

Australian Agricultural Company Limited



**Results Presentation for the year ended
31 December 2006**



Key operational Highlights

- **AAco's system delivered certainty of supply of high quality traceable beef to its customers in a difficult year in many areas of Australia**

AAco:

- **Increased beef production by 9%**
- **Improved calving from 67% to 71%**
- **Grew the herd by 11%**
- **Undertook strategic property transactions that underpinned efficiency gains for the future.**
- **Made strategic acquisition of a Wagyu stud - this aligned with our focus on higher margin products and markets**
- **Increased wholesale meat business sales by 95% to \$78m**
- **Managed drought mitigation plans and geographic diversity which alleviated the majority of threats to the herd and to production.**



AAco Strategic Report Card - 2006

Strategy	Target	Outcome	Comment
Double the herd in 10 years	8.6% p.a increase Increase Kg of Beef Production	11% increase to 556k head Increased Kilos produced from 67m to 73m (9%)	Balanced between retained heifers and new acquisitions Better calving and genetics combined with good season
Increase carrying capacity of existing properties	20k per annum	Over 20k head retained to stock newly developed areas	Main developments have been on Breeding stations in the north.
Acquired additional properties to support planned growth	Less than 8% per annum increase	Acquired Anthony Lagoon and Eva Downs sold Wrotham Park net outcome : 3.6% increase in hectares 4.4% increase in Cattle capacity	Net herd capacity increase of approximately 25k head on more efficient properties
Focus on high value markets	Acquire Wagyu breeding capacity Expand 1824 to Asia	Acquired Westholme Wagyu stud for \$10m Launched 1824 in Japan Oct 06	Some stations reassigned to Wagyu production, initially 5,000 F1 breeders Increase throughput of 1824 cattle through locked supply chain (Chefs)
Increase branded beef / portion control business	Increase sales by 50%	Increased sales by 95%	Acquired 100% of Chefs Partner – April 06. In Nov 06 moved to new premises with quadruple the capacity
Increase calving percentages	>70%	71%	Further improvement expected.



Major Projects / Achievements in 2006

In chronological order:

Month 2006	Comment
January 2006	Settled contract to buy Marilla (adjacent to Goonoo) for \$4m
April 2006	Acquired remaining 55% to attain 100% of Chef Partner business for \$3.2m. Former CEO, Pat Dempsey joins executive team as GM Wholesale Beef
June 2006	Sold Wrotham Park Station and herd for \$53m
July 2006	Acquired Eva Downs and Anthony Lagoon for \$105m (including herd)
July/Aug 2006	Finalised acquisition of \$10m Wagyu stud herd
October 2006	Completed internal developments on Brunette Downs Rockhampton Downs et al allowing retention of further 20k head
October 2006	Increased throughput of 1824 cattle through the AAco portion control system from 250 head to 550 head / week



P&L Comparative and effect of cattle values

VALUATION IMPACTED PROFIT COMPARISON	Dec-06	Dec-05
CATTLE BUSINESS		
Revenue pre cattle valuation (SGARA*)	142,065	109,523
Operating Expenses	(96,307)	(96,932)
Contribution Pre Valuation	45,758	12,591
Value Add Business (Wholesale Beef /		
Gross Margin	10,005	5,137
Overheads	(7,375)	(4,184)
Contribution	2,630	953
Total Contribution before Cattle Valuation	48,388	13,544
Depreciation	(9,285)	(7,812)
EBIT pre Cattle Valuation	39,103	5,732
Interest	(20,190)	(16,903)
OPBT pre Cattle Valuation	18,913	(11,171)
Add / (Deduct) Cattle Valuation movement	(17,385)	32,935
Net Operating Profit Before Tax	1,528	21,764
Income tax (Expense) / Credit	8,507	(4,979)
NPAT before minorities	10,035	16,785



RECOGNITION in 2006

- **2006 Red Meat Innovation Award - 1824**



- **NAB Agribusiness Awards for Excellence 2006:**
 - **Australian Greenhouse Office Environment and Energy Management Award**
 - **Ernst and Young Risk Management Award**
- **3rd place - Best Company Investor relations Outside ASX 200**

