



18 December 2009

Company Announcements Office
Australian Securities Exchange

**ELDERS LIMITED
ANNUAL GENERAL MEETING – 18 DECEMBER 2009
CHAIRMAN'S ADDRESS AND CHIEF EXECUTIVE OFFICER'S PRESENTATION**

In accordance with Listing Rule 3.13.3, I attach a copy of the Chairman's address and Chief Executive's presentation to be delivered at the Annual General Meeting of Elders Limited to be held at 10:00am (Adelaide Time) today.

Ross Mallett
Company Secretary

Address by the Chairman, Stephen Gerlach
Elders Ltd Annual General Meeting
18 December 2009

The fact that this is the third general meeting of the Company to be held this calendar year underscores what a significant period it has been for Elders. Since our last Annual General Meeting in October 2008, the Company has worked through the program of tasks necessary:

- to improve management and capital focus;
- to establish a strong and sustainable balance sheet; and
- to give your Company the basis from which it can establish itself as a leading, attractive and reliable investment in the Australian agribusiness sector.

The foundations for the achievement of these objectives have now been put in place. This was the objective of the Agenda for Change outlined one year ago, although at that time it was not possible to foresee that our program would coincide with the most volatile and uncompromising business climate for decades.

As a consequence, the short term cost and terms of achieving the necessary change have been more severe than anticipated. Notwithstanding this, your Directors firmly believe that the shareholder value outcome achieved was the best available in the circumstances.

Balance sheet strength has been restored through the support of shareholders. Our lenders have committed to new long-term finance packages and restructuring. Divestment and other management initiatives have been largely completed.

Elders has emerged stronger, with the balance sheet and organisational structure that permit it to implement its performance improvement initiatives with vigour and confidence.

I do not propose to reiterate the detail of the financial and operating performance of the Company, which has been published in the Annual Report mailed to shareholders who have requested it and is also available on-line.

However, I do want to discuss the key features of the Company's results.

Elders reported a loss after tax of \$466.4 million for the 2009 Financial Year. As previously advised, 2009 was a 15 month transition year as the Company moved from a June 30 balance date to a September 30 year-end. The current and future financial years will comprise the 12 months to 30 September.

Broadly speaking, the loss resulted from two main sources:

The first component was an underlying or operating loss after tax of \$51.8 million due largely to the very difficult trading and seasonal conditions experienced across the group's operations.

Rural Services, Forestry and Automotive operations all reported sharply reduced earnings and sales as buyer confidence and demand levels in their sectors fell considerably. In addition, interest expense rose by \$42 million or 74% in comparison with 2008. This increase is essentially due to:

- the interest arising from the debt and finance terms that existed prior to the recent refinancing and recapitalisation;
- the elimination of interest revenue generated by the divested insurance operations; and
- and the fact that 2009, as a transition year, extended over 15 months.

Secondly, the great bulk of the Reported Loss was non-recurring items totalling a loss of \$414.6 million after tax.

These items are essentially not attributable to the day-to-day operations of the Company in its restructured form, but represent 'one-off' costs and expenses.

These charges have been detailed in the Annual Report, and essentially arose from the initiatives taken under the Agenda for Change and Elders Business Transformation programs but were exacerbated by the impact of the Global Financial Crisis on asset values and markets and the refinancing of the Company's debt.

The Agenda for Change program has refocussed the Company and its resources.

Malcolm Jackman will give an update on the program shortly. The non-recurring items arising from the Agenda for Change have resulted from the discontinuation or divestment of non-core assets as Elders concentrates its capital around its core agribusiness assets, most particularly the Elders Brand and network.

The Elders Business Transformation Project is an ongoing project that has been designed to deliver substantial improvement in the performance and returns generated by the Company's Rural Services operations.

The first stage of the program has involved a total re-engineering of the Rural Services go-to-market model, cost and asset base, as well as a realignment of all organisation structures from a product focus to a customer focus. This process has brought charges and expenditure as the businesses' cost and asset base has been rationalised and restructured. However with this foundational work now completed, the thrust of the program can now shift to measures to achieve the improvement in sales, cost and margin that is required.

I want to now to summarise the key features of the year for our operations.

