

Financial Results for the 12 months to 31 March 2014

28 May 2014



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Summary information only

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FY14 Business Overview

- ❖ FY14 saw the business continue its transition from a pastoral-style business, to a vertically integrated beef business in line with the Group's strategy. This was evidenced by:
 - strong growth from the Branded Beef division with gross margins rising 329% to \$17 million
 - a 67% increase (25k head) in internal cattle transfers to Branded Beef to be sold as boxed beef
 - ongoing development of the Northern Beef Processing Facility
- ❖ Drought conditions for much of FY14 led to a difficult pastoral operating environment, resulting in a sales program (of mostly trading cattle) and a reduction in the branded herd to 467k at 31 March 2014
- ❖ Herd reduction took place in an environment of weak domestic cattle prices, albeit prices recovered to some extent in the last quarter of the financial year, especially in the live export market
- ❖ In contrast to domestic cattle market conditions, global beef markets remained buoyant during the financial year, underpinned by increasing global demand



FY14 Business Overview

- ❖ Reduction of \$6.3 million in operating expenses compared to the prior corresponding period, driven by a reduction in administration and other non-station operating costs
- ❖ Strengthened balance sheet following a \$299 million capital raising completed in October 2013, with gearing reducing to 23.2% at 31 March 2014 (41.0% at 31 March 2013)
- ❖ Improvement in net operating cash flows to \$18.5 million, up \$21.2 million from negative net operating cash flows in the prior corresponding period of \$2.7 million
- ❖ Focussed management team and Board, with Jason Strong being appointed as Managing Director in January 2014
- ❖ Invigorated corporate strategy now being executed

While pastoral operating conditions in FY14 were difficult, the Group enters FY15 with a high quality herd that is well positioned to support its vertical integration strategy



FY14 Results Overview

❖ Sales	\$316.8m	decrease of \$20.7m compared to the pcp ¹
❖ Gross Operating Margin	\$54.0m	increase of \$1.3m compared to the pcp
❖ Statutory EBITDA²	\$(19.9)m	improvement of \$11.3m compared to the pcp
❖ Cash EBITDA³	\$31.1m	increase of \$12.1m compared to the pcp
❖ NPAT	\$(39.9)m	improvement of \$9.9m compared to the pcp
❖ Operating Cash Flow	\$18.5m	increase of \$21.2m compared to the pcp
❖ Gearing	23.2%	decrease of 17.8% compared to 41.0% at 31 March 2013
❖ Net Tangible Assets	\$1.40/share	decrease of \$0.50/share compared to 31 March 2013

Notes:

1. Prior corresponding period (pcp) – 12 months to 31 March 2013
2. Statutory EBITDA represents Net Profit After Tax (NPAT) + tax expense + finance costs + depreciation, amortisation and impairment
3. Refer to slide 8 for a reconciliation of Cash EBITDA, being a non-IFRS disclosure



