Ruralco

HALF YEAR 2019 RESULTS

WE'RE HERE FOR AUSTRALIAN FARMERS™

1H19 HIGHLIGHTS & STRATEGY UPDATE

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HIGHLIGHTS
1H19

- ✓ Delivered uEBITDA growth
- ✓ Recovery in live export trading margins
- ✓ Continued improvement in operating cash flows
- ✓ Announced proposed acquisition of 100% of Ruralco by Nutrien
- ✓ 10 cent fully franked interim dividend declared

- Our strategy, including a focus on diversifying our channels to market, geographical footprint and activities, has again delivered a resilient earnings result with earnings for 1H19 in line with 1H18 despite a poor summer cropping period and generally weaker livestock prices
- Recovery in Live Export margins combined with 25% growth in sales to deliver better than break even result for the half (+113% on the pcp)
- Improved cash realisation up 7ppts to 77% on a r12 basis with increase in cash released from ongoing working capital management
- Proposed acquisition by Nutrien Ltd announced on the 27th February 2019 for 100% of the issued share capital of Ruralco via a Scheme of Arrangement. At $4.40 per share, this is a premium of 44% on the previous share price as at 25th February 2019 and 45% on the three-month VWAP
- 10 cent fully franked interim dividend declared, a return to shareholders in addition to the $4.40 Total Cash Consideration
- Transaction with Nutrien progressing well, Ruralco will continue to update its shareholders as the Scheme process continues

DIVERSIFICATION STRATEGY

+

DECREASING COST TO SERVE

=

RESILIENT EARNINGS

FINANCIAL HIGHLIGHTS
1H19

REVENUE[1]

$686.1M

↑3%

EBITDA

$37.7M

↑ 2%

Excluding significant items

NPAT

$16.6M

↓ 1%

Excluding significant items

EPS

15.8C

↓1%

Excluding significant items

RETURNS

10.0c DPS

Fully franked interim dividend

15.6% uROCE r12

↓ 1.4ppts

10% uROE r12

↓1ppt

Reported Underlying[2]

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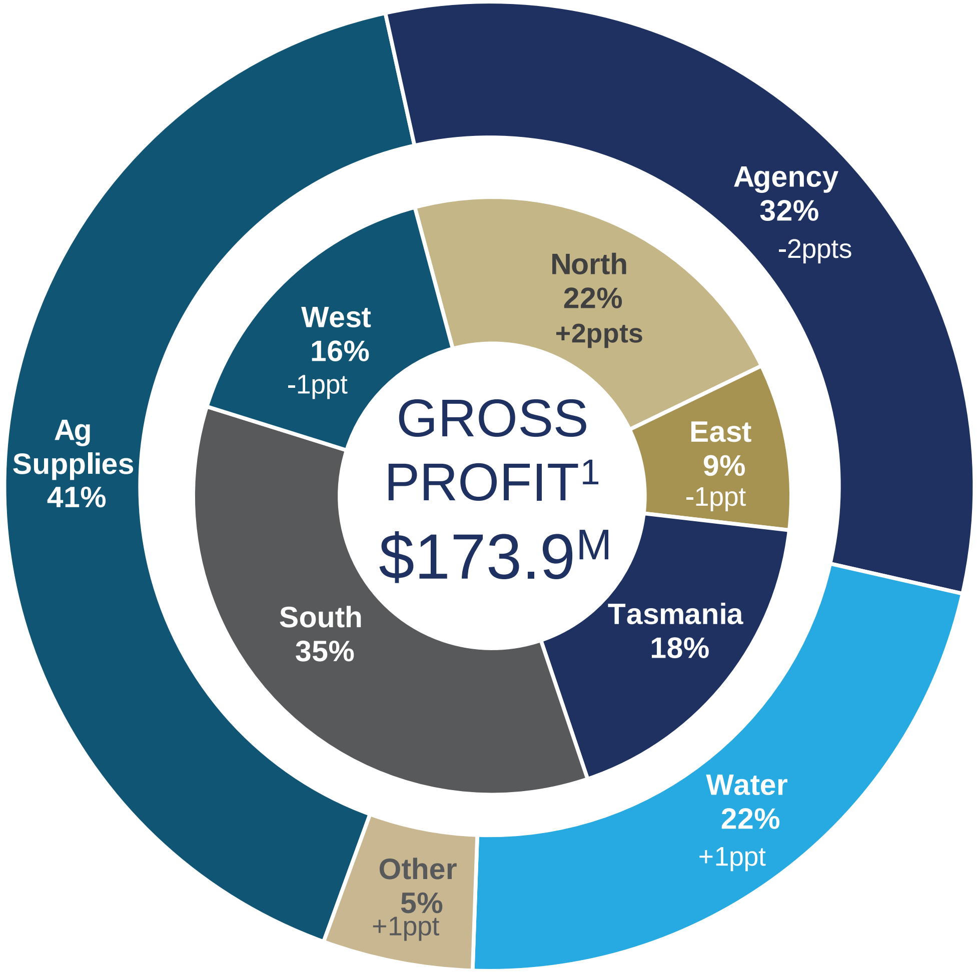
[1]: The Group adopted AASB 15 as at 1 October 2018 as explained in the 2018 Annual Report and for presentation purposes the comparative revenue figures have been re-presented to reflect adoptions of this standard

[2]: For reconciliation of underlying to reported earnings see page 24

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 prolonged dry conditions continue to test and reinforce the success of this strategic focus
- Activity mix displaying benefits of increased scale in Water Services and recovery in Live Export to profitability
- 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 sustained recovery in Live Export will further enhance the diversification opportunity

1H19 GROSS PROFIT BY ACTIVITY:

