



RIDLEY CORPORATION LIMITED

ANNUAL GENERAL MEETING 2 NOVEMBER 2009

MANAGING DIRECTOR'S ADDRESS

Thankyou John.

INTRODUCTION

In my first full year as the Managing Director of your company, I have largely focused on the achievement of three key objectives: firstly, the sale of Ridley Inc.; secondly improved performance of the AgriProducts business; and thirdly, the realisation of value of surplus land.

RIDLEY INC

Your Chairman has already talked about the sale of Ridley Inc which was achieved just before the demise of Lehman Brothers and the full impacts of the GFC were felt, and I reiterate the importance of that sale to the Company in terms of debt retirement, earnings stability and business transparency.

AGRIPRODUCTS TURNAROUND

It is not overly harsh to say that the AgriProducts business has been widely regarded by the market as an underachiever in recent years and management's task has been to turn that around, generate sustainable earnings growth and create some impetus for investors to dust off their old files and realise what we can achieve with this business.

We have come a long way in a short space of time but the exciting thing for me is that there are still many opportunities for further improvement at all levels within the business. If I didn't believe we can drive this business much harder I would not have included a normalised AgriProducts annual result of \$26.4 million in our year end presentations.



What we found was a significant drag on the AgriProducts business from several loss making sites and business lines. We set about identifying these, ascertaining whether there was a feasible turnaround strategy to adopt, and if not, preparing and actioning our exit strategy.

Time was clearly of the essence and during the year we sold our operations at Wondai, Rockhampton, the Pills business and the Atherton Joint Venture and closed operations at Colac, Northam and the administrative function located at Toowoomba.

The Clifton mill was seen as a strategic location which we would not want to cede to a competitor and we therefore mothballed this site rather than disposed of it. Each of these actions has had a positive impact on the 2009 financial year result and will have a full year impact in 2010. An added bonus was the receipt of \$2.9 million in gross sales proceeds.

At the half year ended 31 December 2008, the under-performing assets in the Wacol Supplements business were impaired by \$7.8 million down to a value that equates to the carrying value of the land and buildings and working capital at that site.

After a comprehensive review, actions were identified and have since commenced to restore the Supplements business to a positive and sustainable earnings position over the next two years.

Having addressed underperforming business units, we then embarked upon a centralisation process to improve communication, derive operational efficiency improvements and realise cost savings.

As part of a widespread restructure programme, Sales, Procurement, Manufacturing, Nutrition and Supply Chain functions were centralised into the Melbourne Head Office, thereby generating considerable cost savings and positioning the business for improved margin management in the coming years. Administrative functions previously performed at individual mill level were centralised into regional clusters, which not only delivered further cost savings but also streamlined processes and ensured that the business is prepared for an implementation of the new Enterprise Resource Planning (“**ERP**”) system in the 2010 financial year.



Peter Weaver was promoted to Chief Operating Officer in the year and charged with the responsibility of delivering operational efficiencies and cost savings throughout the network of continuing mill operations and managing the exit strategies for the non-performing mills. Peter and his team have been able to drive significant reductions in the overall cost per tonne of feed produced and have further reductions in their KPI's for 2010.

By year end, the restructures were starting to deliver the anticipated performance uplift through improvements in project management, staffing efficiencies, contract execution, logistics management and purchase of raw materials. 2010 will see the impact for a full twelve months.

The other side of the profit improvement has to be driven by sales and marketing, and extracting commercial return from the goodwill associated with some of the sector's leading brands, such as Barastoc and Cobber dog food.

An experienced new National Sales and Marketing Manager Bill Fell has been appointed with a focus not only on the obvious sales functions but also delivery, stockturn, stock availability, customer service and sales support.

Looking forward we see numerous industry consolidation opportunities within the feedmilling sector and to assist me to identify and deliver on these, during the year Russell Lyons was promoted to the role of General Manager, Corporate Development.

PROPERTY

Unlocking the inherent value of Ridley's surplus land holdings is a longer term objective that we will develop over several years, although there are some shorter term opportunities, such as the sale of the Corio property. This property became vacant due to the consolidation of the Victorian hide salt refinery operations to Sea Lake and relocation of the headquarters of Cheetham Salt to our centralised Bourke Street offices. The property was sold after year end and raised proceeds of \$2.5 million and generated a small profit which will be recognised in 2010.

Our 912 hectare Lara site just next door to Avalon airport, appears set to benefit from the recently announced expansion of Avalon Airport, which is in the process of applying to the Federal Government for the establishment of an international passenger terminal. The State Government of Victoria recently announced plans to fast-track the redevelopment of Avalon. Given that we no



longer produce or refine salt at Lara, this sale would require little effort on our part and has the potential to generate a substantial cash return against a low carrying value. We are keeping a close eye on developments at Avalon.

