



ASX RELEASE

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AACo announces half-year net profit of \$47.9 million.

- Operating EBITDA of \$13.9m up \$2.4m
- Cost of production down by 25% from \$2.77/kg to \$2.09/kg
- Branded beef sales as a share of total sales of 92% up from 86%

The Australian Agricultural Company today announced a half-year statutory net profit after tax of \$47.9 million for the six months to September 30, 2016, a \$1.9 million decrease on the previous corresponding period.

The company reported operating EBITDA (earnings before interest, tax, depreciation and amortisation) of \$13.9 million, a \$2.4 million increase on the previous corresponding period. Net operating cash outflows of \$34.5 million included a \$41.5m investment in live cattle inventory that will be monetised in H2FY17 and H1FY18.

Building on prior periods, our branded beef sales as a percentage of total sales continue to rise, going from 86 per cent to 92 per cent in the half year. In addition “we have locally launched our flagship luxury Westholme and Wylarah brands in Singapore in early October, and will launch these brands into other key markets over the next 18 months,” Mr Strong said.

“This represents our initial drive towards changing the global luxury beef segment. As our vertical integration strategy takes shape, we are fundamentally changing the way we sell and deliver our products to consumers. This strategy will lead to increased sales prices.”

The company reported a 25 per cent reduction in production costs by taking advantage of strong seasonal conditions, as well as reducing operational costs from its strategic decision to own cattle right through the supply chain.

The company continues to innovate to improve the quality, consistency and predictability of its beef production. “We co-founded and invested in a San Diego based biopharmaceutical reagent company, Nucleus Biologics, which supplies pharmaceutical companies with products based on raw materials from our Livingstone Beef processing plant,” Mr Strong said.

In addition, the company formed a Scientific Advisory Board under the chairmanship of Dr Megan Clark, former CEO of CSIRO, to review and guide our future innovation and technology programs.

We are pleased with our progress but we are far from finished.

Media contact: Scott Prebble +61 439 491 850