1:See page 24 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**
1H19 progress	• Acquired a leading Water projects business in Dalby in QLD. This business focuses on large scale irrigation projects across QLD and NT and increases water projects capability on the East coast • Acquired well regarded stock and station agency in Tamworth, NSW	• 19% growth in Flexi Finance loans written and 11% growth in Seasonal Finance loan book since September • Increased private label sales by 8% on the pcp, particularly sales of Covine animal health product line which has grown by more than 50% • Expanded distribution of private label products to NZ via distribution partnership with sales expected to commence in 2H19	• DataFarming software now in use across the agronomy team providing satellite imagery to staff and customers • Collaborating with DAS to help equip Ruralco Property agents with latest rural property data for every rural property in Australia, delivering increased transparency for vendors and buyers	• LTIFR at the end of March reduced to 3.3 from 4.6 at the end of September 2018 with only 1 loss time injury recorded • SAP Success Factors rolled out in January 2019 incorporating online and mobile enabled employee self-service functions, automated HR workflows/ approvals and performance management • Second Empowering Women program commenced in March on International Women's Day with an increase in participants to 80	• Final staged roll-out of enhanced POS system to branches completed in the half • Continued to migrate acquisitions onto Ruralco SAP platform in line with plan • Corporate cost to serve of 11.3% for the half, slightly elevated on the pcp (vs 11.1%) as a function of constrained Group gross profit performance
Highlights	**2%** growth in uEBITDA	**+13%** growth in working capital finance loan books	**3rd** cohort of SproutX AgTech starts commenced	**28%** improvement in LTIFR from September 2018	**146** branch roll-outs of enhanced POS to 836 users

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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% (r6)
78.3%
Up 0.2 ppts

Operating leverage
+0.6x

Corporate cost to serve
11.3%
Up 0.2ppt

Cash Flow Generation

Operating cash outflow
$16.9m
7% improvement on pcp

Avg working capital % of sales (r12)
11.9%
Up 0.5 ppts

Cash realisation ratio (r12)
77%
Up 7 ppts

2% growth in uEBITDA

Portfolio Management

uROCE (r12)
15.6%
Down 1.4 ppts

uROE (r12)
10%
Down 1 ppt

# of transactions
1 acquisitions
3 divestments
4 changes in NCI and/or equity investments

Balance Sheet

Gearing
34%
Up 2.7 ppts

Leverage ratio
4.4x
Up 0.6 times

Total Shareholders funds
$303.8m
Up 2% on the pcp

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NUTRIEN TRANSACTION UPDATE

- On the 27th February, Ruralco entered into a Scheme Implementation Deed with Nutrien Ltd (Nutrien) under which it is proposed Nutrien or one of its wholly owned subsidiaries will acquire 100% of the issued share capital of Ruralco for Total Cash Consideration of $4.40 per share
- Total Cash Consideration of $4.40 representing a 44% premium to the closing price of Ruralco shares on the 25th February 2019 and a 44% and 45% premium to the 1-month and 3-month VWAP, respectively
- Transaction recommended by the Ruralco Board in the absence of a superior proposal and subject to an Independent Expert Report concluding that it is in the best interests of shareholders
- Total Cash Consideration of $4.40 will be paid to shareholders if the transaction completes and is expected to include a fully franked Special Dividend of up to 90 cents per share in cash. For example, if the Special Dividend declared by the Board at the time of Scheme completion is 85 cents per share, then the Scheme Consideration would be $3.55 (together equal to the Total Cash Consideration of $4.40 per share)
- The amount of any Special Dividend remains at the discretion of the Ruralco Board and will depend on profits and franking credits available for distribution at the time of completion of the Scheme
- Ruralco expects to lodge the draft Scheme Booklet, which includes half year 2019 financial information, with ASIC shortly for its review. The Scheme Booklet is expected to be distributed to Shareholders in early June 2019
- The exact timetable for completion of the Scheme is uncertain and will depend on the receipt of regulatory approvals from the ACCC and FIRB. The provisional date for announcement of the ACCC's findings is 13th June 2019[1]
- Shareholders will have the opportunity to vote on the Scheme at a shareholder meeting that will be held following receipt of regulatory approvals. At this stage, Ruralco anticipates completion of the Scheme will occur in the second half of Ruralco's current financial year
- Ruralco will continue to update its shareholders as the Scheme process continues, see the investor section of the corporate website: www.ruralco.com.au/Investors

Scheme Timeline[2]

KEY DELIVERABLE	DATE
Scheme Implementation Deed announced	27 February 2019
Draft Scheme booklet to ASIC	14 May 2019
Scheme Booklet sent to Shareholders	Early June 2019
Provisional date for announcement of ACCC findings	13 June 2019[1]
Provisional date for announcement of FIRB findings	To be determined
Scheme Meeting (to receive shareholder approval)	To be determined
Implementation of Scheme (occurs after regulatory, shareholder and court approval of the Scheme)	To be determined

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1: As per ACCC website, https://www.accc.gov.au/public-registers/mergers-registers/public-informal-merger-reviews/landmark-proposed-acquisition-of-ruralco
3: Dates are indicative only and subject to change

