Ruralco

FULL YEAR 2018 RESULTS

WE’RE HERE FOR AUSTRALIAN FARMERS™

FY18 HIGHLIGHTS & STRATEGY UPDATE

FINANCIAL HIGHLIGHTS
FY18

REVENUE[1]

1.9^{BN}

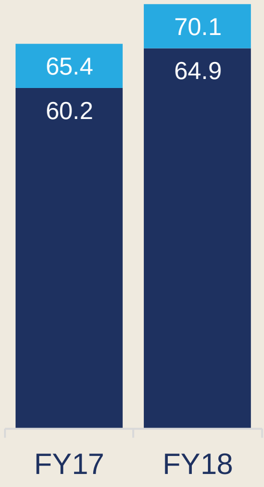
↑5%

EBITDA

70.1^{M}

↑7%

Excluding significant items

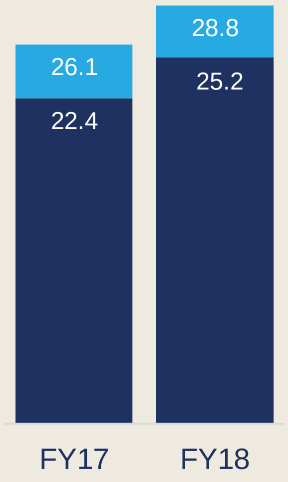


NPAT

28.8^{M}

↑10%

Excluding significant items

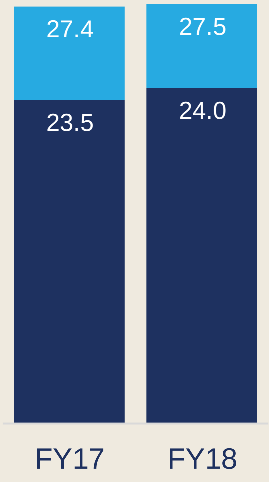


EPS

27.5^{C}

↑0.3%

Excluding significant items



RETURNS

6.0c DPS

Fully franked final dividend

16.4% uROCE

↓0.9 ppts

10% uROE

No change

■ Reported ■ Underlying[2]

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[1]:A summary of the expected impact of new accounting standards on revenue presentation from 1 October 2018 is set out on page 24
[2]:For reconciliation of underlying to reported earnings see page 23

HIGHLIGHTS
FY18

- ✓ Delivered uNPAT at the top end of the guidance range
- ✓ $13.5million target annualised acquisition earnings achieved
- ✓ +$20.4million increase in operating cash inflows
- ✓ Program Elevate complete

- In what has been a challenging year for our customers and many parts of our business, the diversification of our footprint and activities have eased the impact of mixed seasonal conditions
- Increased scale in Water Services has delivered 63% growth in uEBITDA, with Water gross profit now representing 22% of total Ruralco gross profit
- A resilient Rural Supplies result and excellent cost control helped offset declines in Livestock Agency gross profit in Rural Services
- Delivered $13.5million EBITDA contribution from FY17 acquisitions
- 10 new points of presence, filling strategic footprint gaps in Rural Supplies, Real Estate and Water Services (including 2 new greenfield sites)
- First cash investments in AgTech start ups to deliver innovation to our customers
- Significant improvement in operating cash inflow to $34.6million (+$20.4million or 144% vs the pcp)
- Program Elevate complete with financial benefits starting to be reflected in decreasing cost to serve (OPEX/GP% down 0.8 ppts to 79.6%)

DIVERSIFICATION STRATEGY DRIVES EARNINGS RESILIENCE

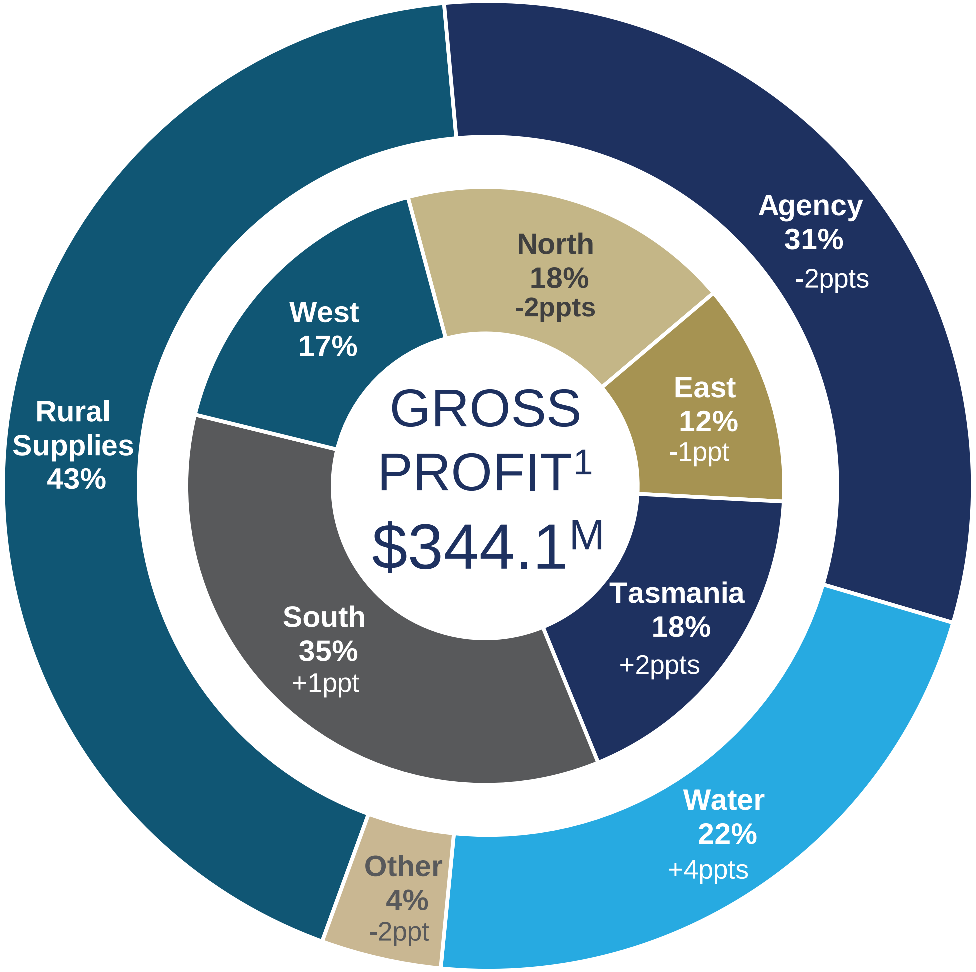
+

DECREASING COST TO SERVE DRIVES POSITIVE OPERATING LEVERAGE

=

DOUBLE DIGIT EARNINGS GROWTH

DIVERSIFICATION STRATEGY IN ACTION



- Our three strategic priorities: Investment, Integration and Innovation deliver diversification in Ruralco's earnings and provide a platform for growth. The drought this year has tested and reinforced the success of this strategic focus
- Activity mix displaying benefits of increased scale in Water Services and Financial Services
- Continued benefit from ongoing targeted acquisitions to fill gaps in our network, extending both geographic and activity diversification
- Further expansion of Water and Finance & Insurance activities and recovery in Live Export represents ongoing growth opportunity

