

24 November 2022

Allied Farmers Chair Address for Annual Shareholder Meeting (ASM)

Thank you for attending this virtual Allied Farmers ASM today.

It is with great sadness that I acknowledge the passing of Mark Franklin on 12 November. Mark was a highly experienced and principled businessman, and he will be greatly missed by all the entities he chaired and contributed to. He will certainly be missed around our board table. Our thoughts and condolences are with his family at this difficult time.

At the 2021 Annual Meeting we described our vision to grow earnings through careful oversight of our investments, and leveraging our strengthening financial position to execute on attractive new opportunities.

The contribution of both New Zealand Rural Land Management (NZRLM) and New Zealand Farmers Livestock (NZFL) enabled Allied Farmers to report net profit after tax attributable to Allied Farmers' shareholders of \$2.87 million, which was a +42% increase from FY2021, which in turn was a +163% increase from FY2020. Undoubtedly these have been two years of outstanding growth, and I wish to thank and acknowledge the efforts of our NZRLM and NZFL teams on delivering these results.

During the year, in a strategic shift Allied Farmers decided to wind down Rural Funding SolutionNZ Limited, and enter into - via New Zealand Farmers Livestock Finance Limited (NZFLFL) - a referral agreement with Heartland Bank. As a result, NZFL no longer takes credit or compliance risk on these loans. This agreement has provided increased scope to facilitate livestock lending with the backing of a specialist and sophisticated lender in Heartland.

In September 2021, we repaid a \$1 million bond eliminating all debt at the parent company level.

Today, the group has no net debt and Allied Farmers (the parent co.) has ~\$1 million in cash. NZFL has only seasonal funding lines which are repaid at the end of each season. At present, Allied Farmers (and the management of NZFL) are assessing the exact levels of working capital that NZFL requires to further optimise the NZFL balance sheet.

During the past financial year most of the distributions from NZFL have been reinvested in New Zealand Rural Land Company (NZL.NZX) capital raisings. The Allied Farmers Board has supported these capital raisings not only because it considers them to be an attractive stand-alone rural sector investment, but also because it is important for the Manager to have a clear and transparent alignment of interest with the underlying investors in NZL.

Allied Farmers currently owns 4.2 million NZL shares (~3.63% of NZL shares on issue).

We also implemented several initiatives throughout the year to reduce corporate costs, including a significantly smaller Board, ceasing unnecessary IT spend, reduced professional services spend, disestablishment of the Allied Farmers' CEO role, and lower recurring consulting fees. The full benefit of these cost reductions will appear in FY2023.

Similarly to FY2021, the Board has decided to not pay a dividend for the FY2022 financial year. The Company continues to utilise tax losses which currently total \$36,288,403 and therefore paying unimputed dividends does not make sense. The Board strongly believes that in the short term, retaining and redeploying earnings is in shareholders' best interests.

In this regard, the Independent Directors – Philip Luscombe and Shelley Ruha - have, with the assistance of an expert external advisor in Northington Partners, determined that it is in Allied Farmers’ best interests to exercise its Call Option to acquire the 50% of NZ Rural Land Management (NZRLM) it does not already own. This option becomes available for exercise from 18 December 2022, and is open for exercise for a period of one year.

By way of background, when Allied Farmers exercises its Call Option:

- The five individual sellers of NZ Rural Land Management shares – “Vendors” – on receipt of notice of exercise of the Call Option, can ask for the purchase price to be either paid in cash, or in Allied Farmers shares at the 20-business day volume weighted average price over the period immediately preceding a market announcement of the exercise (“VWAP”);
- Individual Vendors cannot ask for a mixture of cash and shares, but some Vendors may ask for all cash, and some may ask for all Allied Farmers shares;
- Only if a Vendor asks to be paid in cash, Allied Farmers can opt instead to pay that Vendor in shares, but at a 10% discount to the VWAP.

Allied Farmers at this stage does not anticipate a need to raise capital to fund this acquisition if it proceeds, albeit this is subject to the final notification received from each of the Vendors as to their preferences. We will of course keep shareholders updated as this matter progresses.

Given that this would be a material transaction with related parties, during the first quarter of 2023 Allied Farmers will need to obtain Independent Advisors Report (IAR) and seek approval from those shareholders that are not interested in the transaction at a Special Shareholders Meeting.

If you would like to ask any questions of the Independent Directors on their basis for determining the exercise of the options, both Philip and Shelley would be happy to answer those during the Shareholder Discussion part of this meeting.

On behalf of the Board,

Chris Swasbrook
Chairman