

ProTen Limited

Chairman's Review 2016

Welcome to the 16th AGM of ProTen at the Amayjen, Feilding, New Zealand.

ProTen as an employer takes Workplace Health and Safety seriously. The company maintains an active companywide programme and reports up to the board clear trends in safety performance and audit findings. Since 2009 there has been a positive or declining trend in all recorded indices incorporating accident frequency and lost time. ProTen currently employs 80 staff, 80 contractors and prides itself on a solid safety record.

Our company ProTen has changed substantially over the past year. Since we last met as shareholders ProTen has cemented its position now as a world class poultry farm developer, grower and business. ProTen by market capitalisation would today list as company number ~ 285 should it ever become listed on the Australian Stock Exchange (ASX) or, in other words, ProTen is Australia's 285th largest listed company using this public market comparative.

I am very pleased to report Total Return (TR) to shareholders has increased for the 12 months November 2015 to November 2016 in excess of 91% which is a record breaking financial performance. This has been driven primarily by strong demand for ProTen shares, awareness of future business performance and a reliable competitive yield, paid monthly.

Shareholders who understand the business model are clearly recognising each new shed developed immediately adds to future cash flow. This fast return on capital can increase future yields and ultimately resonates in the overall value proposition.

In the last 12 months ProTen built 56 new sheds and in the next 24 months the plan is to construct a further 60 new sheds. In some detail tonight we will portray further expansion and growth for ProTen now programmed through to 2022 and potentially beyond based on the investment plans of our customer Baiada.

The retirement of the company's founder Max Bryant occurred in June 2016 with Max and Trish returning from Sydney to Feilding which is the town where the first broiler shed was constructed in 1986. It is with gratitude and awe that I would like to extend, on behalf of all shareholders, our best wishes to Max on his outstanding achievement with his chicken company over the past 30 years. Max continues his involvement with ProTen as a non-executive Director

Upon the completion of the Narrandera project in August 2017 ProTen will be growing 68 million chickens per year. While it is unconfirmed, ProTen is confident, the 80 shed Narrandera project is likely to be the largest chicken farm constructed anywhere in the world – in itself a monumental achievement for our company. The Narrandera project has been a fantastic execution from Daniel, of fine logistics, supreme effort and focus by the entire development team lead by Bill Hight.

Unfortunately, the wet weather has been diabolical throughout the winter which has made progress a constant challenge.

In April a group of shareholders were hosted by the company in Griffith. Travelling in from Asia, New Zealand and around Australia they spent time observing the new farm developments. The scale and speed of development is hard to comprehend even when you are on site. Never the less we believe our new investors were impressed and excited by what they saw and learned.

A highlight of the year has been the solid appreciation of the ProTen share price. Month on month the demand for shares in the company continues. The share price has increased 86% over the past 12 months; the largest annual percentage rise in the company's history. Market

capitalisation is now NZ\$183m up from NZ\$96m from a year earlier and now exceeds other companies capitalisation on the "Unlisted" exchange like Silver Fern Farms and Rural Equities.

ProTen has appointed Link Market Services for the ongoing management of Share Registry services. This is a move to best practice in share registry management. Effective 1 December 2016, all share registry services (including share transfers) will be managed by Link.

Dividends paid to shareholders in the 2016 financial year were \$4.59m. This level of return paid monthly has been welcomed by shareholders who continually observe erosion in other cash investment returns from banks and alike.

The company's financial performance for the year ending June 30 2016 of \$21.6m represents a 218% increase in NPAT on the prior year. This result has exceeded the operating budget again and incorporates a strong uplift in farm valuations.

The forecast financial performance continues to gain momentum as both the cost of debt reduces and margins increase from the ever expanding capacity. The board has taken the opportunity to hedge interest costs on long term swap arrangements to take advantage of the current low interest rates.

Annually I draw attention to global volatility (VIX) This year has delivered its share of global financial change with unprecedented behaviours in commodity markets (oil, minerals, interest rates etc) and new political events such as Brexit and the US election determining fortunes or losses for investors. Volatility exists globally leaving small investors often perplexed. For those who have been invested with ProTen the certainty of regular financial return from the 'eddy' in which the company exists is like bullion in these times.

Banking is a big part of ProTen's business given its debt and scale of development. The poultry sector and associated long term growing

contracts give comfort to debt lenders as our industry has a certain dynamic which provides security, therefore in this environment, our prospects for a good deal prevails. Banks are competitive and we continue to have new options for debt, debt reduction levels and lending arrangements. Recently the company has taken the decision to move its debt funding to the Commonwealth Bank of Australia (CBA). Note; CBA trades as ASB in New Zealand.

Two Australasian events are worth noting in our sector. Firstly the IPO of Inghams has the potential for thousands of individual members of the public to acquire investment stock and participate in the chicken sector for the first time. Secondly the export of poultry meat from New Zealand to Australia is now open with markets and currency determining this growth into the future.

The ProTen management team continues to evolve purposefully. With the retirement of Max and the increasing scope required to manage the large footprint ProTen has in Australia, key appointments are essential. During the year the board appointed Daniel Bryant to Managing Director. The Regional Operations Managers under Bill Williams have adopted specialist roles in their portfolios covering Environmental, Systems/Training, Workplace Health and Safety and Purchasing.

Bill Hight has led a large group of onsite sub-contractors at Goolgowi and Narrandera. He has extracted exemplary performances under adverse weather conditions to deliver sheds non-stop for the past 12 months. Bill especially, and his team deserve special praise in their achievements. It is almost incomprehensible what they have collectively achieved, enabling ProTen to meet its construction and financial forecasts.

It is with regret Bill Hight has decided to return to New Zealand at year's end; however he is still available to ProTen perhaps in a new capacity in the future. Thank you Bill for your tireless efforts and commitment to

deliver the farming projects on time and to budget - you are a legend Bill.

In September an announcement was made to shareholders about a new development planned for the Tamworth region. Two years ago we announced the 96 shed prospect for Griffith and are expecting completion in August 2017. We now have an additional major undertaking to complete up to 64 sheds for Baiada in the Tamworth region. The announcement highlighted the purchase of land and the commencement of a Development Application. This will keep the current growth phase going through to year 2022.

The management team at ProTen during the year has moved into new offices in North Sydney and continues to perform at the highest standard. Our Managing Director has put in place a team of very capable people that will be tasked with delivering on the expanding business plan over the next three to five years. The board is very pleased with management overall and the future focus Daniel has for our company.

The board of ProTen, my fellow directors, remain excited by all the prospects a growing company encounters, they remain committed and share the workload equitably. There is a delightful cohesion amongst directors not always found in pure governance roles. Thank you for your continued support, insightfulness and inspiration.

I have purposely retained the announcement of dividends to the end of this address. Given the significant change that is proposed for the ensuing year it is worthy of more than just a mention in the body of my report.

Shareholders have waited patiently for many years as directors have balanced the requirement to fund growth and to pay distributions contemporaneously to Shareholders. I believe the directors have been prudent in the past and the right balance has been achieved to date.

With a plethora of new fumes now in production it is my pleasure to announce a substantial change in the dividend for the 2017 calendar year. From 1st January 2017 the interim dividend will increase by 77.7% to AU\$0.08c /share. This is a forecast \$9m dividend return to shareholders for 2017.

As Directors we trust you will be very pleased with this announcement at this time. New dividend returns coupled with strong share value appreciation dictate that these are proud times for us all.

Finally, we trust you will remain committed and continue to partake in the future prospects and rewards your company has planned.

Thank you.

John Signal

Chairman ProTen Ltd

