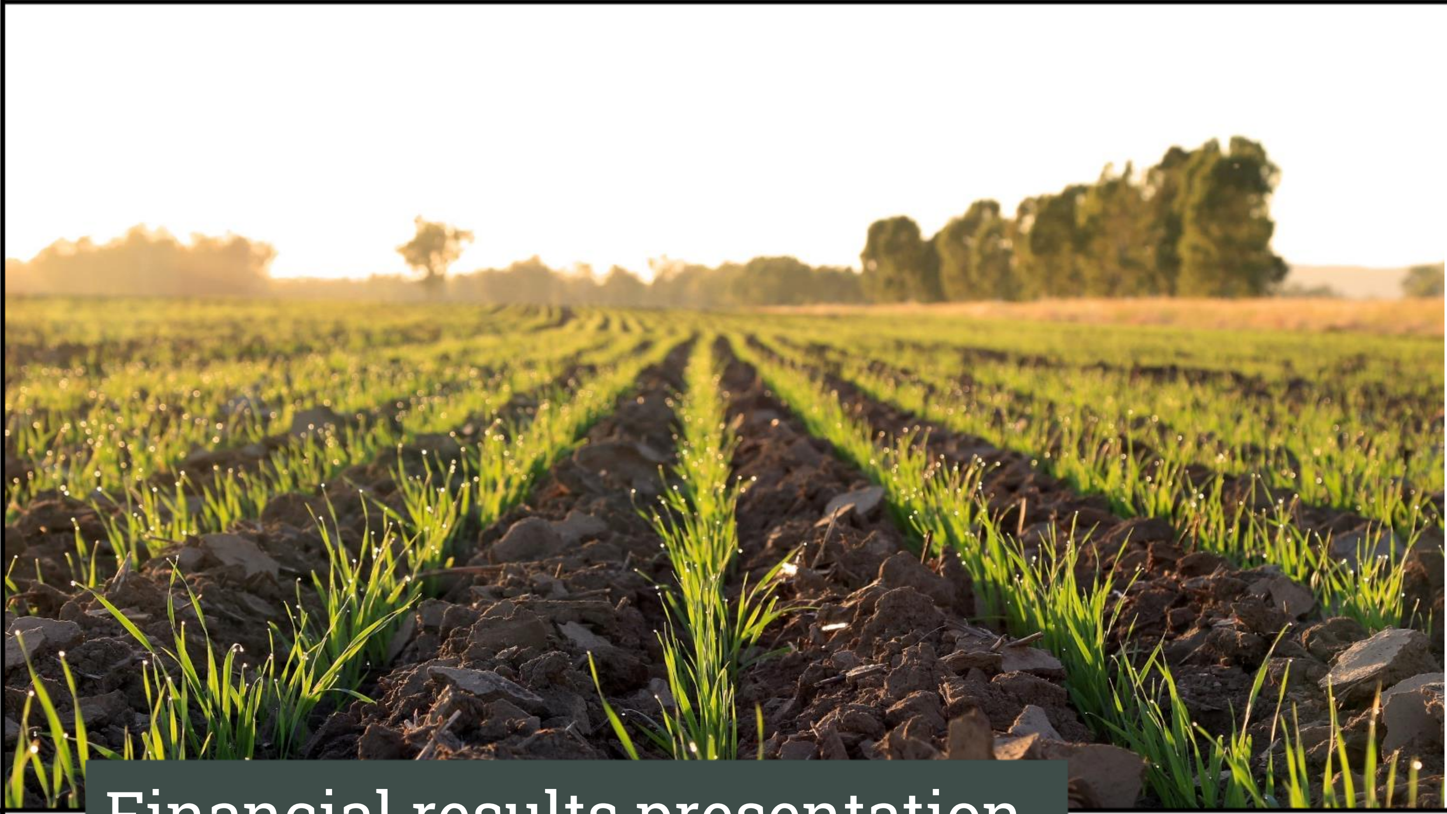
Rural Funds Group | ASX: RFF



Financial results presentation

Financial year ended 30 June 2017

22 August 2017

Managed by:
Rural Funds Management

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Front cover: Forage crop growing on Rewan, Rolleston, Qld, July 2017

Agenda

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1. **Financial results**
2. **Capital management**
3. **Portfolio update**
4. **Outlook**
5. **Appendices**
   - Additional financial information
   - Asset and lease details
   - Strategy information
   - Manager profile

RFM attendees

David Bryant
Managing Director

Stuart Waight
Chief Operating Officer

Daniel Yap
Financial Controller

James Powell
Investor Relations & Distribution Manager

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1
Financial results

Yearling cattle grazing on a forage crop, Rewan, Rolleston, Qld, July 2017

FY17 results summary

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FY17 was a year of significant growth for RFF

Key metrics

		12mths ended 30 June 2017	12mths ended 30 June 2016
Income	Total comprehensive income	34,238,000	34,774,000
	Earnings per unit (EPU)[1]	16.7 cents	22.5 cents
	Adjusted funds from operations (AFFO)	25,559,000	14,342,000
	AFFO per unit	12.5 cents	9.3 cents
Balance sheet	Total assets	543,003,000	379,039,000
	Adjustment for water at fair value	44,543,000	28,415,000
	Adjusted total assets[2]	587,546,000	407,454,000
	External borrowings	167,704,000	149,530,000
	Gearing[3]	28.5%	36.7%
	Net asset value (NAV)	357,678,000	207,864,000
	NAV per unit	1.41	1.26
	Adjusted NAV[2]	402,221,000	236,279,000
	Adjusted NAV per unit[2]	1.58	1.43
Distributions	Total distributions per unit	9.64 cents	8.93 cents
	AFFO payout ratio	77%	96%
Forecasts	FY18 AFFO per unit	12.5 cents	-
	FY18 DPU	10.03 cents	-
	FY18 AFFO payout ratio	80%	-
Portfolio	Number of properties & sectors	35 & 6	31 & 4
	WALE	13.2 yrs	13.8 yrs
	Units on issue	254.4m	165.4m

- AFFO growth of 3.2 cents per unit primarily a result of almond orchard developments and Select Harvests Ltd market rent review
- FY16 Earnings per unit higher due to substantial revaluation of almond orchards
- Total assets increased by $164.0m mostly due to:
  - $51.5m almond orchard development capex;
  - $113.5m acquisitions; and
  - $5.5m revaluations
  - ($9.0m) disposals
- Expanded equity base from two Entitlement Offers:
  - $61.0m July 2016 ($1.48/unit); and
  - $78.6m June 2017 ($1.70/unit)
- Gearing reduction of 8%
- FY18 forecast AFFO to benefit from anticipated acquisitions using balance sheet capacity
- Improved FY17 AFFO payout ratio of 77%
- Improved portfolio diversification (properties/sectors)
- See appendix (pages 23 to 28) for further details

Notes:
[1] EPU calculated Total Comprehensive Income / weighted average units to more accurately reflect overall financial performance as accounting requirements of bearer plants can distort profit/loss after tax
[2] Adjusted assets incorporates most recent property valuations, inclusive of water entitlements
[3] Gearing calculated as external borrowings / adjusted total assets

FY17 property assets reconciliation

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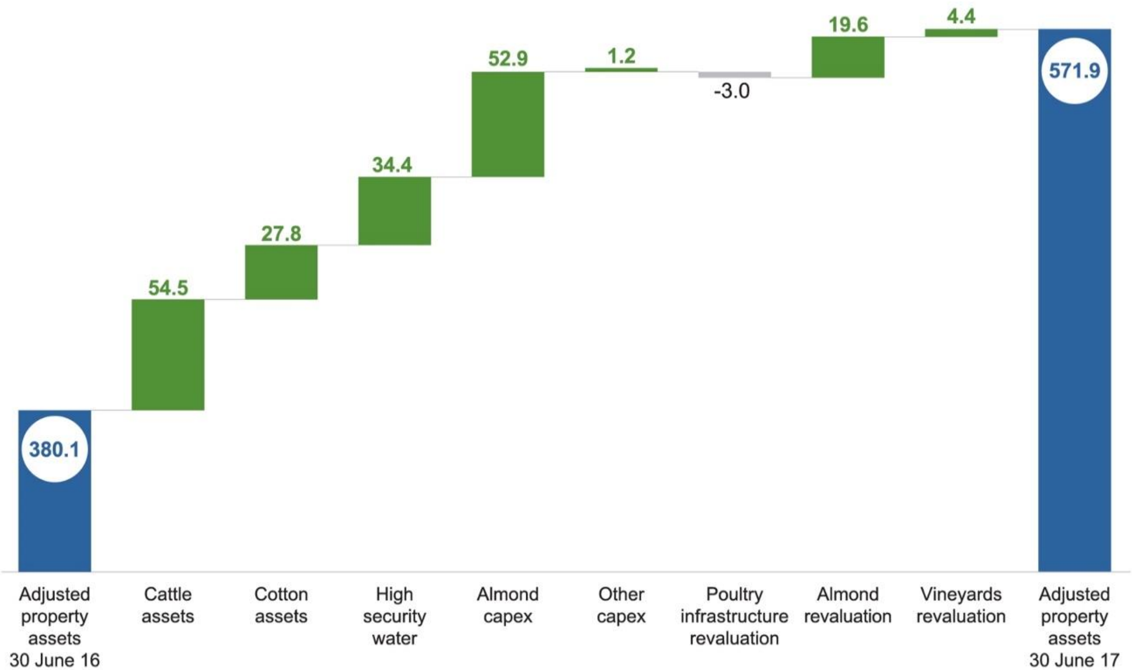
Growth in adjusted property assets through acquisitions, development capex and revaluations

