

21 November 2014



SELECT HARVESTS

SLIDE 12: Agenda

Thank you Michael. Good morning everyone and thank you for joining us today. As Michael said, I am going to give you an overview of our 2014 performance and outline some of our current and future activities.

Specifically, I will be discussing:

- Business Performance
- Strategy Update
- Almond Industry Supply and Demand Drivers

SLIDE 13: FY14 Performance

Despite some late season difficulties with our harvest and ongoing tough conditions in the retail market, we had another successful year in 2014. We have delivered a strong result confirming the underlying fundamentals and strength of our core businesses.

FY14 EBIT of \$41.8 million – up 11% on the prior year.

FY14 NPAT of \$29.0 million, up 27% on FY13.

Cash flow generation and conversion was strong with operating cash flow of \$23.1 million.

Our gearing remains higher than we would like, reducing it is a focus area in 2015. Our aim is to bring the net debt to equity ratio down beneath 40%.

FY14 Earnings per share was 50.2 cents per share, up 25% on FY13. The company paid a final dividend of 9 cents per share (unfranked), taking the full year dividend to 20 cents per share, compared to 12 cents per share last year.

SLIDE 14: FY14 Performance

One of the most pleasing aspects of the year was that we achieved another significant improvement in safety, with Lost Time Injuries down 72.7% year on year. We have an absolute focus on workplace safety and recognize that one injury is one too many.

Despite some significant challenges as a result of the wet and insect damaged crop both our facilities have performed well. This is supported by the fact that consumer complaints were down 20% at Thomastown and manufacturing damage was down 22% at Carina West.

During last financial year, we made two acquisitions with two further acquisitions post the year end close.

We conducted a \$46.5 million share placement and a \$19.7 million share purchase plan to ensure that the business maintained a prudent balance sheet.

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SLIDE 15: Almond Division

The Almond Division produced a strong result, despite the tough conditions during the late harvest. The performance demonstrates the resilience of the business and continues to affirm our strategy and decision to move from a manager of orchards to an operator of orchards.

The difficult harvest conditions re-emphasized the need to continue to focus on risk management and minimize risk wherever possible.

Our investment in frost fans demonstrates the benefit of these sorts of strategic/investments. Last year we had 2 frost events, this year we had 14. If the frosts events had the same impacts as the 2007 event, the potential revenue loss would equate to \$2.5 million. Our investment in fans is \$1.2 million.

This year our risk mitigation investments are directed toward fast harvesting and wet crop management. Our strategy includes increasing our harvest matrix, extending harvest hours and installing a drying facility at Carina West.

The division generated strong cash flows. With the average age of the Select Harvests orchard being 10.9 years and almond trees maintaining mature yielding productivity until around 28 years of age, we are well positioned to deliver strong cash generation for many years to come. This needs to be balanced against supporting our Greenfield investments which is our future.

While physical conditions were tough, the market conditions and currency were favourable and Select Harvests average almond price for FY14 was A\$8.50/kg, up 33% on Select Harvests average almond price for FY13 of \$6.38/kg.

During the FY14 we planted 734 acres (including 222 acres at Amaroo by the previous owner). We will plant 948 acres at Allinga in South Australia this year.

SLIDE 16: Food Division & Activities

The Food Division produced a performance in FY14 consistent with FY13 and our strategy to re-invest in our branded consumer and industrial business.

Industrial enjoyed another strong year with sales up 24% by supplying innovations and value added products to food processors plus expanding our business further into the Asia Pacific region.

The use of tree nuts as an ingredient continues to grow and our industrial division has been successful in attracting business from both the small local food processors and the large multi-nationals such as Unilever and Mars.

Market conditions with the major local retailers made the Consumer Brands business challenging. We have led the way with product innovations and implemented significant price increases to keep abreast of the commodity price increases.

You will have seen in your local supermarket the start of our strategy to innovate and create value added opportunities for consumers with products like Lucky Smart Snax and the relaunched Sunsol Muesli.

The investment in our brands has included:

- researching and improving consumer insights
- innovating,
- reformulating,
- repackaging and
- relaunching.

Our year to date trading in both Divisions is performing to plan at a similar momentum to last year.

SLIDE 17: Food Division – Sunsol & Lucky Smart Snax relaunch

We made a number of key personnel additions to the Consumer Brands business to drive our strategy and future growth. We appointed distributors in two new export markets - Malaysia and Thailand.

