

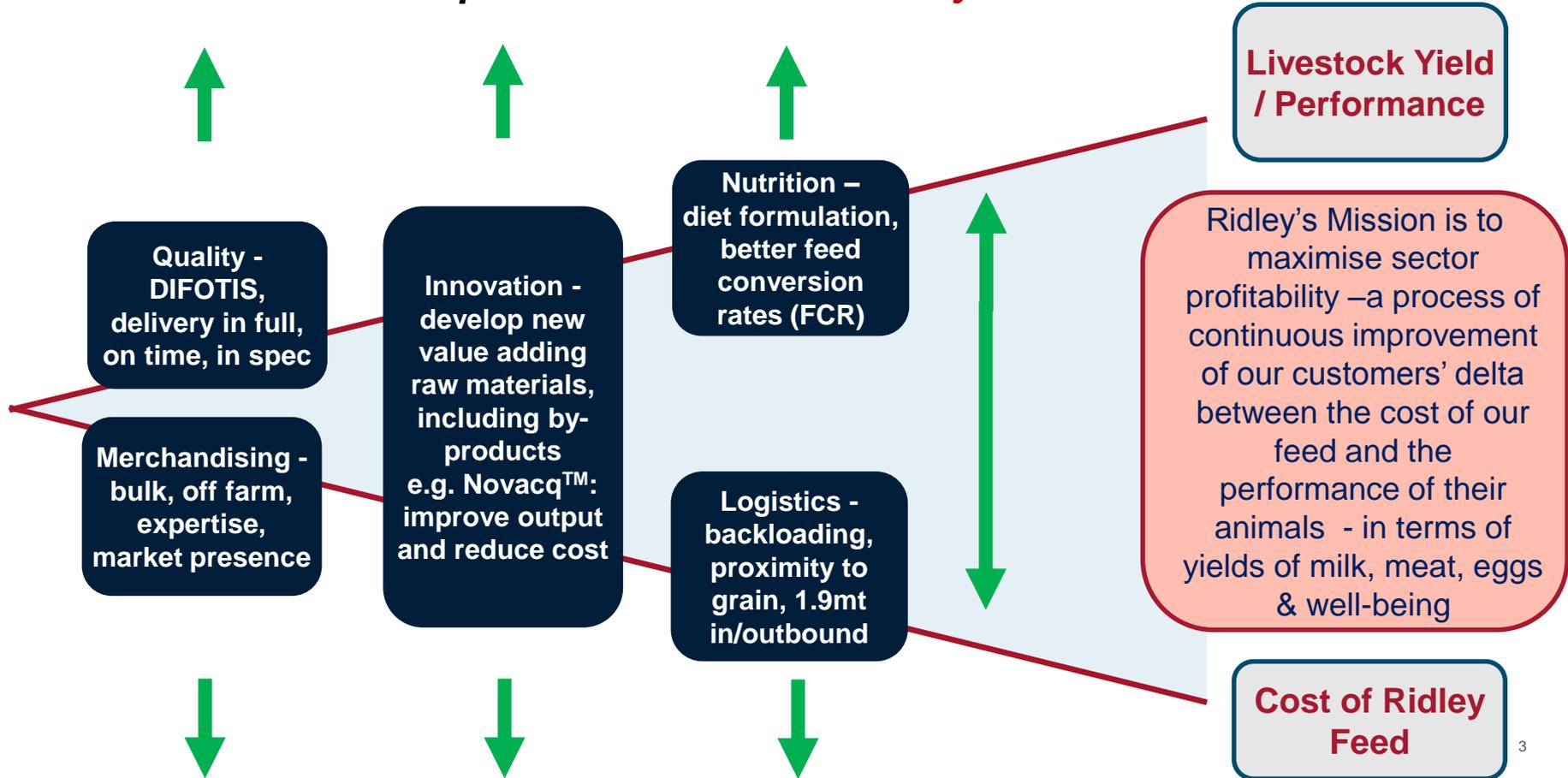
# RIDLEY CORPORATION LIMITED

MANAGING DIRECTOR ADDRESS  
2016 ANNUAL GENERAL MEETING



1. RIDLEY BUSINESS
2. LAST TWELVE MONTHS HIGHLIGHTS
3. NEXT TWELVE MONTHS FOCUS
4. NEXT TWELVE MONTHS OUTLOOK
5. NEXT TWELVE MONTHS – YAMBA
6. NEXT TWELVE MONTHS – CHANTHABURI
7. GLOBAL PRAWN PRODUCTION AND FEED DEMAND
8. LARA FEEDMILL
9. NELSON COVE
10. CONCLUSIONS

*“Our Mission is to improve the **cost of feed to yield ratio** for our customers”*



- ✓ **Third successive record core business result, up from \$50.4m EBIT to \$53.7m**
- ✓ **Dry Creek sold for \$35m, and no further costs to incur.**
- ✓ **Investment in Thailand feedmill to produce shrimp diets with Novacq™ inclusion for Thai market and other licensed territories.**
- ✓ **Former feedmill site at Dandenong sold for \$2.2m after tax profit.**
- ✓ **Strong progress with construction of new feedmill at Lara.**
- ✓ **Successful execution of Disaster Recovery Plan following Pinery, SA bushfire damage to Wasleys feedmill.**
- ✓ **Novacq™ production site secured at Yamba, NSW, lined, infrastructure installed, and production commenced.**

- ❑ **Safety** - continue our journey to improve safety at Ridley.
- ❑ **Dairy** - provide cost effective value add and support to stabilise dairy farmer cash flows and returns in lower milk price environment.
- ❑ **Aquafeed** - develop other opportunities for Aquafeed earnings following cessation of supply to Huon, and recover outstanding debt.
- ❑ **Organic growth** - extract further earnings uplifts from existing assets in other sectors through process of continuous improvement & strategic asset investment.
- ❑ **Novacq™** - secure site for overseas production of Novacq™ for inclusion in Chanthaburi feedmill diets for local trials and launch of commercial sales.
- ❑ **Construction** - commence operations at new Lara feedmill in early calendar 2017 and source new customer volume.
- ❑ **New feedmills** - Continue to pursue other new feedmill opportunities through incremental volume and/or savings in logistics.