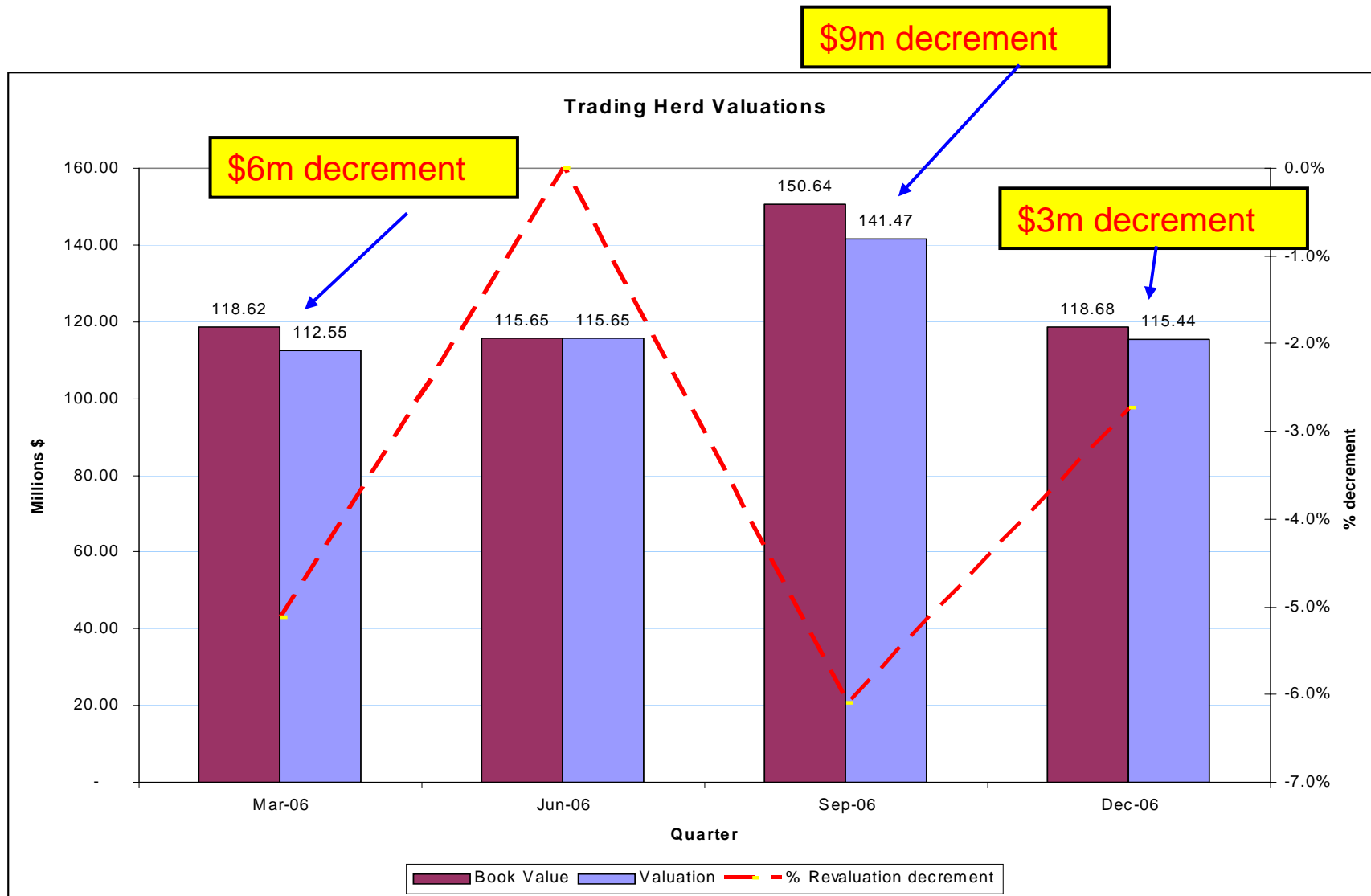


Profit and Loss details 2006

Profit and Loss Statement	Dec 03	Dec 04	Dec 05	Dec 06		
Accounting Standard Applied	AASB	AASB	AIFRS	AIFRS		COMMENT
Extracted from Accounts that have been:	Compiled	Compiled	Audited	Audited	% Var	
	\$'000	\$'000	\$'000	\$'000		
Revenue from Ordinary Activities	84,386	140,338	150,507	213,159	42%	Pre cattle valuation
Market Valuation Component of Biological Assets/SGARA	43,429	42,892	32,935	(17,385)	n/a	\$50m swing from last year
Revenue from disposal of non current assets	0	18,192	711	4,514		Profit on Sale of Wrotham Park
Less Carrying value of non current assets disposed	0	(15,913)	0	0		
Share of Associates profit	(450)	(293)	(225)	51		
Net Revenue	127,365	185,216	183,928	200,339	9%	Cattle valuation decrement - has swung back in January 07
Employee Expenses	25,113	25,347	26,408	28,831	9%	Increase capacity, wholesale beef / Chefs indirect labour
Cattle Expenses	9,474	11,885	13,692	12,834	-6%	Reduced supplements
Feedlot Cattle Expenses	28,708	26,739	25,455	28,048	10%	Increased grain prices
Other Station Operating Costs including Fuel	11,179	13,393	16,243	17,788	10%	Fuel rises, larger breeding capacity
Lease and Property Related Costs	4,904	6,100	5,933	6,382	8%	More properties
Business Development Costs	3,791	542	2,156	1,163	-46%	Tighter budget
Administration and Other costs	10,819	9,667	10,971	8,314	-24%	One off expense reductions of \$1.5m
Sub Total Operating Overheads	93,988	93,673	100,858	103,360	2%	Total Herd up 10%, \$4m in Chefs Indirect overheads spread over the above
Cost of Goods sold of value added business	2,999	28,380	36,335	65,651	81%	Sales up 95%
Total Overhead	96,987	122,053	137,193	169,011	23%	Reflects \$33m increased business activity costs in wholesale beef
Earnings before interest tax depreciation and amortisation	30,378	63,163	46,735	31,328	-33%	
Depreciation Expense	6,088	7,347	7,811	9,286	19%	More properties + Chefs Plant
Earnings before Interest and Tax	24,290	55,816	38,924	22,042	-43%	Impacted by herd revaluation
Interest Expense	6,397	12,971	17,160	20,514	20%	Borrowing for investments in property, the herd and processing
OPBT	17,893	42,845	21,764	1,528	-93%	
Income Tax Expense	7,054	11,579	4,979	(8,507)	n/a	CGT impact mostly effected at half year (30/6/06)
Net Operating Profit after Tax	10,839	31,266	16,785	10,035	-40%	
Net effect of Associate under the equity method	794	4	(6)	67		
Net profit after Tax	11,633	31,270	16,779	10,102	-40%	



Trade Cattle Price Movements during 2006



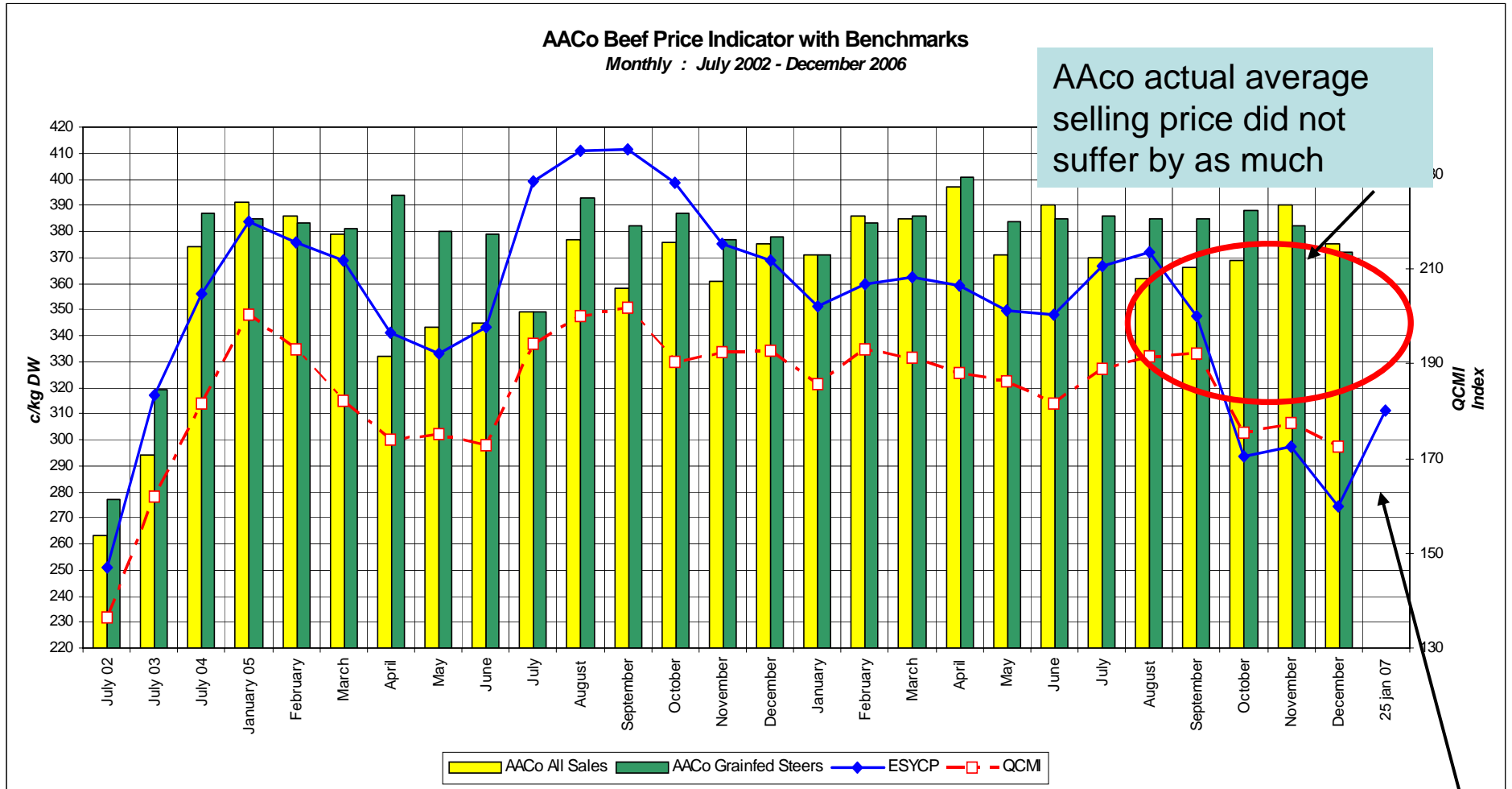


AAco Cattle Inventory Movements

AAco Herd Statistics	Dec-04	Dec-05	Dec-06
Opening Inventory	395,140	523,691	502,866
Purchases	197,099	37,948	114,903
Natural Increase	119,025	143,216	155,900
Deaths/Rations	(11,848)	(16,676)	(18,189)
Sales	(175,725)	(185,313)	(199,002)
Closing Balance	523,691	502,866	556,478
MIS Cattle		3,700	4,683
Total per Statutory Accounts	523,691	506,566	561,161



