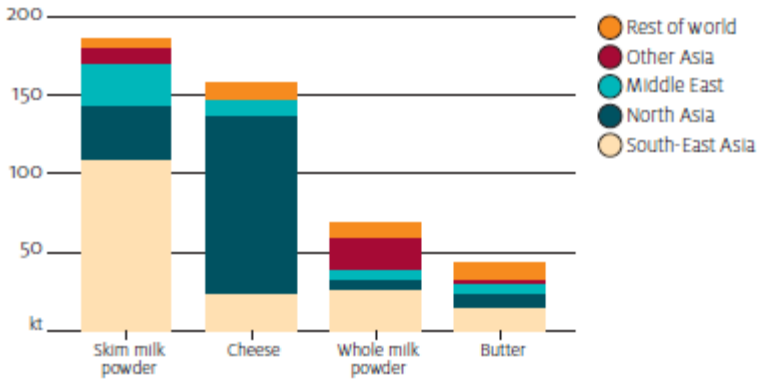
World Dairy Prices

USD/tonne



Australian dairy exports, 2014-15

Thousand Tonnes

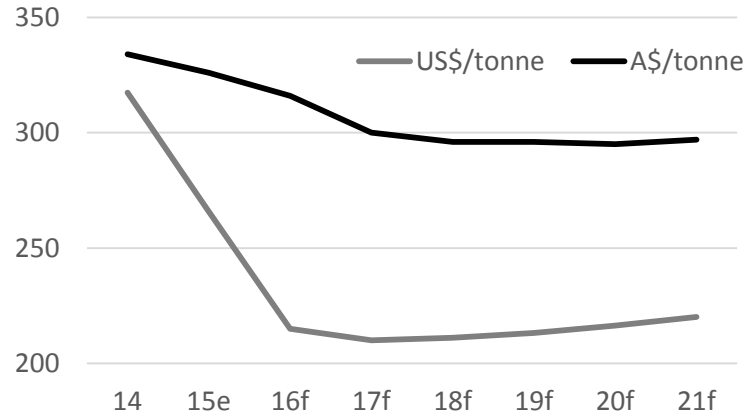


Sources: ABARES Agricultural Commodities Outlook - March 2016, GlobalDairyTrade

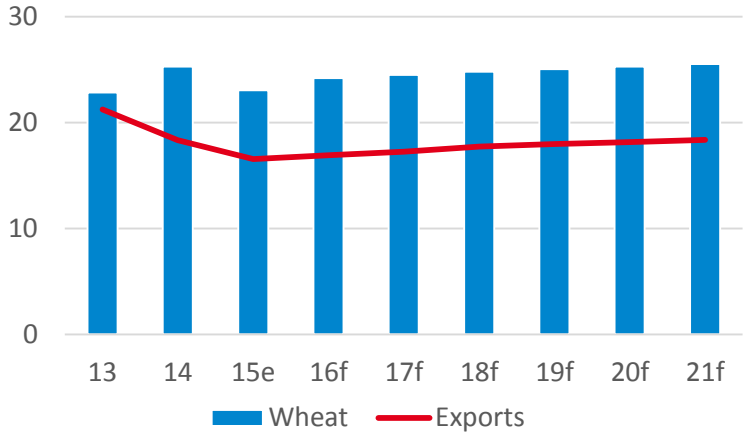
Wheat

Production rises but values decline on lower global wheat prices.

World Wheat indicator
$/Tonne, Nominal



Australian wheat production and exports
Million Tonnes



- World wheat prices are expected to fall in FY16 and remain soft over the remaining projection period, following several years of rising global production and high world wheat stocks.
- The declining Australian dollar is expected to soften the fall for domestic wheat prices.
- A favourable seasonal outlook over Autumn with above average rainfall expected across most major cropping districts, Australian wheat production is forecast to rise by 1% in 2016-17 to 24.5mt.
- Rising production is expected to lift exports slightly over the projection period but Australia will face increasing competition from the US and Canada.

Source: ABARES Agricultural Commodities Outlook, March 2016

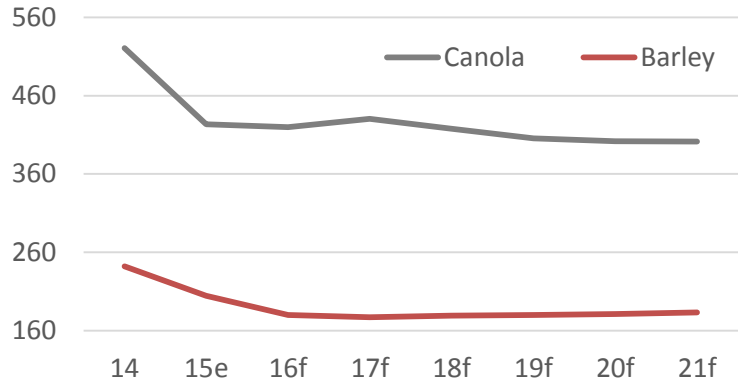
Coarse Grains, Oilseeds and Pulses

Global prices to decline, Australian production remaining steady.