Summary of FY14 Financial Results

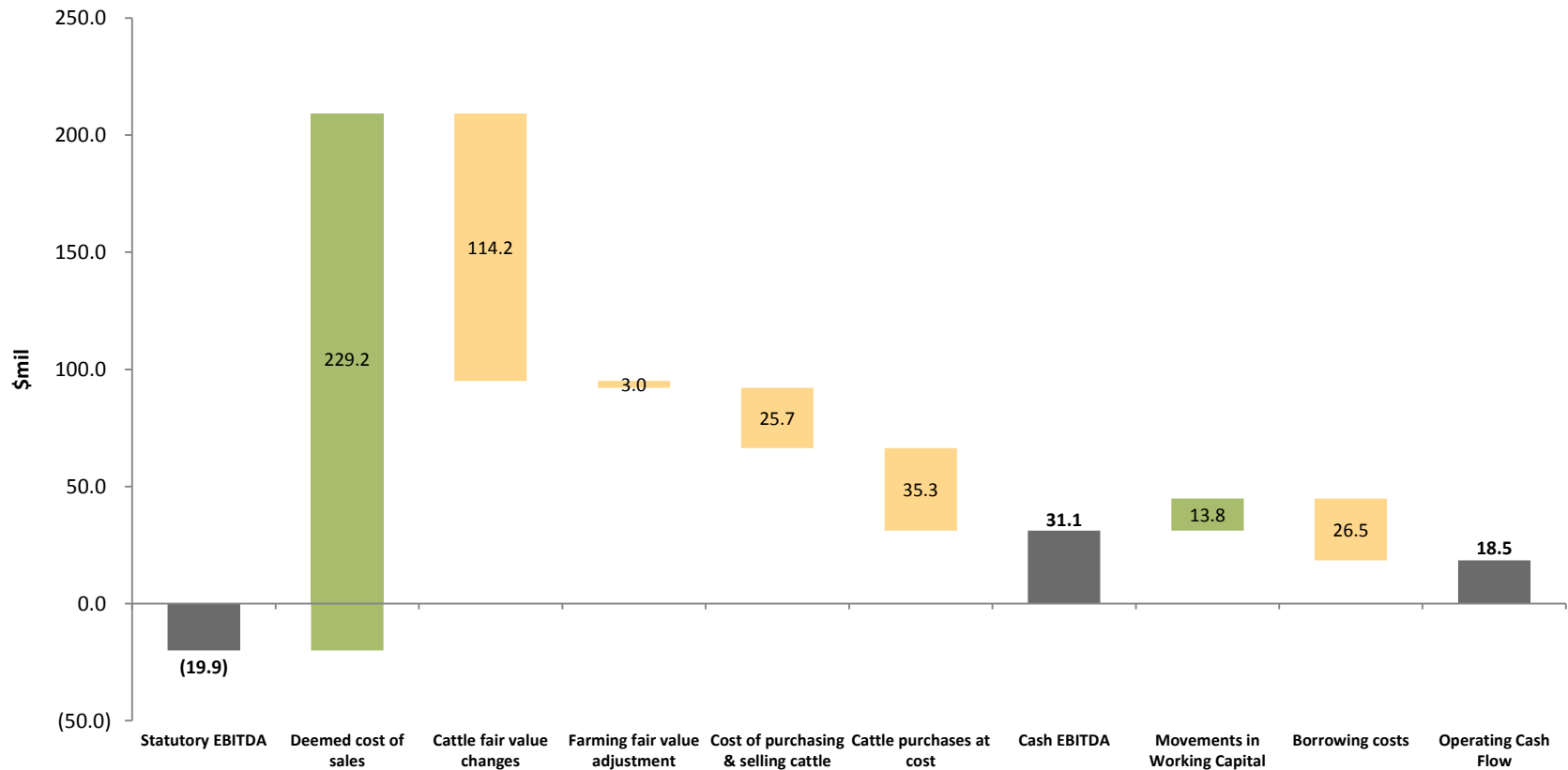
(\$mil)	12 months to 31 Mar 2014	12 months to 31 Mar 2013	Change (\$mil)
Boxed beef sales	188.2	154.8	33.4
Cattle sales	120.5	164.2	(43.7)
Farming sales	8.1	18.5	(10.4)
Total External Sales	316.8	337.5	(20.7)
Branded Beef gross margin	17.0	4.0	13.0
Pastoral gross margin ¹	32.0	37.4	(5.4)
Farming gross margin	5.0	11.3	(6.3)
Gross operating margin	54.0	52.7	1.3
Statutory EBITDA	(19.9)	(31.2)	11.3
Cash EBITDA ²	31.1	19.0	12.2
NPBT	(58.0)	(76.8)	18.8
NPAT	(39.9)	(49.8)	9.9
Operating Cash Flow	18.5	(2.7)	21.2
	12 months to 31 Mar 2014	12 months to 31 Mar 2013	Change (%)
Key Performance Indicators			
<u>Branded Beef</u>			
Total kg's sold (m)	20.5	18.7	9.7%
<u>Pastoral Operations</u>			
Total kg's produced ³ (million lwt)	66.2	92.1	(28.2%)
Herd size (excluding calf accrual) ('000 head)	467.0	552.5	(15.5%)
Brandings ('000 head)	149.3	178.8	(16.5%)
<u>Farming</u>			
Cotton harvested ('000 bales)	18.6	34.9	(46.8%)
Wheat harvested ('000 tonnes)	10.1	16.2	(37.7%)

Notes:

1. Gross margin represents cattle sales plus growth less fair value adjustments less cost of cattle sold less direct cattle expenses
2. Refer to slide 8 for a reconciliation of Cash EBITDA, being a non-IFRS disclosure
3. Kg's produced is the inventory kg's produced on the stations including brandings



EBITDA to Operating Cash Flow Reconciliation



Statutory EBITDA and Cash EBITDA Reconciliation

(\$ mil)	12 months to 31 Mar 2014	12 months to 31 Mar 2013	Change
Statutory EBITDA ¹	(19.9)	(31.2)	11.3
Add back: non-cash Market Value Changes to Livestock ²	(11.9)	49.4	(61.3)
EBITDA ex. Market Value Changes	(31.8)	18.2	(50.0)
Add back: other non-cash Fair Value Adjustments to Livestock ³	63.0	0.8	62.2
Cash EBITDA	31.1	19.0	12.1