The EYCI has not been a good indicator in 2006 due to heavy weighting from drought affected southern cattle

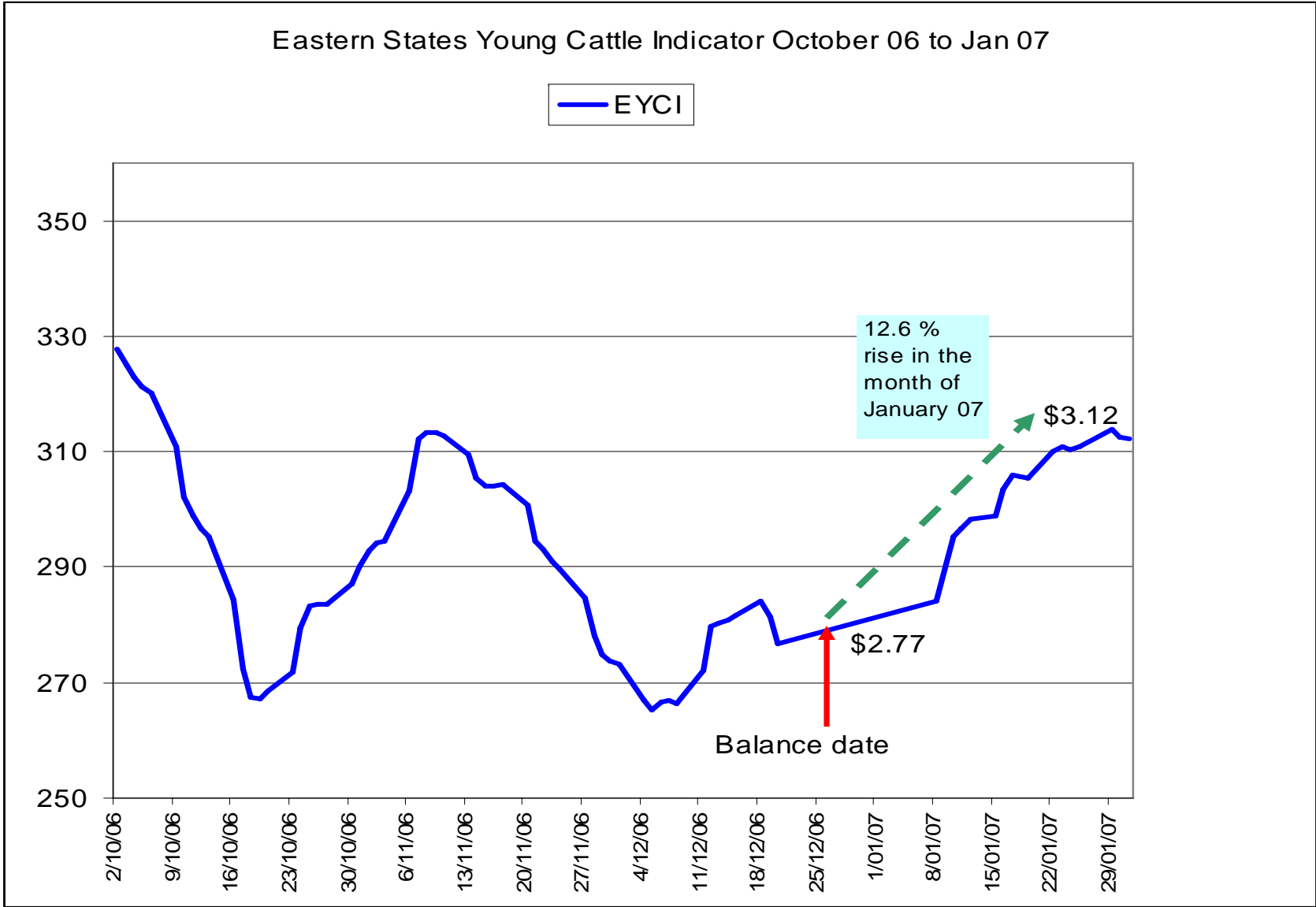


EYCI is southern biased indicator. More relevant indicators for Northern Cattle are QCMI and Roma store cattle prices – however prices were still impacted by flood of cattle in to southern markets

Bounced back by more than 10% with rain in Jan 07



Example of volatility in market pricing on a spot basis
12.6% of the AAco trade cattle herd is worth approximately \$14.5m or
EPS of 5.8 cents (post 30% notional tax)





BALANCE SHEET 2006 - ASSETS

BALANCE SHEET	31/12/2006	31/12/2005	Comment
ASSETS	\$'000	\$'000	
Current Assets			
Cash and cash equivalents	10,825	13,640	Offset difference with receivables
Receivables	9,343	6,716	as above
Interest rate swaps	1,603	-	In the money this year
Inventories	21,635	12,241	Mainly fuel stores, consumables fence wire pipe, increase grain inventory and value plus Chefs Partner chilled meat inventories
Biological assets - livestock	129,525	155,323	Lower value per head, affected by southern cattle markets
Current tax assets	3,138	284	See Non Current DTA
Other assets	451	905	
Total Current Assets	176,520	189,109	
Non-Current Assets			
Receivables	-	732	
Biological assets - livestock	276,802	217,106	Larger quantity on hand of long term animals (breeders) with minimal valuation decrement
Property, plant and equipment	586,504	487,572	Net acquisitions 60m and property reval of 41m
Investments in associates	-	588	Now Sold or acquired 100%
Investment – at cost	-	-	
Deferred tax assets	35,529	39,269	Mostly related to revaluation of Property to fair value
Intangible assets	13,711	10,755	Agistment rights + Chefs Partner Goodwill in the increase
Other assets	-	27	
Total Non-Current Assets	912,546	756,049	
Total Assets	1,089,066	945,158	overall increase of 15%



BALANCE SHEET 2006 - LIABILITIES

BALANCE SHEET LIABILITIES	31/12/2006 \$'000	31/12/2005 \$'000	Comment
Current Liabilities			
Payables	28,161	24,285	Includes Chefs payables
Provisions	2,804	2,199	
Interest bearing liabilities	57,495	11,875	Debt funding of herd retention, Wagyu expansion and working capital
Interest rate swaps	-	289	
Total Current Liabilities	88,460	38,648	
Non-Current Liabilities			
Provisions	374	399	
Interest bearing liabilities	310,213	242,745	Net funding of property acquisitions of approx \$60m
Deferred tax liabilities	107,651	104,688	Relates 50% to difference between book and tax for cattle values and 50% to CGT component of property revaluations
Total Non-Current Liabilities	418,238	347,832	
Total Liabilities	506,698	386,480	Up 31%
Net Assets	582,368	558,678	Up 4%



BALANCE SHEET 2006 - EQUITY

BALANCE SHEET EQUITY	31/12/2006 \$'000	31/12/2005 \$'000	Comment
Equity			
Issued capital	135,400	134,220	Options Exercised
Reserves	357,134	327,213	Mainly post tax increase in land of \$29m
Retained profits (accumulated losses)	89,710	97,054	Dividend paid exceeded NPAT this year by \$7m
Total parent entity interest in equity	582,244	558,487	
Total minority interest	124	191	
Total Equity	582,368	558,678	Up 4%
Debt /Debt + Equity	39%	31%	Company policy range is 35% to 40%
Debt/Equity	63%	46%	