- The world indicator price for corn, barley and oilseeds are expected to fall in FY17 following an abundance in supply, large carry-over stocks and relatively weak demand in some sectors.
- Total area planted to coarse grains is expected to fall by 4% in FY17 in favour of additional plantings in canola.
- Sorghum plantings are expected to decline following reduced demand from China, with increased sorghum consumption in the domestic livestock sector as a result.
- Following a recovery in plantings, Australian canola production is predicted to rise 11% to 3.3mt in FY17.

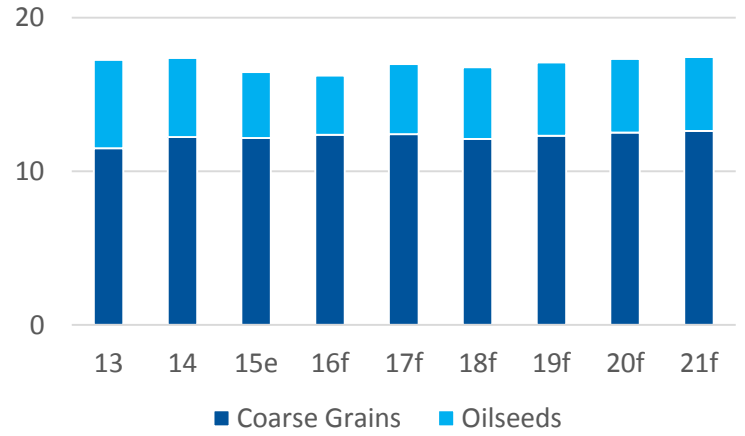
World indicator prices

US $/Tonne, Nominal



Australian grain production

Million Tonnes



Source: ABARES Agricultural Commodities Outlook, March 2016

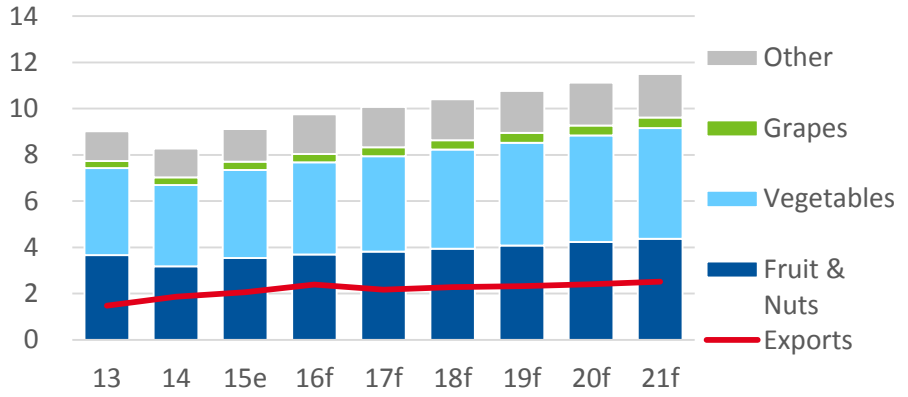
Horticulture

Modest growth in production, imports and exports.

- The gross value of horticultural production is expected to rise gradually to reach $10.2bn in FY21, driven by modest growth in fruit, nut and vegetable production.
- Potato production is expected to decline slowly to ~1.16mt in FY21 as the processing sector continues to contract.
- Tree nut production is predicted to increase slowly as plantings reach full maturity, with lower projected prices for almonds.
- The weaker Australian dollar and recent trade agreements are expected to stimulate an increase in exports for fresh product lines.
- Imports, predominately of processed products, are expected to increase strongly.