Dry Creek is a longer term proposition. The salt fields are currently fully utilised in producing salt to meet long term contractual commitments.

Our investigations with Delfin at Dry Creek, which is located approximately 12 kilometres North west of the Adelaide CBD, continue to progress. The majority of the technical analysis is now complete and a preliminary Master Plan has been developed which provides for approximately 10,000 dwellings plus a range of commercial, retail, educational and conservation opportunities.

Early feasibility studies indicate strong potential to generate significant returns from the residential redevelopment of the site, and the State Government of South Australia has recently released its 30 year plan for Greater Adelaide, in which the Dry Creek salt field site has been nominated as 'key urban expansion.' This 30 year plan, provides the government policy backing required to facilitate the redevelopment of the land.

The strategic plan also encourages the development of a district activity centre and key transport infrastructure connecting the site. The South Australian Government owned Land Management Corporation has further confirmed its commitment to continue investigating the Dry Creek opportunity with Delfin and Ridley.

We will continue to progress the feasibility of this opportunity throughout 2010, focussing on the challenges of salt field relocation costs, sourcing of fill for the development site, and environmental issues.

Last year we employed Property Development Manager Stephen Butler as a dedicated internal resource to project manage all of the exciting opportunities in this area.

We have set aside \$1 million in the 2010 budget for property development. This funding will enable Steve to engage the necessary specialist support and conduct appropriate due diligence on any recommendations before seeking approval from the Board.



CHEETHAM

Ridley's three key objectives did not formally include one for Cheetham. Cheetham was maybe seen as a robust, stable business that just keeps on generating returns. The truth is that the returns are dependent like any other business on maintaining the income-producing assets in a condition that facilitates continuity of production at the required output and reliability levels.

The recognition of a cumulative deficiency of investment over a number of years, led Cheetham to embark upon a business transformation that led to the implementation of a new ERP software solution and a complete restructure of its refinery operations.

As a result, the number of refineries has reduced from five to three, the hide salt operations have been shifted from Corio to Sea Lake, a major refinery upgrade is being undertaken and is nearing completion at Bajool in Queensland, and a brand new refinery is being built in Indonesia that will be operational before the end of 2010. A busy year by anyone's measure.

The quantum of change in such a short period was no doubt a contributory factor in the losses of \$1.3 million associated with Cheetham's ERP implementation that occurred during 2009. The other, and primary, contributory factor for the Port Alma saltfield loss of \$3.5 million, was the extreme and extended weather pattern that led to a number of periods of unusually high rainfall. Brine in the Port Alma salt crystalliser ponds was first diluted by the excessive rainfall and then lost in the outflow of flood waters, giving rise to a material loss of the harvestable salt from these crystalliser ponds.

The Port Alma field, located between Rockhampton and Gladstone, has presented the business with a series of unique challenges, largely as a result of being dormant for approximately five years, but has now been returned to the normal Cheetham salt field production and harvest cycle of no more than two years, minimising the chance of a reoccurrence of this situation. Procedures and processes have also been put into place to mitigate the risks associated with production losses from excessive rainfall.

At the commencement of the 2009 financial year, Andrew Speed was promoted from his role of National Sales and Marketing Manager to Cheetham Salt's General Manager, and Andrew has not only had to cope with the demanding business transformation but also complete the task of management restructuring and renewal commenced by me prior to my promotion to Ridley's Managing Director.



With the bulk of business transformational activities concluded in 2009, we fully expect Cheetham to return to normal levels of profitability in 2010 and to start generating incremental returns from its profit accretive refinery and expansion initiatives which are nearing completion.

RIDLEY PEOPLE

Significant improvements in the operations of a business and a dramatic improvement in profits and returns do not happen without a lot of dedication and hard work by the people who work for the Company.

As I have mentioned earlier in my address, we have made some important appointments in Ridley AgriProducts and Cheetham Salt to oversee the strategy development, growth and performance of these businesses.

As John mentioned, during the year we moved all head office operations from Sydney to Melbourne and as a result, Alan Boyd joined us as Chief Financial Officer and Company Secretary and has now completed the task of transitioning to a small head office Finance team at our Bourke Street location.

In recognition of our shareholder and analyst coverage base in Sydney and also his contribution to the organisation, Charlie Klem, our Sydney-based manager of Strategy and Business Development, will provide a permanent Sydney presence and day to day Ridley liaison contact.