CAPITAL EXPENDITURE 2006

Cash Flow Summary				
For the Year ended	Dec-03	Dec-04	Dec-05	Dec-06
Receipts	99,607	187,809	205,004	228,278
Payments	(109,740)	(172,825)	(170,509)	(229,719)
Interest	(6,320)	(8,179)	(15,825)	(17,199)
Tax	(5,505)	(511)	(4,005)	503
Other, GST etc	(2,063)	1,271	566	5,700
NET OPERATING CASH FLOW	(24,021)	7,565	15,231	(12,437)
Net Investing	(16,621)	(144,438)	(26,020)	(85,977)
Net Financing	40,110	143,280	16,737	95,599
Net Cash In (Out) flow	(532)	6,407	5,948	(2,815)

The planned herd retention strategy of approximately 20k head impacted cash operating cash flow by \$20m

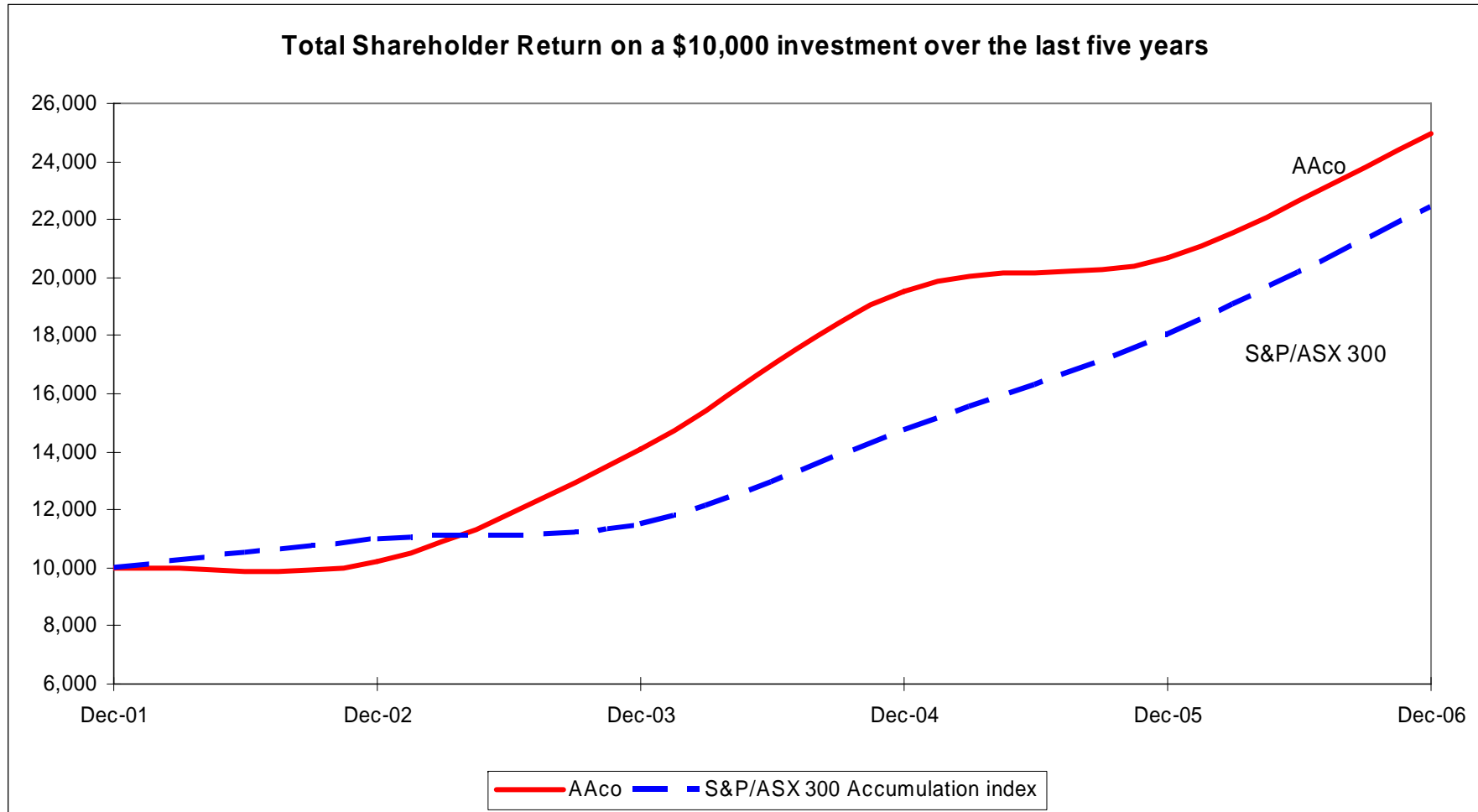


CAPITAL EXPENDITURE 2006








Capital Expenditure - Summary of cash spent		
	Dec-06	Dec-05
Internally driven capex		
Stay in Business Capex	10,540	12,093
Expansionary Capex	3,463	4,295
Development Capex	5,504	3,051
Subtotal	19,507	19,439
Externally driven Capex		
Balance of Equity in Chefs	4,006	
Wagyu stud and breeding herds	11,970	
Anthony Lagoon and Eva Downs + herd	100,382	
Sale of Wrotham park + herd	(53,533)	
Purchase of Marilla and net sundries	3,645	
Purchase of Violet Vale and sundries		8,768
Sale of Jesters Pies and other associates - net		(2,187)
Subtotal	66,470	6,581
Grand Total Invested	85,977	26,020



TSR over 5 years (based on Dec 31 close)



