

RIDLEY CORPORATION LIMITED

ANNUAL GENERAL MEETING 22 NOVEMBER 2011

MANAGING DIRECTOR'S ADDRESS

Thankyou John.

Introduction

Our Chairman has touched upon a number of matters that contributed to our 2011 Financial Result or items that were dealt with last financial year. I will expand on a number of these as well as reporting on progress made on our new strategic priorities that were announced at our 2011 Results Presentation in August.

The 2011 financial year was extraordinary in that virtually all of Australia experienced abnormal weather. I am sure that most of you will have been focused on the extreme weather events that occurred in Queensland and Victoria over the early months of this calendar year, but these events only exacerbated what were already remarkably wet conditions created by well above average rainfall for calendar year 2010. In fact 2010 was the third highest rainfall year on record in Australia and the wettest on record in Queensland. The heavy rain not only generated an abundance of pasture but also a level of dampness and moisture that on several occasions interfered with electronics and production processes at our northern sites.

The pervasiveness of the land saturation from last year's rainfall continues to be observed through the low levels of salinity being recorded in the saltwater creeks that feed our Queensland salt fields as a result of freshwater dilution.

We estimate that the overall financial impact from the combination of all weather-related events, including the loss of sales to customers due to their inability to receive supply, is a reduction in earnings of \$8.5 million from the prior year.

Despite these extreme circumstances, we demonstrated significant resilience to produce an after tax result of \$29.3 million, albeit significantly below our internal budget targets but nevertheless an increase of \$0.2 million on last year.

The bottom line profit was also impacted by the refinancing of the group banking facility, the acquisition of Camilleri Stockfeeds, and from some once only prior year tax adjustments.

Total shareholder returns

Last year I showed Ridley's total shareholder return, or TSR, performance for the period since the 1 July 2008. Behind me on the screen is a chart which confirms Ridley's continued outperformance of its ASX peer group through to 31 October 2011. The generation of reliable earnings to drive valuation multiples and the maintenance of a consistently high dividend payout has contributed to Ridley outperforming its ASX peer group over that period.

Financial highlights

In August 2010 we reported a second successive record result of \$29.0 million for the Ridley Agriproducts business. For the 2011 financial year, Ridley Agriproducts has delivered a result of \$24.9 million, still its second best result of the last decade.

The abundance of widespread pasture throughout the year provided a low cost alternative to supplementary feeding, and commercial and recreational animal owners took full advantage. We estimate that the impact of these conditions was \$6.6M and particularly impacted the Dairy and Supplements sectors. Helping to somewhat offset this weather impact was the contribution from Camilleri Stockfeeds of \$2.6 million which I will cover in more detail in a moment.

At the start of the 2011 financial year, we expected Cheetham Salt to achieve the step up in operational performance from the Bajool and Indonesian refinery capital projects undertaken as part of the refinery rationalisation strategy embarked upon in 2008. However, the 2011 Cheetham Salt operations and result were also hit by the weather, and a profit excluding joint ventures of \$14.2 million was recorded for the year, compared to \$16.8 million in the prior year. Although the wet weather management plans implemented by Cheetham Salt mitigated losses and none of its three refineries was inundated, inventory losses were brought to account in respect of harvested salt washed away from the bank at Bajool and costs associated with the weather-related deferral of harvest activity at Bowen.

The Cheetham Salt Joint Ventures delivered a reliable after tax result of \$7.0 million, down slightly on last year's \$7.2 million.

Cash flow

Despite a reduction in EBIT for FY11 of \$6.3 million compared to the prior year, Ridley has generated a cash flow from operations before interest, dividends and tax of \$43.4 million, and this is a further demonstration of Ridley's high conversion of earnings to cash.

Camilleri Stockfeeds Pty Ltd

On 1 March 2011 we announced the completion of the acquisition of Camilleri Stockfeeds Pty Ltd. Highly compatible with Ridley Agriproducts, this poultry and fish rendering business has a proven track record for quality and reliability, and an entrepreneurial and innovative Managing Director whose retention in the business was a critical factor for Ridley to proceed with the transaction.

The total outlay of just over \$35 million, of which \$3 million has been deferred for twelve months, was financed through the new banking arrangements entered into during the year.. The adoption of fair values for the net assets acquired as at the date of acquisition gave rise to transaction-related goodwill of \$15.9 million, and as mentioned earlier, Camilleri contributed \$2.6 million to the consolidated result in the four months since acquisition.

Camilleri has continued to meet all of the financial hurdles established as part of the Ridley acquisition metrics such that the deferred consideration of \$3 million shall be paid in full to the vendors in March 2012.

Property

On 22 October last year we announced the deferral of the redevelopment of the Dry Creek salt fields. The decision not to proceed was made due to the costs and complications of relocating the Dry Creek salt fields in order to continue to supply salt under the long term supply agreement with Penrice Soda Holdings.