As the operating result shows, 2009 was a very challenging year for rural service providers generally and Elders' experience was no different.

Chief amongst the year's challenges was the severity and speed of the shift in fertiliser and agricultural chemical markets. In the period to December prices for these essential stock items rose strongly and to historically high levels, bringing escalating working capital demands.

Conditions shifted suddenly in late December as the flow-on of the Global Financial Crisis ushered in the market uncertainty, chronic oversupply and falling prices that persisted for the balance of the year. For Elders, this brought reduced margins, slow moving inventory and the almost complete erosion of the strong seasonal cash inflow that usually occurs in the six months to June.

The cash outflow of \$360 million from Rural Services operations for the year caused debt to grow to levels that were higher than anticipated, and much higher than is normal. While increased interest expense and cash outflows from other operations added to Company's debt position, it was the large and abnormal outflow from Rural Services' trading which, ultimately, brought a recapitalisation and refinancing requirement much larger than anticipated.

Management initiatives reduced costs and inventory. But the gains made were not sufficient to offset the effect of lower sales, margin generation and reduced cash flow. EBIT generated by Rural Services operations for 2009 was, on a like-period-basis, roughly one-sixth of that generated in 2008.

Financial Services increased their EBIT contribution slightly due to strong earnings growth by Rural Bank.

The move to a more capital efficient business model for Financial Services during the year has released funds for reinvestment, focussed Elders' role on its core capability which is rural and regional distribution; and given Elders clients access to the product and capabilities of leading financial services providers.

The formation of a 20 year alliance with QBE Insurance is strategically, and financially, the most significant example of this approach. We are delighted to have QBE's commitment as a major shareholder and are excited about the potential held by the Elders Insurance joint venture.

ITC, Elders' forestry business, experienced a significant drop in earnings as the market for its principal product, hardwood plantation Managed Investment Schemes, contracted by 68% in the wake of the corporate collapses in the sector and general uncertainty in investment markets. ITC's underlying EBIT contribution fell from \$61.4 million to \$5.9 million.

It is difficult to imagine a more difficult market for MIS products than the market in 2009. ITC's MIS sales were lower but, encouragingly, it increased market share. We see the business as well positioned to compete successfully in a rationalised market in 2010.

Consistent with the strategy being applied across the Company, our interests and business model in forestry have also been restructured to be more capital efficient and more aligned with Elders' strategic focus. ITC Timber, a manufacturer of value-added timber products has been sold and land required for tree plantations is now leased rather than acquired.

Given time, hardwood plantations can generate solid reliable cash flow from the ongoing rotation of harvesting and reestablishment. Forecasts indicate that ITC is within three years of switching from being a net cash consumer to a net cash generator. With this milestone now in sight, ITC's value and contribution to the Company are expected to improve significantly.

The automotive sector was one of the sectors affected early and most significantly by the Global Financial Crisis.

Sharp reductions in demand for passenger vehicles translated directly into lower sales for Futuris Automotive, which recorded an underlying EBIT loss of \$15.1 million for 2009. The loss result is attributable to its 35% owned associate Air International Thermal Systems, which was particularly exposed to the US market.

The Australian operations were profitable and cash flow positive for the year, a solid outcome given market conditions. The Chinese joint venture is developing well, winning new contracts and increasing volumes. Profitable and cash flow positive operating levels have been achieved and maintained. The success of this joint venture, combined with Futuris Automotive's success in global industry awards and emerging business opportunities, are establishing it as one of the successful players in the Asia-Pacific automotive components sector.

As we have stated, Futuris Automotive falls outside the Company's strategic focus on the primary production sector. For this reason, it is considered non-core, and will be divested.

Market values for these businesses are unacceptably low at the moment; however the board is willing to continue to operate the business until such time as valuations provide an adequate return for shareholders. The business is cash-flow positive, so we believe this is the best course for shareholders. There are good grounds for expecting that Futuris Automotive will attract strong interest as confidence returns to the sector and as current contracts and opportunities support further development of the business.

It is pleasing to note that automotive industry conditions have stabilised and the business is expected to play a role in the earnings recovery anticipated for Elders in 2010.