CATTLE PRODUCTION FACTORS 2006

Rainfall North	
South	
Grass	
Fertility	
Grain	
Genetics	
Risk Management	



12 Months to December 2006

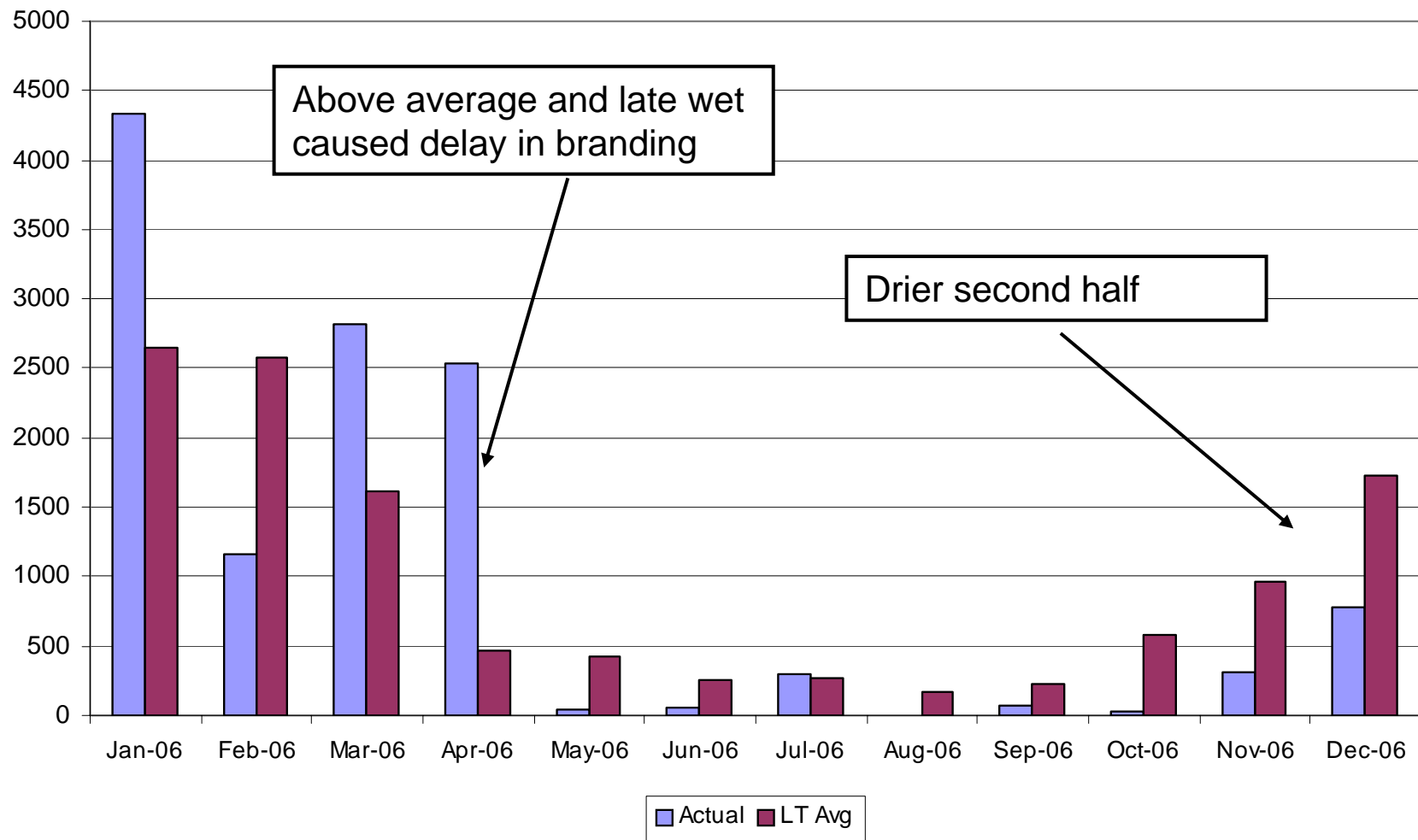
Significant operational items

- Rainfall in the first half was abundant on the northern properties, the second half however was drier than normal.
- The extensive wet allowed soil moisture to remain and augers well for the 2007 season
- Prices for store (trade) cattle have been significantly affected by forced sales in the south.
- Mark to market impact over the 12 months is -\$17m EBIT (\$12m of which was in second half). As there was (unusually) no southern rain before year end, the cattle market stayed down.
- Average Ration costs were 6% higher than 2005.