FINANCIAL OVERVIEW

FINANCIAL OVERVIEW
1H19

31 MARCH	2019	2018	CHANGE	COMMENTARY
Sales revenue ($m) [1]	685.1	667.3	3%	• Strong growth in Live Export, water broking and real estate commissions more than outweighed the impact of mixed seasonal conditions on ag supplies, certain water related activities and mixed livestock and wool activity
Underlying Gross profit ($m)	173.9	169.1	3%	• In line with revenue growth and reflects benefit of diversification strategy with growth in Water and return to profitability in Live Export
Underlying OPEX/GP %	78.3%	78.1%	0.2ppts	• Slightly elevated on the pcp from the impact of OPEX timing (extra fortnightly pay run) in the half but remains on track
Underlying EBITDA ($m)	37.7	37.1	2%	• Positive operating leverage, contribution from acquisitions and return to profitability of the Live Export business
Underlying NPAT ($m)	16.6	16.7	(1%)	• In line with guidance provided at AGM. Refer to page 11 for key drivers
Significant items (net of tax & NCI)	(1.1)	(0.7)	57%	• Costs associated with acquisition related activity and restructuring initiatives
Reported NPAT ($m)	15.5	16.1	(4%)	
Working capital ($m)	172.4	177.4	(3%)	• Impact of improved debtor collections despite the business holding elevated inventory levels due to mixed seasonal conditions
Average Working Capital as % Sales (r12)	11.9%	11.4%	0.5ppts	• Mixed seasonal conditions constrained sales growth to 3% whilst contributing to a 10% increase in average working capital primarily driven by elevated inventory levels
Operating cash flow ($m)	(16.9)	(18.1)	7%	• Improved cash realisation up 7ppts to 77% on a r12 basis with increase in cash released from ongoing working capital management
Underlying ROCE (%) (r12)	15.6%	17.0%	(1.4ppts)	• EBITDA growth more than offset by higher average capital employed
Gearing (%) (spot)	34.3%	31.5%	2.7ppts	• Within Board's target gearing range of 25-45% through the cycle with the new Debtors Securitisation Facility seasonal limits providing flexibility to fund working capital requirements during the peak in working capital and debt funding seen around March
Weighted average # of shares (m)	105.0	104.7	0.3%	• Impact of shares issued under the DRP
Reported EPS (cents)	14.7	15.3	(4%)	
Underlying EPS (cents)	15.8	16.0	(1%)	
Interim dividend (cents)	10.0	9.0	11%	• In line with ASX announcement of Nutrien acquisition on 27 February 2019, a return to shareholders in addition to the $4.40 Total Cash Consideration from the proposed transaction with Nutrien
Underlying dividend payout ratio (%)	63%	56%	7ppts	

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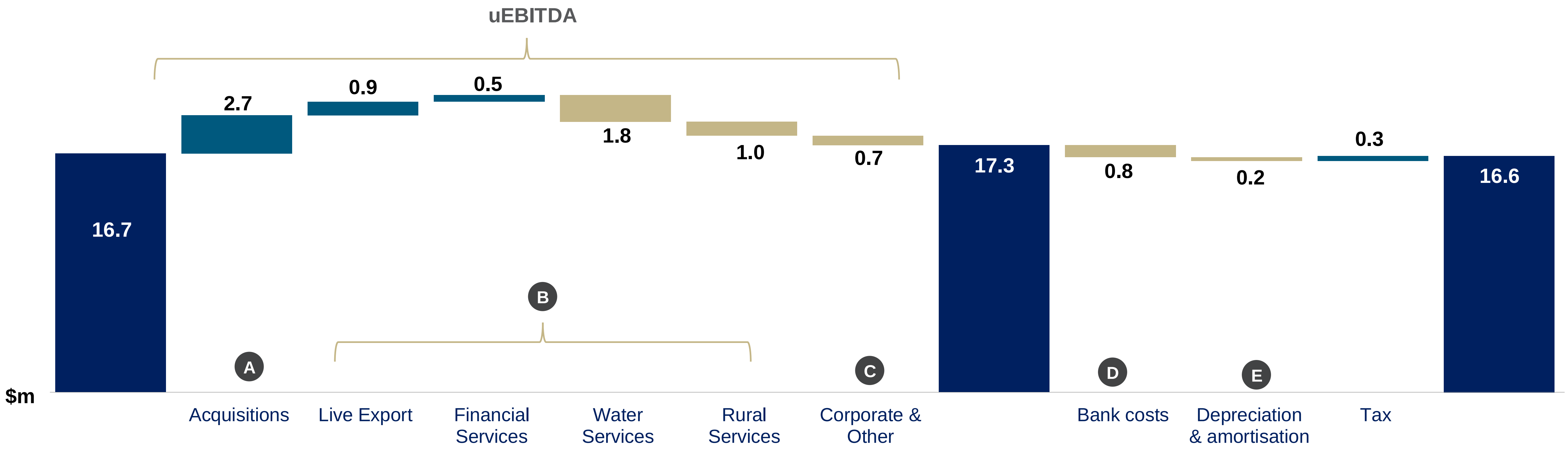
N.B For reconciliation of underlying to reported earnings see page 24

1: The Company adopted AASB 15 effective 1 October 2018. As disclosed to shareholders in the prior year, the impact of this accounting standard on the P&L is limited to the presentation of revenue and cost of sales related to the wholesale CRT business and has resulted in a gross-down adjustment of $251.6million for the six months ended 31 March 2018. There is nil impact on gross profit from this presentation change. For further information please refer to Note 3 of the accompanying Appendix 4D.