1:See page 23 for definition of Underlying Gross Profit
2: Finance & insurance activity gross profit Includes the gross profit from the Financial Services segment (including share of profits from equity investments in Agfarm and Ausure) as well finance commission income and interest on debtors from Live Export and Rural Services' divisions

STRONG PROGRESS EXECUTING OUR STRATEGY

STRATEGIC PILLARS	Investment	Integration	Innovation	People & Culture	Scaleable Back Office
Objectives	**Targeted geographic presence in all our chosen activities**	**Provide end to end solutions to our customers**	**Be a leader in the future of agriculture**	**Keep our people safe and invest in a high performance culture**	**Deliver digital transformation based on a reliable back office foundation**
FY18 progress	• Acquired a 4 branch Rural Supplies business in southern NSW • Acquired 2 leading Water projects businesses in Dubbo in NSW and Lameroo in SA • Acquired the leading rural property specialist agency in Tasmania • Established 2 greenfield Water projects businesses in East Gippsland VIC and the Barossa Valley SA	• $36million of new Flexi Finance loans written and 45% growth in Seasonal Finance facility • Converted investment in ACB into a 25% interest in its parent company (Ausure Pty Ltd) expanding scale and footprint exposure as well as earnings uplift • Increased private label sales (volume and range) with over 100 product registrations	• Cash investment in Datafarming, providing our agronomists and customers with low cost actionable recommendations via satellite imagery • Cash investment in Digital Agriculture Services providing real time rural property valuations and farm performance history to customers, lenders and our network of real estate agents • $0.4million sponsorship of second SproutX cohort of start-ups	• 74% participation in 2018 Employee Opinion Survey conducted in August with Engagement and Alignment scores growing 7%, moving Ruralco into the top quartile of surveyed companies • Increased employee, Executive and Director share ownership • LTIFR increased from 2.7 to 4.6 at the end of the year. Whilst the majority of injuries were minor in nature, 2019 will see an even higher focus to reduce this metric	• Completed the 9 Program Elevate projects with final staged roll-out of enhanced POS system to branches well underway (see page 25) • Migrated acquisitions onto Ruralco SAP platform in line with plan • Reduced corporate cost to serve to 10.9% reflecting increased capability and improved systems and processes
Highlights	**$13.5m** uEBITDA from FY17 acquisitions delivered	**+45%** growth in Seasonal Finance loan book	**$2.7m** investments made in AgTech start ups	**+7%** improvement in Employee Engagement and Alignment scores to **top quartile**	**9** Elevate projects completed

FINANCIAL MANAGEMENT - SCORECARD

In order to grow earnings per share and total shareholder returns we seek to complement execution of our strategy with:

- **Financial Discipline** – Relentless focus on cost control and efficiency to drive positive operating leverage
- **Cash Flow Generation** – Pursue working capital efficiency and realisation of profits into cash to reinvest in the business
- **Strong Portfolio Management** – Acting decisively on the allocation of capital and managing returns from investments
- **Balance Sheet Strength** – Maintain funding flexibility and disciplined capital management to support growth aspirations