Adjusted property assets reconciliation ($m)[1]



- Acquisitions, excluding revaluations and capex, during the period included:
  - $52.5m cattle properties and breeding herd acquisition (July 16)
  - Cotton property acquisition $26.6m (Dec 16)
  - Murrumbidgee high security water entitlement $34.4m (Dec 16)
- Almond orchard development capex mainly attributable to Kerarbury $46.8m & Tocabil $4.7m
- Revaluations for period included:
  - Vineyards $4.4m
  - Almond orchards $19.6m
  - Poultry infrastructure ($3.0m)

Note:
[1] Independent valuations at 30 June 2017 for: almond orchards (except Tocabil), vineyards, Gulf cattle properties. Independent valuations at 31 December 2016 for: Tocabil almond property, cotton property, Central Qld cattle property. Directors' valuation for poultry infrastructure (consistent with management's approach to reflect increasing average age of infrastructure) and macadamia properties

FY17 comprehensive income and AFFO

Increase in property revenue and lower operating costs per unit

Summarised statement of Comprehensive Income

	FY17	FY16[1]
Property revenue	$41.6m	$26.5m
Profit before tax	$45.2m	$0.4m
Profit/(loss) after tax	$43.3m	($0.5m)
Total Comprehensive Income	$34.2m	$34.8m

- Property revenue increase of 57% on FY16
- Total Comprehensive Income mainly impacted by:
  - $5.5m property revaluations
  - $5.3m change in fair value of derivatives
  - ($16.3m) property expenses, overheads, management fees and finance costs
- $16.1m revaluation of water entitlements excluded from Total Comprehensive Income
- Profit/loss before/after tax can be distorted through accounting requirements of the revaluation of 'bearer plants'. Total Comprehensive Income more accurately reflects overall financial performance
- Further details on page 23

Composition of AFFO pre-tax ($m)

	FY17	FY16[1]
Property revenue	$41.6m	$26.5m
Net property income	$40.1m	$25.3m
EBIT	$33.5m	$20.0m
AFFO	$25.6m	$14.3m

- AFFO increase 78% on FY16
- Scale advantages achieved on corporate overheads
- Further details on page 24

Note:
[1] Restatement relates to accounting policy change for bearer plants. Bearer plants previously recognised as biological assets are now recognised under plant and equipment. Revaluations can now be taken through other comprehensive income, previously through property revaluations. FY17 includes a decrement to bearer plants through other comprehensive income of $9.1m

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2 Capital management

Geier Vineyard, Barossa Valley, South Australia, December 2016

Capital management

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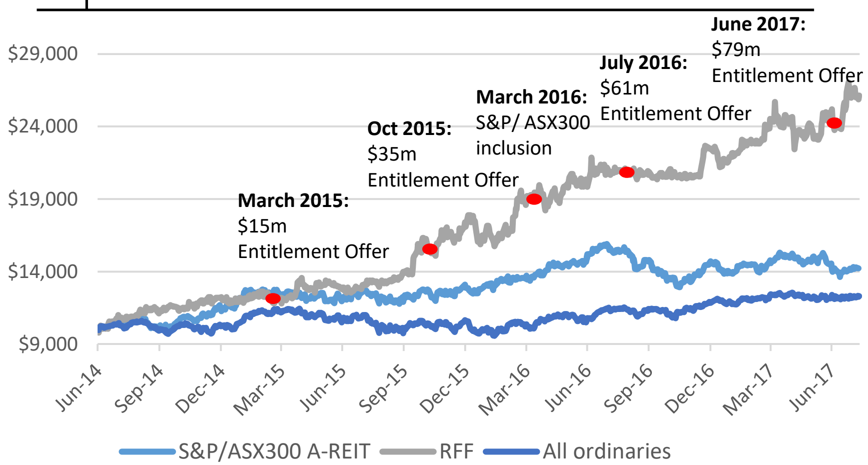
Shareholder return continues to exceed index performance

Equity

Share price	17% increase for period 30 June 2016 to 30 June 2017 ($1.58 to $1.85)
Distribution	Forecast FY18 of 10.03 cpu, up 4% on FY17 and in-line with target growth
DRP	Remains open with 1.5% discount FY17 average DRP participation 12.4%
Equity raised	$61.0m Entitlement Offer at $1.475 per unit completed July 2016 $78.6m Entitlement Offer at $1.70 per unit completed June 2017

Shareholder return[1]



Debt facility

Facility	Debt facility reviewed, with syndication implemented December 2016 and debt tenor increased Syndicate (ANZ and Rabobank) with bi-lateral pricing and common terms (e.g. financial covenants, reporting and undertakings). No amortisation
Limit	Limit increased to $250.0m in December 2016. In addition, a further $50.0m approved for future acquisitions
Maturity	Expiry date extended to December 2019
Funding lines available	Undrawn debt capacity of $85.5m on current facility limit (see page 10)
Hedging	FY17 hedging changes: • $20m hedge entered into January 2017, commencing July 2017; • $50m existing interest rate hedges expire March 2017, replaced with $50m new hedges at lower rates

Note:
[1] Source: IRESS. Assumes $10,000 invested July 2014 and all distributions are reinvested at the DRP price. Total return of indices as provided by S&P. Data current to 10 August 2017

Debt facility

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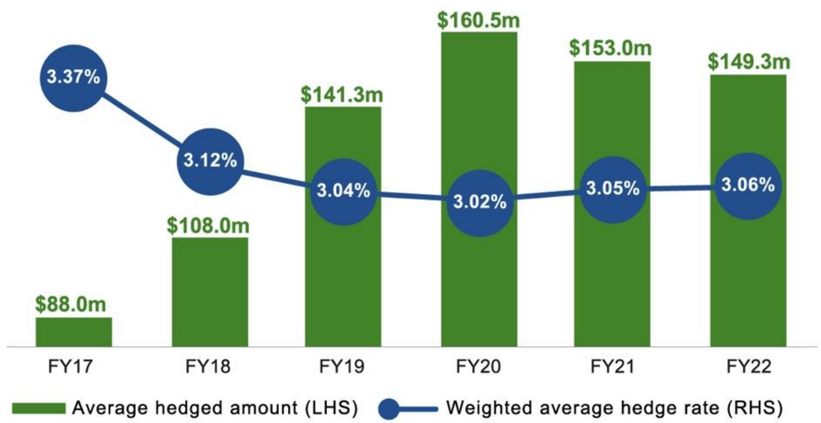
Substantial facility headroom and a low LVR positions RFF for future acquisitions

Debt metrics

	30 June 2017	30 June 2016
Term debt facility limit[1,2]	$250.0m[3]	$200.0m
Term debt drawn	$164.5m	$146.5m
Headroom	$85.5m[3]	$53.5m
Loan to Value Ratio (LVR)[4]	29.0%	42.5%
Debt facility expiry	Dec 2019	Dec 2018
Interest Cover Ratio	5.29x	4.66x
Portion hedged[5]	53.5%	60.1%
Effective cost of total debt	4.08%	4.77%

