

**ADDRESS GIVEN BY THE CHAIRMAN,  
RICHARD (RICK) LEE  
BENG (CHEMICAL)(HONS), MA (ECON) (OXON), FAICD  
AT THE EIGHTY-SEVENTH (87<sup>TH</sup>)  
ANNUAL GENERAL MEETING OF  
RURALCO HOLDINGS LIMITED  
FRIDAY 2 FEBRUARY 2018**

Good morning ladies and gentlemen. On behalf of the Ruralco Board, it is my pleasure to welcome you to the 2017 Annual General Meeting.

My name is Rick Lee and I am the Chair of the Board, I'm joined on stage by my fellow directors whose biographies can be found in the Annual Report:

- Trudy Vonhoff
- Elizabeth Johnstone
- Michael Millner
- Travis Dillon, our Managing Director and CEO; and
- it is my great pleasure to also introduce, and welcome, Andrew Macpherson who was appointed as a Non-executive Director to the Board on 5 December 2017 and offers himself for election at today's meeting.

We have some other members of the Ruralco leadership team with us today, including Chief Financial Officer Adrian Gratwicke and Acting General Counsel and Group Company Secretary, Tim Rowe.

I invite you to join the Board and Management for refreshments after the meeting.

Our auditor, KPMG, represented by Mr Anthony Travers is here today, and he is available to take questions on the audit later in the meeting.

I am advised by our Acting Company Secretary that there is a quorum present and I officially declare the meeting open.

The Notice of Meeting was lodged with the ASX on 6 December 2017 and was sent to all Shareholders in December. If there is no objection, I propose that the notice be taken as read.

The proceedings today will commence with my Chairman's review. Our Managing Director and CEO, Mr Travis Dillon, will then report on Ruralco's 2017 performance and plans, and we will then move to the items of business set out in the Notice of Meeting. There will then be time for questions prior to voting on each resolution.

Ladies and gentlemen, it is now my pleasure to deliver the Chairman's address.

## Chairman's Address

Well, I would just like to say “what a time to be part of this industry”. Agriculture in Australia is thriving. Figures released in September 2017 from ABARES, the Australian Bureau of Agricultural and Resource Economics and Sciences, show that Australian agriculture was the largest contributor to national Gross Domestic Product growth in 2016-17, contributing 0.5 percentage points of the national total of 1.9 per cent growth. Over the same period, gross value of farm production is estimated by ABARES to have reached a record \$62.8 billion.

The agricultural sector also grew the fastest of all 19 Australian industries in 2016-17—up a formidable 23 per cent. This was particularly driven by the grains and livestock industries, but with other agricultural industries also performing strongly. Food exports, particularly to our growing Asian neighbours, are booming. With population continuing to grow strongly and living standards improving, Australia has an important role to play not only in regional and global food security but also in supplying an expanding range of high quality food and fibre products to ever demanding consumers in the region. Australian farmers export about 77 percent of what they grow and produce, with Australia's farm exports earning the country \$44.8 billion in 2016-17, up from \$32.5 billion in 2010-11.

Spurred on by a few reasonable seasons, we are seeing a new wave of interest in agricultural innovation and investment and a buoyant feeling is sweeping the industry. The most recent Agricultural Census conducted in 2015 and 2016, revealed a significant change to Australian farming: a massive increase in Australian fruit and nut production. Almond, avocado and olive production spiked, as more new orchards started producing fruit. More cherries, mandarins and oranges were grown too.

Coupled with the sharp rise in fruit and nut orchards is the need for reliable water access and efficient irrigation. Farmers used 9.2 million megalitres of water on their properties in 2015/16. Permanent tree plantings must be watered, year-in, year-out, which is likely to mean fierce competition and higher prices for water in dry years across some of Australia's major irrigation regions.

Prices for livestock and wool were also favourable during 2017 and the outlook remains generally positive. Farmers continue to take advantage of the historically high average prices to strengthen the physical and financial standing of their enterprises. The high cattle prices have driven a decrease in the national total stock of dairy and meat cattle. The total number of sheep and lambs remained fairly steady, also reflecting the challenges in increasing livestock numbers.