Financial Discipline

uOPEX /GP% (r12)
79.6%
Down 0.8 ppts

Operating leverage
+1.5x

Corporate cost to serve
10.9%
down 0.1ppt

Cash Flow Generation

Operating cash inflow
$34.6m
+$20.4m on pcp

Avg working capital % of sales (r12)
8.6%
Up 0.3 ppts

Cash realisation ratio
72%
Up 41 ppts

10% Growth in uNPAT

Portfolio Management

uROCE
16.4%
Down 0.9 ppts

uROE
10%
Flat on pcp

# of transactions
5 acquisitions
3 divestments
9 changes in NCI and/or equity investments

Balance Sheet

Gearing
28%
Up 4.5 ppts

Leverage ratio
1.8x
Up 0.3 times

Total Shareholders funds
$300.7m
Up 3%

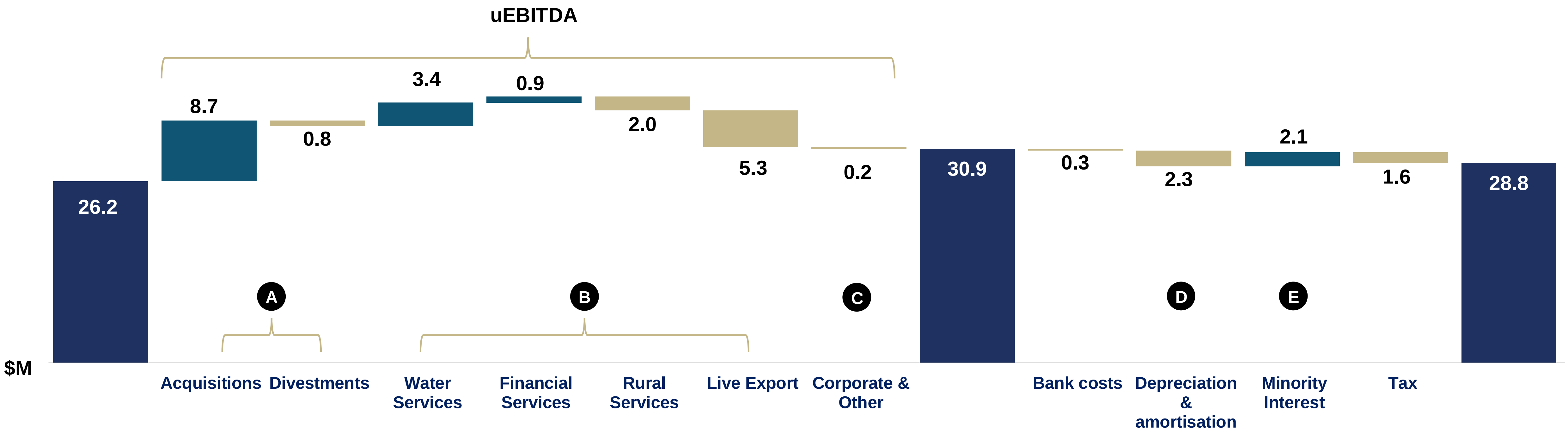
FINANCIAL OVERVIEW

FINANCIAL OVERVIEW
FY18

30 SEPTEMBER	2018	2017	CHANGE	COMMENTARY
Sales revenue ($m)	1,913	1,827	5%	• Strong growth in Water Services (+22%)
Underlying Gross profit ($m)	344.1	333.9	3%	• Diversification strategy benefit with growth in Water and stronger Rural Supplies activity in WA and Tasmania combining to offset the impact of tough trading conditions in Live Export and the impact of declining cattle prices
Underlying OPEX/GP %	79.6%	80.4%	(0.8) ppts	• Impact of tight cost control, Program Elevate system and process benefits, and portfolio management activities
Underlying EBITDA ($m)	70.1	65.4	7%	• Positive operating leverage, contribution from acquisitions and OPEX/GP % improvement mitigating the impact of cattle price declines and margin erosion in Live Export operations
Underlying NPAT ($m)	28.8	26.2	10%	• Positive operating leverage with key drivers set out on page 10
Significant items (net of tax & NCI)	(3.6)	(3.8)	(3%)	• Costs associated with acquisitions/divestments and restructuring initiatives (see page 23)
Reported NPAT ($m)	25.2	22.4	12%	• Reflects benefits of acquisitions, cost control, positive operating leverage and lower significant items
Working capital ($m)	139.0	133.1	4%	• Net $6million increase from impact of FY18 acquisitions and greenfield sites
Average Working Capital as % Sales	8.6%	8.3%	0.3ppts	• Mixed seasonal conditions have resulted in elevated inventory levels over the winter cropping period in certain geographies
Operating cash flow ($m)	34.6	14.2	144%	• Significantly improved cash realisation up 41ppts to 72% with strong operating results and cash released from ongoing working capital management
Underlying ROCE (%)	16.4%	17.3%	(0.9) ppts	• Despite delivery of target acquisition earnings, subdued organic earnings (particularly in Livestock Agency and Live Export) has resulted in EBITDA growth being unable to mitigate the full year impact of acquisitions on average capital employed
Leverage (spot)	1.8x	1.5x	0.3x	• Strong EBITDA result has largely mitigated the impact of elevated net debt
Weighted average # of shares (m)	104.8	95.4	10%	• Impact of the FY17 capital raise and shares issued under the DRP
Reported EPS (cents)	24.0	23.5	2%	
Underlying EPS (cents)	27.5	27.4	0.3%	• 10% increase in underlying NPAT matched by 10% increase in weighted average number of shares
Total dividends (cents)	15.0	15.0	-	• Held in line with prior year despite tough trading conditions
Underlying dividend payout ratio (%)	55%	55%	-	

N.B For reconciliation of underlying to reported earnings see page 23

UNDERLYING NPAT DRIVERS



A Total contribution from acquisitions driving $8.7million increase in uEBITDA compared to the pcp with the portfolio of acquisitions executed in the prior year delivering target $13.5million full year uEBITDA. Decrease of $0.8million from divestments includes impact of disposal of a Rural Services JV business at the beginning of the year as part of ongoing portfolio management activities

B See page 11 for further information on results by division

C Increased IT software licence and hosting costs (held centrally) following system investments in the current and prior year. Reciprocal benefits from Program Elevate starting to be reflected in improved OPEX/GP%

D Increase in software amortisation expense from IT development capitalised in the current and prior year and $1.1million of acquisition related depreciation and amortisation

E Impact of loss making Live Export operations in FY18 and decreased Agency JV results reflecting impact of decline in cattle prices

RESULTS BY DIVISION

uEBITDA

$70.1m

RURAL SERVICES

$88.0M

- Diversification strategy in action with mixed seasonal conditions across the country - growth in fertiliser and crop protection sales in TAS and WA but this was subdued by dry conditions in NSW and QLD and inconsistent rainfall in SA and VIC in key cropping zones
- Growth in livestock volumes sold & buoyant wool and sheep markets held Agency gross profit decline from decrease in cattle prices to 2%

WATER SERVICES

$21.4M

- Recovery in Northern VIC, heightened water projects activity in TAS and growth in the temporary water market (price and volume) offset challenging market conditions in WA & severe dry conditions in QLD and NSW that have reduced on-farm water infrastructure activity
- Improved cost base efficiency (down 7 ppts to 71%)

FINANCIAL SERVICES

$1.5M

- First year of profitability for this division with strong finance offering supporting our customers and driving Livestock Agency and Rural Supplies revenue
- 26% growth in total loan book, 45% growth in Seasonal Finance loan book and establishment of Flexi Finance loan book

LIVE EXPORT

($3.1M)

- Diversification of markets to alleviate margin pressure – growth in Vietnamese market share, up 12 ppts to 40%
- Loss is trading margin driven – drought conditions have impacted contract execution costs with a spike in feed costs and tight supply of export ready slaughter cattle with increased volume competition into SE Asian markets

BALANCE SHEET
FY18

AS AT	SEPT 2018 $M	SEPT 2017 $M	CHANGE $M	CHANGE %	COMMENTARY
Trade receivables	410.6	402.9	7.7	2%	Increased water projects activity compared to the pcp
Inventory (incl livestock)	184.4	160.2	23.8	15%	+$7million from impact of acquisitions and increased crop protection products on hand in underlying business from slower winter cropping season in some markets
Trade payables	(456.0)	(430.0)	(26.0)	6%	Reflects elevated inventory with a high proportion of stock held on deferred terms
Net working capital	**139.0**	**133.1**	**5.9**	**4%**	Impact of acquisitions in FY18 and greenfield sites
Property, plant & equipment	42.7	44.0	(1.3)	(3%)	Impact of disposal of properties in Tasmania
Intangibles	244.6	214.7	29.9	14%	Goodwill and intangibles of $11.1million arising from the 5 acquisitions and capitalised IT development costs
Investments	23.9	18.5	5.4	29%	Increased investment in Ausure and initial innovation investments
Net tax items	8.1	10.1	(2.0)	(20%)	Higher current tax liability reflecting increased profits
Other items (net)	(40.2)	(40.2)	-	-	
Total capital employed	**418.1**	**380.3**	**37.8**	**10%**	Investment capex driven, both acquisition and IT development related
Average working capital	**165.2**	**151.6**	**13.6**	**9%**	Increase primarily from impact of acquisitions. Excluding FY17 and FY18 acquisitions, underlying average working capital has increased only 2% reflecting elevated levels of inventory held over winter cropping period in certain geographies