- ❑ **Innovation** - continue to look for and develop innovative, unique and value adding raw materials such as Novacq™ to deliver improved FCR's# for livestock farmers.
- ❑ **Nelson Cove** - work collaboratively with Victorian state government to secure development approvals for Nelson Cove project.

## ❑ Dairy

- Dairy farmer confidence jolted by sharp falls in milk price in May/June.
- After strong 2016, entered the down cycle in the most cyclical of Ridley's operating sectors.
- Being non-intensive farming, the animals can survive on pasture and forage.
- No supplementary feeding will weaken dairy herd for future breeding and milk production.

### Green shoots

- ✓ Last year, forage had to be purchased; this year, should be self sufficient in pasture.
- ✓ Progressive (if moderate) upward movements in milk price in recent months.
- ✓ Soft grain prices which lower the overall cost of feed.
- ✓ Continuing reasonable banding for exchange rate and Australian exports.
- ✓ Indicators are that the cycle may have bottomed out for a stronger second half outlook.

## ❑ Poultry, Pig, Rendering, Packaged - targeting earnings growth.

- ❑ **Supplements**, the smallest sector, suffering from the second wettest dry season on record.

## ❑ Aquafeed

- Significant percentage of production volume was for Huon, although 2016 earnings impacted by warm water and El Nino conditions which caused cessation of summer salmon production.
- Long, drawn out court process to recover debt for >4 months of feed ordered, supplied, accepted, and fed to salmon biomass.

### Green shoots

- ✓ Diets with Novacq™ already in prawn trials with first commercial sales in the year.
- ✓ New salmon volumes being targeted.
- ✓ Diversification through prawn, barramundi and kingfish.
- ✓ New extruder capacity to run test diets in small runs without disrupting production.
- ✓ New pellet press and fat coater investment at Narangba.
- ✓ New feedmill opportunity on a smaller scale being developed for Tasmania.