Ridley remains confident that the redevelopment will occur in the future and that the potential value from a redevelopment into a master planned, residential mixed-use community will create significant long term shareholder value at that time.

Having parked the Dry Creek opportunity, attention shifted in the year to the Moolap and Lara salt field sites either side of Geelong in Victoria. Preliminary investigations are currently in progress to determine the potential redevelopment value of these two sites which are now surplus to Cheetham Salt's ongoing salt production requirements and which are strategically located on Corio Bay close to Geelong's central business district and Avalon airport respectively.

Preliminary planning and technical investigations have been undertaken at Lara during the year which indicate that a large portion of the land may have redevelopment potential for employment-related uses associated with the expansion of the Airport and Geelong Port. The City of Greater Geelong also recently adopted its Lara Structure Plan, which is being amended to acknowledge the site's potential to accommodate airport-related use.

Consultants have been engaged to advise on potential alternative use scenarios for the Moolap site, to prepare design concepts, and undertake preliminary feasibility studies to ascertain the optimal redevelopment potential of the site for Ridley shareholders.

Safety

As a core value at Ridley, safety is critical to the way we do business. Our safety focus, which begins at Board and executive management level, is underpinned by three elements:

- (i) embedding proactive safety behaviours,
- (ii) developing and implementing a safety management system, and
- (iii) finding engineering solutions for the physical safety hazards that are present in the manufacturing environment.

Safety performance is rigorously monitored, reported to management and the Board, and is a component of individual performance appraisal and management remuneration.

The overall results for FY11 show a 30% decrease in both the rate of incidents that resulted in lost time to the business, and also in the serious injury frequency rate. Safety objectives and action plans are reviewed annually as part of the process for continuous improvement, and to set the Ridley priorities for the coming year. The Ridley Group Safety Plan focuses on the key safety risks for both Cheetham Salt and Ridley AgriProducts to be addressed by management in order to improve the overall safety management system and culture. The long term target for all safety incidents is zero, however it is recognised that this can only be achieved through the development over time of a culture that is committed to continuous, progressive improvement in all aspects of safety.

People and diversity

Ridley has operations in Australia, New Zealand, Indonesia and Japan. We have a total of 44 sites including those of the Cheetham Salt joint ventures and employ over 800 people in full time and part time positions throughout our geographically diverse operations.

Businesses like Ridley will only continue to thrive if we attract and retain the best possible people and galvanise their activity to clearly focus on improving shareholder returns.

In order to continue to ensure we have an internal pool of suitably trained and experienced employees with the potential and capability to take on key and critical positions in the future, we have implemented a number of learning programs and development strategies within the organisation this year.

Finding new people with the appropriate values and potential is a challenge today, especially given the unrelenting demand for talent created by the mining sector. In order to ensure that we are an attractive employer to the widest possible pool of people, we have updated our diversity policy with the aims of achieving a diverse and inclusive working environment and of providing equal opportunity in respect of employment and employment conditions. An example of our actions in this area is the introduction this year of a paid parental leave policy for Ridley that will complement the Government funded scheme.

All businesses need to be robust enough to cope with whatever economic and environmental challenges they are confronted with. Ridley certainly has had a year of highly unusual weather challenges and these, coupled with the strain placed on resources by the continued ERP roll out in Ridley AgriProducts, have created conditions not conducive to delivering a strong operating result. I congratulate Ridley employees on achieving the result that we have this year and on behalf of the Board, management and shareholders, I thank all our people for their continuing efforts.

Strategic priorities

Following three years of solid consolidation, Board renewal and succession, and the development of a strong and focussed management team, Ridley is now ready for the next phase in its growth path to deliver shareholder value.

The world is facing a future that will challenge its ability to produce a safe and reliable food supply to feed its growing population.

Ridley is strongly positioned to take advantage of this trend, and we are working towards a strategy that links ingredients to feed and ultimately food supply to meet the growing demand for food security.

As a result, we announced in August that the strategic priorities for Ridley going forward will focus on the following areas:

- Agribusiness consolidation
 - Asian expansion
 - Feedstock operational improvements
 - Property redevelopment
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Agribusiness consolidation

As a key producer and processor of agricultural related products that form part of the global food supply chain, we will continue to look for operations complementary to our traditional businesses and also for businesses like Camilleri, which broaden our scope in the provision of animal and aquaculture nutrient solutions.

Asian expansion

Several of our markets in Australia have limited growth opportunities. To expand our footprint in the Asia Pacific region, we need to explore expansion opportunities in Asia. For over ten years now we have operated a salt business in Indonesia which processes imported raw salt through a new refinery and sells all output to local Indonesian industry.

Indonesia lies in close proximity to Australia, has significant population growth in terms of both numbers and increasing per capita wealth. Our Indonesian business is locally managed, has strong relationships with Indonesian businesses and Government departments, and provides a stable platform upon which to launch an expansion programme into Asia.