5 year hedged (fixed rate) position



Interest rate hedges

Start	Maturity	Duration (years)	Hedge rate	Amount
Current	Dec 18	1.4	3.77%	$25m
Current	Mar 20	2.7	2.50%	$10m
Current	Mar 22	4.7	2.70%	$15m
Current	Jun 25	8.0	3.42%	$13m
Current	Dec 25	8.4	3.08%	$25m
Jul 17	Jan 27	9.5	2.78%	$20m
Jul 18	Jul 28	11.0	2.94%	$12m
Jul 18	Apr 27	9.8	2.86%	$13m
Dec 18	Dec 25	8.4	3.29%	$35m
May 19	May 29	11.9	3.05%	$20m
Weighted average		**7.6 yrs[6]**	**3.11%[6]**	

Notes:
[1] Key financial covenants for FY17: LVR <50%, Interest Cover Ratio >2.75x, with distribution permitted at >2.95x, Net Tangible Assets (including water entitlements) >$200 million, 50% hedging requirement
[2] Security: Real property mortgages, general security agreement, cross guarantees between RFF and subsidiaries
[3] Does not include additional $50m for future acquisitions, see page 9
[4] LVR calculated as term debt drawn/directly secured assets
[5] Proportion hedged calculated as current hedges / term debt drawn
[6] Duration as at 30 June 2017 and includes forward start hedges

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3 Portfolio update

Poultry sheds, Griffith, NSW, August 2009

Portfolio assets and lessees

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WALE of 13.2 yrs and acquisition of four properties

Cattle

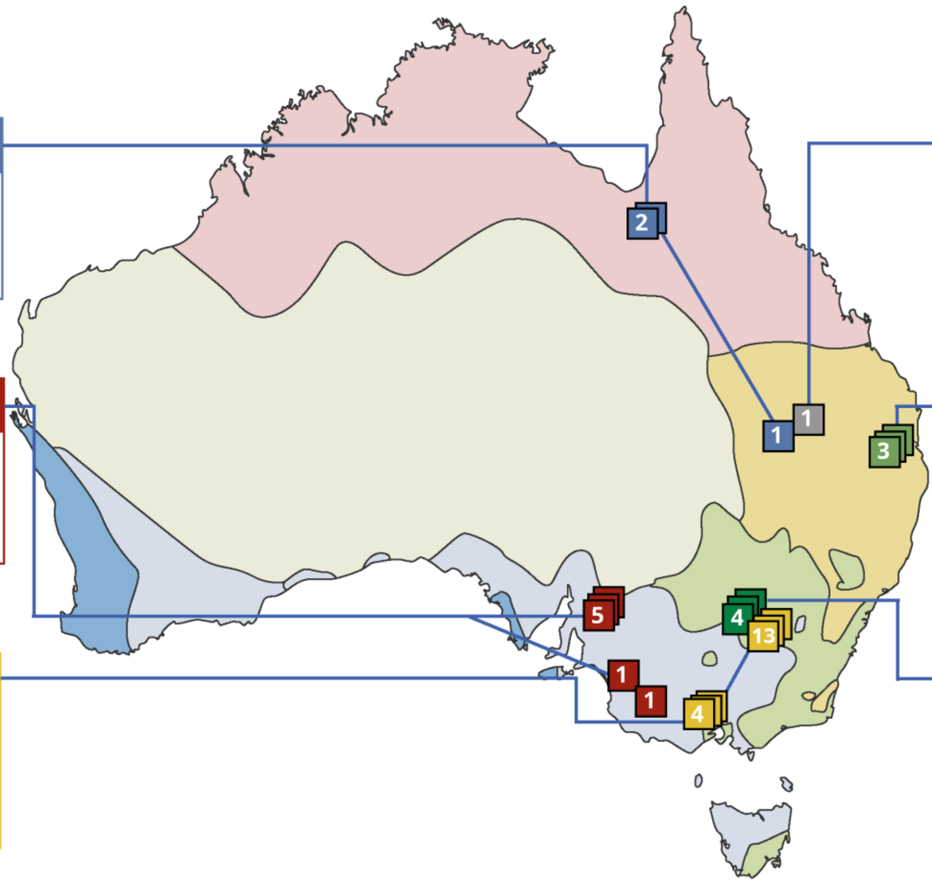
Properties:	3
Value:	$54.5m
Lessee:	Cattle JV
WALE:	9.0 yrs
FY18 f'cast rent:	$4.2m
% of FY18 revenue:	8%

Vineyards

Properties:	7
Value:	$46.8m
Lessee:	TWE
WALE:	8.9 yrs
FY18 f'cast rent:	$3.5m
% of FY18 revenue:	7%

Poultry

Properties:	17 farms (154 sheds)
Value:	$85.7m
Lessee:	RFM Poultry
WALE:	10.3 yrs
FY18 f'cast rent:	$10.7m
% of FY18 revenue:	21%



Cotton

Properties:	1
Value:	$27.8m
Lessee:	Cotton JV
WALE:	4.8 yrs
FY18 f'cast rent:	$2.1m
% of FY18 revenue:	4%

Macadamias

Properties:	3
Value:	$8.9m
Lessees:	2007 Macgrove Project & RFM
WALE:	12.7 yrs
FY18 f'cast rent:	$0.9m
% of FY18 revenue:	2%

Almonds

Properties:	4
Value:	$311.2m
Lessees:	SHV, Olam, RFM Almond schemes & RFM
WALE:	16.4 yrs
FY18 f'cast rent:	$25.3m
% of FY18 revenue:	51%

Notes:
- Shaded areas denote different climatic zones. Source: Bureau of Meteorology (BOM). See page 33
- Forecasts rents subject to assumptions on timing of capex where applicable

Portfolio diversification (FY18f revenue)

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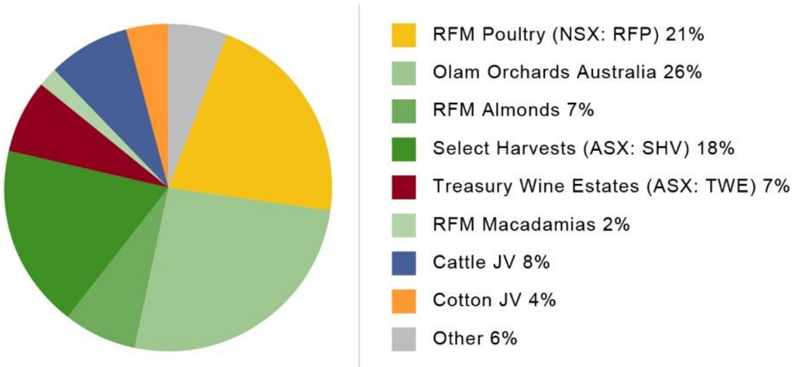
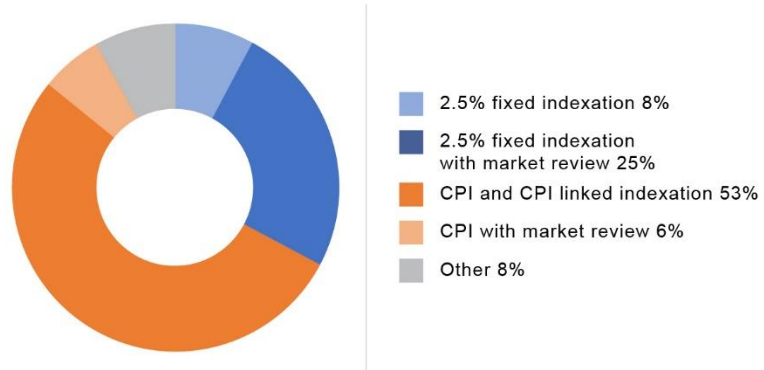
FY17 investments in cattle and cotton further enhance diversification

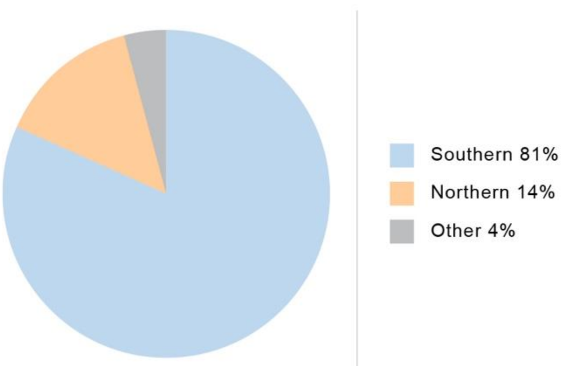
Lessees



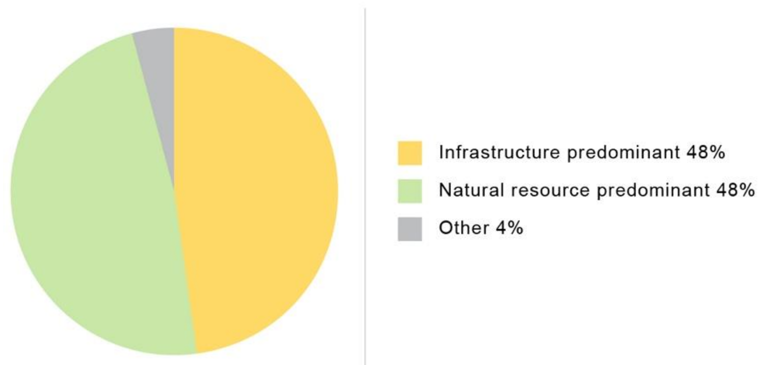
Lease indexation mechanisms



Climatic zone



Sector type[1]