We have all learnt from experience that these generally positive, dare I say buoyant, trends in agricultural production and prices will likely still be characterized by volatility in seasonal conditions and export prices. As participants in an industry largely dependent on the vagaries of weather, export markets and prices, we need to remain ever mindful of seasonal and market risks. As a service provider to the agricultural sector, we work hard to ensure that our business model, our strategies and our risk management policies remain tailored to deal with volatility. And we make sure as best we can that our people are trained and experienced in every possible way to help our customers do the same.

While talking about people, it is interesting to note that more than 1.6 million Australians have jobs in the farming, agribusiness, food processing and manufacturing industries. There are over 300 students graduating from agricultural science courses at university every year – with women outnumbering men since 2003. The job placements for these graduates are currently running 15% higher than other industries suggesting a strong and continuing interest in growth and investment in skills. Ruralco is playing its part, doubling our Graduate Program intake in 2018.

Our growing industry is attracting a younger and more diverse demographic who are looking at opportunities on the land – and with access to new technologies, they are doing things very differently from previous generations. These trends seem likely to continue. Advances in technology and new machinery have reduced the number of farmers in the workforce driving up the average age. The aging of Australia's general population is one factor leading to the "average farmer" now being 56 years of age. Interestingly, ABARES data also reveals farms with the greatest productivity and turnover are being managed by a younger demographic. From this, we can interpret that, with advancing age, Australia's farmers are tending to reduce their holding size – while some are choosing retirement. At the same time, younger farmers are increasing land holdings and managing larger farms either as owners or being employed by corporates or institutions. According to the Australian Farm Institute, these younger farmers "account for more than three quarters of total agricultural output and may be much more receptive to new technologies than farm-sector 'average age' statistics suggest."

The speed of technological change is profoundly influencing the future of agribusiness - Increasing automation, drones, big data collection and management and direct selling, to name but a few, are with us now. All present challenges to traditional revenue models but they also represent great opportunities for those who are willing to embrace the change, think laterally and prioritise the needs of customers. The Company's Future Farming Strategy, with its focus on innovation, positions us to play an active role in the changing dynamics of our industry.

Telecommunications represents the next frontier for Australian agriculture. As a Company we believe the future success of agriculture hinges on access to connectivity in rural and regional areas. Farmers across the world are readying themselves for the next revolution in agricultural productivity. In Australia, there is still a major hurdle to achieving this – connectivity. To be competitive on a global scale, our farming communities need access to the NBN and to telecommunications which service their needs and bring opportunities to the bush. Ruralco can be a powerful voice to ensure farmers’ needs are not overlooked so that Australian agriculture can reach its full potential - and we are working with government and private enterprise to make this happen.

It is our innovation goal to help the Australian farmer become more efficient and productive, to drive growth and efficiency in Australian agricultural production; and continue Ruralco’s trajectory on the path to make us one of Australia’s leading agribusinesses. To do this, we are embracing emerging agricultural technologies, data analytics platforms and new customer service models to ensure Ruralco continues to find ways to grow our customer base and serve them more effectively.

The Company is championing innovation and, in rising to this challenge, the Board acknowledges we must possess the necessary skills and experience to review, refine, support and endorse the Company’s strategy.

The independent, annual review of the Board’s knowledge, experience and skills is an exercise we welcome to identify any gaps in the Board’s collective capability. For those of you that are interested, the Board Skills Matrix can be found in the Company’s 2017 Corporate Governance Statement on the Ruralco website.

This year, the review process revealed a need to increase our collective knowledge of technology, digital strategy and implementation, particularly in light of the Company’s growth aspirations in this area.

Ruralco is over half way through the delivery of Program Elevate, a program comprising nine projects that will deliver digital transformation, based on a reliable back office foundation integrated, comprehensive and secure data storage, and with a scalable e-commerce platform. Pleasingly, it remains on time and on budget. We believe the relentless pace of digital change is a macro factor we must be prepared for, continually address and embrace.

I am pleased to say, the appointment of Andrew Macpherson to the Board, who stands for re-election today, will lift our collective skills in this area and will be invaluable to the Company in assessing and rolling out technology within the business and to our suppliers and customers.

Now I would like to highlight some of the achievements of the 2017 Financial Year before I hand over to Travis for a more detailed overview and update.

