

**ADDRESS GIVEN BY THE CHAIRMAN  
RICHARD (RICK) LEE  
BENG (CHEMICAL)(HONS), MA (ECON)(OXON),  
FAICD  
AT THE EIGHTY-EIGHTH (88<sup>TH</sup>)  
ANNUAL GENERAL MEETING OF  
RURALCO HOLDINGS LIMITED  
FRIDAY 1 FEBRUARY 2019**

**Welcome**

Good morning ladies and gentlemen. It gives me great pleasure to welcome you today to the Ruralco Holdings Limited 2018 Annual General Meeting.

As I'm sure many of you are aware, 2018 was a difficult year for the agriculture industry, with dry conditions testing the resilience of many agribusinesses, farmers and their communities. I am proud of our Company's achievements in the face of drought across much of Australia.

Shortly, our Managing Director and Chief Executive Officer, Travis Dillon will summarise our operational results, our progress against our strategic priorities, and the key growth highlights for 2018. Before I hand over to Travis, I would like to touch on a few of Ruralco's achievements from the last year.

**2018 Achievements**

I am pleased to report that although it was a challenging year, our full year result was at the top end of the guidance provided to the market: Year-on-year reported net profit after tax was up 12%, supported by strong earnings growth in Water Services and a buoyant sheep and wool market, and Company revenue grew 5% to \$1.9 billion.

During 2018, the Company also achieved our target of \$13.5 million in annualised acquisition earnings contributed from the 2017 portfolio of business acquisitions, which are now positioned for further growth.

In a year marked by drought, our business model, strategies and management have allowed us to weather the seasonal and market risks. The diversity of our business activities and geographic footprint softened the earnings impact of volatile conditions on Rural Supplies sales and Livestock Agency.

One of the most significant highlights of the past year is the Water division contributing 22% gross profit to the business. The Company's investment, services, broking and retail position in the Water sector has been a journey for the traditional business and it is now integrated with those core activities of agribusiness as evidenced by its performance.

These solid results reflect Ruralco's strategy to spread the earnings base across geographies and complementary activities, through targeted investments to expand the Ruralco footprint, integration of revenue streams and innovation of services.

Challenging seasonal conditions provided the Board with an opportunity to reflect on what is required to provide a return to shareholders now, as well as sustainable returns into the future. In light of this, the Board announced a final fully franked dividend of 6 cents per share, bringing the dividend for the full year to 15 cents per share. The Board believes that this dividend acknowledges the achievements of the Company by rewarding shareholders while balancing the ongoing need for capital to support further growth.

Most importantly, the Board recognises that these results can only be achieved through the hard work of our people. People are the foundation of Ruralco and their safety is of paramount importance. It goes without saying that our achievements cannot come at a cost to our employees' health and wellbeing. It is with disappointment that I report an increase in our Long-Term Injury Frequency Rate from 2.6 to 4.8 during 2018. Safety is an attitude, and in the wake of these incidents we have redoubled efforts throughout the Company to protect the health and safety of everyone who works at Ruralco.

### **Community engagement**

The challenges of drought in the past year have served to highlight the importance of Ruralco's partnership with mental health support and suicide prevention charity Lifeline, which proudly is entering its fourth year. Through this partnership and our local level businesses, Ruralco has supported the well-being of rural communities to the value of one million dollars.

Recognising the vital role that the activities of Lifeline and local community engagement play in ensuring that Australia has robust rural communities Ruralco will continue its work in promoting mental health awareness and creating positive change by facilitating mental health programs and services that target the specific circumstances, experiences and needs of regional, rural and remote communities and people.

Ultimately, Ruralco is committed to improving lives and community wellbeing of rural remote and regional Australia, including reducing the rates of suicide in these communities.

### **Sustainability**

In 2018, Ruralco committed to outlining an approach to sustainability, a process that confirmed which financial, social and environmental considerations should be embedded in our corporate strategy. The result is a vision for an embedded approach to sustainability across our business, and a new framework for more robust goals and targets. The Company is focused on providing sustainable growth 'through every season', and further detail on our sustainability priorities can be found within the 2018 Annual Report. The Board considers that the development of a strategy to address sustainability is a natural progression for Ruralco's business model.

Moving to the activities of the Board...

### **Board activities in 2018**

As outlined in the 2018 Annual Report, today Michael Millner will retire as an Independent Non-Executive Director of the Board. Michael has served as a Director for 14 years seeing the Company through an extraordinary growth phase including becoming the ASX listed company Ruralco is today. On behalf of the Board, I would like to thank you, Michael, for your contribution and service.

The process of recruitment of a new Non-Executive Director to be appointed and elected to the Ruralco Board is currently underway and will be announced in due course. Each of our directors possess relevant skills and experiences, which result in a balanced, effective and qualified Board to lead Ruralco in its future growth aspirations.

In 2018, the Board welcomed Andrew McPherson as an Independent Non-Executive Director. Andrew was appointed as Non-Executive Director in December 2017 and was subsequently elected by shareholders at our last AGM. Andrew has added significant value through his extensive experience – particularly in his areas of specialisation which are technology strategy and the implementation of technology to transform business operations.

In other changes to the Executive Management team in the past year, in June 2018 Tim Rowe was appointed as Group General Counsel and Company Secretary, after having been appointed in an acting capacity in November 2017. Tim has been a key part of ensuring high standards of governance and compliance at Ruralco.

During the year the Board undertook a review of the Executive remuneration structure. Our executives are charged with the responsibility of delivering the Ruralco strategy, and their remuneration, which supports performance, must be aligned to business and shareholder interests. This year the Board has proposed changes to the performance metrics of the Executive team. My fellow Board member and Chair of the Nomination and Remuneration Committee Trudy Vonhoff will be addressing the meeting shortly to explain the rationale of these changes and answer any questions.

## **Conclusion**

The difficulties of the past year have reinforced the importance of a secure future in the agriculture industry, where livelihoods and lives are on the land. In reaching the conclusion of this address, I am confident that Ruralco has and continues to be focused on creating long-term shareholder value and returns and facilitating a sustainable future for our customers. The Board is pleased with the efforts of all our people in facing the challenges of the past year and supporting our farming communities and thanks them for their ongoing commitment to the Company. I also personally express my sincere appreciation to my colleagues on the Board for their engagement and support in 2018.