Notes:

1. Earnings before interest, tax, depreciation and amortisation as per Directors' Report
2. Market Value Changes arise due to non-cash mark-to-market adjustments to the AACo herd
3. Other non-cash Fair Value Adjustments consist of a combination of non-cash items including births, deaths and breeder-herd amortisation, cattle growth and inventory value of sales and purchases



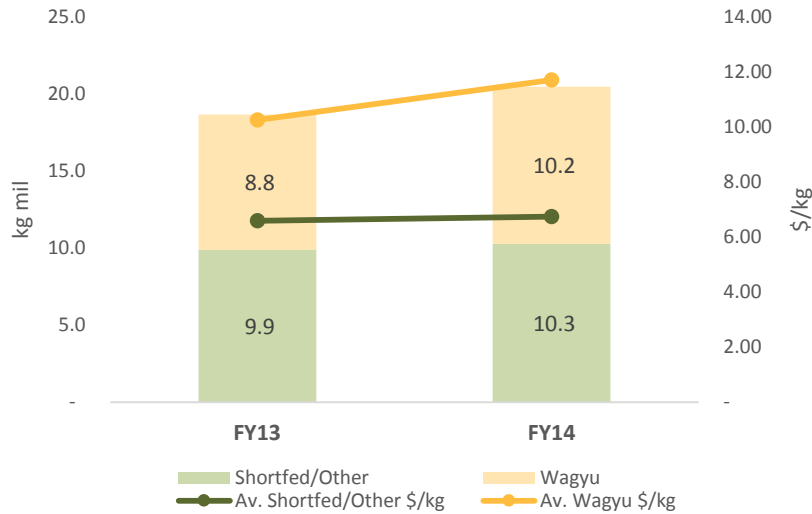
FY14 Review - Branded Beef

- ❖ Global beef markets remained buoyant during the financial year, underpinned by increasing global demand
- ❖ Beef sales were \$188.2 million, an increase of 22% compared to the pcp
- ❖ Total volume of kilograms sold increased by 10% and the mix of sales continued to shift to higher value Wagyu which accounted for 63% of beef sales by value in FY14
- ❖ Average prices achieved increased in FY14 for both Wagyu (FY14 - \$11.71/kg vs FY13 - \$10.25/kg) and Shortfed/Other (FY14 - \$6.74/kg vs FY13 - \$6.59/kg)
- ❖ Gross margin achieved of \$17.0 million, an increase of 329% compared to the pcp
- ❖ FY14 saw the announcement of two Free Trade Agreements, namely the Korea-Australia Free Trade Agreement (KAFTA) and Japan Australia Economic Partnership Agreement (JAEPA), both of which are positive developments for AACo and the Australian beef industry

