

SELECT HARVESTS 2014 AGM: Chairman's Speech

21 November 2014



SELECT HARVESTS

Good Morning Ladies and Gentlemen.

Welcome to the 2014 Annual General Meeting of Select Harvests Limited.

My name is Michael Iwaniw and as your Chairman, I will be conducting today's meeting.

Thank you for taking the time and effort to join us today.

Shortly I will deliver my address on behalf of the Board, then Paul Thompson, our Managing Director, will provide an overview of the performance and activities of the business in the FY14 financial year along with more recent initiatives and an update on the almond market and our crop. Following Paul's presentation, we will provide some time for questions before then moving on to the formal business of the meeting.

I would now like to introduce your Board members.

Accompanying me on stage are Ross Herron, Michael Carroll, Fred Grimwade and Paul Riordan and the Managing Director of Select Harvests Paul Thompson. Next to Paul Thompson is our Chief Financial Officer and Company Secretary, Paul Chambers. I would also like to welcome Bart Oude-Vrielink from our lawyers, Minter Ellison and John O'Donoghue from PricewaterhouseCoopers, our auditors.

FY14 has been an exciting and productive year for Select Harvests and the second consecutive year of stronger financial performance. The company has continued to transform itself into a fully integrated agribusiness with the majority of its earnings coming from company owned orchards. It now has a strong, sustainable platform for growth.

The financial performance of the company was strong, particularly in light of the adverse harvest conditions this year. The company generated a Reported Net Profit after Tax of \$29.0 million – a strong result and up on the previous year's solid Underlying Net Profit after Tax of \$22.9 million. Earnings per share was 50.2 cents per share – up 25.2% on FY13 EPS.

Our total dividend for 2014 was 20 cents per share (comprising a final unfranked dividend of 9 cents per share and an interim franked dividend of 11 cents per share) – this compares favourably to the full year dividend of 12 cents per share in 2013. The current payout ratio of 40% reflects the board's policy of paying dividends to shareholders whilst balancing the requirement to prudently retain capital in the business to assist funding value enhancing growth opportunities.

Turning to the global almond environment – it is a topic that we spend a lot of time considering internally. It is presenting some great opportunities for the company.

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The USA is the largest almond consuming market in the world, followed closely by Europe, then South East Asia, the Middle East and India. US per capita almond consumption has doubled in the last 6 years and despite the higher prices last year, demand rose - a trend that we believe will continue. Recent Free Trade Agreements between Australia and each of China, Korea and Japan will improve Select Harvests competitive position against current suppliers to those markets, who are predominately based in the USA.

While the ongoing strong demand for almonds is globally diversified, the global almond supply chain remains very heavily concentrated and reliant on the USA with 83% of global production coming out of California.

California continues to be in the grip of a historically significant and exceptionally severe drought.

This presents Select Harvests with a unique set of circumstances to take advantage of, and explains why we have strategies that are aligned with the growth in demand in the global almond environment.

We set ourselves a number of strategic priorities and I am pleased to report that the organization has either delivered, or is on a pathway to deliver, on many of these priorities.

- During the year, the company made its first South Australian investment when it acquired the Allinga property at Loxton. Allinga has 680 acres of planted almond orchards and another 1,000 acres suitable for almonds that will be planted out in FY15;
- Subsequent to the end of the financial year, the company announced it had acquired another 3 properties (Amaroo, Mullroo (Grewal) and Mendook) in South Australia, Victoria and New South Wales respectively. These 3 properties delivered an additional 2,481 acres of planted almond orchards and 4,465 acres of land suitable for almonds that will be planted out in FY15, FY16 and FY17;
- The acquisitions will take us a long way towards achieving our strategic objective of doubling our planted acres by 2018;
- We have had a difficult year horticulturally with the challenges of a wet harvest in NSW and beetle infestation in Victoria. Despite these conditions, our focus has been to continue to improve orchard management practices, yield outcomes and crop value;
- Our Food Division was underpinned by continued strong profitable growth in our Industrial business and stabilization in our Consumer Brands business
- Through the Audit Committee chaired by Ross Herron, the Remuneration & Nominations Committee chaired by Michael Carroll and the Horticultural

Committee chaired by me, your Board has worked closely and effectively with the Executive to deliver our strategy to mitigate risk, support diversity in the workplace and improve performance and execution. I wish to thank all the committees for their contributions.

