



Australian Agricultural Company Limited
ABN 15 010 892 270

AACO FY14 ANNUAL GENERAL MEETING PRESENTATION

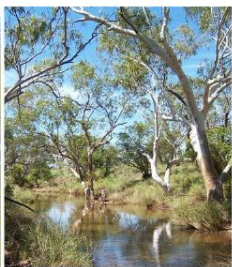
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17 July 2014

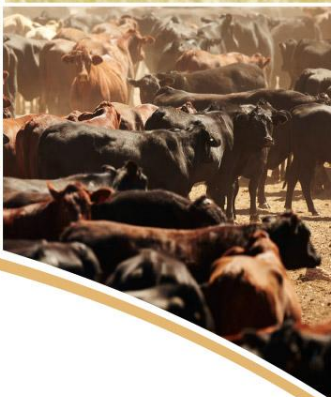
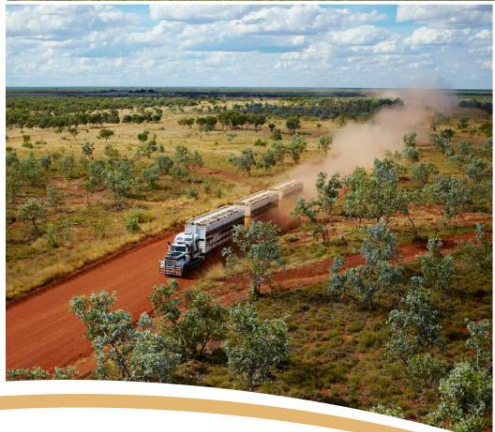
Attached is a presentation for the Annual General Meeting of the Australian Agricultural Company Limited ('AA Co') to be held today.

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Australian Agricultural Company Limited



2014 Annual General Meeting

17 July 2014



Disclaimer

Important information

Summary information only

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Australian Agricultural Company Limited



Donald McGauchie
Chairman



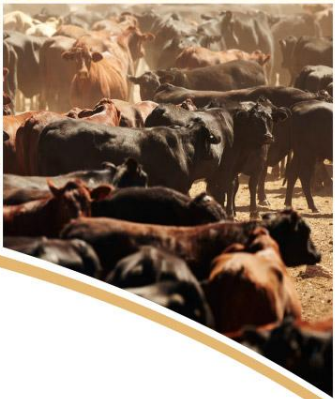
FY14 Business Overview

- ❖ **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**
- ❖ Drought conditions for much of FY14 led to a difficult pastoral operating environment, resulting in a reduction in the branded herd to 467k at 31 March 2014
- ❖ Herd reduction took place in an environment of weak domestic cattle prices
- ❖ Global beef markets remained buoyant during the financial year, underpinned by increasing global demand
- ❖ Reduction of \$6.3 million in operating expenses compared to the prior corresponding period
- ❖ Strengthened balance sheet following a \$299 million capital raising completed in October 2013
- ❖ Improvement in net operating cash flows to \$18.5 million
- ❖ Focused management team and Board, with Jason Strong being appointed as Managing Director in January 2014
- ❖ Invigorated corporate strategy now being executed





Australian Agricultural Company Limited



Jason Strong
Managing Director



AACo's historical position

AACo fundamentals

- Australia's largest cattle and beef producer –strategic asset base comprising a herd of approximately 541,000 head (30 Jun 14) and operates a property portfolio across ~6.5 million hectares of land
- High quality, traceable product with secure supply channels for offshore customers
- Close proximity to growing markets in Asia
- Australia's largest producer and marketer of Wagyu cattle and beef

Historical constraints

- Volatile domestic cattle markets affected by variable climatic conditions
- Majority of assets concentrated in capital intensive primary production, limiting return on assets
- Impact of government policy e.g. live export ban
- Concentrated ownership of beef processors on the east coast
- Logistics costs to east coast processors
- Lack of price hedging instruments unlike other commodities



Strategy Implementation

- ❖ Implementation of a vertically integrated strategy accelerated by the new Managing Director:
 - Focus on responding to demand signals from beef customers and maximising margins through branding
 - 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