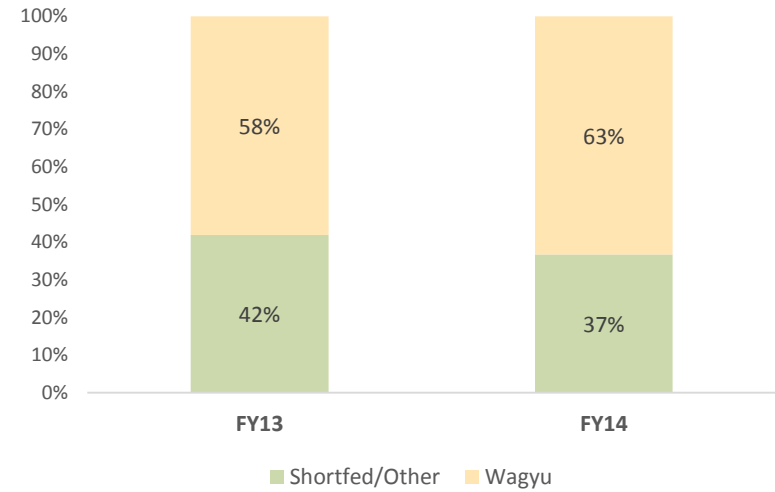


FY14 Review - Branded Beef

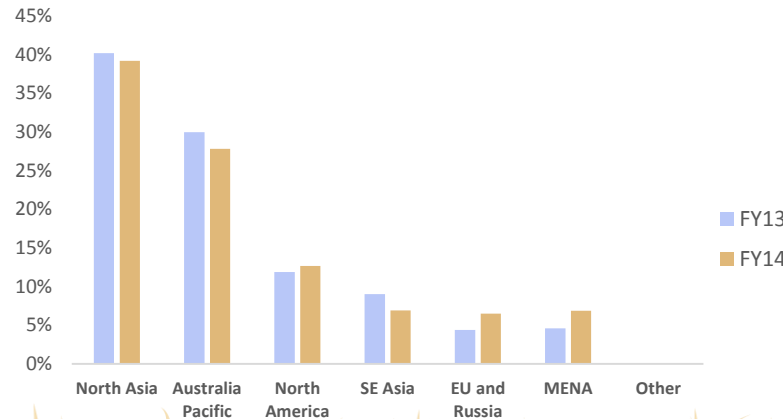
Boxed Beef Sales Breakdown by Volume



Boxed Beef Sales Breakdown by Value



Boxed Beef Sales Breakdown by Volume



FY14 Review – Northern Beef Processing Facility

- ❖ Construction has progressed well despite an above average Wet Season and the development remains on schedule
- ❖ Commissioning is expected to take place in September 2014
- ❖ Employment and training of plant workers is beginning to ramp up in line with the construction timeline
- ❖ Advanced discussions being held with customers for product produced by the facility



FY14 Review - Pastoral Operations

❖ Grass Herd

- Trading herd
 - The impact of the drought saw a sales program reduce the size of the trading herd
 - Kilograms produced fell to 66mil in FY14 from 92mil in FY13 due to drought conditions and a smaller trading herd
 - Increased cattle costs as drought-affected herds were moved off the Barkly to better pastures in the Victoria River and Darwin regions
- Breeding herd
 - Breeding and Stud herds reduced by 10% with pregnancy test systems supporting effective cull programs
 - Brandings fell to 71% in FY14 from 81% in FY13, due to seasonal conditions

❖ Grain Herd

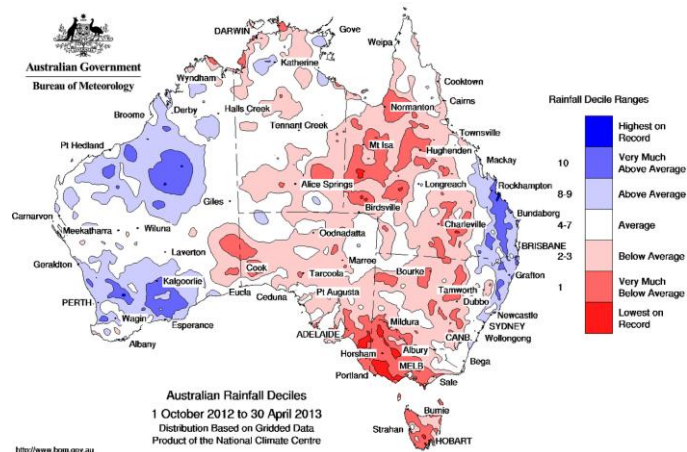
- Backgrounding herds in Southern Queensland affected by the drought moved to agistment properties
- Feedlots
 - Feedlot weight and grade performance not affected by the drought
 - Approximately 50% increase in grain prices on the prior year – wheat and sorghum reached a 3 year high in March 2014 at \$370 and \$340 per tonne respectively



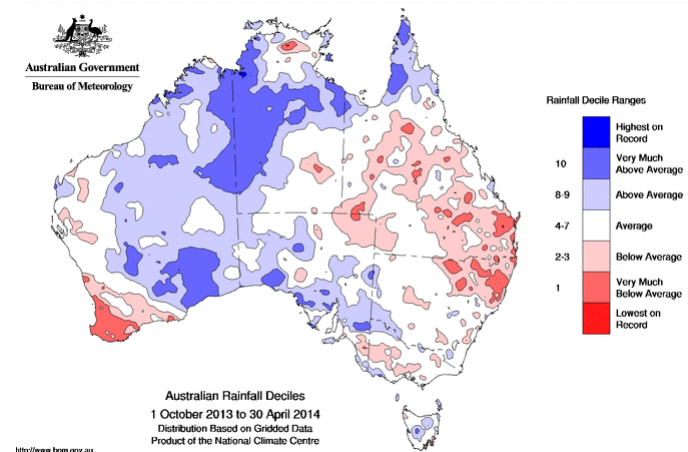
Pastoral Operations – FY14 Climate

- ❖ FY14 commenced with a poor Northern Wet Season and persistent drought conditions across much of the property portfolio
- ❖ However, while Queensland remained dry for much of the year, the majority of the Group’s northern properties received better rainfall in the last 3 months of FY14
- ❖ While this rainfall will support improved growing and fertility outcomes, the Company will continue to prudently manage its grass resources going forward, to avoid the prospect of being overstocked should seasonal conditions deteriorate