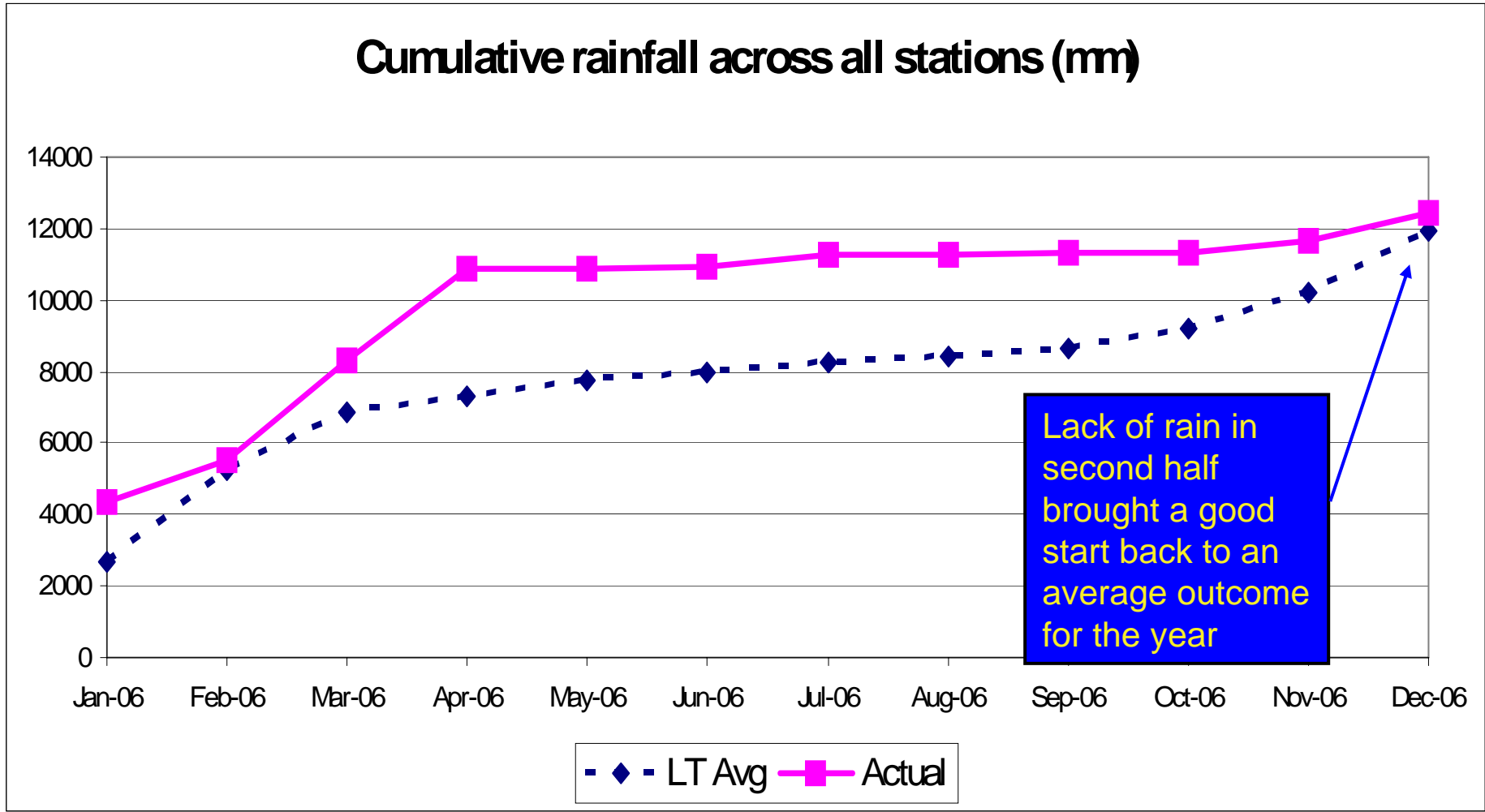
Average monthly rainfall pattern

Monthly Rainfall across all stations (mm) 2006



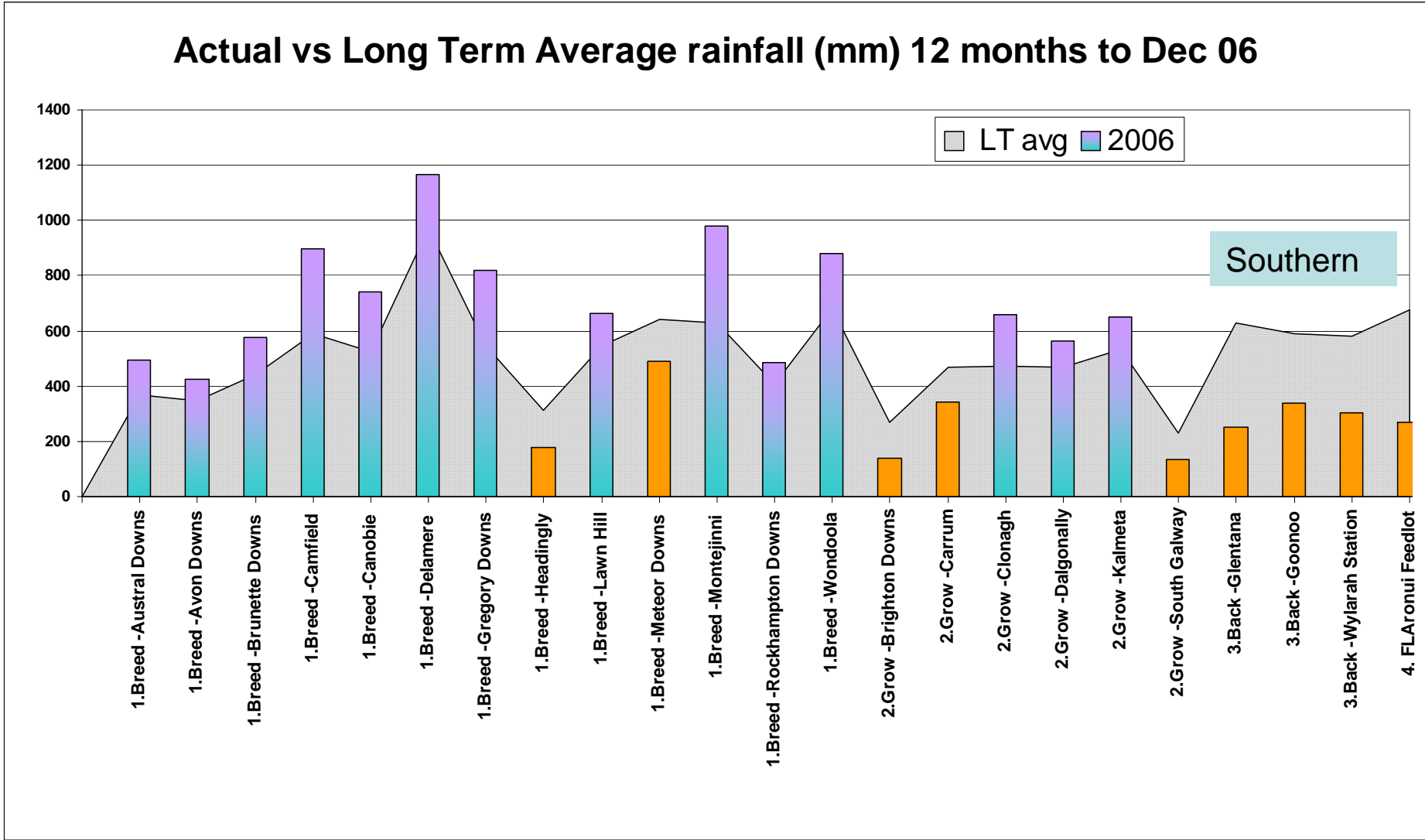


Actual rainfall pattern 2006 – overall an average outcome



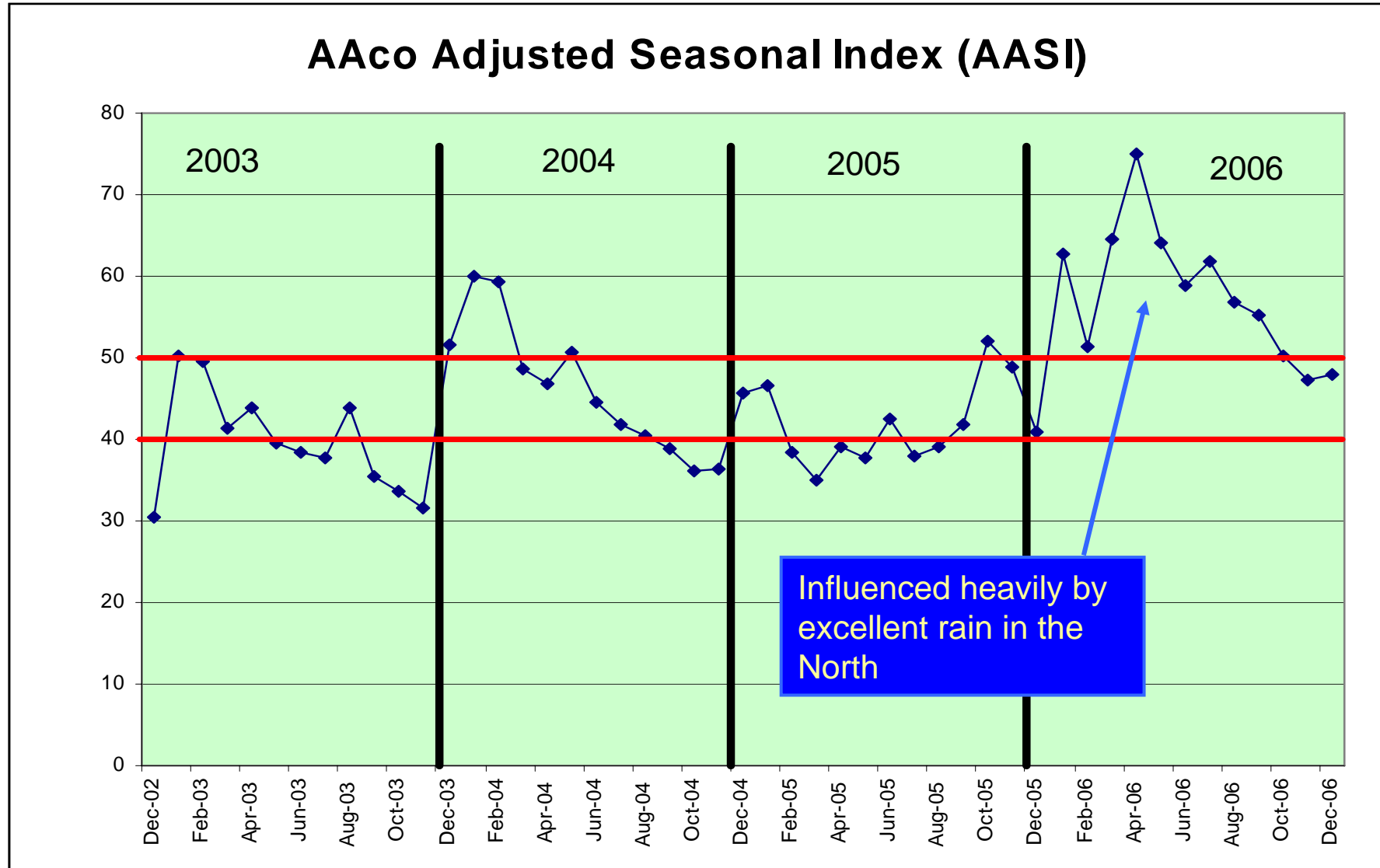


Rainfall 6 months to June 06 - very good for breeding stations – below average in the south – second half poor in all areas.