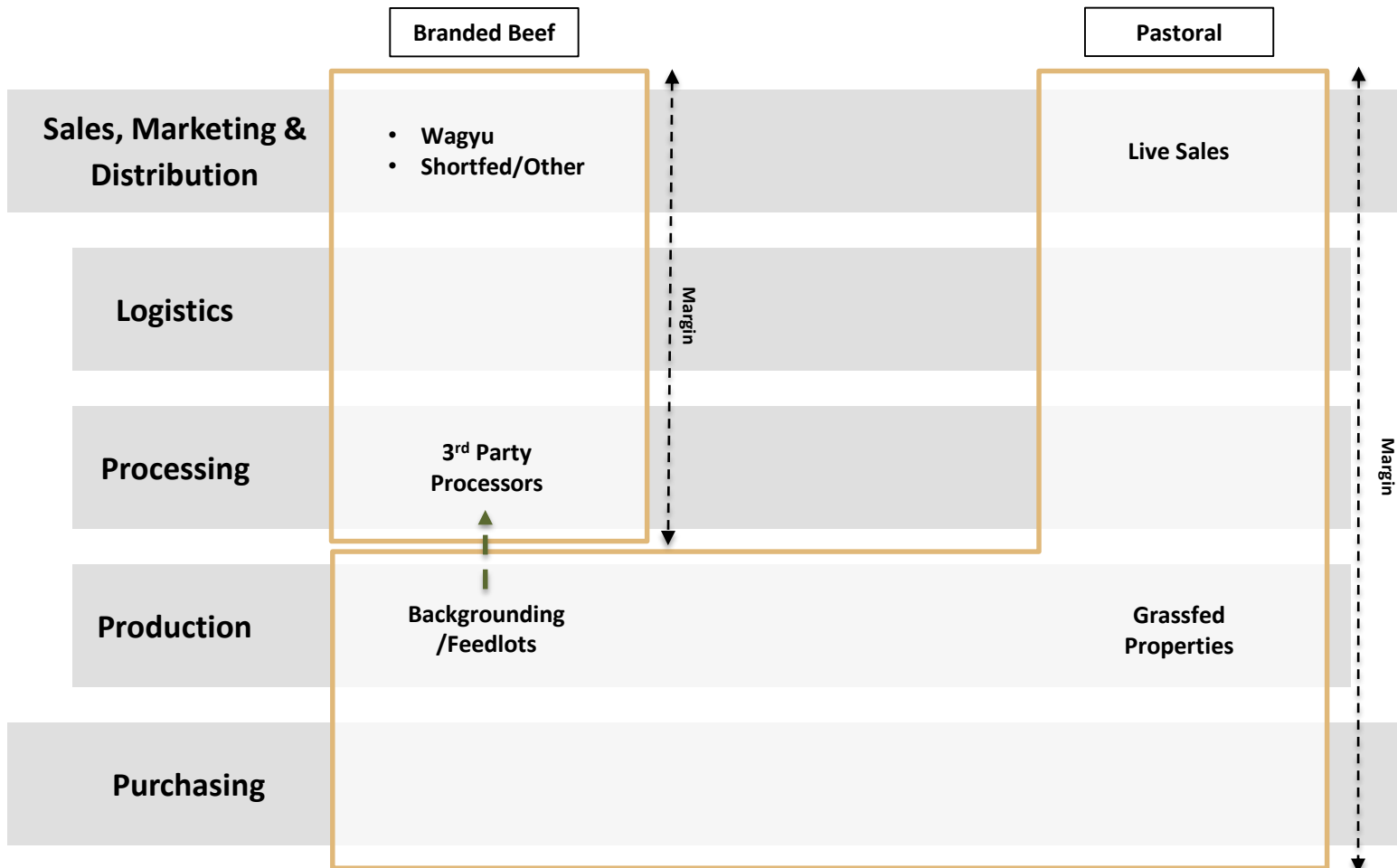
Be trusted globally as producers of the finest quality Australian beef