Refinancing and Recapitalisation

The recapitalisation and refinancing package first announced on 4 September included a mixture of equity raisings, asset sales and debt restructuring. It has

been comprehensively addressed at the General Meeting held in October and in various written communications to shareholders.

Today I would like to update shareholders on developments since that meeting.

The \$150 million Share Purchase Plan approved by shareholders was completed on 4 November. It was an unqualified success in terms of shareholder participation and funds raised.

The Plan was oversubscribed, but it was pleasing that every shareholder who applied for shares received everything they sought up to the \$20,000 cap. The “over-subscription” facility also achieved its objective of minimising the potential for dilution to larger retail shareholders. 99% of all oversubscription requests from shareholders who held 15,000 shares or more were granted in full.

In respect of asset sales, I have already noted the completion of the Elders Insurance – QBE and ITC Timber transactions. In aggregate, these transactions raised gross proceeds of approximately \$360 million which has been applied to debt reduction.

As a result of the completion of these transactions, and the equity raisings, the Company’s gearing has been reduced from 128% at 30 September to a pro-forma 27%. Net debt has reduced from approximately \$900 million to \$320 million over the same period.

The sale of the Company’s 50% shareholding in HiFert remains a preferred option and discussions with interested parties are ongoing. This past year has been a challenging one for fertiliser markets. Our expectations have been that a sale would be concluded this calendar year but, given our proximity to year-end, we now consider that unlikely. Elders will continue to work with our fellow shareholder, AWB, to realise value for our 50% holding in HiFert, although I stress we will only contemplate a transaction if we believe it is in our shareholders’ best interests.

Dividend

I am aware that many shareholders have questions about future dividend payments. I therefore want to address this subject again.

In 2009 Directors elected to suspend payment of the interim, or half year, dividend in view of the Company’s cash and balance sheet position.

While the completion of the recapitalisation has seen balance sheet strength restored, the Company has undertaken, as part of the debt refinancing package, to suspend payment of dividends and hybrid security distributions for a period of at least 2 years. Accordingly, as we advised in the Share Purchase Plan documents sent to all shareholders in October, Elders will not pay a dividend on its ordinary shares prior to the 2012 interim dividend, or a distribution on its hybrid securities till late calendar 2011.

The board appreciates that this has been a disappointment for many shareholders. However the commitment to a conservative cash management regime proved to be one of the critical elements in securing a sustainable, competitive financing package and therefore the right course of action in the current credit climate. The board is committed to the restoration of dividend and hybrid distributions to shareholders as soon as circumstances are appropriate.

Board renewal

Those shareholders who are regular attendees at the Company's AGM will be aware that the subject of Board renewal is regularly addressed. The Company has conducted an ongoing program of introducing new Directors whilst maintaining sufficient collective experience and understanding of the business for the Board to discharge its duties efficiently and armed with the benefits of Company knowledge.

The demands of the most recent financial year, coupled with the introduction of new senior management, reinforced the need for your company to have a stable board with a deep knowledge of its operations and markets.

Elders is now in a position whereby the process of board renewal can be accelerated. As advised in the Annual Report and Notice of Meeting, the Deputy Chairman, Dr James Fox, will retire at the end of this meeting after 24 years service while Mr Anthoni Salim has not sought re-election after six year's service.

On behalf of shareholders I would like to express our appreciation for the service provided by both of them. In particular I would personally like to highlight the long service and valued contribution made by Dr Fox. As Deputy Chairman he has been an invaluable support to me in my role as Chairman over the past six years and we are sorry to lose his wise counsel.

However, we are also delighted to have two outstanding candidates for election to replace Dr Fox and Mr Salim. Shareholders will shortly have the opportunity to hear more about Mr Wylie's and Mr Allison's experience and capabilities when the meeting considers their election as Directors. Both bring experience that is directly relevant to the needs of Elders today.

Now that the demands caused by the events of the last year have been met and managed, the Board is in a position to focus its attention and efforts on the longer term performance of the business. This has created the opportunity for me to discuss succession plans concerning my position as Chairman with my Board colleagues. I have indicated that, as soon as we have identified a successor to me, and he or she is settled onto the Board, that I would step down as Chairman and retire from the Board.