UNDERLYING NPAT DRIVERS



- **A** Contribution from FY18 acquisitions (compared to the pcp) primarily from water-related businesses
- **B** See page 12 for further information on results by division
- **C** Timing difference from extra fortnightly pay run in the half
- **D** Driven by increase in average net debt as a result of debt funded investment capex (including Program Elevate spend) and increased average working capital
- **E** Increase in software amortisation expense post Program Elevate

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RESULTS BY DIVISION

RURAL SERVICES $47.0M (FLAT)

- Diversification strategy driving earnings resilience
- An increase in the number of livestock on feed, rainfall events in northern QLD and a strong season in TAS have driven growth in animal health and fertiliser in these markets
- Inconsistent rainfall in SA and VIC in key cropping zones, lower water allocations and reduced cotton and rice plantings have lead to a decline in crop protection sales in these markets
- Growth in cattle volumes sold and a buoyant rural property market have held Agency gross profit decline to just 1% from decrease in cattle prices (down an average 12%) and wool volumes sold

WATER SERVICES $9.6M (↓1%)

- Buoyant temporary and permanent water entitlement markets have driven strong growth in water broking results in the half
- Conversely, the sustained reduced access to water and inconsistent rainfall is impacting farmer confidence in investing in on-farm water infrastructure projects and the business has experienced a slow down in water projects activity in key geographies along the Murray Darling basin and northern NSW
- This division's results have benefited from the impact of acquisitions in FY18 and from recovery in water retail activity in WA although the non-ag focused WA landscaping and civil projects business continues to experience restrictive market conditions

uEBITDA
$37.7m

FINANCIAL SERVICES $0.5M (↑100%)

- Continued growth in profitability for this division
- Although dry conditions have continued to restrict growth in loan draw downs, the business has grown the total loan book by 5% from September 2018 with 11% growth in the Seasonal Finance loan book and 19% growth in Flexi Finance loan book
- Strong growth in earnings from Ausure JV, which have more than doubled on the pcp but these have been mostly offset by the impact of dry conditions and adverse grain market dynamics on earnings generated from the Agfarm JV

LIVE EXPORT $0.1M (↑113%)

- Pleasing return to trading margin profitability in the half
- 25% growth in revenue with increase in volumes, particularly to Indonesia, and a 3% increase in average sale price/head
- Despite the negative impact of significantly higher feed costs and fuel in the half, trading margins have benefited from comparatively lower domestic cattle prices

BALANCE SHEET
1H19

AS AT	MAR 2019 $M	MAR 2018 $M	CHANGE $M	CHANGE %	COMMENTARY
Trade receivables	417.1	449.0	(31.9)	(7%)	• Improved debtor collections
Inventory (incl livestock)	206.5	178.8	27.7	16%	• +$3million from impact of acquisitions plus increased crop protection products on hand in underlying business from slower cropping
Trade payables	(451.2)	(450.1)	(1.1)	0.2%	
Net working capital	**172.4**	**177.7**	**(5.3)**	**(3%)**	
Property, plant & equipment	40.5	47.7	(7.2)	(15%)	• Impact of disposal of properties in Tasmania
Intangibles	251.0	227.0	24.0	11%	• Goodwill and intangibles of $7.9million arising from acquisitions in 2H18 and YTD plus capitalised IT development costs
Investments	25.9	18.5	7.4	40%	• Increased investment in Ausure and initial innovation investments made in 2H18
Net tax items	9.5	7.8	1.7	22%	• Higher current tax liability reflecting increased profits in FY18 vs FY17
Other items (net)	(37.2)	(41.8)	4.6	(11%)	• Payment of deferred or contingent consideration liabilities in line with contractual obligations
Total capital employed	**462.1**	**436.9**	**25.2**	6%	• Investment capex driven, both acquisition and IT development related
Average working capital (r12)	**175.2**	**159.9**	**15.3**	**10%**	• Increase primarily from impact of elevated levels of inventory held in certain geographies

11.9%

AVG WORKING CAPITAL % OF SALES (r12)

15.6%

uROCE (r12)

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CASH FLOW
1H19

SIX MONTHS ENDED	MAR 2019 $M	MAR 2018 $M	CHANGE $M	CHANGE %	COMMENTARY
Reported EBITDA	36.1	36.1	-	-	
Net change in working capital	(41.4)	(47.5)	6.1	(13%)	• Lower increase in working capital reflecting ongoing focus on cash collection and better matching of inventory purchases to deferred supplier terms
Net finance (costs)/income	(1.9)	(0.4)	(1.5)	375%	• Higher average net debt and 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	(9.7)	(6.3)	(3.4)	55%	• Timing of income tax paid to ATO (refund of $3.3million received in April)
Operating cash flow	**(16.9)**	**(18.1)**	1.2	7%	• Continued improvement in cash realisation ratio to 77% on a r12 basis (vs 70% in pcp) reflecting benefits of ongoing working capital management initiatives
Capital expenditure	(7.4)	(10.8)	3.4	(32%)	• Increased proceeds received from fixed asset disposals and reduced investment capex in line with expectation
Acquisitions & divestments	(0.7)	(5.2)	4.5	(87%)	• Filled gap in Water Services footprint in northern NSW in the half
Changes in NCIs	(2.9)	(1.0)	(1.9)	190%	• Continue to move up the register on non-wholly owned subsidiaries
Investing cash flow	**(11.0)**	**(17.0)**	6.0	(35%)	
Dividends paid	(13.2)	(12.6)	(0.6)	5%	• Includes 2018 final dividend paid to shareholders and non-controlling interests in December
Purchase of treasury shares	(0.4)	(1.0)	0.6	(60%)	
Net change in borrowings	32.3	28.2	4.1	14%	• Increase reflects higher average capital employed
Financing cash flows	**18.7**	**14.6**	4.1	28%	
Change in cash held	**(9.1)**	**(20.5)**			

77%

CASH REALISATION RATIO (r12)

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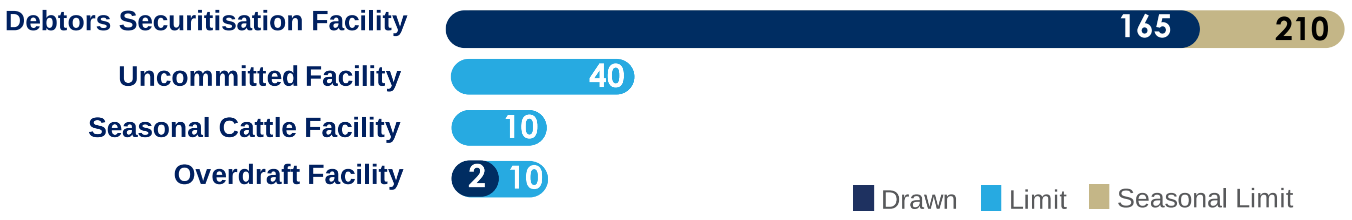
FUNDING
1H19