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

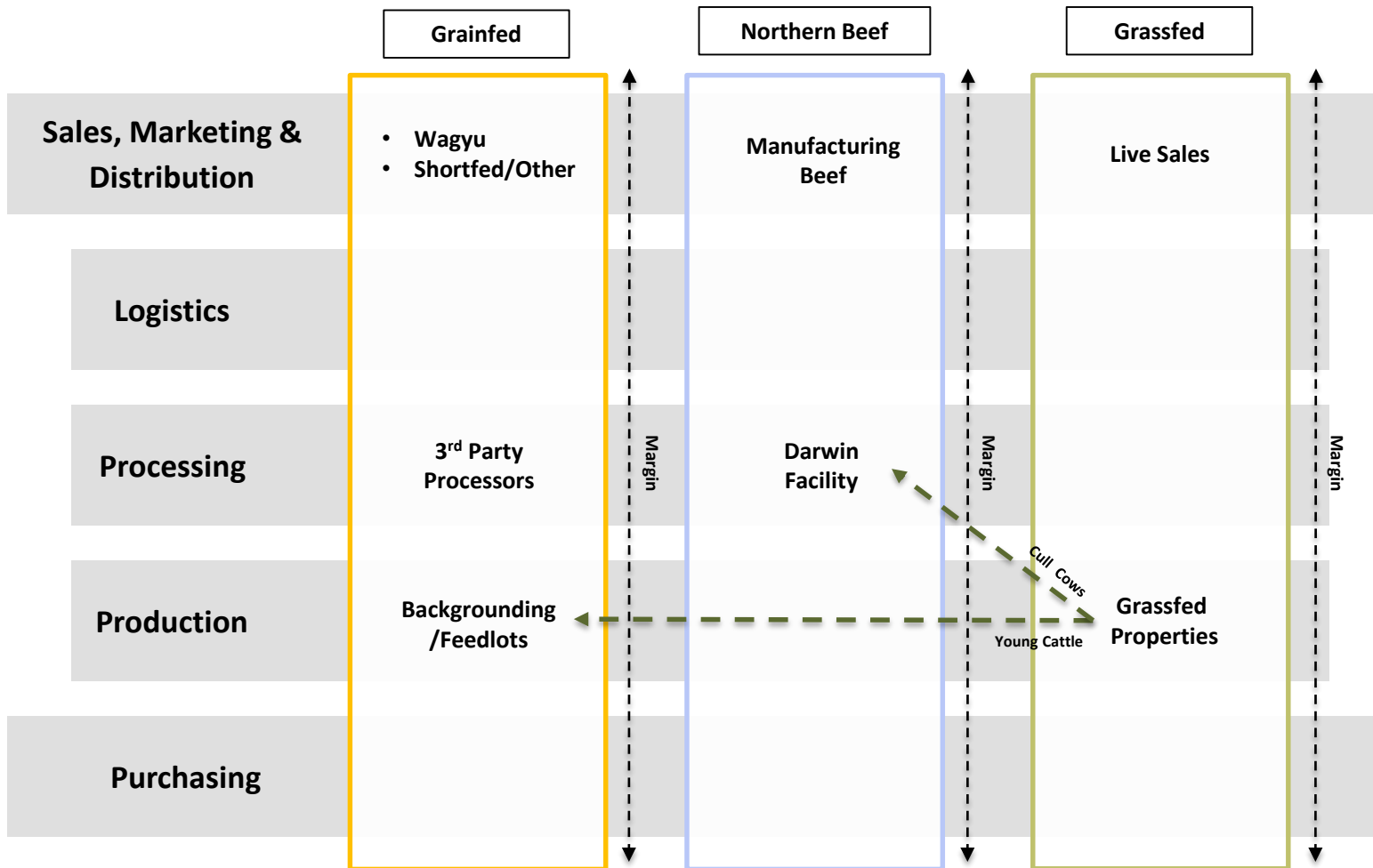
Previous Business Structure

With beef sales now accounting for >50% of total revenue, the existing business structure is no longer optimal



Improved Business Structure

The improved structure follows the key supply chains in the business and will allow for better management and reporting



AACo's Supply Chains



Grainfed



Northern Beef



Grassfed

Capital Employed	~\$200m	~\$100m	~\$800m
Main Product	Differentiated, branded beef	Quality manufacturing beef	Live cattle sales
Key Drivers	<ul style="list-style-type: none"> • Global beef prices • Grain prices • Marketing / Branding • Feedlot efficiency • Processing costs • FX 	<ul style="list-style-type: none"> • Global beef prices • Domestic cattle prices and security of supply • Operating efficiency • FX 	<ul style="list-style-type: none"> • Climatic conditions • Domestic cattle prices • Operating efficiency • Government policy • Market options

Q1 FY15 Operational Update - Grainfed

Boxed Beef Sales

AACo recorded its highest ever quarterly sales of boxed beef in the 3 months to 30 June 2014

	3 months to June 30 2014	3 months to June 30 2013
Wagyu sold (mil kg sw*)	2.6	2.1
Wagyu sold (\$/kg sw)	\$12.46	\$11.80
Shortfed/Other (mil kg sw)	2.9	1.7
Shortfed/Other (\$/kg sw)	\$7.62	\$7.18