We are confident that the turnaround in the Consumer Brands business has begun. I encourage you to support our brands at your local supermarket checkout.

SLIDE 18: Strategic Objectives

Two years ago we announced our pathway to 2018 featuring 7 strategic platforms. I thought it timely to provide you with an update and in particular outline the larger projects in 2015.

1/ Control Critical Mass of Almonds

Since the beginning of FY13, we have materially changed the scale of the almond orchard portfolio. We have acquired 4,447 acres of planted almonds and 5,465 acres of land that we will plant out to almonds over next few years.

We still have an appetite to acquire mature orchards at the right price. Operating orchards is the cornerstone of our business.

2/ Improve Yield & Crop Value

We have restructured the Horticultural Division: we have introduced new technologies, KPIs and procedures to support more effective on-farm decision making. The new technology includes: frost fans, harvest equipment, tree health testing, tree water level measurement and importantly, Horticultural skills training.

The next phase includes more orchard specific programs. Our clear objective being to deliver higher and more consistent yields.

We are continuing with the replant program of our older Victorian orchards replanting 1,106 acres over the period FY16-FY18 and removing 350 acres after the 2015 harvest program has been completed.

3/ Be Best in Class Supply Chain

Our Operations Division has been restructured and we have significantly improved key operating metrics: improved service levels and customer complaints.

Today I would like to announce major investments in a Biomass Electricity Cogeneration Plant and a Field Stock Almond Dryer. I will talk about these 2 investments in more detail later in the presentation. They will deliver 3 important outcomes: less risk, better quality and lower cost.

4/ Invest in Industrial and Trading Division

We have grown the Trading & Industrial Division significantly by aligning ourselves with the large food processors in both local and export markets.

We have no significant plans to make changes to this successful approach.

5/ Turn around Packaged Food Business

Last year we conducted extensive research and collected insights that have underpinned the launch or re-launch of some of those products and brands. Creating value is about understanding consumer needs.

Cost and pricing management was critical to the success of this business. We have significantly increased our transparency and understanding of the cost drivers.

Cost control, price management and innovation remain the focus of our path forward.

6/ Fix Systems & Process

Our focus on OHS policies and procedures is working. It has resulted in a significant reduction in Lost Time Injuries and increase employee engagement.

We will undertake an IT review with a likely upgrade commencing in 2015 bringing the business onto a single IT platform to support better decision making.

7/ Engage with our People & Stakeholders

Since the beginning of FY13, we have made a concerted effort to engage stakeholders' better.

In 2015 we will establish a Diversity Committee with a mandate to ensure SHV has a productive, engaged and diverse workforce.

SLIDE 19: Acquisitions

The demand and supply outlook continue to remain positive, with underlying demand outstripping supply.

Since the beginning of FY14 we have acquired 4 almond properties in 3 states bringing greater geographic diversity, scale and a growth platform to the business. We are one of the few almond companies to grow market share and keep ahead of demand.

The acquisition program has delivered 3,161 acres of planted almond orchards (including 2,143 acres of mature cash generating almond orchards) and 5,465 acres of land that will be planted out to almonds over the next 3 years.

We are extremely happy with all our recent acquisitions. They are a good blend of mature and near mature orchards plus development sites in proven almond growing regions.

As anticipated, some of the mature farms do require some infrastructure upgrades and will benefit from our Horticultural management and fertigation programs. It will take a couple of seasons for the full impact to be reflected in yield.

This year we will commence the development of 948 acres at the Allinga orchard near Loxton SA. We have been successful in gaining a \$7 million grant as part of the SA Gov't 3 IP water buyback program. We will be returning \$2 million of water to the SA Gov't as part of the buyback program. This orchard expansion will be developed from our balance sheet, supported by the 3IP grant.

Recognizing our objective to not over extend our gearing, we are looking at alternate funding mechanisms to develop the remainder of the Greenfield acreage, which could include sale and leaseback of orchards.

SLIDE 20: Biomass (Cogen) Plant

Almond orchards and processing generates substantial biomass including tree prunings, hull and shell. At the same time, Select Harvests uses a considerable amount of power in Victoria, running the Carina West Processing & Thomastown facilities plus the irrigation infrastructure pumping water to our farms.

I am pleased to announce that the Board has approved an \$11.9 million dollar investment to build a Biomass Electricity Cogeneration Plant at Carina West to supply the Processing Facility and some of the Victorian farms with power.