2012-2013 Northern Wet Season

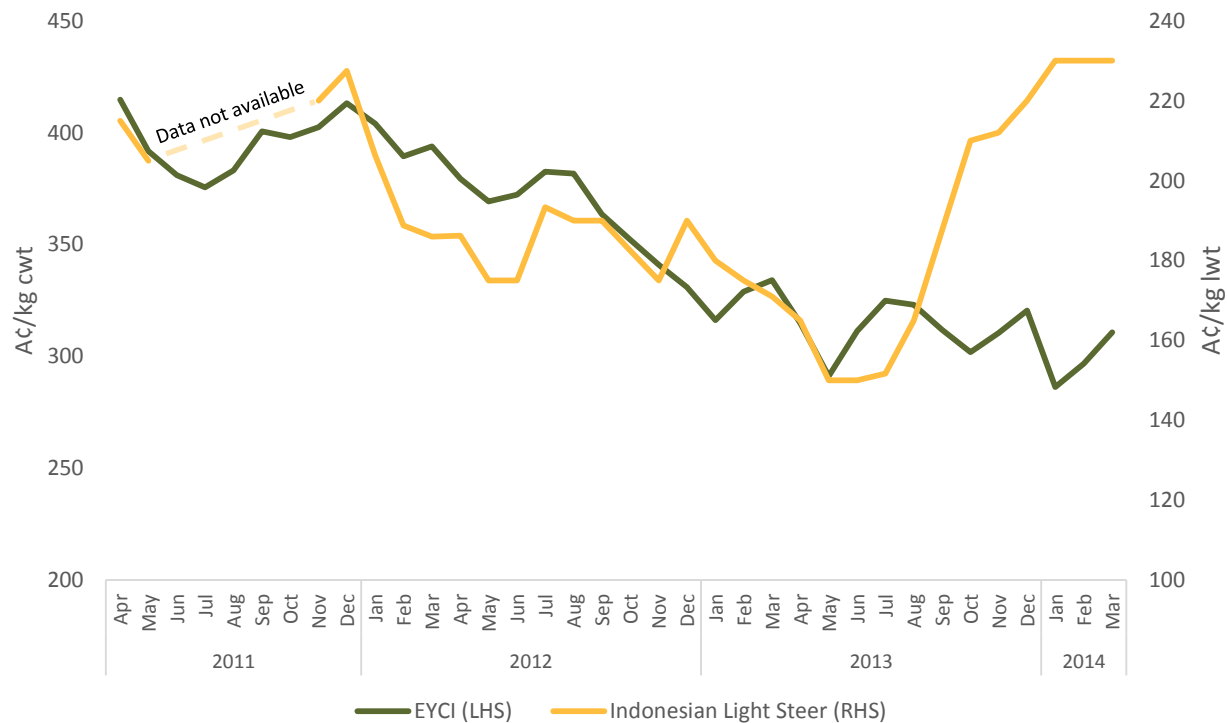


2013-2014 Northern Wet Season



Pastoral Operations – FY14 Domestic Cattle Markets

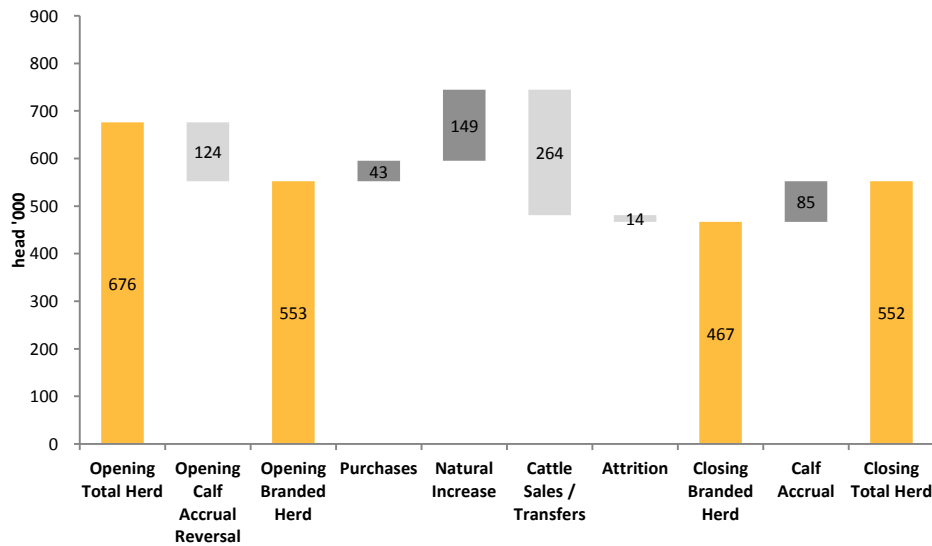
- ❖ First 6 months of FY14 saw domestic cattle markets continue to deteriorate, as persistent drought conditions led to a supply glut of cattle in the market
- ❖ Combination of increased allocations of Indonesian import permits and competition from new markets saw live export prices jump in the second half of FY14