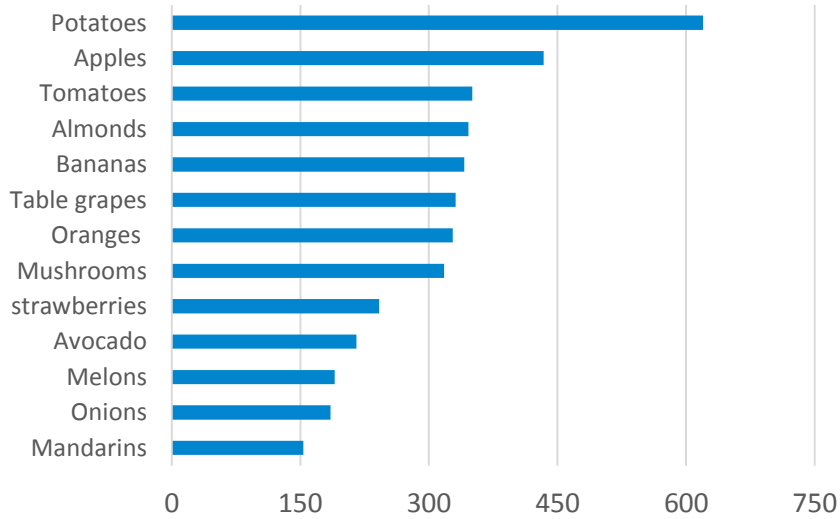
Gross value of horticulture production

$ billion, 2014-15



Gross value of production

Million dollars, 2013-14



Source: ABARES Agricultural Commodities Outlook - March 2016, ABS Cat. No. 7503.0

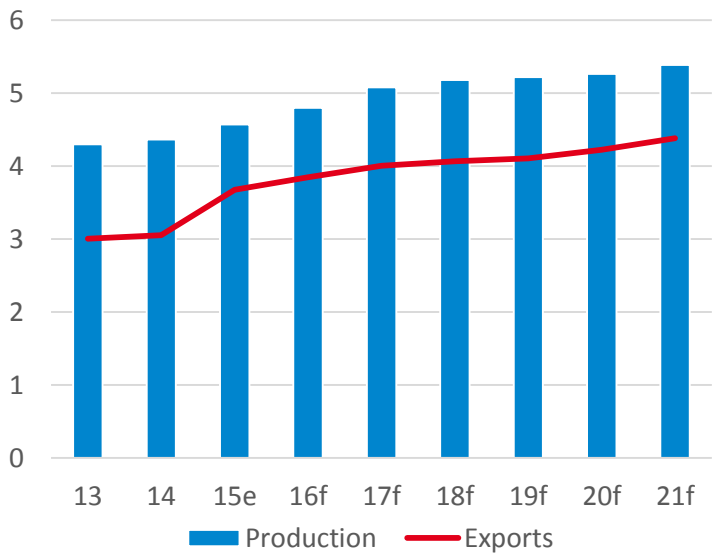
Sugar

Higher returns to Australian cane growers, sugar production and exports.

- The world sugar price is expected to remain at an average of 14 US c/lb in FY16 before increasing to 17.5 US c/lb in the medium term.
- Over the projected period world sugar consumption is predicted to exceed production, reducing world sugar stocks which had grown significantly to reach 77.8mt by FY15.
- Australian sugar production is forecast to increase by 3% to 4.8m tonnes in FY16, the highest level since FY07, driven by an increase in harvested area.
- Over the medium term, domestic production is predicted to grow annually by 1% from FY17 to reach 5.4m tonnes in FY21, reflecting a rise in average yield and planted area.
- Sugar exports are forecast to rise 14% to 4.4m tonnes in FY21, on the back of increasing production.

Australian sugar production and exports

Million tonnes



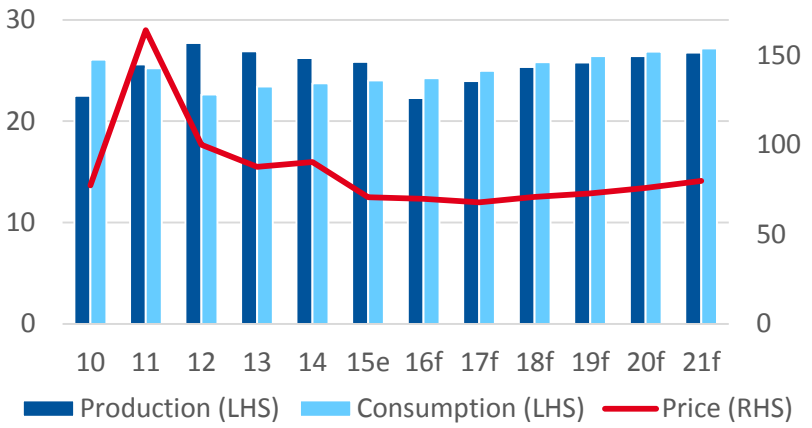
Source: ABARES Agricultural Commodities Outlook, March 2016

