18 December 2014

2014 AGM - CEO's Presentation

Attached is a copy of the Chief Executive Officer's presentation to the 2014 Elders Limited Annual General Meeting being held today in Adelaide.

Peter Hastings
Company Secretary

Chief Executive's Presentation, Mr Mark Allison
2014 Annual General Meeting of Elders Limited

INTRODUCTION

Good morning everyone, and thank you for your attendance today.

When I stood before you last year at our Annual General Meeting as Chairman, it was to set out a plan on how to achieve the long awaited Elders turnaround.

Elders is a company with which I have had a long association over many years, whether it be as an agronomist in the field, heading up one of Elders' supply partners, heading up the major competitor or as a leader of an industry body.

One thing that always stood out to me, was the ability of Elders to never give up despite the challenges it faced.

This is the reason I was confident that a turnaround could be achieved, but only if we took a strategic, methodical and measured approach to running the business.

At last year's AGM, we outlined four critical priorities for 2014. These were safety performance, operational performance, leadership renewal, and capital management.

These have all been the focus of everyone in the organisation over the last year and sound progress has been achieved against all priorities.

Today I will outline our progress and provide some detail around our financial results, particularly at an operating level.

This year we developed and launched a three year strategic plan, known as the Eight Point Plan. This was developed by forty of our senior managers and it is an ROC focussed and very practical approach to running our business. Some have observed that it is a back to basics approach.

It's our strategic vision to become an efficient user of capital and a business that generates acceptable returns for its stakeholders. We've set ourselves the FY17 target of achieving $60 million earnings before interest and tax and a 20 percent return on capital.

As the Eight Point Plan, and the initiatives that underpin it, have garnered a lot of interest since our full year results, I will outline some key areas today.

Finally, I will outline our priorities for FY15, which will again be approached in a measured and methodical manner and will be the focus of everyone in the organisation.

PROGRESS AGAINST 2014 PRIORITIES

Slide: 2014 Priorities

As outlined in the Annual Report, the focus of the organisation during 2014 has been on four key priorities.

In terms of safety performance, we reduced our lost time injuries by over forty percent during the year. That's 13 less people hurt than the previous year. That number is still too high, so we will continue to remain focussed on reducing injuries in our business, particularly in the livestock and manual handling areas, which historically have presented the greatest risk.

Our operating performance has improved considerably with a $77.3 million turnaround in underlying profit with contributions from all product and geographic segments of our business. Our key Eight Point Plan indicators, are earnings before interest and tax and return on capital and both have lifted to $27.3 million and 12% respectively.

Your Chairman has already outlined the leadership renewal that has taken place at a board level and we've also restructured our Executive Committee and their objectives to align with the strategy.

The final priority for FY14 was capital management and the Chairman has also outlined the equity raising, refinancing and debt reduction that contributed to the capital management improvements. In addition we've seen improvements in average working capital and operating cash flow.

FINANCIAL RESULTS

Slide: 2014 Financial Results

Our 2014 financial results are discussed in the Annual Report and our CFO, Richard Davey, and I have conducted extensive investor briefings since the announcement of our results. As such, I won't outline them in detail today, but the message is clear, profit up, debt down and return on capital up.

Pleasingly, all areas of our business have contributed to our $77.3 million improvement in underlying profit.

Our Agency Services contributed the largest component with a strong margin contribution from the livestock and real estate segments. Live Export Services also had a solid performance, notwithstanding a balance sheet adjustment from the 2013 financial year.

Costs have also been reduced by $28.5 million, following the successful implementation of initiatives undertaken at the end of last financial year to refocus and simply our business.

EIGHT POINT PLAN

Slide: Eight Point Plan

Turning now to our Eight Point Plan.

Launched in July, the Eight Point Plan is our blueprint to become an agribusiness that creates value for all stakeholders in domestic and international markets.

As I discussed earlier, in tangible terms, that means achieving $60 million earnings before interest and tax, and a 20 percent return on capital by FY17.