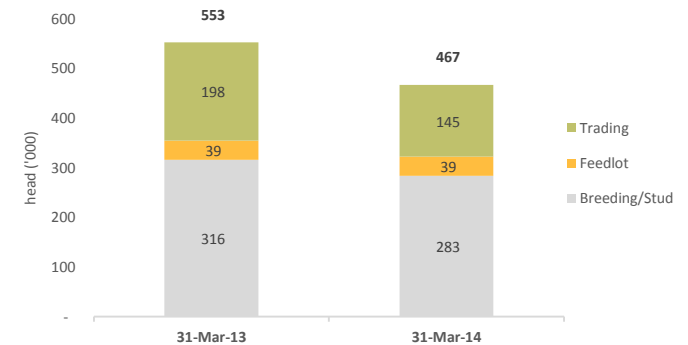
Pastoral Operations – FY14 Herd Movements

- ❖ Drought conditions resulted in an accelerated cattle sales program in the first half of the financial year as part of a drought management plan
- ❖ Sales program saw the overall herd size, in particular the trading herd, reduce from historically high levels going into FY14
- ❖ High quality breeding herd largely preserved

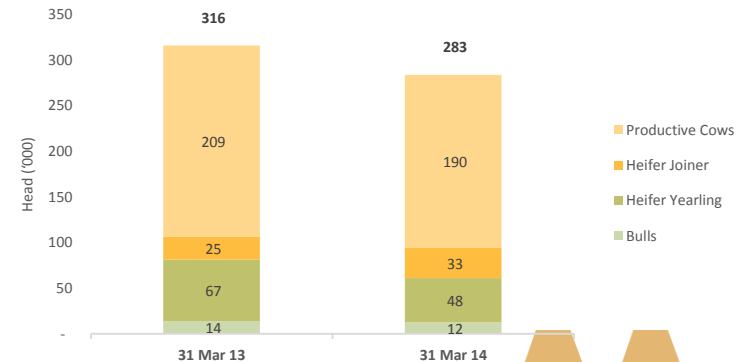
FY14 Herd Movement



Branded Herd Composition



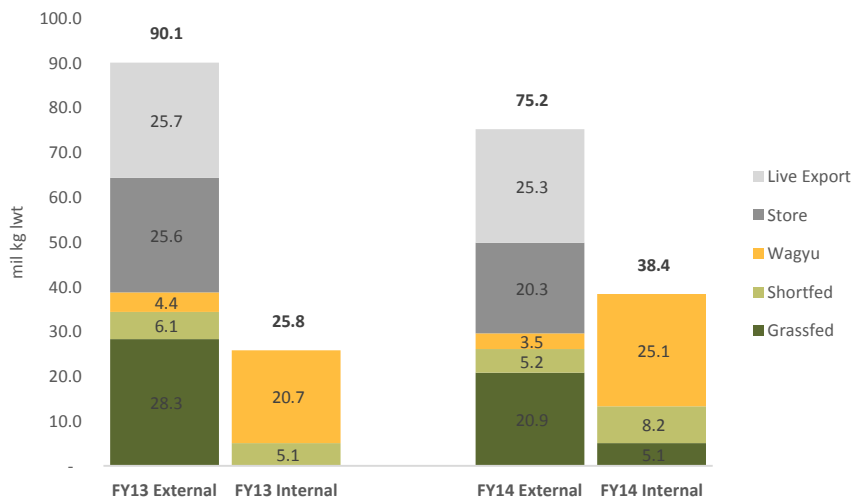
Breeder Herd Composition



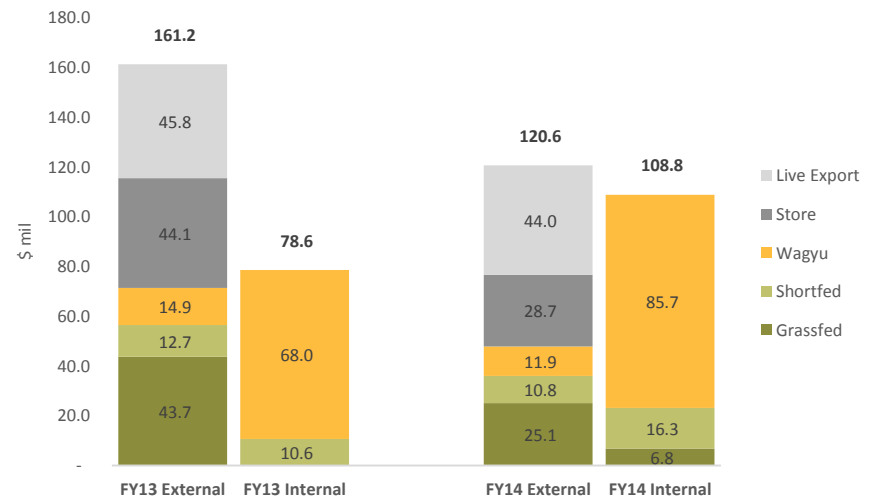
Pastoral Operations – FY14 Cattle Sales

- ❖ In FY14 the business significantly increased the proportion of cattle transferred to Branded Beef to sell as higher value added boxed beef rather than as live cattle
- ❖ Measured by value, approximately half of the Pastoral division’s output was transferred to Branded Beef in FY14

Cattle Sales / Transfers (kg lwt)



Cattle Sales / Transfers (\$)



Balance Sheet

- ❖ Strengthened balance sheet following capital raising completed in October 2013
- ❖ In March 2014 AACo entered into a new club financing facility of \$400 million that expires on 30 June 2018. This new facility replaced the previous syndicated financing facility. The new facility was drawn down by \$200 million as at 31 March 2014

(\$mil)	At 31 Mar 2014	At 31 Mar 2013
Cash and cash equivalents	69.2	11.2
Livestock	383.0	437.1
Property, Plant and equipment	605.7	603.2
Inventories	26.4	30.7
Other assets	15.7	17.9
Total assets	1,100.0	1,100.1
Interest bearing liabilities ¹	282.4	422.8
Other liabilities	69.9	81.9
Total liabilities	352.3	504.7
Net assets	747.8	595.4

Key balance sheet metrics	At 31 Mar 2014	At 31 Mar 2013
Gearing ²	23.2%	41.0%
Net tangible assets/share	\$1.40	\$1.90
Undiluted shares on issue (million)	532.3	312.9

Notes:

1. Interest bearing liabilities includes bank debt, convertible notes and finance leases
2. Gearing based on net debt / (net debt + book equity)