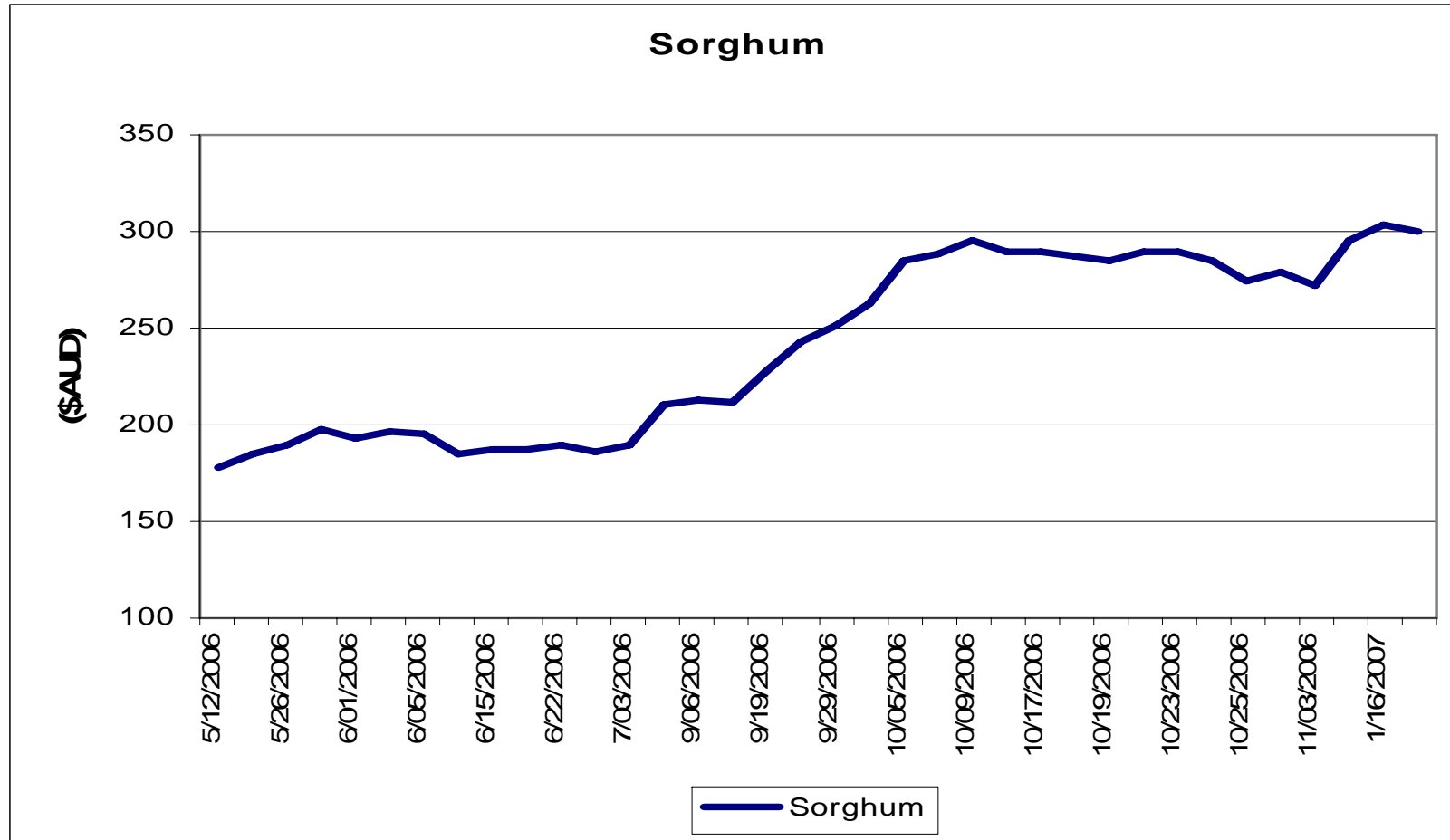


"AASI" Index up to Dec 06





Grain Prices

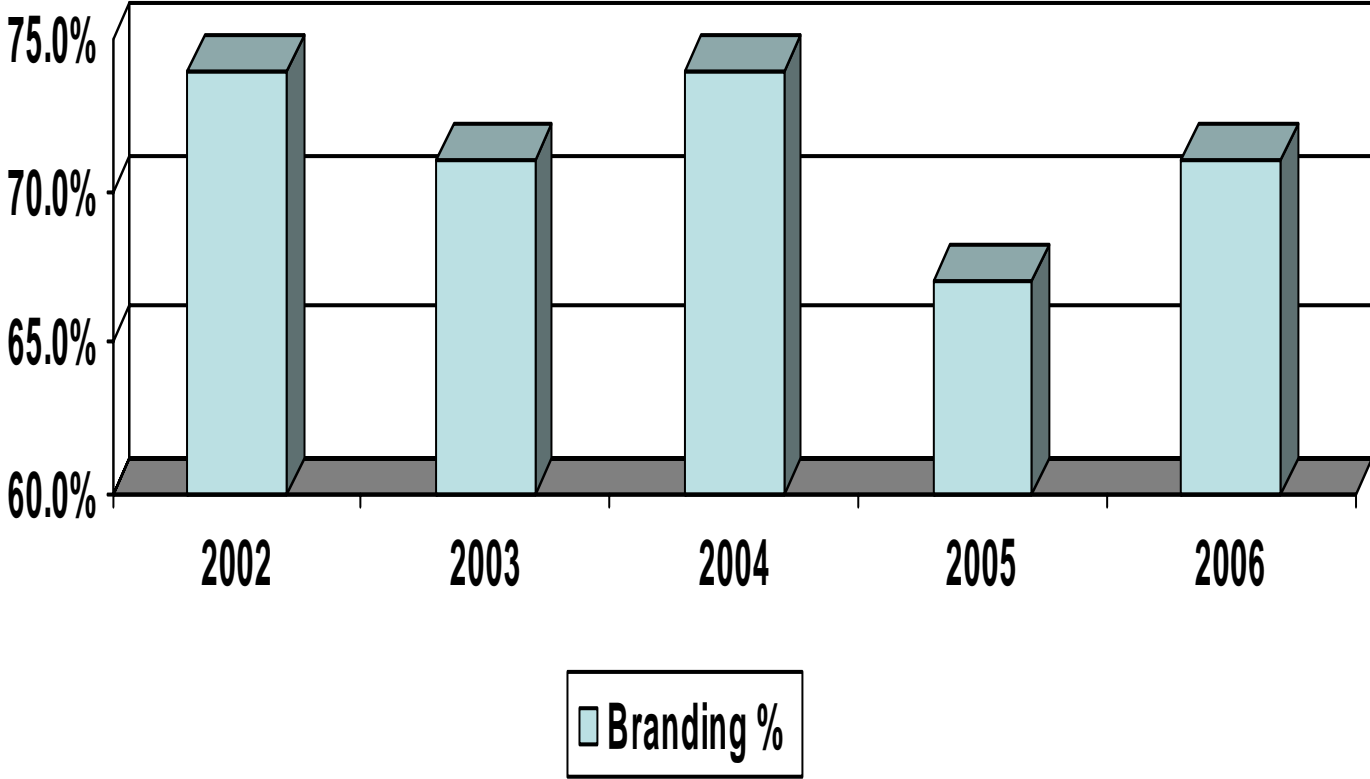


Despite rising grain prices AAco limited ration cost increases to just 6%



FERTILITY

Branding Percentages *

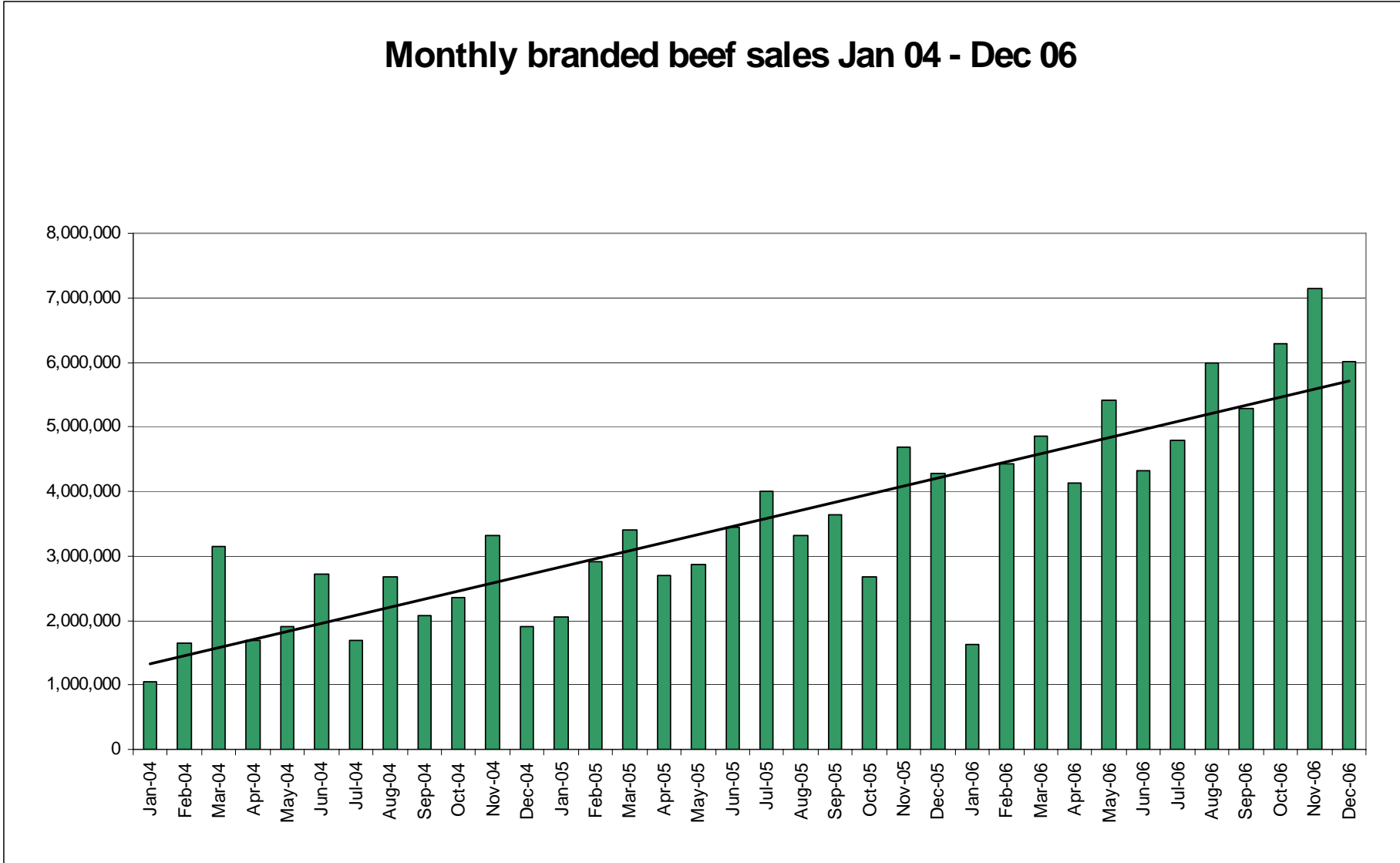