The investment will commence immediately and we expect the facility will be commissioned in November 2016.

The plant uses Belgian technology with over 4,000 installations globally - this is the first plant to use almond hull as a feedstock. The plant will generate 2.5 MW of electricity per annum plus 17.5 tonnes of steam per hour. Once running we will be returning 50% of the electricity to the network providing supply security to the Robinvale area and creating a volume offset against our usage in other regions within Victoria

The facility will employ 8 skilled people and has payback of around 5 years, abates 23,500 tonnes of Greenhouse gases and produces 1,500 tonnes of potassium which we can potentially recycle back to the orchards.

This plant plus the re organization of our internal energy network will save approx. \$2 million per annum once fully operational.

We are currently in the process of applying to the Victorian Government for financial support for this project.

SLIDE 21: Dryer

Rain at harvest is inevitable part of growing almonds in Australia. Rain events can result in the harvest being delayed and can cause product deterioration. A significant amount of value is lost as a result of moisture damage to nuts through both quality and spoilage. Nuts cannot be processed moist, so we need to be able to stabilize the nuts in a timely manner.

Investment in a dryer and additional harvest equipment is the best way to mitigate this risk.

The Board has approved a \$750,000 investment to build a Field Stock Drying Plant at Carina West. If this facility was in place in 2014, it would have saved us over 50% of our direct drying costs. Our 2014 direct drying costs were \$320,000. This does not account for the quality, handling and additional processing losses.

The facility will be commissioned early in the New Year ready for next season

SLIDE 22: Supply US Drought

As many of you would be aware, approx. 80% of the world's almonds are grown in California and Australia is now the second largest grower with just under 8%.

At last's AGM we advised you that 11% of California was classified as being in the Extreme category. Now the entire Californian almond growing region is categorized as being in Exceptional Drought – the worst drought category.

There is long term degradation of the Californian groundwater resource, which supplies somewhere between 30-60% of the required water for US almond industry. This is escalating into a serious environmental and political issue. Increased groundwater pumping has led to dry wells, subsidence, decreased water quality, saline intrusion and stream depletion.

Recently introduced ground water legislation in California recognizes this degradation – it will result in increased monitoring and regulation of ground water usage and availability in coming years. Given the US almond industry's reliance on groundwater, the impact will be significant and enduring in some regions.

The full impact of all of this yet to be determined. The automatic reaction is a significant supply reduction. This is an overreaction to the situation as water is being diverted from the less profitable crops. There will be an impact, but the exact significance is unknown - it will take a couple of seasons to fully understand the full impact.

SLIDE 23: Crop Outlook & Update

As at July 2014, the United States Department of Agriculture's National Agricultural Statistical Survey forecast a 2.1 billion pound almond crop. With the crop harvested but still being processed, final volumes are at this stage uncertain, but some US processors are anticipating a crop of 1.7-1.8 billion pounds.

With ongoing demand growth and tight supply ex the US, inventory is tight which means pricing should remain firm.

Locally, we have experienced relatively normal growing conditions. Chilling hours were late but sufficient, while pollination was near perfect. We have been able to manage the dry weather. The recent rise in water costs will not impact us this year as we bought our requirement prior to the recent increases.

We are currently undertaking the FY15 crop estimate - based on the maturity profile of the orchards and the condition of our acquired orchards plus the results of our tree health testing, the theoretical crop will be approximately 13,000 tonnes.

Market pricing has continued to increase from the Select Harvests FY14 average price of A\$8.50/kg. Our current FY15 A\$ pool price estimate is 10-15% above last year's price and we anticipate prices will remain at these levels into the foreseeable future. The big influence on price will be the weather and the US crop bloom in February.

SLIDE 24: Outlook – Business Focus

I remain even more optimistic about the outlook for Select Harvests than I was at this time last year. The reason for this is our strategy is working. Today we have:

- Significantly more orchards under our control,
- Positive momentum in the Food Division
- Greater geographic diversity,
- A stronger almond price
- A stronger Balance Sheet,
- Stronger cash generation,
- Clear strategy and plans
- An engaged team

Finally, I would like to formally acknowledge the effort of the employees and the Board and thank you again for your trust and the opportunity to lead this business.

Thank you for taking the time to attend the AGM today.

I will be happy to answer questions during general Q&A and I will be around the foyer along with other members of the management team after this meeting.

Thank you