# NEXT TWELVE MONTHS - YAMBA (1)



Standard prawn ponds have to be levelled and lined with pvc sheeting

Silo for pond-side settlement of harvested Novacq™ (fore) & silo storage (back)



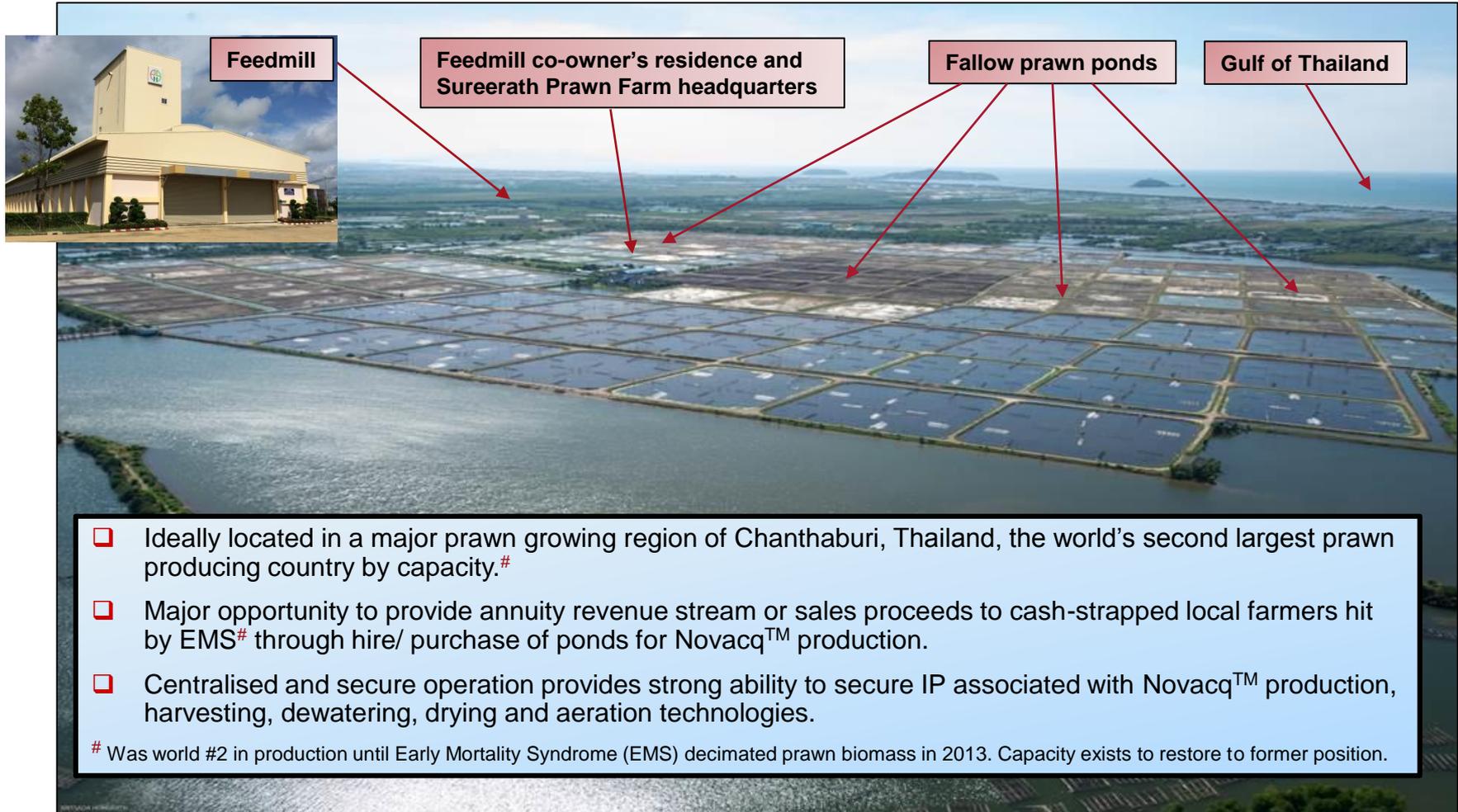
- ❑ Ridley has invested approximately A\$2 million at Yamba, NSW in calendar 2016 to develop Novacq™ production, including pond preparation and fit-out, infrastructure, and execution of a 10 year lease on enough pond capacity to fully service 100% of Australia's current prawn demand and expected growth.
- ❑ Storage, production, harvesting, aeration, dewatering and drying cycle equipment and site security to be located/ installed on site with associated infrastructure.