AS AT	MAR 2019 $M	MAR 2018 $M	CHANGE $M	CHANGE %	COMMENTARY
Net cash	**5.9**	**2.3**	**3.6**	**157%**	• Net of bank overdrafts
Current debt	-	-	-	-	
Non current debt	(165.0)	(140.0)	(25.0)	18%	
Gross drawn debt	**(165.0)**	**(140.0)**	**(25.0)**	**18%**	• Significant headroom remains in available funding facilities
Other loans	2.0	1.6	0.4	25%	
Finance lease liabilities	(1.2)	(1.6)	0.4	(25%)	
Total net debt	**(158.3)**	**(137.7)**	**(20.6)**	**15%**	• Driven by increased size of working capital requirements (business growth) and investing activities
Average net debt (r12)	**155.1**	**118.0**	**37.1**	**31%**	• Reflects 10% increase in average working capital as well as the impact of debt funded acquisitions and investment capex in 2H18 and YTD

34%

GEARING RATIO

FACILITY **DRAW DOWN/LIMIT $M**



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N.B 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

DIVISIONAL PERFORMANCE

RURAL **SERVICES**

"Control of costs and diversification has driven resilience in earnings in what has been a challenging season"

STRATEGY

- Grow through acquisition, greenfield sites, talent recruitment and CRT members to fill remaining gaps in the Ag 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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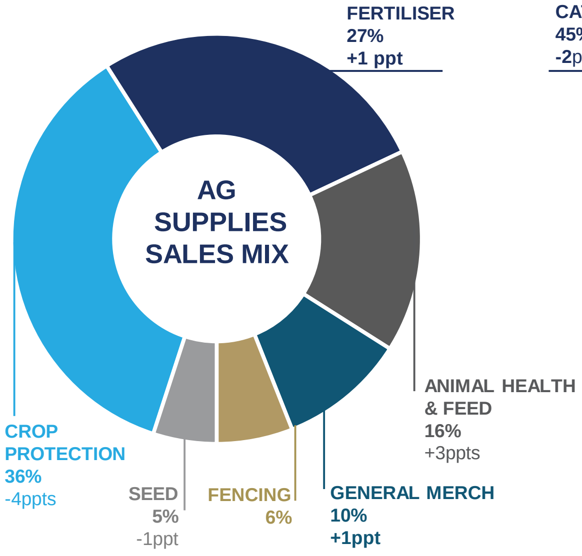
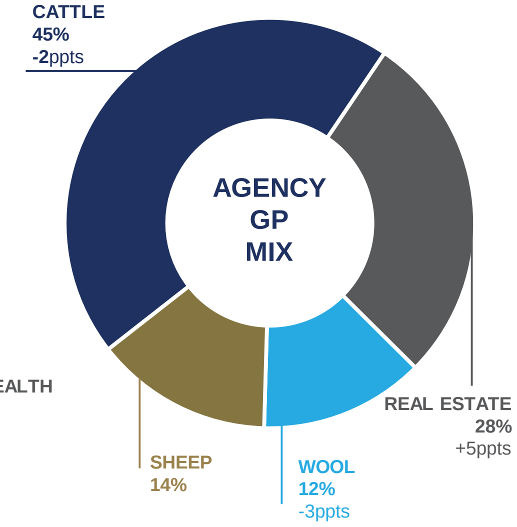
UPDATE ON FY19 FOCUS AREAS

- Resilience of Ag Supplies business is a product of increased scale, geographic and operational diversity
- Integration of FY18 Tasmanian Rural Property agency acquisition on target, expanding our ability to broker large scale rural property transactions
- Increased private label sales penetration by a further 2ppts
- Ongoing optimisation of divisional cost base contributing to resilient earnings for the period with further 0.3ppt improvement in OPEX/GP%





SIX MONTHS ENDED	MAR 2019 $m	MAR 2018 $m	CHANGE $m	CHANGE %
Revenue	431.8	443.1	(11.3)	(3%)
Underlying Gross Profit	131.2	132.0	(0.8)	(1%)
OPEX	(84.2)	(84.9)	0.7	(1%)
Underlying EBITDA	**47.0**	**47.1**	**(0.1)**	**(0.2%)**
OPEX to GP %	64.2%	64.3%		

+3% INCREASE IN FERTILISER SALES MAINLY OUT OF TASMANIA

+17% INCREASE IN ANIMAL HEALTH & ADVANCED ANIMAL NUTRITION SALES

+28% INCREASE IN AVG VALUE OF PROPERTY SOLD

+7% INCREASE IN CATTLE SOLD THROUGH THE NETWORK

WATER **SERVICES**

“Improved geographical diversity of earnings has balanced out impact of prolonged mixed seasonal conditions on farmer confidence and water projects activity”