8.6%

AVG WORKING CAPITAL % OF SALES

16.4%

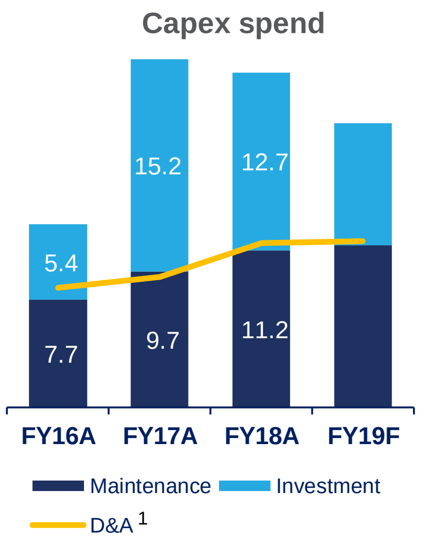
uROCE

CASH FLOW
FY18

YEAR ENDED	SEPT 2018 $M	SEPT 2017 $M	CHANGE $M	CHANGE %	COMMENTARY
Reported EBITDA	64.9	60.2	4.7	8%	
Net change in working capital	(16.0)	(35.1)	19.1	(54%)	Ongoing working capital management - increased focus on cash collection and better matching of inventory purchases to deferred supplier terms
Net finance (costs)/income	(1.6)	(0.1)	(1.5)	>100%	Lower interest earned on debtors (cleaner book) and movement of seasonal finance customers onto new off-balance sheet financing products reducing interest received
Tax paid	(12.7)	(10.8)	(1.9)	18%	
Operating cash flow	**34.6**	**14.2**	**20.4**	**144%**	Significantly improved cash realisation ratio to 72% reflecting growth in operating results and benefits from improved working capital management
Capital expenditure	(17.1)	(22.4)	5.3	(24%)	Increased proceeds received from fixed asset disposals. Outlook for FY19 investment capex set out in the graph opposite (further details see page 25)
Acquisitions & divestments	(21.4)	(65.0)	43.6	(67%)	Filled gaps in Water Services and Rural Services footprints, undertook initial innovation investments and increased investment in Ausure in FY18
Changes in NCIs	(1.4)	(1.8)	0.4	(22%)	
Investing cash flow	**(40.0)**	**(89.3)**	**49.3**	**(55%)**	
Dividends paid	(21.5)	(14.3)	(7.2)	(50%)	Includes 2017 final dividend paid to shareholders and non-controlling interests in December and 2018 interim dividend paid in June
Equity raise, net of raise costs	-	63.3	(63.3)	(100%)	
Purchase of treasury shares	(1.1)	(0.7)	(0.4)	57%	Increased participation by employees in Ruralco shares as reward/retention incentives
Net change in borrowings	20.2	44.2	(24.0)	(54%)	
Financing cash flows	**(2.4)**	**92.5**	**(94.9)**	**(103%)**	
Change in cash held	**(7.8)**	**17.4**			

72%

CASH REALISATION RATIO



[1]: Depreciation & amortisation expense used as a proxy of maintenance capex excludes amortisation of customer related intangible assets that arise on acquisitions

FUNDING
FY18

AS AT	SEPT 2018 $M	SEPT 2017 $M	CHANGE $M	CHANGE %	COMMENTARY
Net cash	15.0	22.8	(7.8)	(34%)	Includes $3.2million overdraft
Current debt	(10.0)	(14.6)	4.6	(32%)	Represents outstanding Seasonal Cattle Facility loans used to fund backgrounding in Live Export, decrease reflects smaller 2018/19 backgrounding program
Non current debt	(120.0)	(95.0)	(25.0)	26%	New seasonal limits agreed for Debtors Securitisation Facility with $150million from July to December and $210million from January to June reflecting the different working capital funding requirements over different seasons
Gross drawn debt	**(130.0)**	**(109.6)**	**(20.4)**	**19%**	
Other loans	(0.6)	(1.5)	0.9	(60%)	
Finance lease liabilities	(1.7)	(1.4)	(0.3)	21%	
Total net debt	**(117.3)**	**(89.7)**	**(27.6)**	**31%**	Driven by increased size of working capital requirements (business growth) and investing activities (primarily acquisitions and Program Elevate)
Average net debt (r12)	**(133.3)**	**(117.2)**	**(16.1)**	**14%**	Partly reflects 9% increase in average working capital as well as the impact of debt funded acquisitions and investment capex during the year

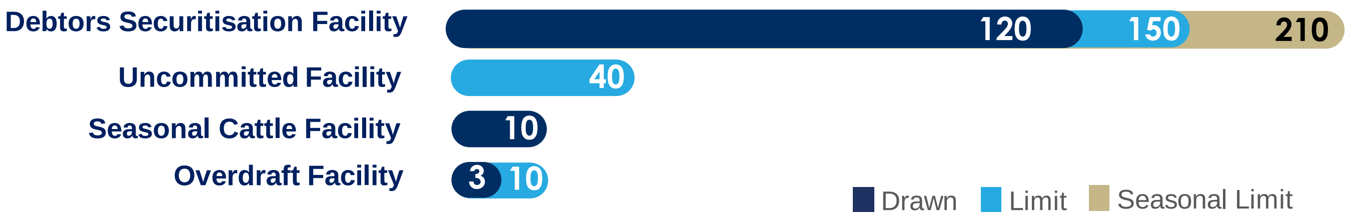
28%

GEARING RATIO

1.8x

LEVERAGE RATIO

FACILITY **DRAW DOWN/LIMIT $M**



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DIVISIONAL PERFORMANCE

RURAL SERVICES

“Control of costs and diversification has driven resilience in earnings in what has been a challenging year in terms of season”

STRATEGY

- Grow through acquisition, greenfield sites, talent recruitment and CRT members to fill remaining gaps in the Rural Supplies network and grow the high yielding Agency business
- Continue to focus on portfolio management and an efficient cost to serve to drive organic growth
- Commercialise the ‘next Wave’ of AgTech

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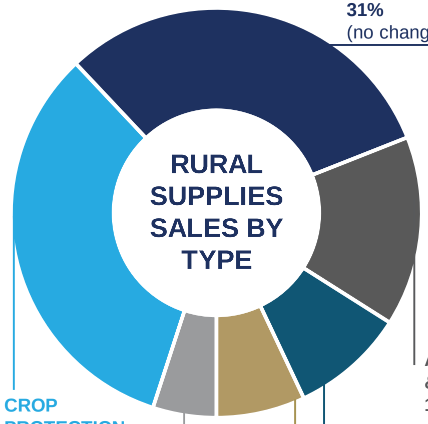
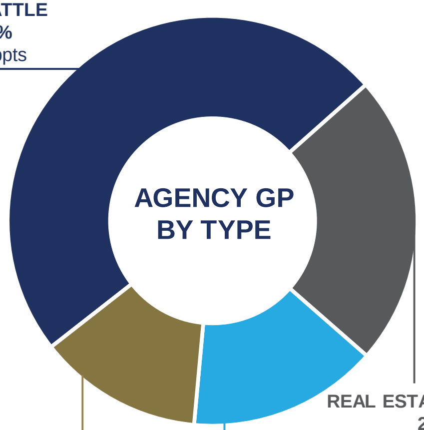
UPDATE ON FY18 FOCUS AREAS

- 5 new points of presence in Rural Supplies and capability hires in Livestock Agency
- Acquired the leading rural property agency in Tasmania, expanding our ability to broker large scale rural property transactions
- Increased private label sales (volume and range) with over 100 product registrations
- Selective investment in two promising early stage AgTech companies; DataFarming and Digital Agriculture Services - bring new capabilities to our agronomy and real estate network





YEAR ENDED	SEPT 2018 $m	SEPT 2017 $m	CHANGE $m	CHANGE %
Revenue	1,432.5	1,434.6	(2.1)	(0.1%)
Underlying Gross Profit	264.6	265.3	(0.7)	(0.3%)
OPEX	(176.6)	(177.3)	0.7	(0.4%)
Underlying EBITDA	**88.0**	**88.0**	**-**	**-**
OPEX to GP %	67%	67%	-	-

