



ProTen

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ProTen Limited

Chairman's Review

17th Annual General meeting

October 31st, 2017

Welcome all shareholders to the 17th AGM of ProTen Ltd.

Welcome this year to James Wentworth our new CFO for ProTen who has replaced Simon Ward.

James has great credentials and we believe will be a fine fit in Daniel's executive management team and will assist in the future development of ProTen.

Simon Ward resigned in August after completing the entire audit process and delivering the company a clean audit result. Simon will always be remembered fondly, as a friend of ProTen and as a loyal officer to the company. Thankyou Simon for your service.

When the Narrandera farm project commenced 2 years ago the prospect of delivering a very strong financial result in the 2016/17 year became real. Due to exemplary project management, under challenging environmental conditions, the project is completed and in full production as of today. We believe Narrandera is likely the world's largest chicken farm and I have no doubt it has been constructed in a record time. This has culminated in a substantial lift in earnings for the business in this financial period. A record in fact, on top of many past financial performance records for ProTen. We are a proud board and management team to be able to present the year in review tonight and scope the current year for our shareholders.

The audited financial result delivered to shareholders a normalised operating NPAT of \$10.3m and a normalised EBITDA of \$19.4m. This is a year on year increase of 43%. The valuation uplift from the new operating farms added an additional \$10.9m of asset value. As you will note the year on year growth in profit is significant with additional financial uplift projected again in the FY18 financial year as the Narrandera farms become fully productive.

Having more shed capacity in production translates directly to increased net profit and the ability to return an increasing dividend to shareholders. For the financial year ended June 2017 ProTen paid to shareholders \$7.288m in dividends up from \$4.59m in the prior year. In September, the board resolved to increase the interim dividend from 1st January 2018 to AU\$0.09 per share per annum which is a 12.5% increase over the previous year. Forecast dividends for the current financial year rise to \$10.2m.

Annually, I make some comments in regard to global risk which hopefully reinforces for shareholders the value of having investments like ProTen and the value of monthly cashflow. The ProTen business now has scale, is wrapped entirely in a domestic market, insulated from currency or equity swings, is underpinned with long term growing contracts and banking arrangements. This should feel comfortable from an investment perspective given the world backdrop serving up celebrity politics, prospects of thermonuclear war, any number of environmental catastrophes and multiple political and humanitarian crisis's unfolding at any one time. Couple all this with the disruptive technologies, record numbers on global equity indices', the longest bull run in history on the Dow, low oil, low interest and low inflation then we are in truly uncharted water. All that said; the measure of this in combination is the VIX (volatility index). During the past year the VIX has fallen by 50% to a score of >10 which is the lowest point in the past decade suggesting somehow settled economic times do prevail.

Domestically, Baiada continues to grow its business with approximately 188 new sheds now in production in the Griffith region. Their long term regional development strategy should provide future growth opportunities for ProTen.

Highlights operationally for the year;

Historically, ProTen has been able to use debt and leverage to grow rapidly. The financial environment over the past 5 years, with ever decreasing cost of debt, has been particularly favourable for ProTen. The model of borrowing and repaying debt quickly has underpinned growth and asset security. As at balance date ProTen had A\$121m of core debt. The management of a sizeable debt portfolio and the hedging the company has put in place to ensure cost of debt is properly managed is a key financial activity. Good treasury management underpins ProTen's financial strength and reduces macro-economic change impact. Hedges in place are all favourable currently.

The Narrandera farm was completed on time and with a small 2% variance to budget. All 80 sheds are now in production as of October 2017. This is outstanding result by the entire development and management team.

Farms 60 and 61 have completed an upgrade of all the 42 sheds at a cost of \$9.0m. New floors and ventilation improvements deliver a payback worthy of the investment.

Under Bill Williams leadership, a restructure and empowerment of key regional operational managers in five specific areas of responsibility has delivered some great outcomes. This is 'best practice' at its best and we are in exceptional hands at a farm operations level. Farm performance especially the new farms are literally 'top of the pool'. A special mention must go to our farm manager and team on our single farm in Perth, Western Australia. This farm has shone out consistently and delivers top quartile performance in their pool which is all down to focus and great management.

During the year an independent survey was completed which covered anonymously all our company staff and asked their views on satisfaction with their employer and their company ProTen. In summary, ProTen achieved a score of 71 which is an exceptionally strong result when scaled against other workplaces. This data reinforces to our board and shareholders, that our staff at all levels are well respected, well treated and fairly remunerated.