This year the Company achieved a record result, with year on year net profit after tax up 422% to \$22.4 million. Bolstering this result was \$6.6 million in earnings from the performance of a portfolio of acquisitions, executed in the first half as part of the successful \$65 million equity raising. The integration of these twenty four new points of presence is well progressed, and has added necessary scale, as well as regional and operational diversity to the Ruralco network.

Return on capital employed (ROCE) and return on equity (ROE) both improved four percentage points to 17.3% and 10% respectively and we lowered operational expenditure as a percentage of gross profit to 80.8%. These improved returns and the reduced cost to serve led to significant positive operating leverage.

Our record full year result confirms the advantages of the Company's geographic and operational diversity in sustaining earnings. The Board approved payment of a final fully franked dividend of six cents per share, bringing the dividend for the full year to 15 cents per share, a 50% increase on the prior year. This represents a dividend payout ratio of 55%, in line with the Company's capital management policy of maintaining a dividend payout ratio of between 40-60% of underlying earnings per share.

I should not report on the year just past without mentioning the support we received from shareholders in the capital raising launched almost one year ago. This enabled us to settle on a number of the acquisitions with confidence that Ruralco's balance sheet remained robust as we dealt with the challenges of business integration, seasonal volatility and growth. Your participation in the capital raising and the support you have demonstrated in the strategy of Ruralco is greatly appreciated. To those of you who are new to our share register, welcome and we hope we can fulfil your expectations of the potential of this business.

The Board is confident that, under the leadership of CEO Travis Dillon and the Executive Management Team, the execution of our future farming strategy is being realised. Given it is our strategic intent to continue to grow the business. Subsequent to year end, the Executive Management Team has been

realigned with the full support of the Board. Three new roles have been introduced sharing the responsibility for the performance of our Rural Services businesses that now focus on the following geographic regions:

- Southern Australia – encompassing southern New South Wales, Victoria, South Australia and Western Australia, headed by Matt Pedersen
- Tasmania – including the Roberts and TP Jones & Co businesses, with John Tuskin in charge. You may be aware that John is a former Director of Ruralco and part owned and ran the very successful CRT member, TP Jones and Co. which Ruralco purchased as part of the portfolio of acquisitions in the first half of the year. We are delighted to have retained John to run our significant Tasmanian Operations as part of the Executive Management team; and
- a third new Executive role has been created for Northern Australia – encompassing northern New South Wales, Queensland and the Northern Territory, which is headed by Andrew Slatter, who joined the business in January of this year. Andrew has extensive experience in the industry having worked as Head of Agribusiness for banking group ANZ and most recently as CFO at Australian Agricultural Company Limited.

In other changes to the Executive Management Team this year, Ilona Alsters, General Counsel and Group Company Secretary, resigned effective 1 December 2017. I would like to acknowledge Ilona's contribution in developing the legal and company secretarial functions and working with the Board to strengthen governance and compliance at Ruralco. We wish her all the best in the future. The recruitment process for a new General Counsel and Group Company Secretary is underway.

I would like also to highlight the significant safety result the business achieved this year. As you may know, the "culture" of rural Australia has not always been conducive to providing a safe workplace for employees. Following the implementation of an improved health, safety and environmental management system in 2016, Ruralco employees have continued to take a focused but common sense approach to safety, building it into all day-to-day activity.

In the past 12 months, the Lost Time Injury Frequency Rate reduced 17% from 3.34 to 2.77, a record low for the Company. The Medically Treated Injury Rate decreased 42% from 8.5 to 4.93. These results reflect the commitment at all levels of the business to create a safe work place with the ultimate goal of zero harm. We are certainly not resting on our laurels – safety performance is integrated in to all "at risk" performance pay measures and we will continue to drive improvement alongside tailored measures reflecting aspirations around operational and financial outcomes for the Company.

In conclusion, I can say with confidence that the Board is encouraged by the results last year and the progress being made on the Future Farming Strategy. There is much more to achieve but we believe we are on the right path to strengthening the Ruralco business, making it “fit to grow” and delivering sustainable value to shareholders.

On behalf of my colleagues, I would like to thank Travis, his management team and all employees for their dedication and hard work during the past year which contributed to the Group achieving its record financial result for the year. And to you, our shareholders, thank you for your interest in and commitment to Ruralco and Australian agriculture generally. We greatly value your on-going support to the Company and trust that we can grow to be a valued and rewarding part of your investment portfolio.