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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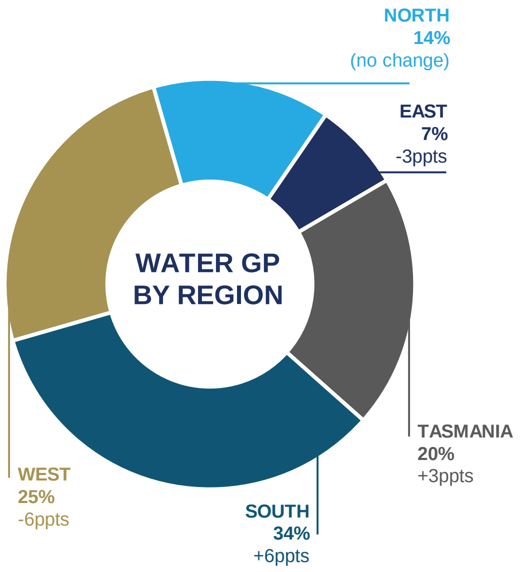
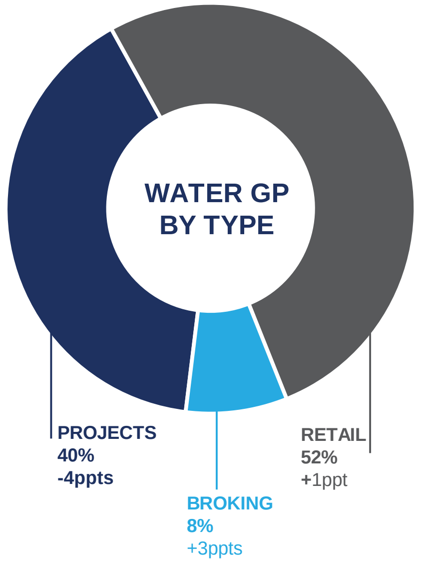
UPDATE ON FY19 FOCUS AREAS

- Acquired new point of presence in northern NSW, iWater, expanding water projects capability on the East Coast
- Water strategic plan now cascaded down to branch level to ensure shared ownership and alignment of vision
- Investment in staff capability and training is contributing to the increase in OPEX
- First stage of procurement initiatives completed in the half – reducing the tail of products stocked and focusing on key supplier partnerships to improve margin





SIX MONTHS ENDED	MAR 2019 $m	MAR 2018 $m	CHANGE $m	CHANGE %
Revenue	133.6	128.2	5.4	4%
Underlying Gross Profit	38.6	34.8	3.8	11%
OPEX	(29.0)	(25.1)	(3.9)	16%
Underlying EBITDA	**9.6**	**9.7**	**(0.1)**	**(1%)**
OPEX to GP %	75.2%	72.2%		

	Broking	Projects	Retail
Activities	Brokering of water entitlement trades	Design, Construction, Installation, Maintenance of on-farm water infrastructure	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

“Continue to organically grow the scale of the finance loan book and maintain the sound base for continued profit growth”

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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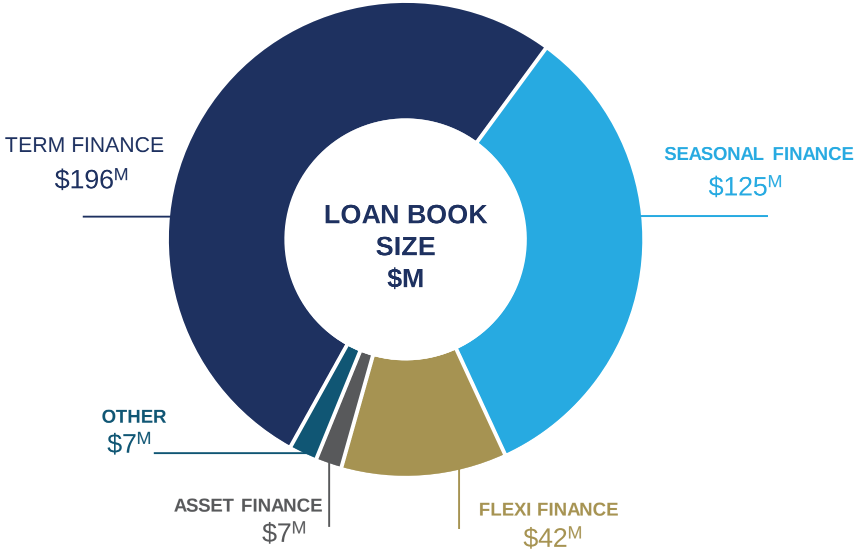
UPDATE ON FY19 FOCUS AREAS

- $42million of new Flexi Finance loans written by March and 11% further growth in Seasonal Finance facility
- Despite significant growth in total limits, achievement of half year drawn-loan targets continue to be impacted by dry conditions, which have subdued farmer confidence in drawing down on their available finance until conditions improve
- Growing Finance Manager representation in key locations, i.e. those where Ruralco has strong Rural Services presence including livestock, to enhance the financial services offering to customer in those markets. 3 new experienced Finance Managers have been employed in the half



SIX MONTHS ENDED	MAR 2019 $m	MAR 2018 $m	CHANGE $m	CHANGE %
Revenue	2.5	1.8	0.7	39%
Underlying Gross Profit[1]	2.3	1.6	0.7	44%
OPEX	(1.8)	(1.6)	(0.2)	13%
Underlying EBITDA	**0.5**	**-**	**0.5**	**100%**
OPEX to GP %	78.2%	98.3%		

5% GROWTH IN TOTAL LOAN BOOK SIZE

13% GROWTH IN WORKING CAPITAL FINANCE FACILITY BOOKS

4% GROWTH IN INSURANCE GWP

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

LIVE EXPORT

“Strong growth in volumes to Indonesia in the half and a return to trading margin profitability despite continued elevated feed costs and competition in the SE Asian cattle market”