The plan was developed by our own people as I believe the initiatives that will help us become a sustainably profitable, safe and values based organisation exist within the knowledge and experience of our business. I believe our people have the answers, and simply need to be provided with the appropriate direction and leadership.

Our FY15 annual operating plan outlines the Eight Point Plan initiatives that are at various stages of development and implementation.

Whilst it is still early days and most of the initiatives will deliver value in future years, progress is being made. Importantly, we are taking a planned and methodical approach to each Eight Point Plan initiative to ensure it is implemented in a way that benefits the business, and our stakeholders.

I won’t address each initiative here today but I will summarise some of the initiatives that are either well advanced, or provide the greatest opportunity.

Values, performance, and brand

The key to lifting the productivity of our workforce is having a workforce that is engaged and has clear, realistic, measurable and achievable performance objectives.

So, for the 2015 financial year, we've introduced an online performance management system which allows us to align individual performance objectives, at all levels of the organisation, to the Eight Point Plan and the business' strategic priorities.

We'll also be examining our brand positioning because recent research revealed a negative perception of Elders, associated with poor financial performance and the perception that we are no longer local. Clearly, neither of these perceptions are correct in fact as we move into 2015.

Safety is a very important priority for our business. We've been making progress on our lost time injury front but our goal is to have zero lost time injuries so we will implementing a safety communication and engagement plan to ensure everyone in our business is putting safety first, and to further improve our safety performance.

Geographical Coverage and Distribution

After conducting a branch benchmarking review we've identified a tail of underperforming branches and are currently implementing a branch improvement plan. This enables us to lift performance where possible, or identify a more

beneficial ownership or geographical coverage model. It is worth noting, that under our Eight Point Plan, a number of previously unsustainable branches are now sustainable from an EBIT and ROC viewpoint.

We’re also considering options to develop a wholesale business model, a new channel to market for us, and an aggressive expansion of our online platforms.

Retail products

In our retail products segment, we seek to drive growth in our farm supplies and fertiliser businesses by moving towards a capital light and return on capital driven approach.

We’ve been working closely with our preferred suppliers to develop mutually beneficial relationships aligned with our Eight Point Plan and internally we’ve implemented a margin improvement program.

Agency services

Our Agency business, comprising livestock, wool, grain and real estate, is the largest part of our business and is the area which has the greatest opportunity for improvement and growth.

In the livestock segment the Eight Point Plan initiatives are centred around driving performance and increasing our market share.

Realigning the remuneration model for our livestock and wool employees aims to reward high performers and drives sales, and attract high quality sales people to our business.

Furthermore, a new minimum activity key performance indicator for our agency employees will help us identify those high performers and manage the underperformers.

We've also launched an aggressive real estate franchise push with the aim of growing our franchise offices by around 25 percent. Real estate is the type of business where the more people selling property, the greater the return.

And finally, we currently have an expression of interest in the market for our grain partnership arrangement.

Financial services

In our financial services business we've restructured Elders Financial Planning and the focus for the entire portfolio. This includes our distribution arrangements with Rural Bank and Elders Insurance and the financial planning and home loan join ventures where we will be looking to drive new business growth and cross-referrals.

Feed and processing services

Implementing a return on capital approach to feedlot capacity at our two feedlots, in Northern New South Wales and Indonesia is a priority for us and we're also exploring opportunities to open up integrated red meat supply chains both domestically and internationally.

In Indonesia we have a world class feedlot, abattoir and top end beef brand and it is this model that we are seeking to replicate in other markets, including China and Vietnam.

Live Export services

Strong demand for cattle continues in Asian markets, particularly in Indonesia, Vietnam and China so we will be focussing on managing and controlling that growth.

In order to create a solid platform for growth in live export we are implementing an automated inventory management system to further strengthen the robust controls and systems in this part of the business.

This is clearly a significant growth opportunity for the business and an area where Elders has a significant sustainable competitive advantage.