In addition, Graham Walters has advised that, now Mr Wylie has been appointed to the Board, he intends to step down from the board in the New Year after 8 years' service as a non-executive director and after an effective transition has been made to enable Mr Wylie to take on the role of Chair of the Audit Committee.

I would like to thank Graham for his many years of service to the Board, and particularly as Chairman of the Audit Committee. He has been an incredibly valuable board member and significant contributor to the Company.

A recruitment process has been initiated to identify and secure new candidates who will bring an appropriate blend of Board and business experience for the emerging vacancies. With an eye also to optimising board diversity, we are hopeful that at least one of the new appointees will be female.

The composition of the board will be kept under further review during 2010.

Trading Conditions

Elders has issued detailed financial projections in the prospectus for the recent capital raising. These forecasts anticipate a recovery in earnings in the 2010 financial year as the markets in which the Company operates stabilise, buyer confidence returns and the prices and margins for key agricultural inputs such as fertilizer and agricultural chemicals improve.

Income generation is expected to be strongly weighted to the second half of the financial year due to seasonal factors and as the recovery in market conditions is expected to emerge gradually as the year progresses.

Trading conditions since 1 October have been consistent with these expectations of subdued activity levels and soft prices for the opening period of the year.

Finally I would like to express the board's appreciation for the support given to the Company by its shareholders and employees.

We appreciate that it has been an extraordinarily demanding year, but it is one which the Company has completed in a much stronger position than it commenced. I am proud that we have been able to rebuild the financial resources and investment community backing needed to execute our strategy and to capitalise on the value of one of Australia's great brands and industry networks. Thank you.

2009 ANNUAL GENERAL MEETING

18 December 2009

The logo for Elders, featuring the word "Elders" in a white, cursive script font, centered within a dark red rectangular box with a thin white border.

Elders



2009 Annual General Meeting

CHAIRMAN'S ADDRESS

Stephen Gerlach Chairman



2009 Annual General Meeting

PROGRESSING **THE AGENDA** **FOR CHANGE**

Malcolm Jackman • Chief Executive Officer

The logo for Elders, featuring the word "Elders" in a white, cursive script font, enclosed within a white rectangular border with rounded corners. The background of the logo is a dark red color.

Elders

Agenda for change: 5 key tenets

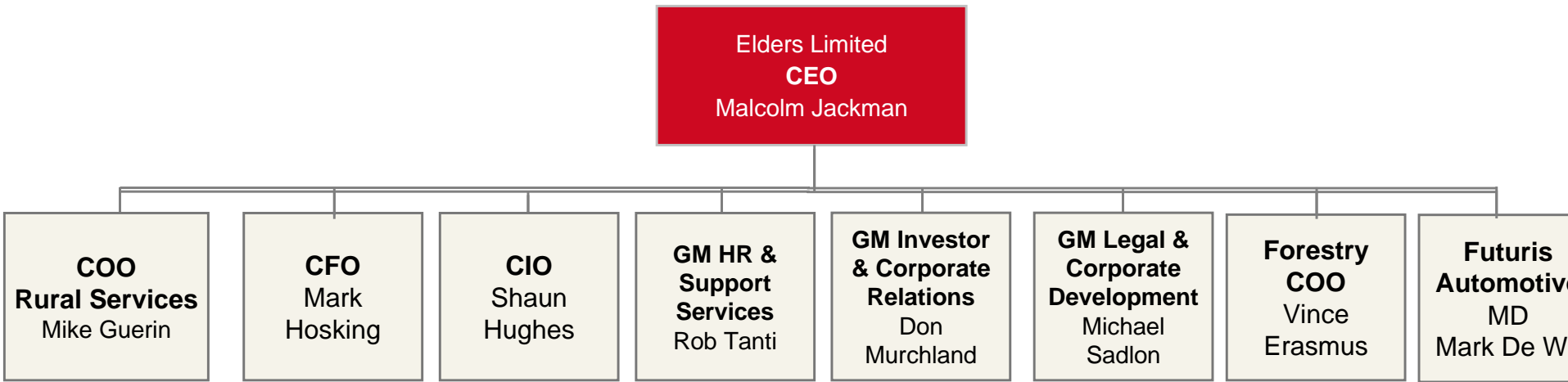
- Safety is the first and foremost consideration of day to day operations
- Simple, effective, accountable and performance oriented structure
- Refocus on Elders
- Improve financial performance, discipline and measurement
- Engage the market and communicate better