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 FY19 FOCUS AREAS

- Recovery in volumes exported to Indonesia in the half compared to the pcp with the business continuing to maintain its market share in both this traditional export market and in Vietnam
- Live export steers ex-Darwin have averaged close to 300c/kg in the half (benchmark of affordability with respect to the Indonesia market and back from an average 345 c/kg in the pcp)
- Trading margins continue to be influenced by the domestic vs export cattle price dynamic and elevated cost of feed, which remain at historic highs - feed delivered to Darwin is now $650/tonne and feed at feedlots in Eastern Australia is greater than $500/tonne
- Across all consignments in the half, the business achieved a 99.94% discharge rate of cattle loaded in Australia and discharged in-market

SIX MONTHS ENDED	MAR 2019 $m	MAR 2018 $m	CHANGE $m	CHANGE %
Revenue	116.9	94.0	22.9	24%
Underlying Gross Profit	1.7	0.7	1.0	143%
OPEX	(1.6)	(1.5)	(0.1)	7%
Underlying EBITDA	**0.1**	**(0.8)**	**0.9**	**113%**
OPEX to GP %	94.2%	225.2%		

+21% INCREASE IN VOLUME OF CATTLE EXPORTED

2 VESSELS ON SHORT TERM CHARTER

OUTLOOK

OUTLOOK
FY19

The Company remains cautious about short-term seasonal conditions. Whilst a drier than average autumn is forecast for parts of Eastern and Western Australia, dry sowing winter cropping programs have begun and recent rainfall in certain geographies has been helpful. Management remains focussed on executing the strategy (as evidenced by the resilient first half earnings performance) and doing everything necessary to progress the Nutrien transaction.

	OPPORTUNITIES	RISKS
RURAL SERVICES	• Rainfall events will continue to encourage re-stockers to re-enter the cattle market to compete with processor and feedlot buyers, supporting cattle prices in the short term • Dry conditions have impacted both wool production and flock sizes but continued international demand and rainfall events are expected to drive buoyant lamb and wool prices in the second half • Continued expansion of private label product range and volumes, including into NZ	• Drier than average autumn forecast may influence Ag Supplies sales mix and volumes in 2H19
WATER SERVICES	• Targeting decline in OPEX/GP% in this division in 2019 • Optimise the operational and financial performance of the newly combined water business • Complete remaining system integrations and invest in staff capability and training	• Prolonged dry conditions in key catchment areas may further impact water projects activity until conditions improve • Sales volume in WA may 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 • Recent improvement in grain markets and a reasonable season break should stabilise Agfarm earnings	• Reduced loan draw downs from continuing tough seasonal conditions could impact finance commissions revenue • Continuing volatility in the grain market could stifle growth in earnings from Agfarm investment
LIVE EXPORT	• Significantly reduced size of 2019/20 backgrounding program, which will decrease carrying costs and working capital requirements in the second half • Term shipping charters renegotiated with two state-of-the-art G-Class vessels (Greyman and Shorthorn) for second half balanced with spot shipping and ensuring animal welfare imperatives are supported • Vietnamese market offers the most potential for growth in the second half	• Procuring appropriate cattle out of the North will be challenging with significant reduction in herd size • Continued elevated feed costs could negatively impact margins, particularly on Vietnamese shipments that require longer pre-shipment quarantine periods

APPENDICES

NON-IFRS INFORMATION RECONCILIATION

	Underlying 1H19 $M	Other adjs[1] $M	Significant items	Reported 1H19 $M	Underlying 1H18[2] $M	Other adjs[1] $M	Significant items	Reported 1H18[2] $M
Revenue	685.1	1.0	-	686.1	667.3	1.0	-	668.3
Cost of sales	(511.2)	-	-	(511.2)	(498.2)	-	-	(498.2)
Gross profit	**173.9**	**1.0**	**-**	**174.9**	**169.1**	**1.0**	**-**	**170.1**
OPEX	(136.2)	(1.2)	(1.6)	(139.0)	(132.0)	(1.2)	(1.0)	(134.2)
Share of profit from equity investments	-	0.2	-	0.2	-	0.2	-	0.2
EBITDA	**37.7**	-	**(1.6)**	**36.1**	**37.1**	**-**	**(1.0)**	**36.1**
Depreciation & amortisation	(6.2)	-	-	(6.2)	(5.9)	-	-	(5.9)
Net finance costs	(3.8)	-	-	(3.8)	(3.0)	-	-	(3.0)
Profit before tax	**27.7**	**-**	**(1.6)**	**26.1**	**28.2**	**-**	**(1.0)**	**27.2**
Tax	(8.5)	-	0.5	(8.0)	(8.9)	-	0.3	(8.6)
Non-controlling interest	(2.6)	-	-	(2.6)	(2.6)	-	-	(2.6)
NPAT attributable to shareholders	**16.6**	**-**	**(1.1)**	**15.5**	**16.7**	**-**	**(0.7)**	**16.0**