We have been fortunate to retain our former Group Risk Manager Anne-Marie Mooney, who has accepted the new role of Group General Manager Commercial. One of Anne-Marie's important new duties is to oversee the health and safety of our people and ensure that we maximise the development of their skills and potential.

Safety is central to the way we do business and is the most important of our core values. Pleasingly all three of our key safety measures that we use to assess our safety performance have improved markedly during the 2009 financial year.

Incidents that resulted in lost time to the business, referred to as LTIFR, was down 24% from the previous year to 9.94. SIFR, which represents the total injury rate, was down from 49.42 to 20.78 whilst the injury duration rate was also reduced by 13% from the previous financial year.



We will continue to drive towards our ultimate goal of no-one being injured in the workplace by focussing on embedding the safety programs throughout the business and ensuring behavioural change continues to help make Ridley an even safer place to work.

As you can see the past year has been extremely challenging for the people in Ridley. As we have relentlessly driven costs out of the business, I have been impressed by the improved level of accountability that has been evident throughout the organisation, and I thank all our people for their efforts.

We are determined at Ridley to deliver superior performance, and to ensure this occurs, we will continue to focus on expanding the skill sets and developing our people to achieve their fullest potential

RECENT EVENTS

There have been a number of announcements since year end that I have not yet touched on.

(i) Inghams

The first of these relates to the agreement with Inghams, whereby we have entered into a long term arrangement to supply stock feed for their Queensland and South Australian operations. This agreement will ensure that Inghams have feedmill capacity available commensurate with their expected future growth in demand, and provides us with the commercial rationale for re-opening our Clifton stockfeed mill in South East Queensland. We will also greatly improve the utilisation of our South Australian stockfeed mills.

The Clifton mill will operate as a dedicated poultry stockfeed mill following a \$1.3m capital upgrade. Through the Clifton mill we will ultimately supply Inghams in excess of 2,000 tonnes of broiler poultry feed per week with similar volumes from our stockfeed mills in South Australia within the next few years.

Consolidation within the poultry industry provides us with a lot of opportunities to grow our business in this sector over the coming years.



(ii) Aquafeed

We recently announced the results from a full commercial scale tuna feed trial where our Ridley Aqua-Feed went head to head with, and out-performed, the traditional pilchard fed fish in weight gain, condition and Feed Conversion Ratio, or FCR, and with high flesh quality and superior customer taste feedback.

With such positive results from these trials and 20% annualised growth in the sector, the 40,000 tonnes per annum capacity limitations of the Narangba plant have been holding back our growth.

As a result of the recently announced manufacturing agreement with Indigenous Business Australia, or IBA, at Inverell, we have effectively doubled our capacity almost overnight.

Ridley will have feed produced under a Toll Manufacturing Agreement at a plant located at Inverell in northern NSW. At least 10,000 tonnes of the additional 40,000 tonne capacity is expected to be utilised in the first 12 months of operation to meet our customers' increased requirements and the balance will be progressively utilised over the next few years as new sales volumes are secured.

To secure this agreement we have only needed to make an investment of A\$2 million into the joint venture business to provide working capital and facilitate the upgrade of the Inverell plant to meet the more exacting requirements of aquafeed production.

We also hold a 25% shareholding and board seat in the joint venture entity to protect our position and we project managed the upgrade of the existing plant to guarantee completion within the required scope.

Access to this degree of additional capacity at such a low capital cost makes this a very significant agreement for us in a sector that we envisage to be one that will assume an ever increasing importance worldwide as natural fish stocks continue to come under pressure.



If I appear enthused, it is because I am. I can assure you that our directors, management and staff are similarly engaged. We share a common vision of where we can collectively take this company and an intention and commitment to deliver. We understand that some sectors will be up while others are down. At the moment, the dairy sector is in a downward phase of its cycle, however the upside in poultry and aquaculture provides us with a natural sector risk diversification; a natural hedge if you like.

Within our full year results announcement, we referred to a normalised Net Profit After Tax result of \$28.1 million. This figure restated the statutory result for continuing operations pre-significant items to normalise the impact of restructuring savings, Cheetham's abnormal costs and interest savings following the Ridley Inc sale.

Our results for the first quarter of 2010 continue to give us confidence that this level of earnings is a sustainable base to grow from.

We will provide formal 2010 guidance together with our half year results in February next year when the impact of the current grain harvest is known.

In summary, we believe that the removal of the volatility associated with the North American operations, the existence of the natural hedge provided by sector diversification, stable earnings from our salt division, our continued focus on the removal of unnecessary costs, and the ever increasing demand for protein from a growing population will, with proper and dedicated management, deliver future results that provide a compelling reason to invest in Ridley today.