Feedlots and Backgrounding

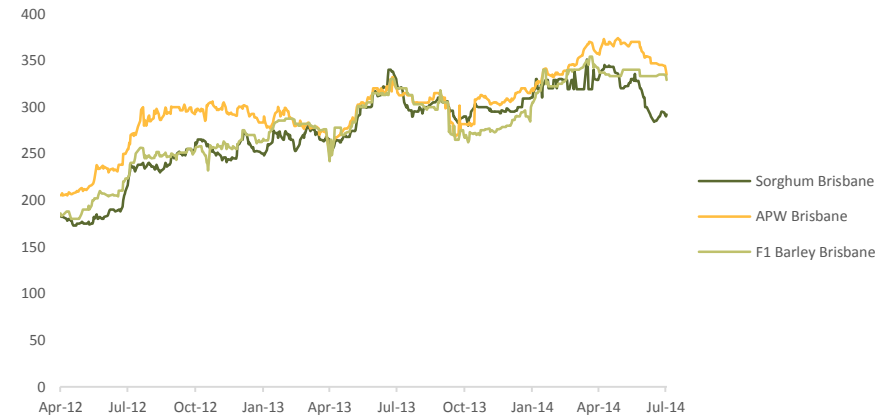
Good grass quality on northern stations has offered opportunities to retain cattle longer for additional weight gains, prior to transfer to feedlots. Compensatory purchases have been made by feedlots to maintain throughput

(mil kg lwt***)	3 months to June 30 2014	3 months to June 30 2013
KG produced	6.4	4.9
Cattle purchases	5.1	2.5

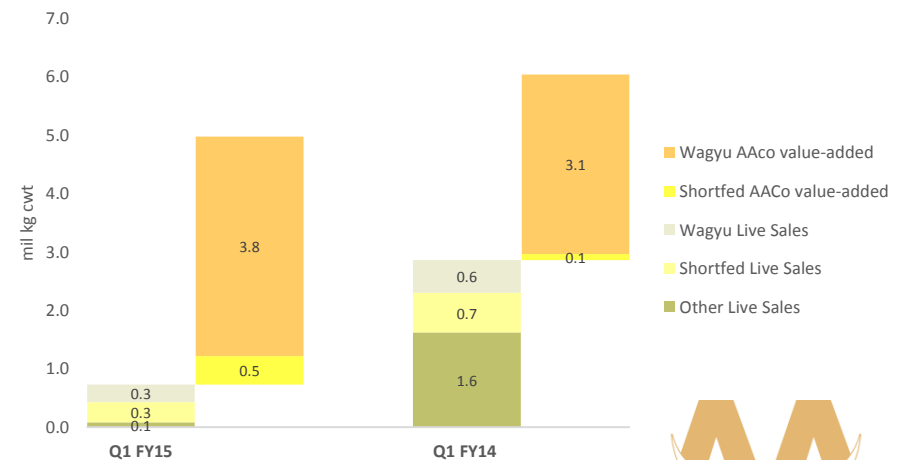
The feedlot and backgrounding herd at 30 June 2014 was 92k head (37.8m kg lwt) vs 93k head (37.3m kg lwt) at 30 June 2013

* sw = shipped weight of beef
 ** cwt = carcase weight
 *** lwt = live weight

Spot Grain Prices (Index)