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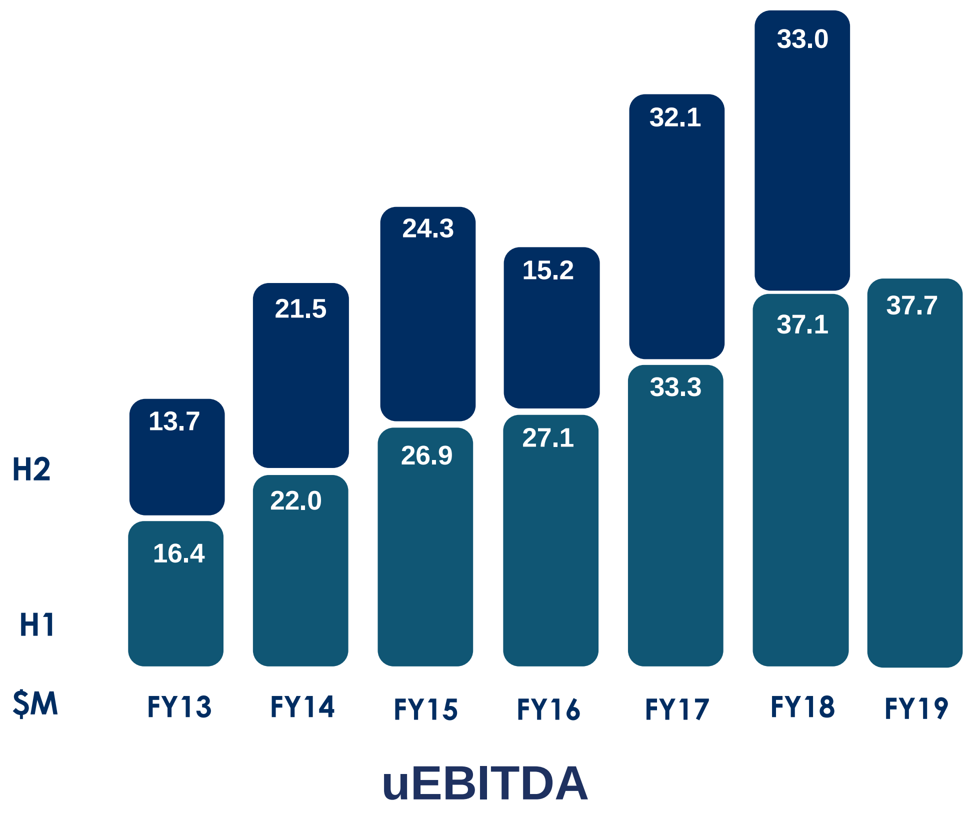
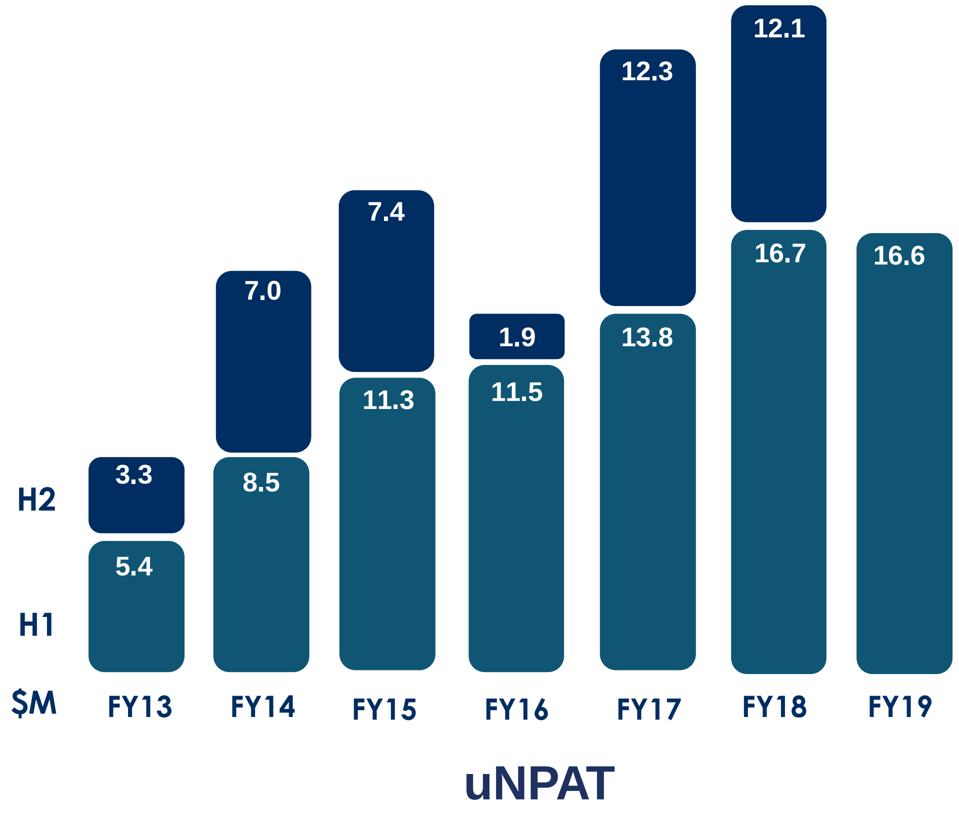
[1]: Underlying gross profit excludes sub-lease income (presented as an offset to OPEX) and includes the share of profit from equity accounted for investees
[2]: As noted on page 10, comparative revenue and cost of sales has been re-presented to reflect the impact of the adoption AASB 15, see Note 3 of the accompanying Appendix 4D for further information

HISTORIC EARNINGS PROFILE





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GLOSSARY - DEFINITIONS

Term	Meaning
ACCC	Australian Competition and Consumer Commission
Average working capital	Average of month end working capital balances for the period
Average working capital as % of sales	Average working capital divided by revenue for the period
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 Ruralco 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
FIRB	Foreign Investment Review Board
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
GWP	Gross Written Premium - measure used in the insurance business related to the total insurance premiums written by an insurer
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

GLOSSARY - DEFINITIONS

Term	Meaning
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
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
r6 or r12	Rolling 6 month or 12 month period
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	Return on Equity: 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 / average total capital employed for the period
Working capital	Trade and other receivables + Prepayments + Inventories + Biological assets + Trade and other payables + Derivative financial instruments less certain related party receivables/payables

DISCLAIMER

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OUR PURPOSE

We're here for Australian farmers

OUR VISION

Delivering the future of agriculture

OUR VALUES

How we do things at Ruralco

COMMON SENSE

We use good judgement

INTEGRITY

We do the right thing

AIM HIGH

We exceed expectations

ACCOUNTABILITY

We own our actions

LEADERSHIP

We lead by example

LOYALTY

We support our people, customers and communities