Note:
1. Assumes poultry is infrastructure predominant, vineyards and cattle natural resource predominant, and almond/macadamia orchards split equally

Development and capex

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Development and capex are undertaken by lessees, funded by RFF, and attract additional income

			FY17	FY18	FY19	FY20	Total ($m)
Almonds: Kerarbury	Development	2,500 ha orchard	$46.8	$28.1	$13.7	$25.2	$113.8
Almonds: Tocabil	Development	600 ha orchard	$4.7	$4.8	$1.9		$11.4
Almonds: Yilgah & Mooral	Capex	Irrigation	$1.4	$1.2			$2.6
Cattle	Capex	Water infrastructure & pasture improvements	$1.3	$1.1			$2.3
Cotton	Capex	Water infrastructure	$2.1	$3.6			$5.7
Vineyards	Capex	Grafting	$0.4	$0.3	$0.2		$1.2
Macadamias	Capex	Irrigation & machinery	$0.9	$1.3	$0.2		$1.9
Total ($m)			**$57.6**	**$40.2**	**$15.7**	**$25.2**	**$138.7**

Development and capex update

- Kerarbury: 1,886 ha have been planted to date, 614 ha remaining
- Tocabil: 600 ha plantings complete, remaining funding for establishment costs and water
- Cattle: see page 15
- Cotton: see page 16
- Vineyards: 32 ha of 69 ha grafting and redevelopment program agreed with TWE completed
- Macadamias: irrigation automation scheduled to be complete FY18

Cattle properties update

Cattle properties are being further developed to increase productivity, value and AFFO

- The properties currently hold 27.5% more Adult Equivalents (AE) compared to the initially assessed capacity
- The increase is a consequence of management intensity with limited gains to date from productivity capex
- Fig 1 details capex deployed FY17 and forecast for FY18. RFM models that this may further improve carrying capacity by approx. 6,000AE, or 25%
- RFM has identified additional cattle properties that present opportunities for productivity development, driven by; demographics, capital constraints and improving markets

Fig 1: Productivity capex

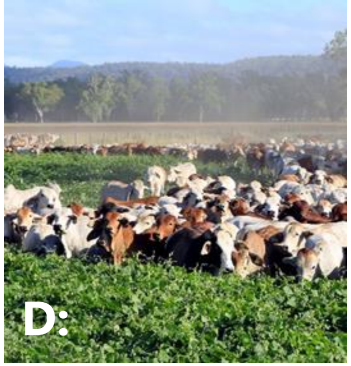
	FY17	FY18f	Total
Gulf properties			
A: Water points	4	12	118
B: Pasture improvement	20,000 ha	-	40,000 ha est.
Central Qld property			
C: Water points	10	30	82
D: Cultivation area	668 ha	1,222 ha	3,720 ha
E: Pasture improvement	-	190 ha	675 ha

Productivity developments

Existing water point in Gulf, June 2017

Stylo aerially sown in December 2016, June 2017

Installation of a water trough, June 2017



Cattle grazing in cultivated area, June 2017

Established Leucaena, May 2017

Cotton property update

Lynora Downs expansion program progressing to schedule

- Stage 1 development update:
  - 4,250ML water storage cell scheduled to be complete 1H18
  - 400 ha irrigated cotton development scheduled to be complete 1H18 (1,180 ha irrigated in total)
- Stage 1 development will improve productivity, lower cost of production and improve reliability
- Potential for a Stage 2 development to further expand water storage and irrigated cotton area
- RFM is continuing to target and analyse cotton investment opportunities in Central Qld and areas of NSW

Lynora Downs (cotton property)

Water storage development, May 2017

Irrigated cotton, June 2017

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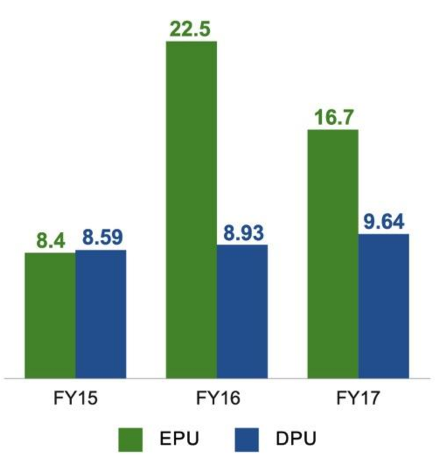
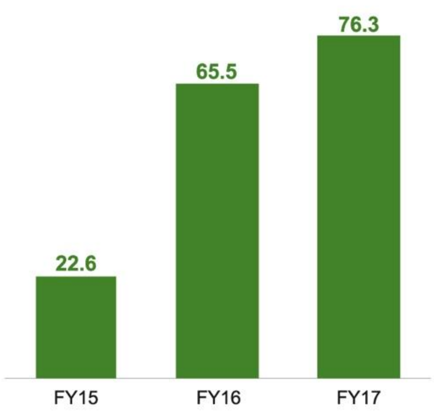
Growth has contributed to strategic objectives

- Management of the existing portfolio and expansion through acquisitions with the aim of:
  - increasing earnings and distribution growth (target DPU growth 4% p.a.);
  - enhancing diversification;
  - improving liquidity; and
  - lowering operating costs per unit
- Principles when assessing acquisitions (see page 31 for further details):
  - Long term leases and quality tenants
  - Sustainable agricultural sectors
  - Diversification by sector and climate
  - Opportunities to improve property value and lease income
  - Sectors where RFM has operational knowledge

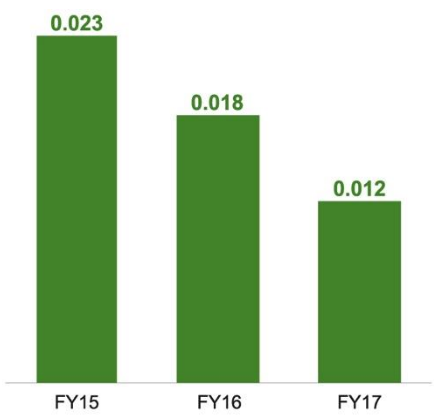
EPU[1] & DPU (cents)



Liquidity (units traded - mil)



Fund overheads per unit[2]



Notes:
[1] EPU calculated Total Comprehensive Income / weighted average units
[2] Calculated as 'other expenses' from Statement of Comprehensive Income divided by weighted average units on issue

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4 Outlook

Water point, Mutton Hole, Gulf of Carpentaria, QLD, June 2017

Forecasts

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FY18 forecast DPU consistent with 4% p.a. target growth

- RFF has a target of 4% p.a. DPU growth. This is supported by a combination of a low payout ratio and AFFO growth from:
  - annual lease indexation; combination of fixed and CPI linked
  - market rent reviews; Treasury Wine Estates Ltd, Select Harvests Ltd, and Cattle JV
  - reinvestment of retained cash; FY18 forecast retained AFFO 20%
  - future acquisitions; gearing currently 28.5% vs target 35% (plus or minus 5%)
- Retained AFFO also provides scope for RFM to consider investments with capital growth potential, therefore lower initial yield, whilst still supporting DPU growth through lease indexation and market rent reviews
- Over time RFM will seek to increase the number of leases with market rent reviews (monetising capital growth) with the aim of growing AFFO at a greater rate than DPU target growth

Key forecasts FY18

AFFO per unit	12.5 cents
Distributions per unit (DPU)	10.03 cents
Payout ratio	80%
FY18 distribution growth rate	4%
Distribution payment frequency	Quarterly
Forecast income yield[1]	5.0%
Forecast tax deferred component to DPU[2]	>50%

Notes:
[1] FY17 forecast DPU of 10.03 cents divided by 14 August 2017 closing price of $2.01
[2] FY18 distributions are expected to continue to have a majority tax deferred component arising from almond development capital expenditure