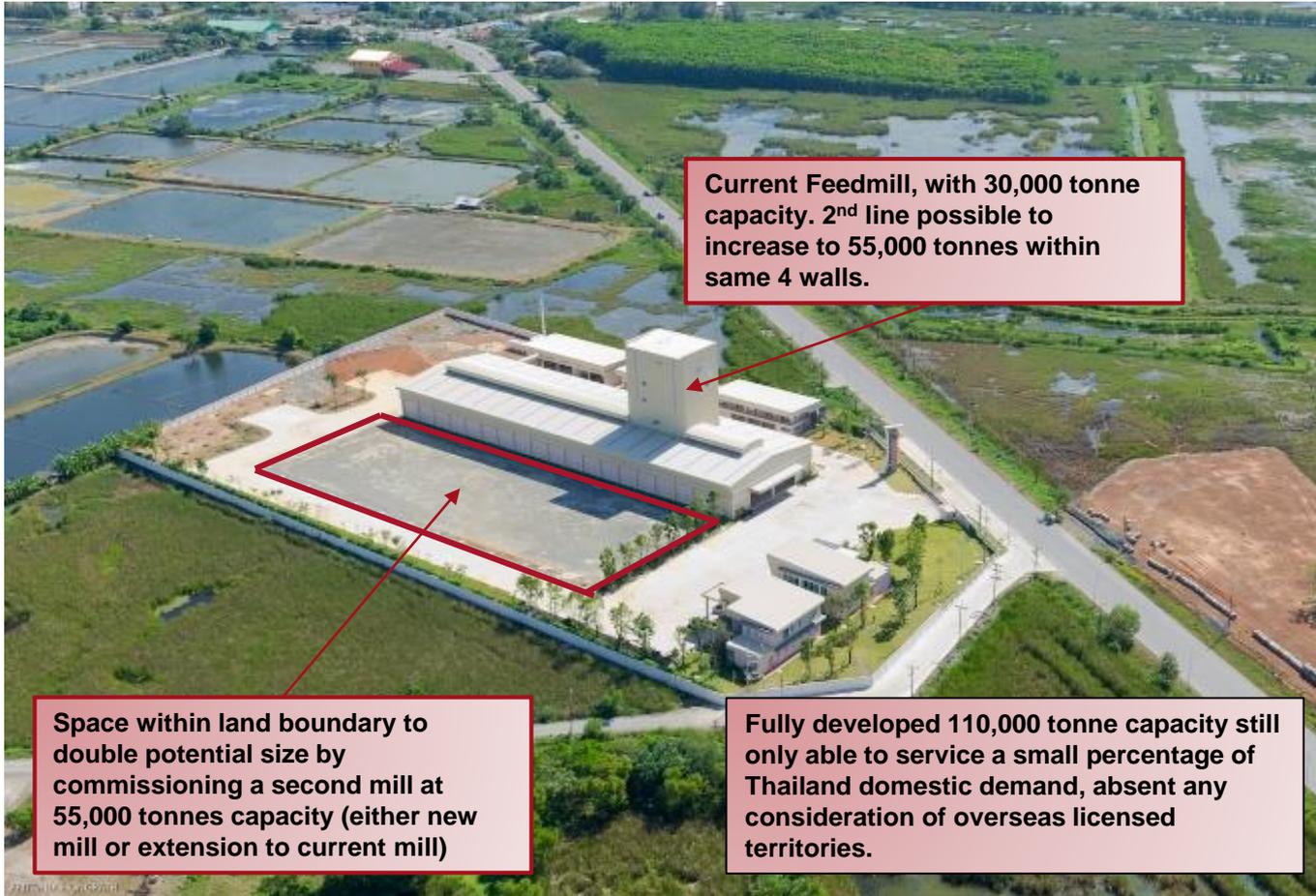
- ❑ Moving from batch to continuous production cycle critical for environmental sustainability
- ❑ Looking to secure long term supply agreement for third party technology developed for and critical to specific Novacq™ requirements
- ❑ Have recently selected preferred dewatering and drying technology to complete the cycle to provide in substance suitable for the feedmill