+7% INCREASE IN FERTILISER SALES OUT OF THE SOUTH & TAS

+14% INCREASE IN ANIMAL HEALTH & ADVANCED ANIMAL NUTRITION SALES

+14% INCREASE IN AVG $/BALE FOR WOOL

+9% INCREASE IN LIVESTOCK SOLD THROUGH THE NETWORK

WATER **SERVICES**

"Improved geographical diversity of earnings has balanced out tougher trading conditions in WA and mixed seasonal conditions"

STRATEGY

- Build on market leading position in water, the most fundamental farming input, and fill remaining gaps in Water Services network
- Leverage capability to upskill and cross-sell products and services in legacy water retail store locations
- Develop Ruralco as the training ground for the irrigation industry of the future

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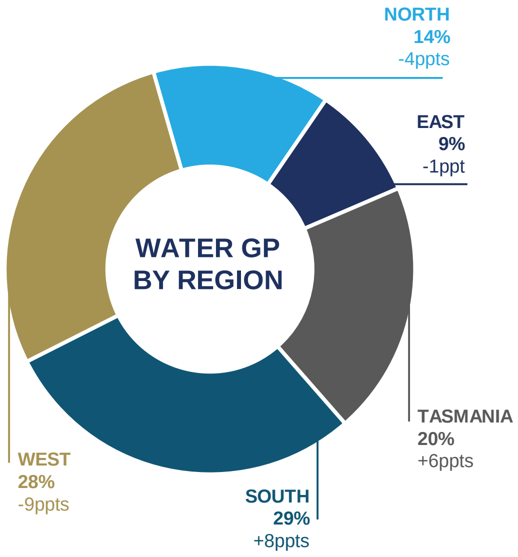
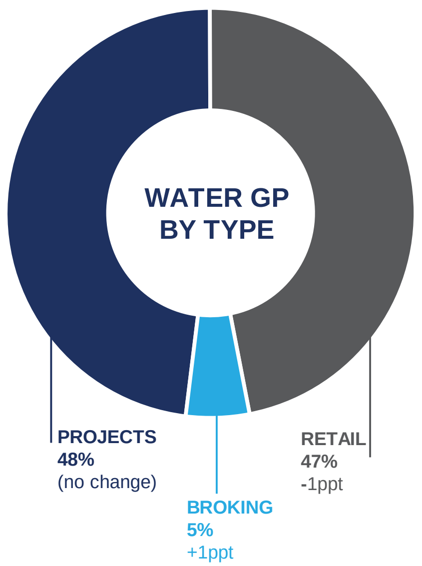
UPDATE ON FY18 FOCUS AREAS

- Acquired 2 new points of presence in Central West NSW and SA
- Integration of acquired businesses into wider Water network going well and beginning to see operational and financial performance benefiting from increased capability
- Now largest Valley® and Zimmatic® irrigation product distributors in Australia
- Established 2 greenfield water projects operations in East Gipplands region of VIC and Barossa Valley in SA, servicing customer needs in those regions, particularly viticulture corporate clients
- Migrated Irrigation Tasmania onto Ruralco SAP platform





YEAR ENDED	SEPT 2018 $m	SEPT 2017 $m	CHANGE $m	CHANGE %
Revenue	261.8	214.0	47.8	22%
Underlying Gross Profit	74.2	58.9	15.3	26%
OPEX	(52.8)	(45.8)	(7.0)	15%
Underlying EBITDA	**21.4**	**13.1**	**8.3**	**63%**
OPEX to GP %	71%	78%	(7 ppts)	

	Broking	Projects	Retail
Activities	**Broking** Brokering of water entitlement trades	**Projects** Design, Construction, Installation, Maintenance of on-farm water infrastructure	**Retail** Sale of domestic and agricultural irrigation products & parts
Markets	Murray Darling network	Key catchment areas and agricultural centres	National footprint of over 45 stores

FINANCIAL SERVICES

“Sound base for continued profit growth as scale in finance and insurance broking activities is expanded”

STRATEGY

- Build scale in our financial services offerings to customers to assist them in managing risks and financing their growth
- Develop unique products that complement and support Ruralco’s offer through our network of businesses across Australia

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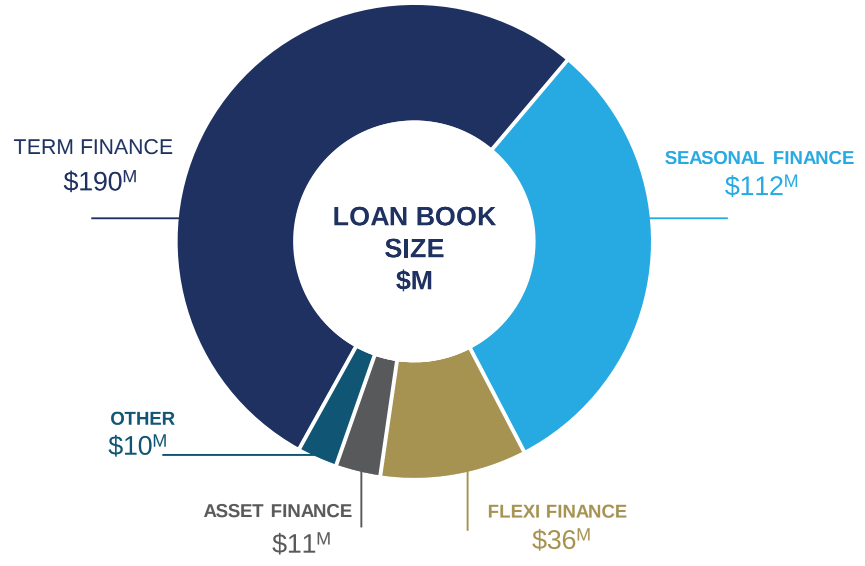
UPDATE ON FY18 FOCUS AREAS

- $36million of new Flexi Finance loans written by year end and 45% growth in Seasonal Finance facility
- Despite significant growth in total limits, achievement of year end drawn loans targets have been severely impacted by drought conditions, which have subdued farmer confidence in drawing down on their available finance until conditions improve
- Converted equity stake in ACB into 25% stake in Ausure, increasing insurance footprint across 47 complementary locations nationally



YEAR ENDED	SEPT 2018 $m	SEPT 2017 $m	CHANGE $m	CHANGE %
Revenue	4.1	2.5	1.6	64%
Underlying Gross Profit[1]	5.1	4.2	0.9	21%
OPEX	(3.6)	(4.6)	1.0	(22%)
Underlying EBITDA	**1.5**	**(0.4)**	**1.9**	**475%**
OPEX to GP %	71%	111%		

26% GROWTH IN TOTAL LOAN BOOK SIZE

45% GROWTH IN SEASONAL FINANCE BOOK

2% GROWTH IN INSURANCE GWP

1: Underlying gross profit Includes the share of profits from equity accounted investments in Agfarm and Ausure

LIVE EXPORT

"Market diversification aims achieved but excess industry capacity and the impact of drought conditions on export-ready cattle supply and feed costs is reflected in decreased trading margins"

STRATEGY

- Pioneer industry best practice and continuously improve compliance and associated support resources
- Improve market diversification in Asia to complement Indonesia and Vietnam
- Develop customer partnership structure to support market diversification