Acquisition strategy

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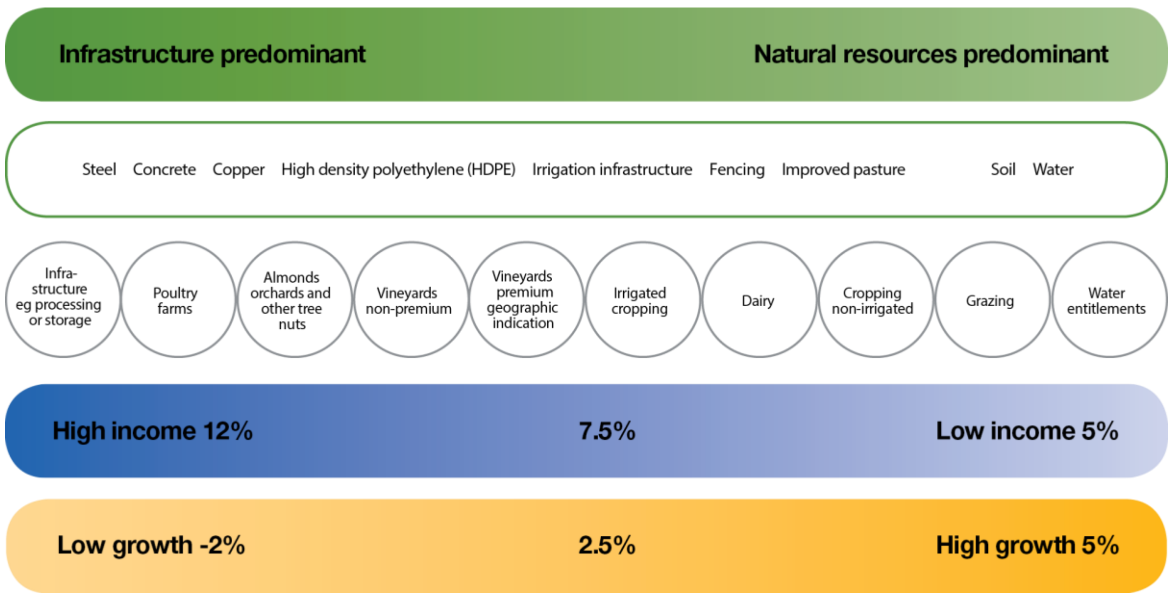
Strategy to invest across the full range of the asset continuum, whilst ensuring the asset mix continues to fund distributions (Explanatory Memorandum, October 2013)

Spectrum of investment opportunities[1]



- When assessing investments RFM models total return. This method has the benefit of capturing both capital movements and long term AFFO growth
- RFM's assessment of multiple sectors across the spectrum concludes that natural resource predominant assets currently have a higher return potential due to:
  - ability to improve productivity of natural resource assets (drivers discussed pages 15-16); and
  - recently, more capital seeking to invest in agricultural assets, particularly infrastructure, reducing income returns

Note:
[1] The income and growth figures presented in the figure above have been provided to differentiate the profile of income and growth that can be derived from different assets. They are based on RFM's experience and observations of agricultural lease transactions and historical rates of growth. They are neither forecasts nor projections of future returns. Past performance is not a guide to future performance. See RFM Newsletters dated April 2014 and May 2016 for further information

Areas of focus for management

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RFM continues to oversee and manage existing assets, including capex and developments, while pursuing new investments and lessees

- Management of the existing portfolio and expansion through acquisitions with the aim of increasing; earnings/distribution growth, diversification, liquidity and scale

- Key areas of focus for FY18:

1. Identify assets which meet or exceed hurdle rates and support long term DPU growth
    a) final transaction documents being negotiated on the Qld cattle property announced 8 June 2017
    b) other acquisition opportunities in the cattle and cotton sectors currently being assessed

2. Identify long term leasing opportunities for the Murrumbidgee HS water entitlement, likely to be in conjunction with a horticultural development. In the interim, sell the FY18 allocation, prices currently around $120/ML to $150/ML

3. Continue work with Olam on almond orchard developments

4. Identify suitable productivity capex opportunities for existing assets to increase value and lease income

5 Appendices

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Baled raw cotton ready for delivery to Qld Cotton for ginning, Lynora Downs, Queensland, March 2017

FY17 results – comprehensive income

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Summarised statement of comprehensive income

	12 mths ended 30 June 2017 $	Restated[1] 12 mths ended 30 June 2016 $
Property revenue	41,573,000	26,549,000
Revenue	**41,573,000**	**26,549,000**
Other income	72,000	76,000
Share of net profit – equity accounted investments	1,304,000	61,000
Property expenses	(1,473,000)	(1,256,000)
Other expenses	(2,494,000)	(2,763,000)
Management fees	(4,393,000)	(3,165,000)
Property revaluations – Investment property	17,191,000	3,343,000
Property revaluations – Bearer plants[1]	(2,498,000)	(9,029,000)
Finance costs	(7,891,000)	(5,612,000)
Change in fair value of derivatives	5,311,000	(7,116,000)
Depreciation and impairments	(1,568,000)	(939,000)
Gain/(loss) on sale of assets	33,000	290,000
Profit before tax	**45,167,000**	**439,000**
Income tax (expense)/benefit	(1,841,000)	(922,000)
Profit after tax	**43,326,000**	**(483,000)**
Other comprehensive income[1]	(9,088,000)	35,257,000
Total comprehensive income	**34,238,000**	**34,774,000**
Earnings per unit	16.73 cents	22.46 cents

- Property revenue has increased primarily as a result of acquisitions, planned capital expenditure and rental indexation mechanisms
- Share of net profit relates to revaluation and lease income of Perth Markets Ltd, realised for $6.1m in Feb 2017
- Scale advantages being achieved on property and overhead expenses on a per unit basis
- Investment property revaluations primarily relates to almonds and vineyards, based on holding water entitlements at cost
- Finance costs increase reflect larger facility, offset by lower interest rates and banking margins
- Income tax relates to RF Active and AWF[2]. RFT treated as a flow through trust for tax purposes

Note:
[1] Restatement relates to accounting policy change for bearer plants. Bearer plants previously recognised as biological assets are now recognised under plant and equipment. Revaluations can now be taken through other comprehensive income, previously through property revaluations. FY17 includes a decrement to bearer plants through other comprehensive income of $9.1m.
[2] RFM Australian Wine Fund (AWF) is a subsidiary of Rural Funds Trust (RFT) that has formed a tax consolidated group

FY17 results - AFFO

Managed by: Rural Funds Management

Composition of AFFO (pre-tax)

	12 mths ended 30 June 2017 $	Restated[1] 12 mths ended 30 June 2016 $
Property revenue	41,573,000	26,549,000
Property expenses	(1,473,000)	(1,256,000)
Net property income	**40,100,000**	**25,293,000**
Other income	72,000	77,000
Share of net profit – equity accounted investments	205,000	61,000
Other expenses	(2,494,000)	(2,311,000)
Management fees	(4,393,000)	(3,165,000)
EBIT	**33,490,000**	**19,955,000**
Finance costs	(7,891,000)	(5,612,000)
Adjusted funds from operations	**25,559,000**	**14,343,000**
AFFO per unit[2]	12.51 cents	9.26 cents
Distributions per unit	9.64 cents	8.93 cents

- AFFO is pre-tax and excludes fair value adjustments, depreciation and impairment to represent RFF's property rental business
- Adjustment to FFO only pertains to tax expense
- AFFO higher due to increase in revenue from new acquisitions (cattle and cotton), capex (almonds) and rental indexation mechanisms (Select Harvests Ltd rent review)
- Property leases are largely triple net. Direct property costs of $0.4m incurred FY17, $0.1m forecast FY18
- Scale advantages being achieved on property and overhead expenses

Notes:
[1] Restatement relates to accounting policy change for bearer plants
[2] Based on the weighted average number of units on issue during the year

Managed by: Rural Funds Management

FY17 results - reconciliation of net profit

Reconciliation of net profit before tax to AFFO

	12 mths ended 30 June 2017 $	Restated[1] 12 mths ended 30 June 2016 $
Net profit before income tax	45,167,000	439,000
Adjusted for:		
Property revaluations	(14,693,000)	5,686,000
Property revaluation - associate	(1,099,000)	-
Change in fair value of derivatives	(5,311,000)	7,116,000
Depreciation and impairment	1,568,000	939,000
Gain on sale of assets	(33,000)	(290,000)
One-off transaction costs	-	452,000
AFFO	**25,559,000**	**14,342,000**
AFFO per unit[2]	**12.51 cents**	**9.26 cents**