## Strategy for Yamba:

- ❑ Produce Novacq™ at Yamba to service the Australian market and export trial quantities to Thailand to expedite in-field feed trials.
- ❑ Adhere to process of continuous improvement of all production facets to progressively increase harvest yield, efficacy, reduce commercial costs, and determine optimum inclusion rate in Ridley diets.
- ❑ Transport full cycle technology to overseas Ridley Novacq™ production site(s), commencing at Chanthaburi.
- ❑ Sell Novacq™ to the consumer either included as a full feed (pellet) or partial feed (pre-mix).

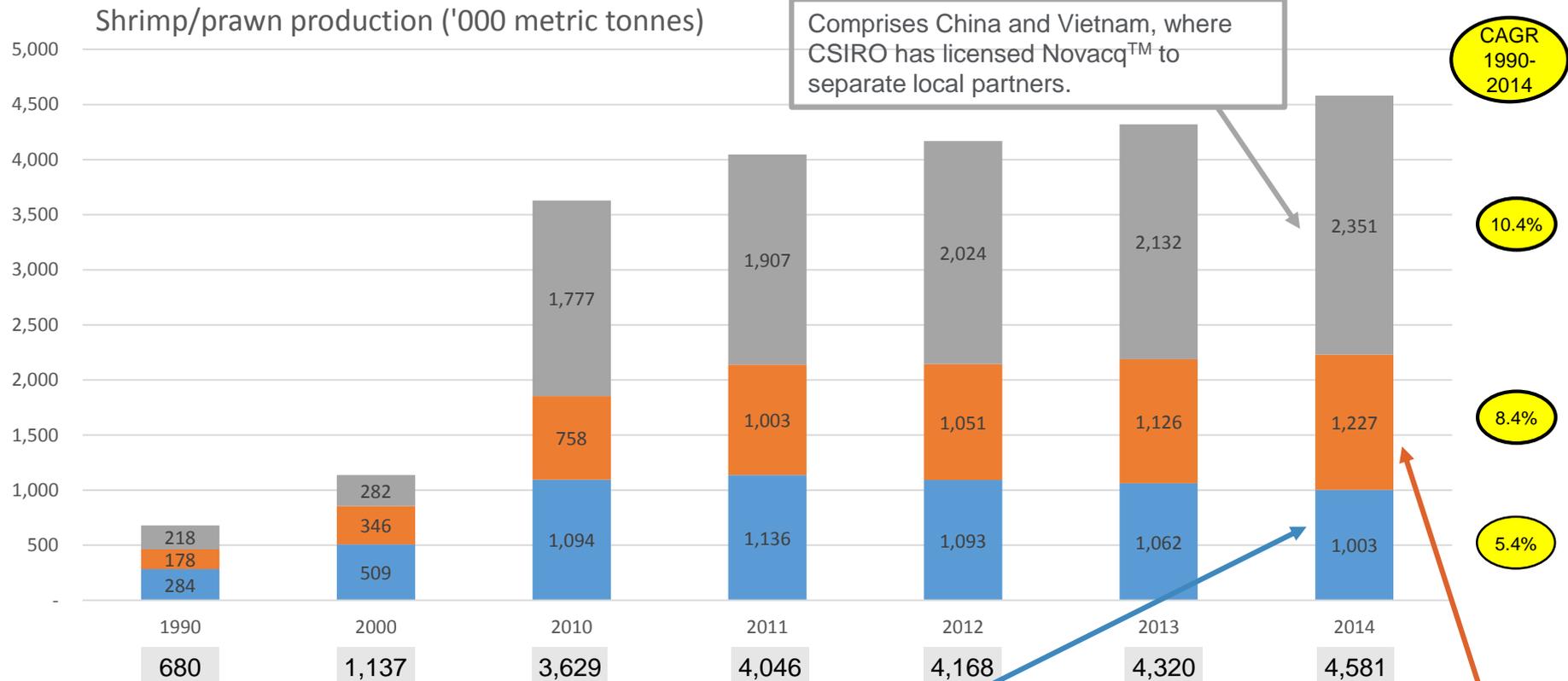
# NEXT TWELVE MONTHS – CHANTHABURI (1)