- We have continued our focus on OHS, stakeholder engagement and communications. We have seen noticeable improvement in all areas. It is particularly pleasing to see Long Term Injuries down 72.7%.

Select Harvests has continued to reinforce its position as a leader in the Australian and International almond industry, and it is testament to the solid structure and highly capable management team that is now in place. While we have a strong eye for growth, we will maintain a relentless focus on increasing revenue and driving efficiencies in our core business.

Capital management and funding plans were an important part of the year's activities – the Board maintains that growth should be pursued in a prudent manner. To fund our acquisitions, we raised \$66.2 million which consisted of an Institutional Share Placement of \$46.5 million and a Share Purchase Plan of \$19.7 million. The company also secured a \$50 million acquisition bridging facility from its bankers NAB and Rabo, to assist in capturing important growth opportunities. Your Board will work diligently with management to evaluate debt solutions to fund greenfield development and reduce debt levels and gearing in line with objectives.

The Food Division has shown improved performance – with outstanding growth coming from the Trading & Industrial Business Unit as it supports the regional growth of its customers, driven by its value added products such as almond meal.

This year the Consumer Brands Business Unit has been actively focused on increasing market awareness and the value proposition of its market leading brands. Work is underway to enhance the performance of its products portfolio through research, innovation, reformulation and product launches, in existing and new markets. We expect these change to positively impact on this year's result.

Given our continued plans for growth and the greenfield plantings outlined, we are currently investigating ways of funding the program in the most efficient manner. The company is confident that it can deliver an outcome that will provide growth opportunities into the future.

In FY15, our priorities will be to integrate the recent orchard acquisitions and successfully execute the proposed greenfield plantings, while continuing the development and improvement of our core business and the recent momentum that we have started to observe in our Food Division.

As we have previously disclosed, the company is involved in legal proceedings in the Supreme Court of Victoria, instituted by Almas Almonds Pty Ltd ("Almas"). The hearing

scheduled for February 2015 has now been deferred until September 2015 as Almas has decided to bring claims against other parties in the proceeding.

This proceeding relates to services provided by Select Harvests to Almas under a previously terminated Almond Orchard Management Agreement. Two of the part owners of Almas were directors (and Chairmen) of Select Harvests, during the period of orchard establishment and management that is in dispute. Expert evidence will be a key part of the defence of the Almas claims.

Select Harvests denies any liability in relation to the claims by Almas and is vigorously defending the proceeding.

Select Harvests is a financially sound business with a solid balance sheet. The company has an integrated, profitable and performing business with its foundation around company owned orchards. We have a plan and a strategy to perform at a high level and to grow – we are in a position to control and drive our growth agenda. We have structures and people – and we are developing a high performance culture that can deliver this growth. The market is becoming more aware of the opportunities that Select Harvests and Australian almonds present.

We are committed to building on the strong result achieved in 2014 and producing even greater outcomes for our shareholders in future years.

In closing, I would like to thank the Board, Management and employees for their dedication, focus and support in delivering the progress that has been achieved to date. We have a lot of work yet to do and I am confident that they will continue to build on those efforts, to deliver on the full potential of this business.

Just before I pass over to Paul, I would like to show you a short VIDEO of our recent acquisitions, which I hope you enjoy....

Refer to our website for the video – www.selectharvests.com.au

I would now like to like hand over to Paul Thompson, our Managing Director, for an update on the business and strategic priorities.

Thank you.