Australian Agricultural Company Limited
ABN 15 010 892 270

AACO FY15 ANNUAL GENERAL MEETING
CHAIRMAN'S ADDRESS

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Attached is the Chairman's Address for the FY15 Annual General Meeting of the Australian Agricultural Company Limited ('AACo') to be held today.

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AACo 2015 Annual General Meeting

Chairman's report

Good morning ladies and gentlemen.

This is an exciting time to be in agriculture.

Asia's growing middle class is projected to number 3.2 billion by 2030 – and expected to double the region's food consumption by 2050.

As a consequence, we are on the cusp of a great opportunity.

And make no mistake: AACo wants to see Australia become a supplier of high quality food for Asia's mega-middle class.

We want to revolutionise the beef industry – and create a new channel to Asian markets.

That's why we welcome the Federal Government's plans to turn Northern Australia into an investment hub.

And that's why we invested $91 million in the Livingstone Beef processing facility in Darwin in the 2015 fiscal year.

Our Livingstone Beef investment is central to our transformation from a pastoral firm to a fully integrated beef producer and marketer.

Our aim is to secure value across the entire supply chain – and, in doing so, better serve our customers and earn higher returns for our investors.

Livingstone Beef meets that objective.

This state-of-the-art facility commenced operating last October and is now regularly processing around 350 head a day, is profitable and making a positive contribution to the company.

The beef from the facility is being sold to customers throughout Asia, the United States and the domestic market.

Livingstone Beef also significantly expands our Northern beef products beyond the live cattle export market.

As Indonesia's recent decision to reduce live cattle imports demonstrates, product and market diversity is important.

AACo's ambition is clear.

We want our brand to operate at the premium end of the market – through world-class products such as our award-winning Wagyu beef, our live export cattle and our manufactured meat from Livingstone Beef.

Over the past year the quality of our beef has been widely recognized.

Our Darling Downs Wagyu was named the Champion Wagyu at the Sydney Royal Spring Fine Food Show.

Darling Downs Wagyu also won Gold medals at the prestigious Royal Melbourne Fine Food Awards and the Royal Queensland Food and Wine Show – and was named the Grand Champion beef of the Royal Queensland show.

Our flagship Master Kobe Wagyu was also named Grand Champion Wagyu at this year's World Wagyu Conference.

One of the most telling signs of our leadership is the fact that more than half of the cattle on sale at the World Wagyu Conference's International Fullblood Genetics Sale were AACo cattle.

AACo is now a global leader in Wagyu, one of the most exciting and rapidly growing premium food products in the world.

Almost 42 per cent of all the boxed beef we sell is Wagyu – not only that, Wagyu also accounts for 52 per cent of all boxed beef revenue.

In the 2015 financial year, we saw a 42 per cent increase in boxed beef sales to $267.6 million.

Boxed beef sales accounted for 77 per cent of your company's revenue in the 2015 financial year, up from 59 per cent in 2014.

In 2015, we recorded a profit of $44.9 million in Statutory EBITDA – compared to a $19.9 million loss in 2014.

In Operating EBITDA, we recorded a loss of $3.6 million in 2015 – compared to a $200,000 profit in 2014.

The difference between those two results is due to the fact that Operating EBITDA does not including mark-to-market movements, while Statutory EBITDA recognises unrealised gains.

Board changes and Chief Financial Officer

Moving now to Board changes and executive recruitment.

Last September the Board announced the appointment of Anthony Abraham as a non-executive Director.

Anthony is a member of the Nomination Committee.

He has a long history in the agricultural sector, having founded and built several businesses that have invested in and operated agricultural companies.

Anthony established and managed Macquarie Group's agricultural funds management business, which has more than $1.5 billion of funds under management.

During the year the Board also said farewell to three Directors – Adil Allana, Dr Mohd Emir Mavani Abdullah and Denys Collin Munang (the alternate Director for Dr Mohd Emir).

I would like to publicly thank all three Directors for their years of service.

In January the company appointed Andrew Slatter as Chief Financial Officer, following an extensive global search.

Andrew was most recently Regional Head of Agribusiness for ANZ, based in Singapore.

Dividend

Moving now to dividends.

The Board has not declared a dividend.

Your company is committed to the reinstatement of dividends.

And, as we have stated previously, the directors will review dividend policy and payments once AACo has returned to sustainable and significant positive operational cashflows.

Conclusion

In conclusion, let me just say that this has been an exciting year for the company.

Our strategic decision to move to true vertical integration with the construction of the Livingstone Beef processing facility is delivering results.

We already have great products and a proud history – the opportunity ahead of us is to build a great global brand and an even prouder future.

The gains we have made thus far are a credit to the continuing hard work, dedication and innovation from our staff.

With that in mind, I would like to personally thank our MD Jason Strong and all our staff for their commitment to the company and hard work over the last 12 months.

I would also like to thank my fellow Board members for their dedication and, you, our shareholders for your support.

Your company's Managing Director, Jason Strong, will now provide some insight into how the company has executed its strategy, along with an update on operating conditions in the first quarter.

Before handing over to Jason, I want to congratulate him on being awarded by the American Meat Science Association, a Meritous Service Award in recognition of outstanding contributions to the Intercollegiate Meat Judging Program and Undergraduate Career Development.