Discussions with the Indonesian Government and commercial and technological feasibility studies are well advanced for Ridley to establish a commercial scale salt field in Indonesia. Should this project proceed, it will reduce Indonesia's reliance on large volumes of imported salt and fundamentally change the nature and profile of Cheetham Salt's business in the region.

Feedstock operational improvements

In August we also announced our intention to deliver cost savings, mill efficiencies and restructure in order to uplift overall operational performance and enable us to aggressively target new customers and markets to secure profitable volume growth within Ridley Agriproducts. Wherever possible, the cost of restructure will be funded by sales of old mill sites.

Council approval is expected in the near future to allow commencement of construction of a new, state of the art, low operating cost ruminant mill adjacent to our existing mill at Pakenham. This new mill will provide approximately 200,000 tonnes of capacity at the gateway to the Victorian Gippsland Dairy heartland. This project is expected to be fully operational in the first half of next financial year and will be part funded by the closure and sale of our Dandenong mill. The sale process has commenced for this 1.3 hectare property which is now zoned, and is also ideally located, for high density residential use.

In addition to the Pakenham project, following a review of the Northern Victorian dairy market, we have recently divested our ruminant mill and associated operations at Corowa, just over the Murray River in New South Wales. As the majority of dairy enterprises are consolidating into the Gippsland and Western districts of Victoria, this business was becoming marginal and in need of near term capital upgrade. The Corowa sale has freed up capital in the vicinity of \$1.5 million and allows us to concentrate our efforts in the long term viable dairy markets within Victoria.

(i) Supplements solution

In 2008, we embarked on a three year transformation program to restore the profitability of our Supplements business, which provides supplementary feeding by way of nutritional blocks which can be dropped off in paddocks for livestock to lick and thereby obtain combinations of nutrients that would otherwise be lacking in their diets.

Despite tremendous efforts by management in capturing market share and optimising its cost structure, demand for the Supplements products remains highly sensitive to weather events. After incurring losses again in 2011, we conducted a detailed operational review to determine the future of this business under Ridley ownership.

Following this review, we will consolidate our Supplements business into Townsville, where we have recently acquired the business of competitor LNT for a six figure sum and from where we can concentrate our service offering on the higher volume northern Queensland market. As a result of concentrating our Supplements business at Townsville our intention is to close the other Supplements site at Wacol near Brisbane, which was impaired down to land value in the 2009 year.

The sale process for the Wacol site is underway and the closure of these operations is expected to liberate capital in the vicinity of \$10 million.

It is expected that the outcome of these actions will contribute to the creation of a more reliable and profitable Supplements business, with a commensurately lower cost base, and capable of generating sustainable earnings.

Property redevelopment

Whilst the Dry Creek property development remains on hold, Ridley will seek to expedite our land sales potential, and although the direction for the Lara and Moolap projects in Victoria has yet to be determined, with a combined carrying value for both Victorian sites of only \$3.5 million, and salt production requirements covered by other salt producing sites, the Board is confident that these two sites provide significant long term value for Ridley shareholders.

As a result of another year where the Bowen salt field did not achieve its production targets, a review of its long term viability is currently underway.

Outlook

Looking forward, there are a number of risks to profit to consider in 2012 emanating from the events of 2011. These include third party overstocking of certain stockfeed products, higher unit cost of salt harvested in the current year, low winter seawater temperatures in Tasmania, falling raw material prices, and the impact of abundant pasture on the demand for stockfeed at the start of the new Dairy season. The next few months are most important to our results as the impact of pool salt sales, food salt sales leading up to Christmas, and feed sales into the Dairy and Aquafeeds sectors, all peak during this period.

This is why we will not be providing guidance for 2012 Financial Year until our Half Year Results Presentation in February, but the aforementioned conditions are not conducive for Ridley and Agriproducts in particular will rely on the onset of normal summer conditions for its operating results to start to return to normal earnings levels.

Our half year result will not have the benefit of the lower effective tax rates that were enjoyed last year, and the softer trading conditions are likely to impact on both the half year EBIT and NPAT outcomes.

Summary

There is, however, a new-found positive sentiment within the agribusiness community derived from the recovery in milk prices, continued healthy margins in the beef, lamb and pig sectors, , and continued growth in demand for poultry products.

We believe that the long term outlook remains positive for Ridley, and also that the opportunity to return to sustainable growth rates still exists and is a focus for management.

We are confident that the Camilleri acquisition will deliver its targeted return, and we will continue to look out for other opportunities with a strategic fit and which also meet the Ridley selection criteria.

Three years ago we took a decision to rationalise the Company, consolidate our core operations, and focus on profitable, organic growth. Despite a 27% uplift in after tax profit for the last three years when compared to the previous three years, I am confident that by embarking on this new program of initiatives, Ridley will develop into an even more profitable and prominent business than it is today, and to that end, the Board remains focussed on optimising the business and structure of Ridley to maximise shareholder value.