- Non cash items added back to reconcile net profit before tax to AFFO
- Major items for FY17
  - $14.7m property revaluations largely due to revaluation of almond orchards
  - $1.1m share of net profit of associate (Perth Markets Ltd) attributable to change in fair value of investment property, excludes lease income
  - $5.3m unrealised gain on interest rate hedges

Notes:
[1]Restatement relates to accounting policy change for bearer plants
[2]Based on the weighted average number of units on issue during the year

FY17 results - summarised balance sheet

Managed by: Rural Funds Management

Summarised balance sheet

	As at 30 June 2017 $	Restated[1] As at 30 June 2016 $
Cash	3,838,000	3,034,000
Property investments	527,398,000	351,691,000
Plant and equipment	5,127,000	4,178,000
Equity accounted investments	-	9,041,000
Deferred tax assets	-	1,120,000
Other assets	6,640,000	9,975,000
Total assets	**543,003,000**	**379,039,000**
Interest bearing liabilities		
- Current	3,204,000	3,030,000
- Non-current	164,500,000	146,500,000
Derivative financial liabilities	3,878,000	9,190,000
Deferred tax liabilities	603,000	-
Other liabilities	13,140,000	12,455,000
Total liabilities	**185,325,000**	**171,175,000**
Net assets	**357,678,000**	**207,864,000**
Units on issue	254,380,898	165,357,290
NAV	1.41	1.26
Adjustment for water entitlements fair value	0.17	0.17
Adjusted NAV	1.58	1.43

- Net assets $357.7m
- NAV per unit $1.41
- Adjusted NAV per unit $1.58
- Equity raising totalling $61.0m undertaken in July 2016 and $78.6m undertaken in June 2017
- Units on issue increased by 89,023,608
- Change in total assets primarily due to:
  - cattle properties and breeding herd acquisition $53.7m
  - Murrumbidgee high security water acquisition $34.4m
  - cotton property acquisition $26.6m
  - almond orchard development - Kerarbury $46.8m
  - almond orchard development - Tocabil $5.4m
  - disposal of equity accounted investments in Perth Markets Ltd and RFM StockBank ($9.0m)
- Total interest bearing liabilities $167.7m
- Gearing 28.5%

Notes:
[1]Restatement relates to accounting policy change for bearer plants

FY17 results - total assets reconciliation

Managed by: Rural Funds Management

Total assets reconciliation

	Investment property $	Bearer plants[1] $	Intangible Assets[2,4] $	Financial assets[3,4] $	Other assets $	Total $	Adjustment for water entitlements at fair values[2,4] $	Adjusted total assets $
Balance as at 30 June 2016	**168,951,000**	**113,206,000**	**59,691,000**	**9,843,000**	**27,348,000**	**379,039,000**	**28,415,000**	**407,454,000**
Additions – Cattle	42,775,000	-	-	-	-	**42,775,000**	-	**42,775,000**
Additions – Cotton	25,013,000	-	3,672,000	-	-	**28,685,000**	-	**28,685,000**
Additions – Almond orchard (Kerarbury)	17,299,000	16,182,000	10,440,000	2,888,000	-	**46,809,000**	-	**46,809,000**
Additions – Almond orchard (Tocabil)	1,170,000	3,068,000	461,000	-	-	**4,699,000**	-	**4,699,000**
Additions – Murrumbidgee HS Water	-	-	34,435,000	-	-	**34,435,000**	-	**34,435,000**
Additions net of disposals	1,384,000	424,000	756,000	-	-	**2,564,000**	-	**2,564,000**
Depreciation and impairments	-	-	(717,000)	-	(851,000)	**(1,568,000)**	-	**(1,568,000)**
Fair value adjustment[5]	17,191,000	(11,687,000)	-	-	-	**5,504,000**	**16,128,000**	**21,632,000**
Breeder herd lease[6]	-	-	-	10,953,000	-	**10,953,000**	-	**10,953,000**
Other movements	-	-	-	-	(10,892,000)	**(10,892,000)**	-	**(10,892,000)**
Balance as at 30 June 2017	**273,783,000**	**121,193,000**	**108,738,000**	**23,684,000**	**15,605,000**	**543,003,000**	**44,543,000**	**587,546,000**

Notes:

[1] Previously classified as biological assets due to change in accounting policy

[2] Accounting standards and ASIC guidance require water entitlements to be recorded as intangible assets, and held at the lower of cost or fair value. The adjustment for water entitlements shows the adjustment to the fair value of the water entitlements held

[3] Relates to water entitlements held as part of the investment in Barossa Infrastructure Limited and Coleambally Irrigation Co-operative Limited, which are accounted for as financial assets

[4] Water entitlements totalling 101,925 ML held by the Group representing a fair value of $166.0m or 28% of total adjusted assets

[5] Fair value adjustments as part of 30 June 2017 valuations. Reallocation between investment property and bearer plants based on increases in the value of almond orchards

[6] Breeder herd lease structured as a finance lease with no price risk impact on lessor associated with movements in value of the breeder herd (approx. 11,000 head). Herd dynamics must be maintained during lease term (measured primarily by independent value, average age and livestock condition) tracked by NLIS system

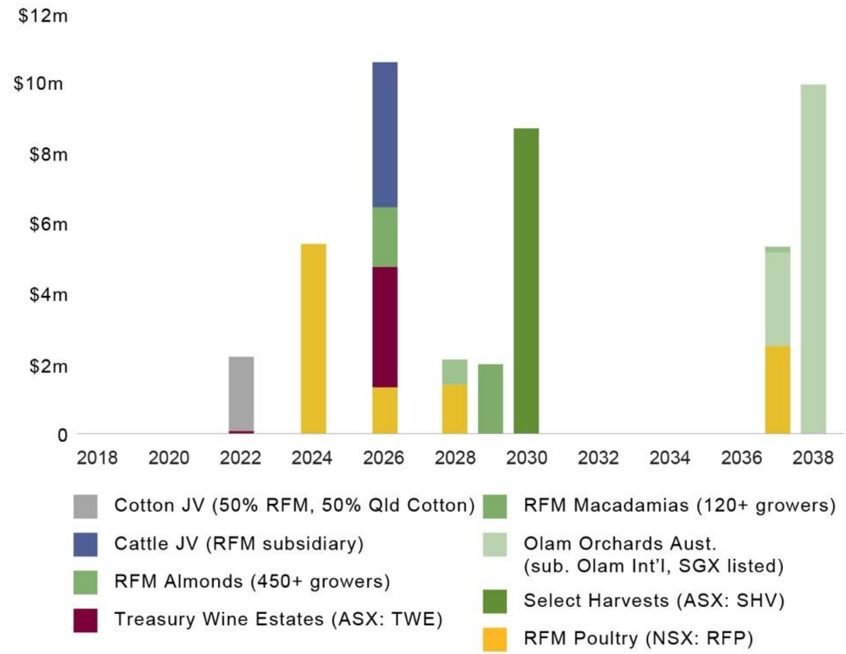
Rural Funds Group (ASX:RFF)

Managed by: Rural Funds Management

Key information as 30 June 2017

Adjusted total assets[1]	$587.5m
Adjusted net assets[1]	$402.2m
Adjusted NAV per unit[1]	$1.58
Market capitalisation ($2.01 per unit)[4]	$511.3m
Number of properties	35
Number of agricultural sectors	6
Weighted average lease expiry (WALE)[2]	13.2 years
Gearing[3]	28.5%
AFFO per unit (FY18 forecast)	12.5 cents
Distributions per unit (FY18 forecast)	10.03 cents
Distribution payment frequency	Quarterly
Forecast distribution yield (paid quarterly)[4]	5.0%
FY18 forecast distribution growth	4%

Weighted average lease expiry profile[2]



Notes:
[1] Adjusted assets incorporates most recent independent property valuations, inclusive of water entitlements
[2] Lease expiries weighted by forecast FY18 rental income, expressed in years from 30 June 2017
[3] Gearing calculated as external borrowings/adjusted total assets
[4] Calculated using 14 August 2017 closing price of $2.01