Cotton

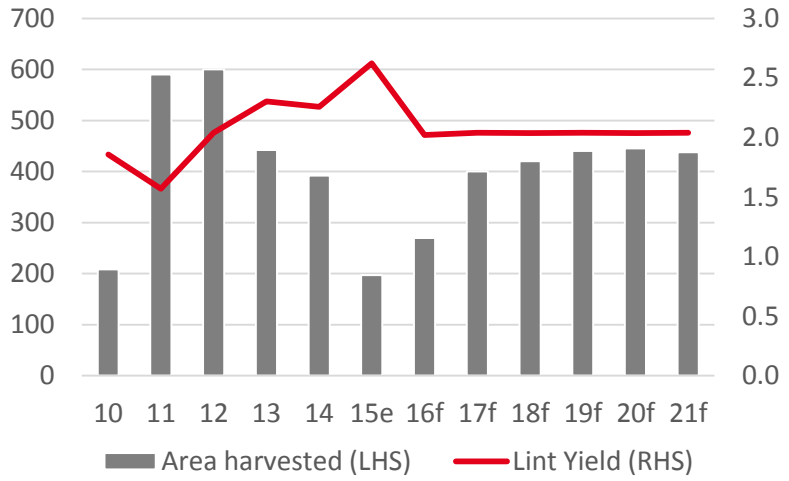
World cotton stocks projected to decline.

- Global cotton prices are predicted to decline in the short term, reflecting large carry-over stocks and sluggish global demand for cotton.
- World cotton stocks are forecast to decline by 7% in FY16 to 22.7mt, largely driven by a 14% decline in global production.
- World cotton consumption is expected to be constrained in the short term by strong competition from synthetic fibres due to low oil prices.
- Australian cotton production is expected to increase by 6% in FY16, largely driven by a rise in planted area on the back of favourable rainfall in key growing districts.
- Over the medium term, Australian cotton production is projected to grow annual rate of 1.4% to reach 893,00 tonnes by FY21.

World cotton production, consumption and price



Australian cotton planted area and lint production



Source: ABARES Agricultural Commodities Outlook, March 2016

Commodity Outlook Summary

Short-term outlook

- The **gross value** of farm production is forecast to **increase by 9.3% to around $58.7 billion** in 2015-16 despite a predicted decline in total volume of farm production of 1.8%, driven primarily by livestock production.
- Earnings from **farm exports** are forecast to **rise by 3% to $45.2 billion** in 2015-16**.**
- **Export prices (in AUD) are forecast to increase in 2016-17** for, beef and veal, wool, dairy products, wine, sugar, lamb and mutton, live cattle, and canola.
- This will more than offset the expected export price decline for wheat, barley and cotton.

Outlook – By Product and Service

Mixed operating conditions for 2016

- **Retail:** Prospect of a strong El Nino likely to bring drier spring and summer in eastern Australia
- **Agency:**
  - Livestock: Cattle and sheep prices to remain high driven by reducing global supply and strong international demand. Significant tightening of cattle supply over autumn expected
  - Real Estate: Positive activity with low interest rates and continuing local and foreign investments
  - Wool: Lower production to support wool prices in short term
- **Financial Services:** Leadership refresh with a view of growing banking and insurance products
- **Feed and Processing:**
  - Killara: Cattle on feed expected to remain high, reflecting dry conditions
  - Indonesia: Demand for beef is subdued due to market price increases. Performance dependent on volume of cattle import permits issued by the Indonesian government
  - China: Growth in Chinese food and hospitality industry fuelling demand in premium Australian beef
- **Live Export:**
  - Short haul: Stable demand from Indonesia and Vietnam
  - Long haul: Export volumes to rise for feeder and slaughter and breeder cattle demand from China. Slow recovery of dairy cattle export to China in FY16.
- **Cost and Capital:** Investment in strategy and growth initiatives will increase cost and capital usage; albeit continued focus on base cost and improvement in productivity measures

Summary

- ☑ Turnaround phase complete
- ☑ Eight Point Plan largely on track
- ☑ Embracing Growth phase
- ☑ Industry and company fundamentals solid




Elders
Live it.

Disclaimer and Important Information

Forward looking statements

This presentation is prepared for informational purposes only. It contains forward looking statements that are subject to risk factors associated with the agriculture industry many of which are beyond the control of Elders. Elders' future financial results will be highly dependent on the outlook and prospect of the Australian farm sector, and the values and volume growth in internationally traded livestock and fibre. Financial performance for the operations is heavily reliant on, but not limited to, the following factors: weather and rainfall conditions; commodity prices and international trade relations. Whilst every endeavour has been made to ensure the reasonableness of forward looking statements contained in this presentation, they do not constitute a representation and no reliance should be placed on those statements.

Non-IFRS information

This presentation refers to and discusses 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 external auditors, but is derived from audited accounts by removing the impact of discontinued operations and items not considered to be related to ongoing operating performance.