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UPDATE ON FY18 FOCUS AREAS

- The market diversification strategy and the benefit of the customer partnership model is driving increased market share – for the first time in 5 years Indonesia was not Frontier's largest volume export market
- Across all consignments in the year, the business achieved a 99.9% discharge rate of cattle loaded in Australia and discharged in-market
- Led the development of CSAW (Collective Standards for Animal Welfare), a new operating model for the live export of cattle to Vietnam, which exceeds the current ESCAS requirements

YEAR ENDED	SEPT 2018 $m	SEPT 2017 $m	CHANGE $m	CHANGE %
Revenue	213.3	172.4	40.9	24%
Underlying Gross Profit	0.1	5.5	(5.4)	(98%)
OPEX	(3.3)	(3.4)	0.1	(3%)
Underlying EBITDA	**(3.1)**	**2.2**	**(5.3)**	**(240%)**
OPEX to GP %	~	61%		

+17% INCREASE IN CATTLE EXPORTED COMPARED TO MARKET DOWN 2%

3 SHIPMENTS TO CHINA, A NEW MARKET

OUTLOOK

OUTLOOK
FY19

We remain cautious about short-term seasonal conditions but recent spring rainfall, the continued buoyancy in the sheep and wool markets and the fact that cattle prices remain stable supports a positive outlook for the business in the next few months.

We expect FY19 earnings to be higher than FY18 earnings through controlling what we can control:

- Maintaining OPEX/GP% below 80% through disciplined cost control and realisation of Program Elevate benefits, and
- Continuing to target accretive acquisition opportunities to create long term value for our shareholders and realise benefits from diversification

	OPPORTUNITIES	RISKS
RURAL SERVICES	• Disciplined execution of acquisitions to fill remaining gaps in the network and take opportunities to move up the register in JVs where possible • Maintained buoyancy in sheep and wool commodities generally and stable cattle prices • Continued expansion of private label product range and volumes	• The finish to the winter crop and the extent of summer planting will be heavily dependent on continuing levels of spring rainfall, which can influence Rural Supplies sales mix and volume in 1H19 • Increased offtake and slaughter rates at the end of this year may impact livestock volumes available for sale, particularly in early 2019
WATER SERVICES	• Targeting OPEX/GP% in this division below 70% in 2019 • Execute strong water projects pipeline • Optimise the operational and financial performance of the newly combined water business: complete remaining system integrations and invest in staff capability	• A strong start expected but with increased competitive pressure as competition enters growing markets • Sales volume in WA expected to continue to be under pressure, with economic conditions in the state impacting discretionary spend on projects
FINANCIAL SERVICES	• Further integrate both the Seasonal Finance and Flexi Finance loan books into the Rural Services network so they are poised to grow as soon as conditions permit • Strong demand anticipated for Agfarm accelerate input finance product with a reduced winter cropping harvest	• Reduced loan draw downs from continuing tough seasonal conditions could impact finance commissions revenue
LIVE EXPORT	• Reduced size of 2018/19 backgrounding program, which will decrease carrying costs and working capital requirements • Term shipping charters renegotiated with two state-of-the-art G-Class vessels (Greyman and Galloway) for 2019 balanced with spot shipping and supporting animal welfare aims	• No improvement in SE Asian market dynamics with excess industry capacity a risk to profitability

APPENDICES

Ruralco

NON-IFRS INFORMATION RECONCILIATION

	Underlying FY18 $M	Other adjs[1] $M	Significant items	Reported FY18 $M	Underlying FY17 $M	Other adjs[1] $M	Significant items	Reported FY17 $M
Revenue	1,913.0	0.7	-	1,913.7	1,826.1	0.7	-	1,826.8
Cost of sales	(1,568.9)	-	(1.6)	(1,570.5)	(1,492.2)	-	(0.3)	(1,492.5)
Gross profit	**344.1**	**0.7**	**(1.6)**	**343.2**	**333.9**	**0.7**	**(0.3)**	**334.3**
OPEX	(274.0)	(1.9)	(3.4)	(279.4)	(268.4)	(1.9)	(4.7)	(275.0)
Share of profit from equity investments	-	1.2	(0.1)	1.1	-	1.1	(0.2)	0.9
EBITDA	**70.1**	-	**(5.2)**	**64.9**	**65.4**	**-**	**(5.2)**	**60.2**
Depreciation & amortisation	(12.7)	-	-	(12.7)	(10.5)	-	-	(10.5)
Net finance costs	(5.8)	-	-	(5.8)	(5.6)	-	-	(5.6)
Profit before tax	**51.5**	**-**	**(5.2)**	**46.4**	**49.4**	**-**	**(5.2)**	**44.1**
Tax	(16.2)	-	1.6	(14.7)	(14.6)	-	1.3	(13.3)
Non-controlling interest	(6.5)	-	-	(6.5)	(8.6)	-	0.2	(8.4)
NPAT attributable to shareholders	**28.8**	**-**	**(3.6)**	**25.2**	**26.2**	**-**	**(3.8)**	**22.4**

Significant items	FY18 $M	Commentary
Restructuring & cost out initiatives	2.4	Redundancy and other costs from Rural Services and Water Services related cost out initiatives
Acquisitions & portfolio management activities	2.7	Acquisition related costs (both completed and unsuccessful acquisitions), exit and other costs associated with portfolio management and divestment activities
Total significant items (pre tax)	**5.2**	

[1]: Underlying gross profit excludes sub-lease income (presented as an offset to OPEX) and includes the share of profit from equity accounted for investees

IMPACT OF NEW ACCOUNTING STANDARDS - REVENUE

For the year ended 30 September	Reported 2018 $M	Adj	Revised 2018 $M	Reported 2017 $M	Adj	Revised 2017 $M
Revenue	**1,913.7**	**(402.5)**	**1,511.2**	1,826.8	(439.1)	1,387.7
Cost of sales	(1,570.5)	402.5	(1,168.0)	(1,492.5)	439.1	(1,053.4)
Gross profit	**343.1**	**-**	**343.1**	**334.3**	**-**	**334.3**
Gross profit margin %	***17.9%***		***22.7%***	***18.3%***		***24.1%***
Average working capital % of sales	***8.6%***		***10.9%***	***8.3%***		***10.9%***
OPEX	(279.4)	-	(279.4)	(275.0)	-	(275.0)
Share of profit from equity investments	1.1	-	1.1	0.9	-	0.9
EBITDA	**64.9**	**-**	**64.9**	**60.2**	**-**	**60.2**
EBITDA margin%	***3.4%***	**-**	***4.3%***	***3.3%***	**-**	***4.3%***
Depreciation & amortisation	(12.7)	-	(12.7)	(10.5)	-	(10.5)
Net finance costs	(5.8)	-	(5.8)	(5.6)	-	(5.6)
Profit before tax	**46.4**	**-**	**46.4**	**44.1**	**-**	**44.1**
Tax	(14.7)	-	(14.7)	(13.3)	-	(13.3)
Non-controlling interest	(6.5)	-	(6.5)	(8.4)	-	(8.4)
NPAT attributable to shareholders	**25.2**	**-**	**25.2**	**22.4**	**-**	**22.4**