Key assets and counterparts

	Almond orchards	Poultry farms	Vineyards	Cattle assets	Cotton assets
					
Brief description:	1,814 ha mature almond orchards and 3,100 ha of orchards under development	154 sheds on 17 farms	666 ha mature vineyards on seven properties	Three cattle properties and breeding herd	4,880 ha cropping property
Water:[1]	80,065 ML HSE: 67,399 ML	1,432 ML HSE: 915 ML	948 ML HSE: 948 ML	70 ML HSE: 70 ML	18,487 ML HSE: 12,085 ML
Valuation[2]**:**	$311.2m	$85.7m	$46.8m	$43.6m properties + $11.0m cattle	$27.8m
FY18 forecast rent:	$25.3m	$10.7m	$3.5m	$4.2m	$2.1m
Key lessees/ counterparts:	**Olam Orchards Australia Pty Ltd** - wholly owned subsidiary of SGX-listed Olam International Ltd, A$5.6b, 2nd largest global almond grower **Select Harvests (ASX:SHV)** - Australia's largest vertically integrated nut and health food company **RFM**	**RFM Poultry (NSX: RFP)** - RFP has grower contracts with Baiada Poultry Pty Ltd and Turi Foods **Baiada Poultry Pty Ltd**[3] - One of two largest processors in Australia. Key brands: Steggles, Lilydale **Turi Foods Pty Ltd** - Largest processor in Victoria, third in Australia	**Treasury Wine Estates (ASX:TWE)** - World's largest listed pure-play wine company, A$9.2b - Key brands: Penfolds, Wolf Blass, Seppelt	**Cattle JV Pty Ltd** - Wholly owned subsidiary of RFM (step-in obligation in the event of lessee default) - RFM's internal cattle expertise (7 yrs) enhanced by external consultants	**CotJV Pty Ltd** - 50:50 joint venture between Queensland Cotton and RFM - Queensland Cotton is a wholly owned subsidiary of the Olam Group, one the world's largest cotton companies - RFM has been farming cotton for approx. 20 yrs

Notes:
[1] HSE = high security equivalent water entitlements, calculated by applying RFM's assessment of the average annual allocation received based on historical data. Other key water assets include a 9,549 ML Murrumbidgee high security water entitlement, see ASX disclosure 10 Oct 2016
[2] Independent valuations obtained at 30 June 2017 for almonds (except Tocabil), gulf cattle and cotton properties. Valuations include water entitlements held at fair value. Poultry farms use directors valuation consistent with managements approach to depreciate assets. Macadamia's valued at $8.9m, FY18 forecast rent $0.9m

Key assets and leases further details

Managed by: Rural Funds Management

	Almond orchards	Poultry farms	Vineyards	Cattle assets	Cotton assets
Description:	1,814 ha across two mature almond orchards located near Hillston, NSW. Leased to SHV (1,221 ha), RFM Almond Funds (551 ha) and RFM (42 ha). 3,100 ha of orchards under development in two locations; Hillston & Darlington Point, NSW. Developed and leased by Olam Orchards Australia Pty Ltd.	154 sheds on 17 farms consisting of 134 sheds on 13 farms in Griffith, NSW, and 20 sheds on 4 farms in Lethbridge, VIC. Aged between 8 and 32 years. Griffith assets located within a 8km radius of the processing facility and contribute ~50% throughput. RFM has managed growing operations since 2003.	Seven vineyards with 666 ha planted to vines leased to TWE. Principally located in the Barossa Valley (499 ha planted primarily to Shiraz) as well as Adelaide Hills, Coonawarra and Grampians. Vineyards have historically contributed essential quantities of Icon, A and B grade fruit for key premium labels.	Three cattle properties forming an integrated breeding to finishing system. Two breeding properties located in the Gulf of Carpentaria, Qld (225,800 ha) and breeding herd. High value backgrounding and finishing property (17,500 ha) located in central Qld.	4,880 ha cropping property located at the northern end of the Arcadia Valley in central Queensland, approximately 130 radial km from Olam cotton gins in Emerald and Moura.
Capital commitments:	– R&M on account of lessee – Development and replacement capital items on account of lessor subject to additional lease income	– R&M and ongoing capital expenditure on account of lessee	– R&M on account of lessee – Development and replacement capital items on account of lessor subject to additional lease income and rent review	– R&M (inc herd maintenance) on account of lessee – Capital expenditure on account of lessor subject to additional lease income	– R&M on account of lessee – Capital expenditure on account of lessor subject to additional lease income
WALE[1]:	16.4 yrs	10.3 yrs	8.9 yrs	9.0 yrs	4.8 yrs
Indexation / market review:	RFM & SHV: 2.5% p.a. & SHV 3 yearly market review. Olam: CPI	65% of CPI capped at 2%	2.5% p.a. and market review on 1 July 2022	CPI + EYCI based indexation & market review at yr 5 (property)	CPI
Payment freq:	Quarterly in advance[2]	Quarterly in advance	Quarterly in arrears	Quarterly in advance	Quarterly in advance
Valuer:	CBRE Valuations Colliers International (Tocabil only)	Opteon Property Group	Gaetjens Pickett Valuers	CBRE Valuations (Central Qld) Herron Todd White (Gulf)	CBRE Valuations
Valuation methodology:	Primary: Encumbered Secondary: DCF grower cash flows & comparative sales	Primary: Encumbered Secondary: Multiple direct farm profit & comparative sales	Primary: Encumbered Secondary: Comparative sales	Primary: Encumbered Secondary: Comparative sales	Primary: Encumbered Secondary: Comparative sales

Notes:
[1] Lease expiries weighted by forecast FY18 rental income
[2] Excludes AF06 which pays annually in October

Strategy

Managed by: Rural Funds Management

Diligent management of existing assets and examination of acquisition opportunities

Key principles underpinning assessment of acquisition opportunities

1	Maintain **agricultural REIT** structure	✓	Acquire properties with income secured by long-term leases to quality tenants without the agricultural operating risks associated with a direct investment
2	Manage **good assets** with **good people**	✓	Acquire quality properties in sectors that Australia possesses a competitive advantage, longevity and scale
3	Enhance **sector diversification**	✓	Increase exposure to natural resource "growth" assets
4	Enhance **climatic diversification**	✓	Strategic geographic diversification and introduction of new counterparties in different climatic zones
5	Identify investments which may benefit from **productivity capex**	✓	Identify productivity improvements which over time deliver asset value growth, rental growth, and improve counterparty profitability
6	Invest in sectors where RFM has **direct operational knowledge**	✓	RFM is a fund and farm manager with 20 years of experience which benefits RFF in assessing acquisitions

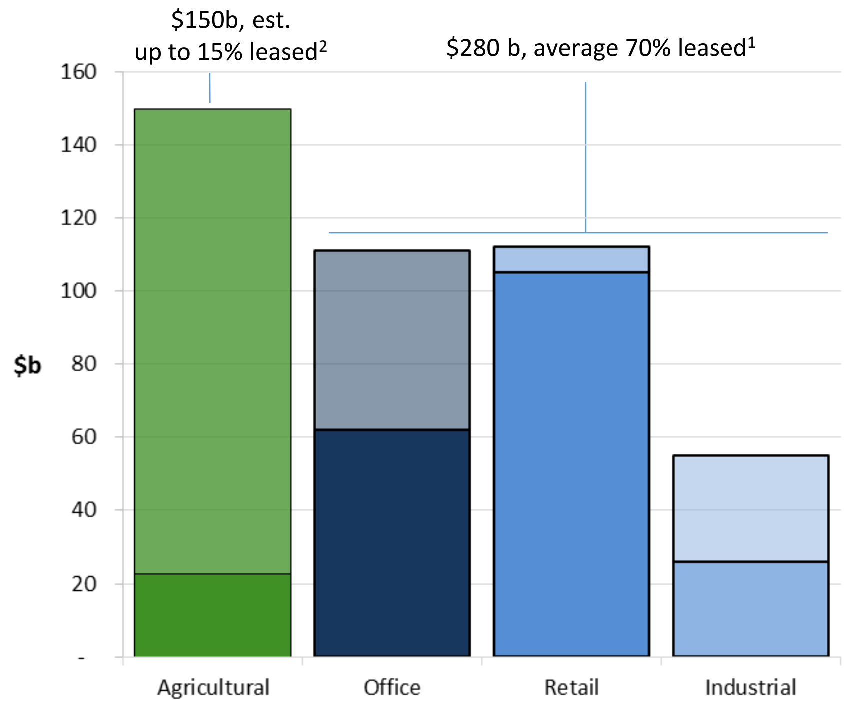
Agricultural REIT structure

Managed by: Rural Funds Management

RFF's REIT structure benefits from trends supporting agriculture and has significant expansion potential in Australia