I am delighted to report to shareholders of the 132-staff employed we have made share based payments to 23 key personnel this past year. These share payments were made under the Employee Share Scheme introduced two years ago to retain good people in our business. It is satisfying to know that nearly ~20% of our key staff are now shareholders too in ProTen.

Workplace health and safety is reported, by site, to the board. Of note, the company has reported very strong linear trends indicating we have a culture that is respectful and conscious of safety in the work place. These results can only be delivered from robust systems and whole of business commitment. We are recognised as a safe employer who invests actively in its safety culture.

During the year the board and management have been very active internally and have invested capital in preparing ProTen for a possible Australian Stock Exchange (ASX) listing. Preparation for listing on the ASX is both a very comprehensive and legally exhaustive. The board has elected not to progress to a listing at this time. The investment in documentation and compliance necessary to list is prepared, is legally compliant and remains available for the purpose into the future. As a note; there are always some risks with the timing of a stock market listing, mainly share price risk from an open market situation. For example, a financial crisis, terrorist attack or simply a sentiment change to agriculture would likely affect all share markets and equity pricing. Positive sentiment can have a positive effect too. However, an ASX listing will remain on review for ProTen and may be more appropriate when linked to a future capital raising for some new projects.

Reluctantly I comment on the share price as explicitly pricing is set by an open market situation 'willing buyer and willing seller'. However, for noting over the past 12 months the ProTen share price has traded between low NZD\$1.40 and a high of NZD\$1.85. Today price (last sale) was NZD\$1.50. The past year has been the most active in history with 73 on market trades totalling 1,371,812 shares for NZD\$2.23m.

The 20 largest shareholders own 66% of the company and there is little change from the past year. This ownership weighting occurred as a result of the 2015 private placement equity raise where we attracted institutional and 'high net worth' investors who are predominantly based in Australia. We have limited liquidity trading on the Unlisted exchange at a level that satisfies small share parcels being traded but ProTen is sensitive to weak selling as evidenced during the year where the share price dropped to \$1.40 on very low volumes. Liquidity continues to be an active topic with the board for the ensuing year.

The Unlisted trading platform that ProTen shares currently trade on in New Zealand has rebranded to USX – from what I can establish everything transactional stays the same but with a different look. USX is chosen to fit with NZX, ASX etc.

As advised to shareholders last year the platform that manages ProTen's share register has moved from the secretary of the company ProTen to Link Market Services who are a speciality share register service provider. This is a very pleasing outcome for ProTen and adds a higher level of professionalism and integrity to our share trading. Your annual dividend certificates are available on the Link Market Services website. Each shareholder was forwarded instructions on how to access and interact with Link Market Services. We accept this is now a computer based transaction process so anyone having any difficulty with this please contact James Wentworth at the ProTen office for assistance.

The past year has seen both Tegel Foods and Inghams list on their respective stock markets. These are the first fully integrated meat poultry producers to list in either New Zealand or Australia and both appear to have performed well. The recent advent of public market investment into the poultry sector is being monitored closely by ProTen as some disruption is possible given the new spread of investment models. Looking forwards, management, in conjunction with the board, are undertaking a strategic review of the business. Our board is looking prudently at some breath of new investment in both core and related activities that would naturally buffer any industry changes should they arise. Historically, there is often some positive news for shareholders toward the end of my report. This year the takeaway point would be the earnings from Narrandera in full production have not yet

been captured in a full financial year. The year that we will see the full performance of the business is the current year which will be reported on at next year's Annual General Meeting.

Every annual report I attempt to pass on our thanks and gratitude on behalf of the board and shareholders to all our hard working and conscientious staff at ProTen. Without sounding repetitive; this past year is special and in my view, it's somewhat of a rising crescendo, the financial result we present tonight, the valuation of our assets, the level of construction progress, the level of farm performance, the level of employee satisfaction, the level of leadership from Daniel is all sublime. Thank you everyone for your respective contributions.

My board, they too have acted, governed and supported Daniel to deliver the growth plans that achieved the reliable financial outcomes. We have a great Board with a great breath of skills and experience. To lead them in unison is my pleasure. Thank you. Special thanks to the directors who participated in the ASX listing work especially Geoff McWilliam who volunteered for the due diligence committee. This work was intense for Geoff and all the officers involved.

Without Daniel Bryant, I expect the level of achievement would be somewhat less. During the year Daniel completed 15 years with the company and he has left an indelible mark on the business and the Australian poultry industry. And he is still only young. Thank you again Daniel for all those 15 years of effort, making others around you feel empowered and providing our shareholders with a valued investment.

John Signal

Chairman

ProTen Limited