- AASB 15 Revenue from Contracts with Customers and the related subsequent amendments replaces all existing revenue standards and applies to all revenue from contracts with customers
- The standard is effective for Ruralco from 1 October 2018 and a modified retrospective method of adoption is to be applied
- Work undertaken by Management has determined that the impact of this revised accounting standard extends only to the presentation of revenue and costs of sale with respect to the CRT wholesale business – the impact of which on the current and prior year is set out in the table opposite
- Revenue and costs of sale are currently presented gross of the volume of indent sales made within the wholesale network. There is no gross profit impact of this presentation as the net revenue recognised by Ruralco relates primarily to Administration Fee income charged to members
- The revised presentation results in an increase in Gross profit margin % and EBITDA margin % to comparable industry levels, higher growth in revenue from the prior year of 8% and average working capital as a % of sales is flat at 10.9%
- The impact of this standard will be presented for the first time in Ruralco's half year ended 31 March 2019 financial statements

PROGRAM ELEVATE COMPLETE

- Program Elevate commenced in FY17 and consisted of 9 projects, all of which are now complete with final staged roll-out of enhanced POS system to branches well underway
- The primary benefits from the program include:
  - delivery of a digital platform (RuralcoNet) to better interact with our CRT member customers;
  - process and system automation leading to improved cost to serve; and
  - enhanced data quality to support improved procurement decision making, cost price determination, retail pricing and margin protection
  - Modern, state-of-the-art POS solution with enhanced business-focused functionality
- The financial impact from these benefits is starting to be reflected in the reduced FY18 OPEX/GP% (to below 80% with room for further improvement expected over coming years)
- A lower level of investment capex is expected in FY19 with projects related to:
  - **POS rollout completion** – final stage of branch POS roll out and enhanced WAN for improved performance and fail-over security
  - **Customer related projects** – first stage development of a ‘fit for purpose’ CRM system and enhanced collections technology via the new Customer Portal
  - **RuralcoNet enhancements** - opening up of RuralcoNet to corporate customers and inclusion of Fertiliser sales
  - **AP Automation** – implementation of replacement OCR system for processing of supplier invoices with reduced manual handling and development of AP dashboard in SAP Fiori to allow for electronic AP approvals at all levels of the business
  - **Livestock app** – increased digitisation of livestock sales process to reduce manual handling and processing and improved optics over customer credit limits

DATA

Focus on improving quality of data as a foundation

- Master Data
- Pricing
- Rebates

PROCESS

Focus on improving process & automation as a foundation

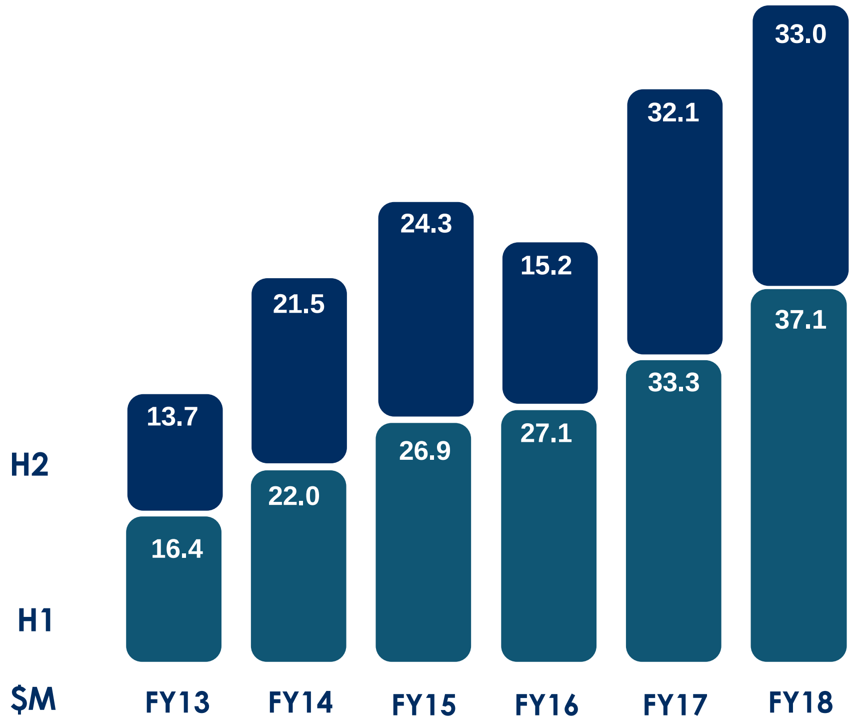
- SAP Roles
- Business Process
- AP Automation