- ❑ Working with a local Thai engineering firm to design a blending operation to produce a prawn feed premix combining Novacq™, with Land Animal Protein, Vegetable Protein, Vitamins and Minerals.
- ❑ We have already received approval to build two blending facilities with combined capacity of c.140,000 tonnes (t) output, equivalent to 467,000t of finished feed per annum at expected inclusion rates.
- ❑ The blending facilities will allow us to service multiple markets from a single site, securely, quickly and cost effectively, and to derive synergy with other micro ingredients.

# GLOBAL SHRIMP/PRAWN PRODUCTION



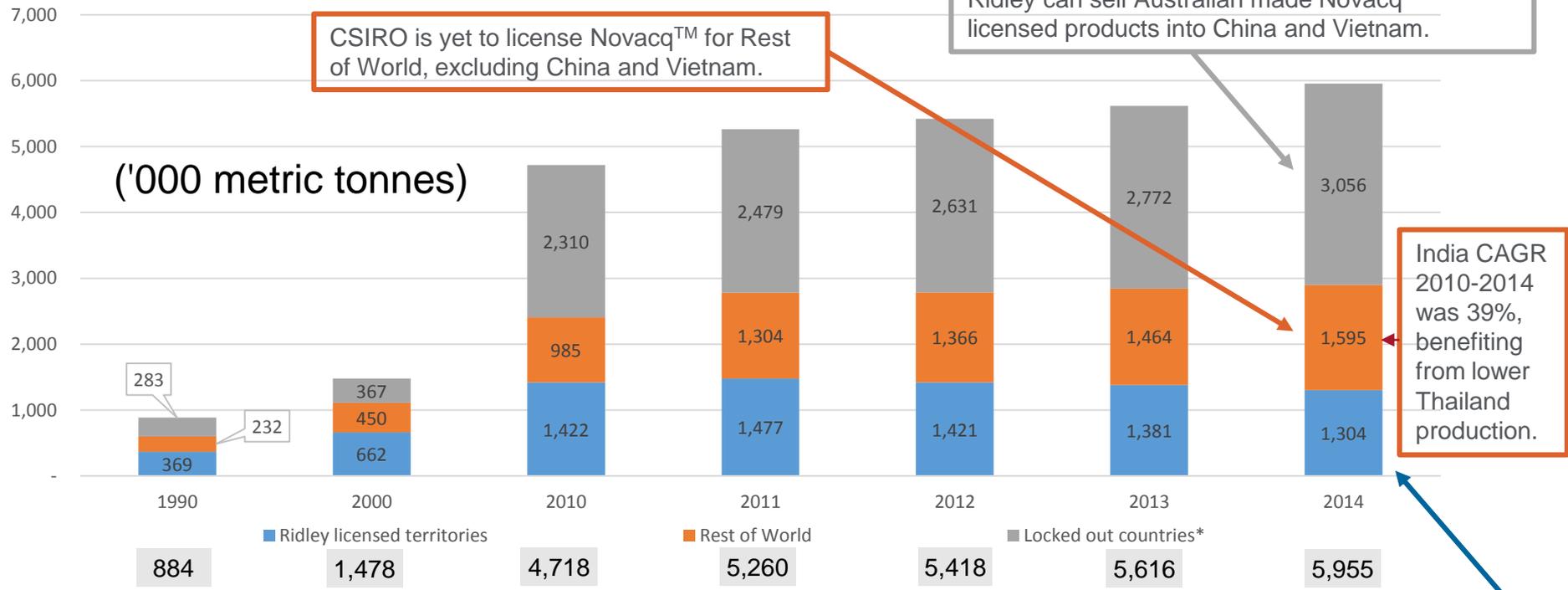
Ridley licensed Novacq™ territories: Thailand, Indonesia, Malaysia, Philippines and Australia, with Thailand and Indonesia making up approx. 90% of production in 2014. Shrimp production was 1 million tonnes in 2014. Australia a small player on the world scale.