Cost, capital and efficiency

A number of cost saving initiatives have been identified, including consolidating and downsizing our offices in Brisbane, Melbourne and here in Adelaide. We are a smaller and more focussed business as a pure play agribusiness. There are also a

number of ‘small win’ efficiency gains across our telephony, car fleet and IT components.

2015 Priorities

Slide: FY15 priorities

Having achieved our 2014 priorities, the time is right to set our priorities for the coming year.

We are maintaining our first two key priorities of safety and operational performance for FY15. Clearly, ongoing strong performance here is critical.

We’re also making key relationships a priority; that is our relationships with our employees, our clients, our suppliers, our shareholders and all others that we conduct business with.

The final priority for 2015 is efficiency and growth.

In order to achieve our strategic target of $60 million EBIT and 20% return on capital it is clear that we need to grow, and we need to become more efficient in delivering our products and services.

These priorities have been agreed at a Board and Executive level and have been filtered down to all employees via the performance plans that they agree with their managers. This means that everyone in the organisation shares the same priorities

Closing

As you can see, 2014 has certainly been a year of necessary and positive change. It's meant that we have been able to create a foundation to explore further opportunities for growth and efficiencies.

By developing our strategy and setting our target we have a clear understanding about our future direction.

2015 therefore will be all about implementing the plan as I have outlined today, and gaining the benefits in our business performance.

In terms of outlook, we're expecting a dry spring and summer for most of Australia and are assuming an average winter cropping season. The ongoing drought in northern Australia will continue to place pressure on our livestock clients as they look to turn off stock so we will be doing our best to support them. Strong feedlot and live export demand is also expected to continue.

There are far more exciting opportunities on the horizon for Elders than just the weather outlook.

This year the Australian Government has signed three important free trade agreements, with China, Korea and Japan.

Whilst it will take time for Australia, and Elders to realise the benefits of these free trade agreements, the opportunity is clear.

The prospects of increased demand for feeder and slaughter cattle into China are of particular interest for Elders but we are still awaiting clarification on protocols governing the trade.

In any case, Elders' approach to capitalising on future opportunities in China will be measured and methodical, and will be based on return on capital and earnings growth in line with our Eight Point Plan.

Finally, thank you all for your support. I acknowledge the challenges that shareholders have faced in recent years.

Hopefully you are able to see that the future for Elders is bright and we are positioned to create value for all of our stakeholders.

After 175 years in business Elders is definitely here to stay.

2014 ANNUAL GENERAL MEETING

Thursday, 18 December 2014
Adelaide Festival Centre

Elders

175 YEARS

Chief Executive's Presentation

Mark Allison

Elders
175 YEARS

2014 Priorities

Commitment to the priorities outlined at the 2013 AGM has contributed to the significant improvement in 2014

- ✓ Safety Performance
- ✓ Operational Performance
- ✓ Leadership Renewal
- ✓ Capital Management

Elders 175 YEARS

2014 Financial Results

Statutory and underlying profit achieved for the first time in six years and net debt further reduced

$ million	2014	2013	Change from 2013
Reported profit / (loss) after tax	3.0	(505.3)	+ 508.3
Underlying profit / (loss) after tax	8.8	(68.5)	+ 77.3
Underlying EBIT	27.3	(48.9)	+ 76.2
Net debt	(137.6)	(255.2)	- 117.6
Return on capital	11.7%	(9.5)%	+ 21.2%

(92.6)
Pro-forma Sept-14
Term debt eliminated

Elders
175 YEARS

Eight Point Plan

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

- Values, Performance and Brand
- Geographical Coverage & Distribution Coverage
- Retail Products
- Agency Services
- **STRATEGIC INTENT** $60m EBIT and 20% ROC by 2017
- Financial Services
- Feed & Processing Services
- Live Export Services
- Cost, Capital & Efficiency

Elders 175 YEARS

FY15 priorities

Commitment to these priorities at all levels of the business will be the focus of the Company in 2015

- Safety Performance
- Operational Performance
- Key Relationships
- Efficiency and Growth

Elders
175 YEARS

Elders
Elders
175 YEARS