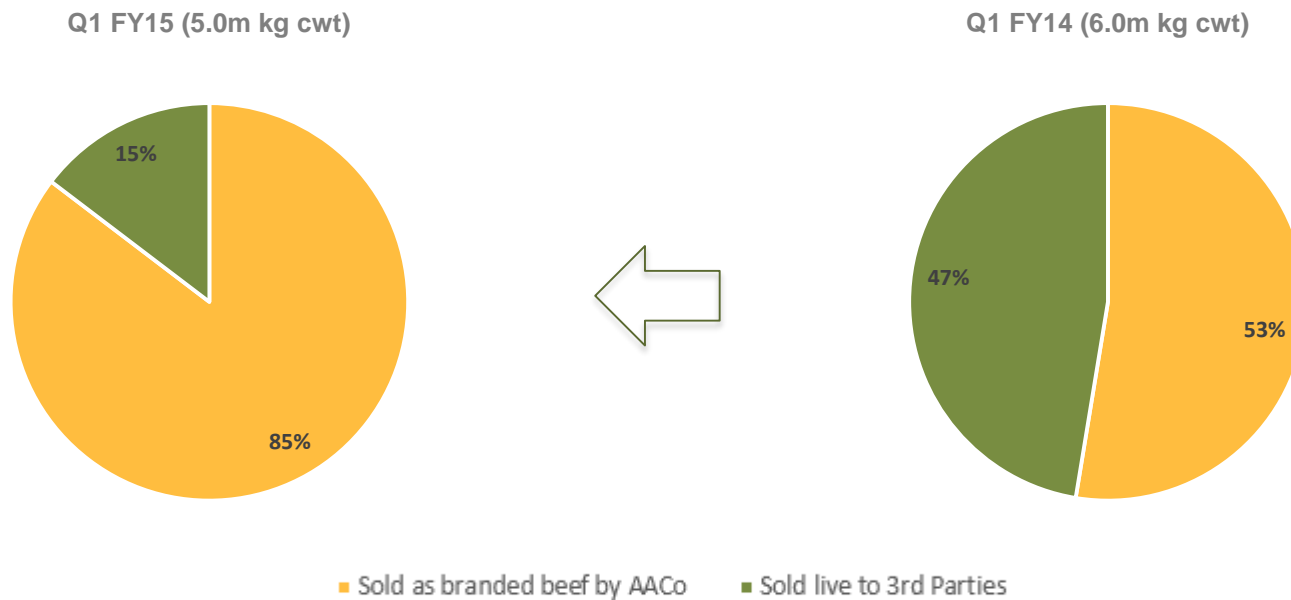


Cattle exiting Feedlots/Backgrounding (kg cwt**)



Q1 FY15 Operational Update - Grainfed

AACo is reducing 'leakage' from its supply chains and is focussed on maximising the value-adding of its products



Q1 FY15 Operational Update - Northern Beef

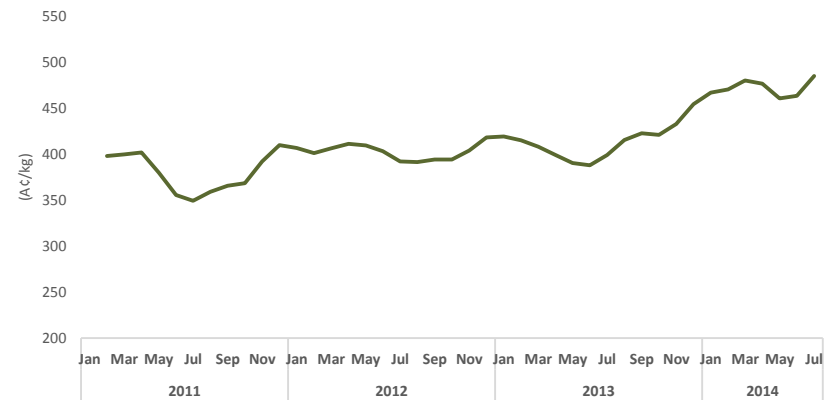
Darwin Facility Update

- ❖ Construction is progressing well 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
- ❖ Trimming prices (90CL) which will be a key off-take product from the plant continue to perform well

Aerial Photo of Darwin Facility - July 2014



Imported 90 CL Frozen



Q1 FY15 Operational Update - Grassfed

Live Export

Despite favourable pricing in the beginning of the financial year, market access to live export in the quarter has been difficult due to import permit delays.

The release of new permits has seen prices ease in recent weeks, however AACo has forward contracted live export sales at good prices

Trading herd

Cattle expenses are tracking favourably due to improved grass quality and hence the reduced need for feed and agistment

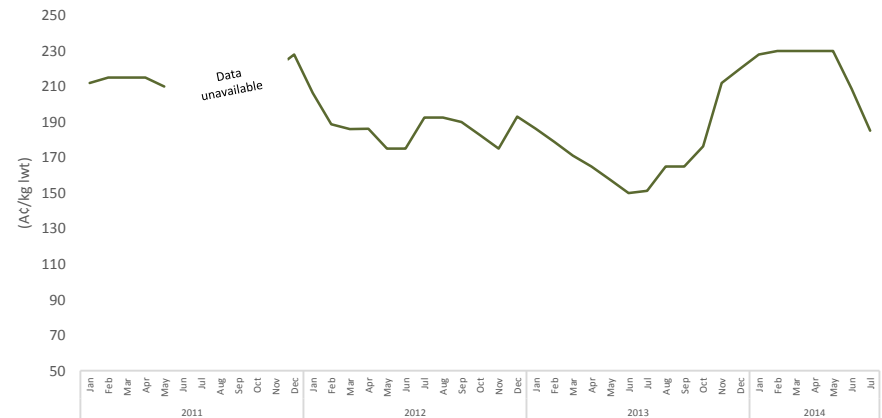
(mil kg lwt)	3 months to June 30 2014	3 months to June 30 2013
KG produced	18.8	23.6
External sales	5.7	28.5
Purchases	3.9	0.4

The trading herd at 30 June 2014 151k head (42.2m kg lwt) vs 135k head (40.9m kg lwt) at 30 June 2013

Breeding herd

('000 head)	3 months to June 30 2014	3 months to June 30 2013
Closing Breeding Herd	285	310
Calves branded	73	89

Live Export Market (Indonesian Light Steer Prices)



External Cattle Sales / Internal Transfers (kg lwt)