India and Ecuador made up approx. 60% of total Rest of World production in 2014.

# GLOBAL ESTIMATED FEED DEMAND



Estimated shrimp/prawn feed requirement assuming 1.3 standard FCR \*



• FCR is Feed Conversion Ratio, namely the ratio of say 1kg of feed required to put on 1kg of weight of the prawn. The lower the FCR, the better the return to the prawn farmer. A conservative 1.3 FCR has been assumed in producing the above estimates of demand for feed, but in reality varies by country and feed quality.

Thailand production reduced by nearly 50% due to Early Mortality Syndrome (EMS) outbreak in 2013. Production is expected to recover in coming years to pre 2013 levels (600,000 tonnes in 2012) however 300,000 tonnes is the expected production level in 2016 (source: Thai Shrimp Association).

# LARA FEEDMILL



- ✓ Commissioning targeted for mid FY17 – **on track.**
- ✓ 5.3Ha site in Lara for a new poultry and pig feedmill located in a key growth area with proximity to:
  - (i) major grain growing region,
  - (ii) Port of Geelong,
  - (iii) meat meal from Ridley's Laverton rendering plant, &
  - (iv) Golden Plains Shire 4,000Ha Food Production Precinct.

**Can now confidently pursue new pig and poultry customers and volumes**



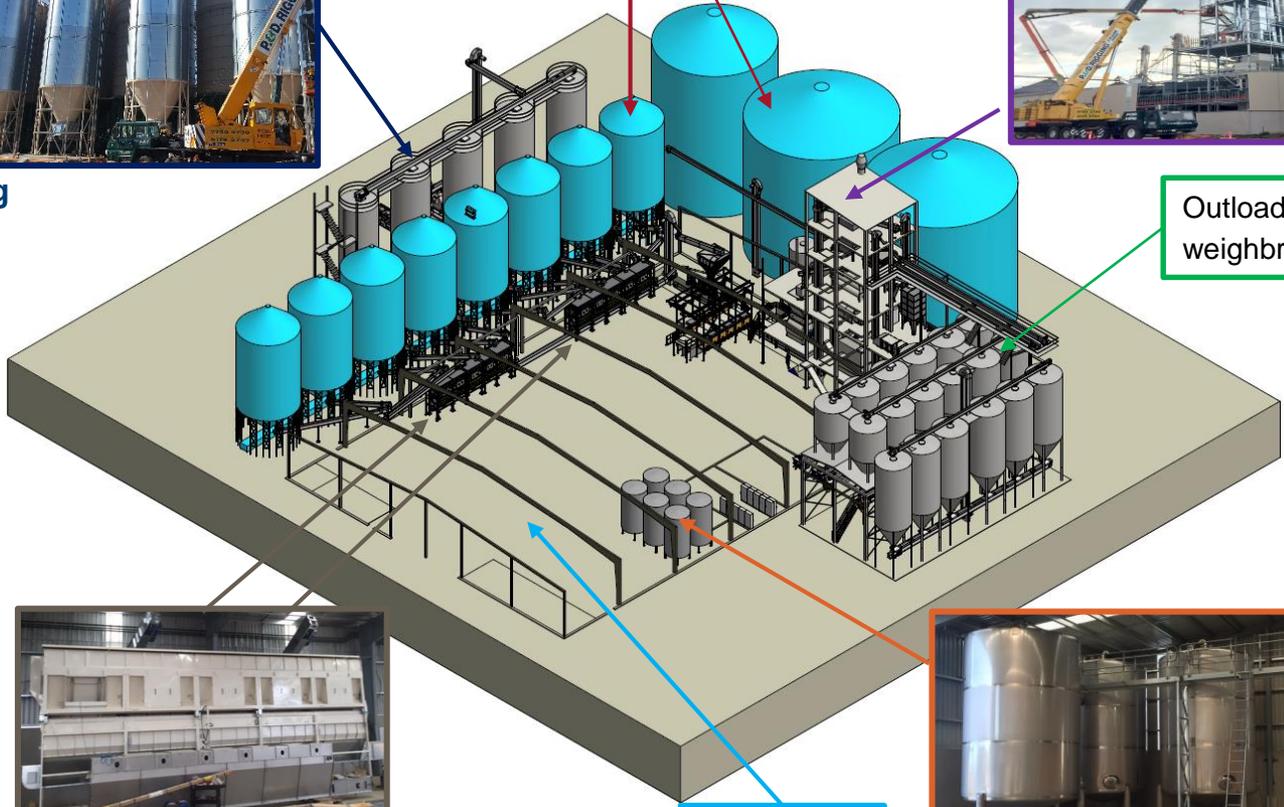
New meal silos

Existing silo storage

New tower capping – early Aug'16



Outloading and weighbridge



Grain & meal hoppers



Tallow storage tanks

Warehousing

**Solution for flood prone neighbouring residential areas**

**New public beaches, marinas & waterfront for lifestyle & tourism**

**1,100+ acres of bird sanctuary preserved forever**

Ridley & dev't partner Sanctuary Living have submitted a concept for a master planned community to address sea level rise & transform the region at no cost to taxpayer