DIGITAL

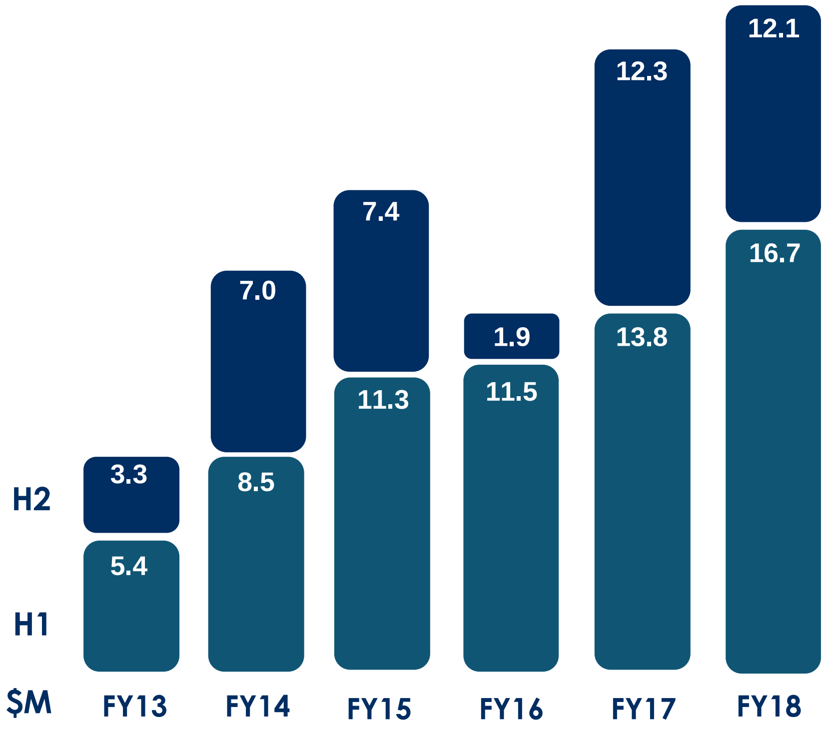
Focus on delivering digital capability

- RuralcoNet replacement
- POS
- Customer Portal

HISTORIC EARNINGS PROFILE



uEBITDA



uNPAT

Ruralco

GLOSSARY - OUR DIVISIONS

Division	Description
RURAL SERVICES	Comprises over 40 businesses located across the country that provide agronomic advice, sell farm supplies (such as fertiliser, chemicals and general farm merchandise), and provide agency services to market customers' outputs. Rural Services employs over 1,100 staff that hold expertise and key relationships in the fields of: • Agronomy – advice regarding crop selection, harvest, the application of inputs and the treatment of ailments • Livestock agency – buy/sell advice, herd selection and genetics for cattle and sheep • Wool brokerage – buy/sell advice, classing, genetics and logistics • Real Estate – buy/sell advice and property management Our CRT wholesale business comprises over 270 members with nearly 190 independent members providing a channel to market from which Ruralco earns a wholesale margin. The CRT wholesale business provides its members with buying power and access to national accounts and consolidated marketing. It also provides networking and business development events to members
WATER SERVICES	With nearly 60 points of presence across Australia employing over 400 staff, Ruralco's Water Services division hold expertise and key relationships to: • sell domestic and agricultural irrigation products and parts, • design, construct, install and maintain on-farm water infrastructure, and • broker the buying/selling of water entitlements (temporary and permanent). Ruralco's ongoing focus is to invest in water businesses that operate in regions with significant upcoming or prolonged Government or private investment in irrigation infrastructure and water schemes. This includes the Murray Darling Basin and key catchment and agricultural centres around the country.
FINANCIAL SERVICES	Ruralco's financial services offer to its Australian network of customers incorporates insurance broking, finance broking, and commodity advice and analysis via the Mecardo market analysis website. Our insurance partnership with Ausure, part of Steadfast Group, helps our customers manage the risks associated with their operations. This increases their confidence, facilitating and supporting demand for rural supplies from the Rural Services division. In addition, a national network of brokers, access to an extensive panel of lenders and a focus on off-balance sheet finance through working capital and equipment financing products, supports our customers' ability to invest in and intensify their operations and manage the cash flow cycle between planting and harvesting. Agfarm, our 50% joint venture, provides customers with input financing solutions (such as Agfarm Accelerate) tailored to grain growers and buyers and commodity management and marketing services.
LIVE EXPORT	Frontier is a Ruralco partnership established in 2013 focused primarily on the short haul live export of feeder and slaughter cattle to South East Asia. It provides a fully integrated service, including sourcing and herd selection to coordination of shipping, logistics and related services.

GLOSSARY - DEFINITIONS

Term	Meaning
Average working capital	Average of month end working capital balances for preceding 12 months
Average working capital as % of sales	Average working capital divided by revenue for the year
Cash realisation ratio %	Operating cash flow as a % of profit for the period (before minority interest share of profit (see below)) adjusted to remove depreciation & amortisation expense
Corporate cost to serve	Corporate cost of doing business as a % of total Rural gross profit, comprises the centralised costs of the Group's procurement and distribution warehouses and other support functions (including Transactional Finance; Payroll; IT Support; and other corporate functions)
CAGR	Compound annual growth rate
DIO	Days inventory outstanding
Dividend Policy	The Board has a preference to maintain a dividend payout ratio of between 40-60% of underlying earnings per share
Dividend payout ratio	Dividend per share/EPS
DRP	Dividend Reinvestment Plan, when shareholders elect to utilise the plan instead of receive cash dividends it increases the number of shares on issue
DSO	Days sales outstanding
EPS	Earnings per share = NPAT/ weighted average number of shares on issue. Can be underlying or reported meaning calculated using Underlying NPAT or Reported NPAT
Gearing Policy	The Board has a target to maintain a gearing ratio of between 25-45% on a normalised business cycle basis
Gearing ratio	Gearing ratio means the net debt as a percentage of net debt plus shareholders' equity, can be spot (using balance sheet date net debt and equity) or average for preceding 12 months
Gross profit (GP)	Revenue less cost of goods sold
Leverage ratio	Leverage ratio means the net debt divided by reported EBITDA (i.e. including the impact of significant items). Can be spot (using net debt as at the balance sheet date) or average for preceding 12 months
LTI	Long term incentive scheme operated for Executives and employees. Under the scheme participants are granted Performance Rights to acquire one ordinary fully paid Ruralco Holdings Limited share, at no cost, that only vests if certain time based and performance based vesting conditions are met.
LTIFR	Lost Time Injury Frequency Rate
Minority interest share of profit	Profit attributable to minority interest (non controlling interest) holders of shares in some Ruralco subsidiaries, primarily certain livestock related JV businesses and Live Export partnership

GLOSSARY - DEFINITIONS

Term	Meaning
NCI	Non-controlling interests
Net debt	Cash and cash equivalents + Loans and borrowings + certain related party receivables/payables
OPEX to GP %	Reported or underlying operating costs/Gross profit (rolling 6 months or rolling 12 months depending on reporting period)
Operating leverage	Operating leverage means the percentage of growth in EBITDA divided by the percentage of growth in revenue.
PCP	Prior corresponding period
PPT	Percentage point
Portfolio management transactions	Transactions completed in the reporting period to change Ruralco's % holding in a subsidiary, to acquire or dispose of a subsidiary, JV or asset or restructuring activities
Reported EBITDA	uEBITDA but including the impact of significant items
Reported EPS	Reported NPAT /Weighted average number of ordinary shares on issue for the period
Reported NPAT	Statutory net profit attributable to equity holders of the company
ROE	Underlying or reported NPAT divided by the average shareholders' equity on a rolling 12-month basis
Significant items	The difference between reported and underlying profit measures. Includes costs/income not considered to form part of the Group's recurring results particularly those related to executing strategy such as acquisition related costs, material impairments and costs of restructuring operations as part of portfolio management activities
Total capital employed	Statutory net assets less net debt
uEBITDA	Reported earnings before interest, tax, depreciation and amortisation including share of profits from equity accounted for investments adjusted to remove the impact of significant items (pre-tax)
uEPS	Underlying earnings per share = Underlying NPAT/Weighted average number of ordinary shares on issue for the period
Underlying Gross Profit	Revenue less cost of goods sold excluding sub-lease income (presented as an offset to OPEX) and the impact of revenue or cost of goods sold related significant items and includes the share of profit from equity accounted for investees as earnings from Finance & Insurance activity
uNPAT	Underlying NPAT means reported net profit after tax attributable to equity holders of the Company adjusted to remove the impact of significant items (post-tax and related NCI)
uROCE	Underlying EBITDA / 12 month average total capital employed
Working capital	Trade and other receivables + Prepayments + Inventories + Biological assets + Trade and other payables + Derivative financial instruments less certain related party receivables/payables

DISCLAIMER

The information contained in this presentation is general information about Ruralco and its activities, and does not purport to be complete. It is not financial product advice and does not take into account the investment objectives, financial situation or particular needs of individual investors. Before making an investment decision you should consider whether it is suitable for you in light of your own circumstances, and take appropriate advice.

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The financial results of Ruralco are reported under the International Financial Reporting Standards (IFRS). Throughout this document non-IFRS financial indicators are included to assist with understanding the Group's performance. This document has not been reviewed or audited by the Group's external auditors.

Ruralco

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