

## ASX Release

21 February 2019

### Subject: HY19 financial results release

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Rural Funds Management Ltd (RFM), as responsible entity and manager of the Rural Funds Group (RFF), is pleased to announce the HY19 financial results. Key financial and portfolio highlights from the period include:

Financial results highlights (compared to the prior corresponding period):

- Earnings of 7.73 cents per unit (cpu) – up 17%.
- Adjusted funds from operations (AFFO) of 6.4 cpu – up 7%.
- Distributions per unit (DPU) of 5.22 cents – up 4%.
- Pro forma gearing of 33% – compared to a target of 30-35%.

Capital management highlights:

- Term debt facility limit increased, and tenor extended to include expiries in two tranches:
  - \$200m three-year facility which expires November 2021 (FY22); and
  - \$100m five-year facility which expires in November 2023 (FY24).

Portfolio highlights:

- Weighted average pro forma lease expiry of 11.4 years.
- 49 properties (pro forma) across six agricultural sectors and multiple climatic zones.
- Forecast capital expenditure of \$51.2m to FY20 inclusive, to attract additional rent.
- Increased frequency of rental reviews following new acquisitions.
- Continued geographic, climatic and sector diversification.

The half year results included pro forma figures to adjust for four properties which had not settled by 31 December 2018.

In July 2018 RFM conducted an Entitlement Offer to raise \$149.5m at \$1.95 per unit to fund two transactions with JBS Australia Pty Ltd and the acquisition of a cattle property. The Entitlement Offer provided up to \$100.0m of balance sheet capacity for further acquisitions, based on a target gearing limit of 35%.

Between August 2018 and February 2019 RFM announced the acquisition of four additional cattle properties and one cotton property, to be funded from balance sheet capacity. All cattle properties have productivity development potential and accompanying leases with ten-year terms with a market rent review in the fifth year.

An independent revaluation for the Kerarbury almond orchard resulted in an increase of \$15.6m, or 10% to the prior value.

Earnings were higher for the period mainly due to the independent valuation for Kerarbury, higher income resulting from acquisitions and the sale of unleased annual water allocations.

RFM will continue to oversee and manage existing assets and developments while considering new investments and lessees.

RFM confirms FY19 forecast AFFO of 13.2 cpu and distributions of 10.43 cpu – an increase of 4% compared to FY18. FY20 distribution forecast was also provided, being 10.85 cpu, representing an increase of 4% which is in line with RFM's DPU growth target.

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### **About Rural Funds Group (RFF)**

RFF owns a diversified portfolio of high quality Australian agricultural assets. RFF's investment objective is to generate a stable income stream derived from leasing its assets to suitable counterparts and capital growth through any appreciation in the value of those assets. RFF is a stapled security, incorporating Rural Funds Trust (ARSN 112 951 578) and RF Active (ARSN 168 740 805), trading under the ASX code 'RFF'. Rural Funds Management Ltd (RFM) is the responsible entity of RFF.

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For further information:

**David Bryant**  
Managing Director  
Rural Funds Management  
T 02 6203 9700  
E DBryant@ruralfunds.com.au

For media enquiries:

**Stuart Waight**  
Executive Manager  
Rural Funds Management  
T 0419 126 689  
E SWaight@ruralfunds.com.au

For investor relations enquiries:

**James Powell**  
General Manager – Investor Relations &  
Marketing  
Rural Funds Management  
T 0420 279 374  
E JPowell@ruralfunds.com.au

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