**State government strategic review of Corio Bay peninsula - due for publication in December 2016**

**Lara migratory bird sanctuary - the solution to relocate birds from Moolap which can unlock the Nelson Cove development**

**One of Australia's largest outdoor sporting precincts – all privately funded**

**Land set aside for community - schools, parks, retail, bike trails, recreation, etc.**

**2,000 construction and permanent jobs established for the region**

## ❑ **Operations - long term positive outlook for all sectors:**

- ✓ Compounding year on year growth in demand for poultry products, broiler and layer.
- ✓ Aggressively targeting new pig volume, aided by new state of the art Lara feedmill.
- ✓ Increasing demand from China and Asia for Australian dairy products, subject to fluctuating economic cycles around a positive long term trend path.
- ✓ Investment in Aquafeed plant, technology and Technical team to participate in strong growth predicted for sustainable Aquaculture.
- ✓ Raw material supply for rendering will increase with overall livestock production, with investment in new technologies and plant to keep Ridley competitive.
- ✓ Repackaging, store presence, brand awareness and promotions for trimmed range of packaged products to service the juvenile and companion animal markets.

❑ **Novacq™** - we are entering an exciting period with Novacq™ in diets and trials in Australia and Thailand this year, and with infrastructure being assembled at Yamba and Chanthaburi for commercial scale production using the chosen technologies.

❑ **Innovation** - continued investment in development of novel raw materials like Novacq™ to improve conversion and reduce cost.

❑ **Feedmills** - continue discussions to secure additional volume and/or freight savings required for several new mill project opportunities.

# CONTACT DETAILS

## Tim Hart

Managing Director and Chief Executive Officer

Email: Tim.Hart@ridley.com.au

Tel: +61 3 8624 6500

Fax: +61 3 8624 6414

Mobile: + 61 404 480 542

## Ridley Corporation Limited

ABN 33 006 708 765

Level 4, 565 Bourke Street

Melbourne, VIC. 3000

Australia

[www.ridley.com.au](http://www.ridley.com.au)