Property Portfolio Update

- ❖ **Property Portfolio Rebalance**

In May 2013 the company sold part of the Goonoo aggregation in Queensland, totalling 19,404 hectares, and Brighton Downs, a 420,000 hectare station near Winton in Queensland

In October 2013 the company purchased the adjacent La Belle Downs and Welltree stations in the Northern Territory. The 99,400 hectare properties are 180km from Darwin and will be complementary to the Northern Beef Processing Facility, helping ensure continuity of supply during both wet and dry seasons

- ❖ **Valuation Update**

The Group's property portfolio at 31 March 2014 was subject to a valuation decrement of \$37.1 million, with \$33.5 million of this amount reducing the Asset Revaluation Reserve and \$3.6 million adversely impacting the Income Statement



Cash Flow

- ❖ Improvement in net operating cash flows to \$18.5 million, up \$21.2 million from negative net operating cash flows in the prior corresponding period of \$2.7 million

(\$mil)	12 months to 31 Mar 2014	12 months to 31 Mar 2013	Change
Net operating cash flow	18.5	(2.7)	21.2
Payments for property, plant and equipment	(16.9)	(20.5)	3.6
Purchase of La Belle and Welltree stations	(28.6)	-	(28.6)
Construction of Northern Beef Processing Facility	(25.8)	(20.6)	(5.2)
Proceeds from sale of property, plant and equipment	0.5	1.2	(0.6)
Proceeds from sale of stations	32.1	0.0	32.1
Net investing cash flow	(38.6)	(39.9)	1.3
Proceeds from share issues	211.9	1.1	210.8
Net proceeds from borrowings	(133.8)	38.0	(171.8)
Net financing cash flows	78.1	39.1	39.0
Net change in cash	57.9	(3.5)	61.4



Strategy Update

- ❖ Development of a vertically integrated strategy led by the new Managing Director:
 - Focus on responding to demand signals from beef customers and maximising margins through branding
 - Continue to transition away from a production led business model
 - Participate in all key areas of the beef supply chain
 - Change how we report the business to focus on whole supply chain margins