- Macro economic trends supporting agriculture:
  - Population growth: world's population expected to increase 35% from 7 billion to 9.3 billion in 2050;
  - Emerging Asian middle class: rising wealth and incomes leading to increased calorie consumption / higher protein diets
  - Constrained global supply of agricultural land and water
- Agricultural property leasing observations:
  - Provides exposure to the income and capital growth (e.g. long term Australian agricultural land values 4.8% CAGR[3]) without the agricultural operating risks associated with a direct investment
  - Provides agricultural operators greater balance sheet flexibility
  - The sector in Australia is underserviced, e.g. US and parts of Europe approx. 40% of agricultural property is leased[4]
  - A greater potential ability to expand than traditional property sectors

Australian property sectors estimates[1]



Notes:
[1] The heavily shaded area denotes proportion of institutional ownership. Source: Higgins, Dr D.M. (2013) 'Australian Commercial Property Investment Market: Styles, Performance and Funding', RMIT University
[2] RFM estimates the value of investment grade agricultural properties in Australia to be $150b, based on available data (see RFM Newsletter April 2014). Data on the level of institutional ownership and leasing is difficult to obtain. RFM has previously estimated this level to be within 5 to 15%. Other studies include: BDO, (2015) 'An analysis: Australian Superannuation Fund Investment in Agriculture' and RIRDC (2011), Foreign investment and Australian agriculture
[3] Australian agricultural land values: 1978 to 2014
Source: ABARES - Agricultural land growth comprises growth in the value of cattle and sheep grazing properties and cropping land. Re-based to 100
[4] Stead, David. (2004) 'Agricultural Tenures and Tithes' & USDA Agricultural Resources and Environmental Indicators (2003)

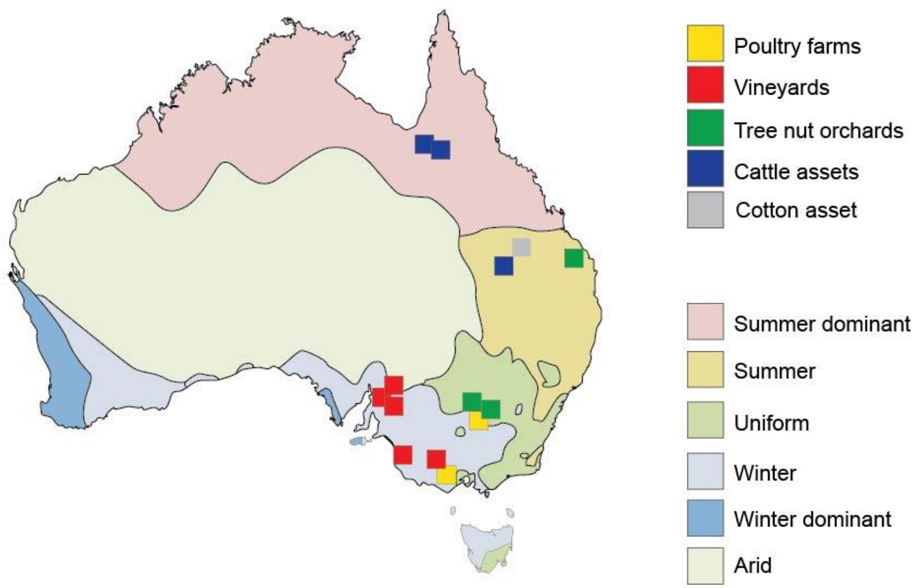
Climate diversification strategy

Managed by: Rural Funds Management

Geographic diversification reduces lessee concentration in any one climatic zone and introduces new commodities and counterparts

- The benefits of climatically diversifying RFF's portfolio include[1]:
  - Moderating the likelihood of multiple lessees experiencing wetter or drier conditions at the same time;
  - The introduction of new commodities with different production cycles and commodity prices;
  - Reduced exposure to the effects of large scale climatic systems (e.g. El Niño); and
  - Moderation of the long-term exposure to possible climate change impacts

Climatic zones and RFF assets[2]



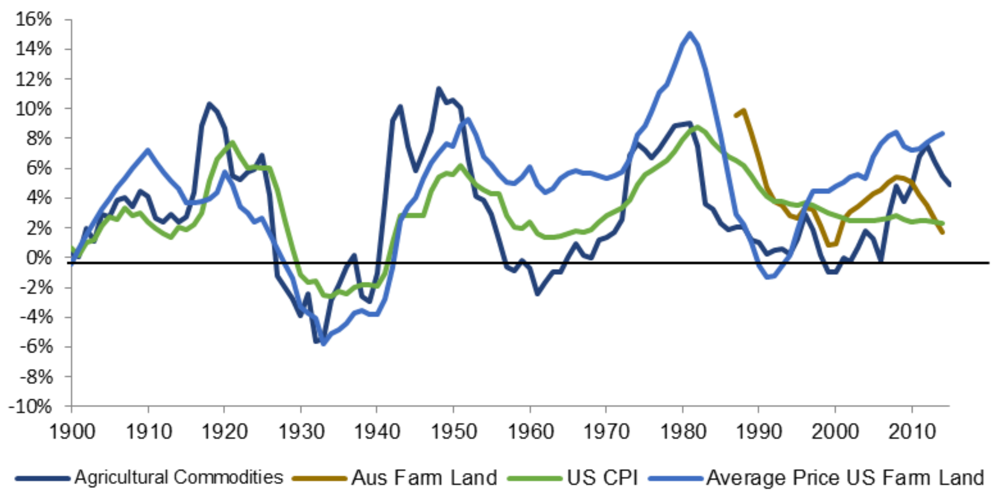
Notes:
[1] RFM (2016), RFF Climatic diversification discussion paper, see ASX announcements 9 and 20 June 2016
[2] Source: Australian Bureau of Meteorology. Based on median annual rainfall and seasonal incidence determined from the ratio of the median rainfall November to April and May to October over 100 year period from 1900-1999. RFF property locations are approximate

Productivity capex

Productivity capex aims to increase farm values, lease income and counterpart profitability

- Gains in farming productivity (e.g. via technology or science) have historically supported capital growth in farm values through increased operator profitability
- The objective of RFF's budgeted productivity capex is to:
  - increase farm values
  - increase AFFO through market rent reviews
  - improve counterpart profitability
- For example, RFM aims to increase the productivity (carrying capacity, daily weight gain and calving rates) on cattle properties purchased July 2016, through:
  - expanding existing legume plantings (see pictures right)
  - increasing existing water points

125 yrs of agricultural returns (10yr moving avg of % price change)[1]



Productivity capex examples

Legumes such as leucaena (above left) and stylo (above right) can provide substantial productivity gains[2,3]

Notes:
[1] Source: Rural Funds Management, Data sources: US Census Bureau and R.J. Schiller. See RFM Newsletter dated May & November 2015 for further information
[2] MLA (October 2015) Bannockburn PDS report: The economic performance of beef cattle finishing systems used on the North-Eastern Downs
[3] MLA (November 2011) Analysis of the potential to manipulate the rumen of northern beef cattle to improve performance

Rural Funds Management

Managed by: Rural Funds Management

RFM is a fund and farm manager with 20 years experience in Australian agriculture

Key information

Established	1997
Assets under management	Total $641m Rural Funds Group: $588m RFM Poultry: $9m Almond Funds 06-08: $34m 2007 Macgrove Project: $10m
Ownership	Directors & staff
Farm & operations staff	50
Funds management staff	35
RFM direct operational experience	Cotton: since 1998 Vineyards: since 2000 Poultry: since 2003 Almonds: since 2006 Macadamias: since 2006 Livestock: since 2010
RFF fee structure	1.05% p.a. adjusted gross assets & cost recovery
RFF key responsibilities	• Compliance to financial, farming and reporting requirements of leases • Water asset management including obtaining approvals, engagement with government • Management of infrastructure e.g. ongoing and development capex • Coordination of regular independent valuations • Facilitating acquisitions • Managing lessee/customer relationships

Board and management team contacts and tenure

Guy Paynter
Non-Executive Chairman
8 yrs

David Bryant
Managing Director
20 yrs

Michael Carroll
Non-Executive Director
8 yrs

Julian Widdup
Non-Executive Director
1 yr

Stuart Waight
Chief Operating Officer
15 yrs

Andrea Lemmon
Executive Manager, Funds Management
20 yrs

Daniel Yap
Financial Controller
6 yrs

Dan Edwards
Business Manager Rural Funds Group
13 yrs

Tim Sheridan
Snr Analyst & Nat. Mgr. Cattle
10 yrs

James Powell
Investor Relations & Distribution Manager
10 yrs

Corporate information

Managed by: Rural Funds Management

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Rural Funds Management

managing good assets with good people

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