Safety

- #1 priority for management
- Lost time Injury Frequency Rate reduced from 8.64 to 5.62
- Introduction of Company-wide reporting and management
- Independent research conducted and subsequent internal assessment in 2009 has led to:
 - re-allocation of resources, measurable management accountability measures, risk mitigation and communication
 - safety ‘gateway’ incorporated into incentive programs
 - program for improved safety outcomes in 2010
 - focus on system development and embedding of safety culture

A single integrated structure focussed on Elders and performance



Board

- Key performance indicators
- Key areas of responsibility
- Management interactions

Management structure

- Re-organised around single management team
- Futuris Automotive fully involved but ring-fenced
- Progressively integrating all corporate/support functions
- Separate operational management for Automotive & Forestry
- Monthly operational reviews

Executive Management Team

- Monthly review
- Includes CEO Rural Bank and CEO Elders Insurance
- Group Investment Committee
- Group Risk Committee
- Safety

One Elders

- Safety
- Sales focus
- Performance culture
- Core values

Elders

Wool
Livestock
Farm Supplies
Grain Marketing
Insurance
Banking

Refocus around Elders

- Name change approved and implemented
- Creation of single integrated management structure and team focussed on operations
- Non-related assets divested or discontinued
 - AAco
 - Amcom
 - Webster
 - Timber processing
 - Abattoir
 - Seed, fodder and horticulture assets
 - Run Corporation
 - BWK
- Aligned partnerships for financial services distribution



Refocussing around Elders: Strategic position

**Our strategic position is at
the farm gate**

**where farm production
intersects with local and
global markets**



Concentration on rural distribution and associated leverage points...

- Built around linkages and relationship with our clients
- Maximisation of inherent value within Elders network
- Aligned partnerships that offer best product and best outcome for the client
- Exit from manufacturing, non-core, non-value adding associates/JV's



Improve financial performance

- Non-performing assets discontinued, divested or being sold
- Capital management plan with daily reporting
- Support for Rural Services Business Transformation Program
- Strong sustainable balance sheet
 - Gross debt reduced from \$1.2 billion to < \$400 million
 - Gearing reduced from 128% to 27%
- Group Finance structure
- Formation of Group Investment Committee, Group Risk Committee and focus on cash and return metrics



Engage the market

- Active share market engagement program
- Balance date change approved and implemented to conform with sector
- More conservative gearing metrics and increased disclosure
- Reduction of debt and gearing to investment grade
- Share register composition brought in-line with market through attraction of new investors
- Increased coverage by research houses and investment analysts



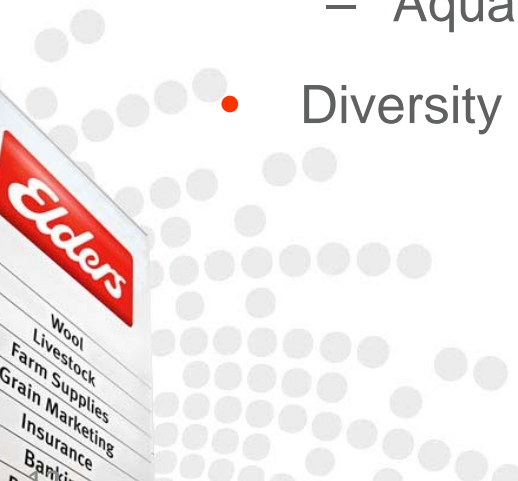
Still in progress

- Selected divestments including
 - HiFert
 - Aquaculture
- Delivery of improved and acceptable financial results in line with prospectus



2010 Management imperatives

- Meet prospectus forecasts
- De-leveraging
- Margin improvement - Elders business transformation
- Cash and balance sheet management
- Complete asset divestments
 - Hi Fert
 - Aquaculture
- Diversity



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