Our Vision

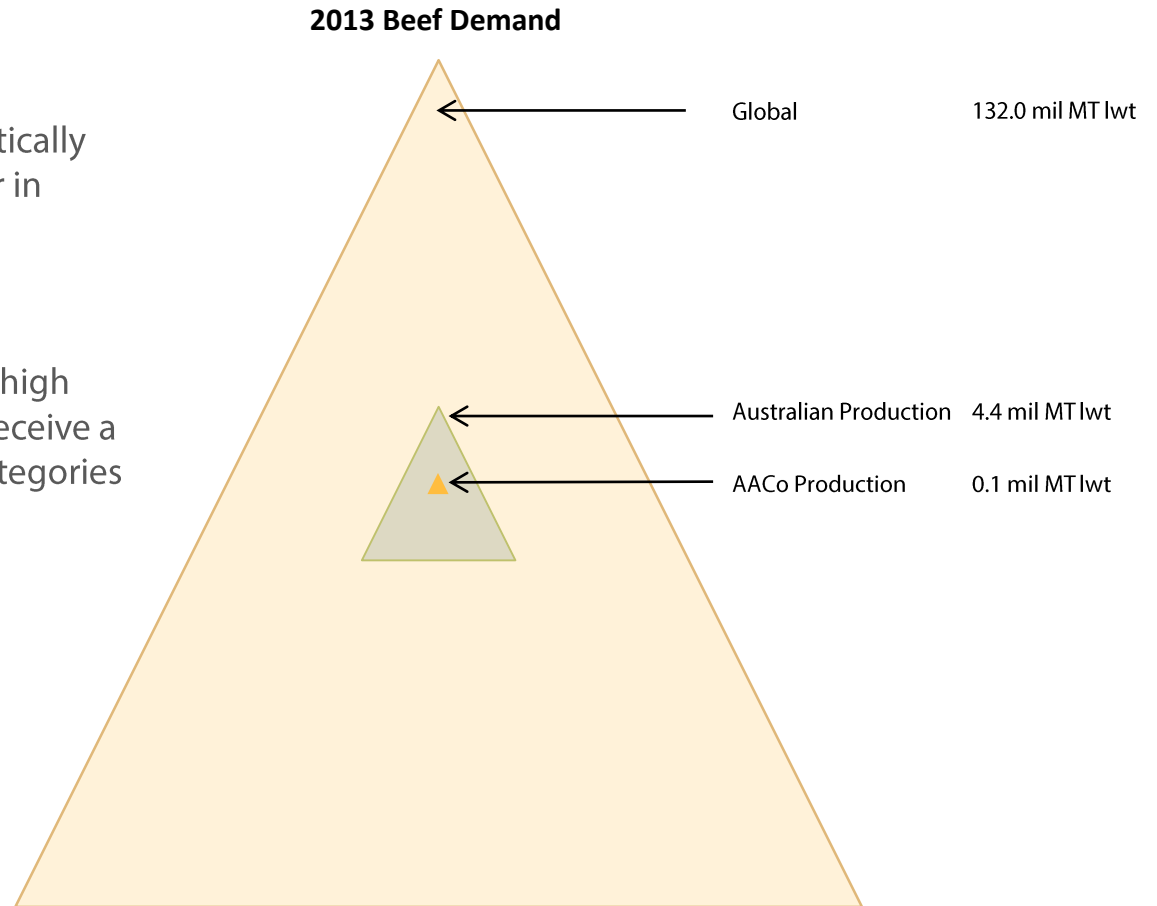
Be trusted globally as producers of the finest quality Australian beef

Our Strategic Goals

- Rapidly build an authentic AACo brand
- Align the business to enable strategy
- Secure processing capacity
- Develop cattle procurement capabilities and strategies
- Optimise production activities
- Exploit our know-how and genetics

The Macro Beef Picture

- ❖ Despite AACo being the largest vertically integrated cattle and beef producer in Australia, there remains significant opportunity for growth
- ❖ AACo will leverage its heritage and high quality supply chain to ensure we receive a price premium for all the market categories of product we sell



Summary

- ❖ AACo is transitioning from a pastoral and land business towards a less volatile, vertically integrated beef business
- ❖ Financial results for FY14 were adversely impacted by poor seasonal conditions at the start of the financial year leading to a sell-down of, in particular, the trading herd into depressed domestic cattle markets
- ❖ Branded Beef division margins showing improvements – a key positive milestone consistent with the Group's strategy
- ❖ Improvement in net operating cash flows compared to the prior corresponding period
- ❖ Completion of \$299 million capital raising in October has strengthened AACo's balance sheet
- ❖ Experienced AACo Board and management team focussed on driving improvements in shareholder returns