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* **Branding %** = Calves Branded / Breeding Females eligible to have a calf branded during the year.

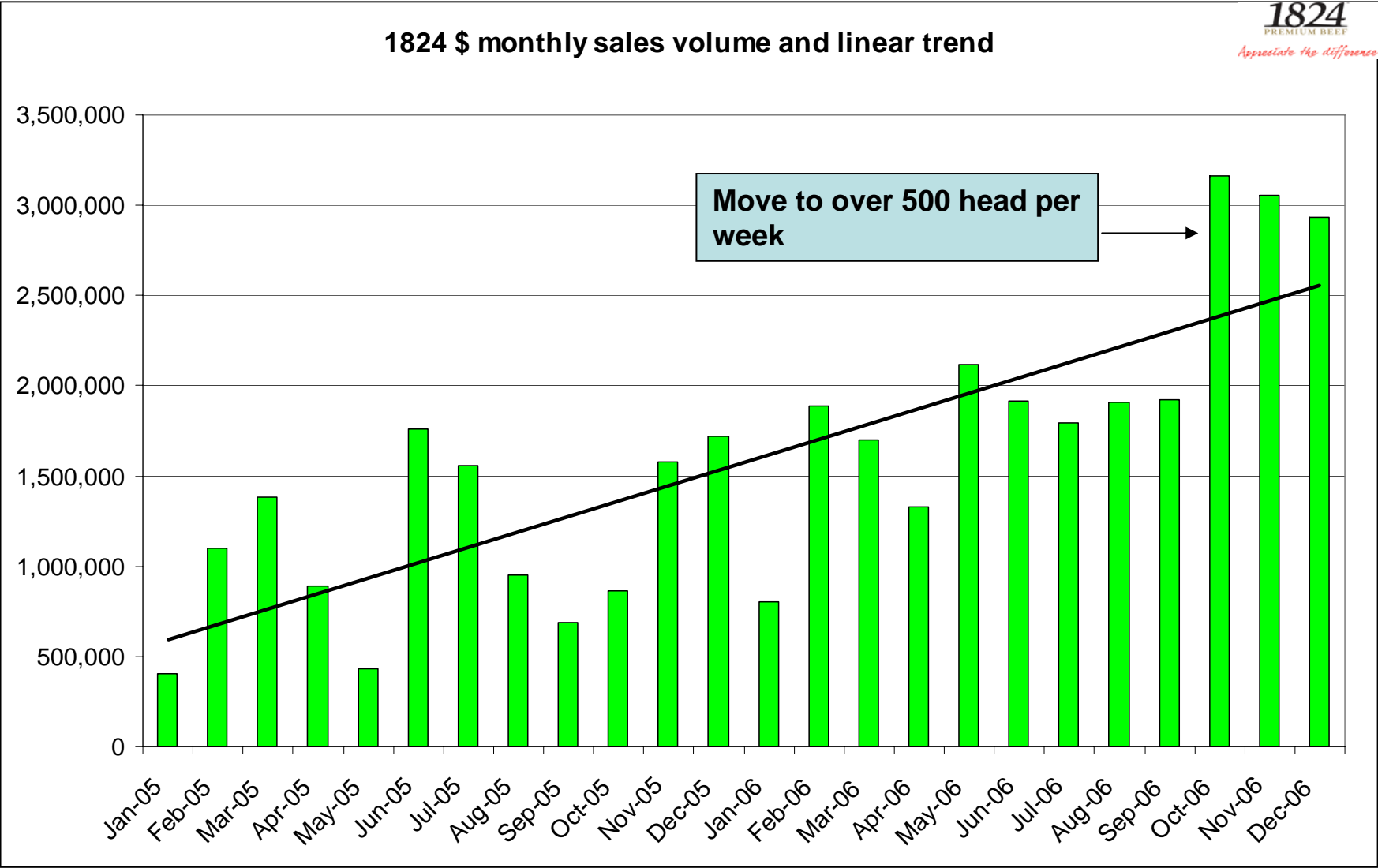


Branded Beef Total Monthly Sales Wagyu + 1824





1824 Volumes in \$



THE BEEF MARKET



World



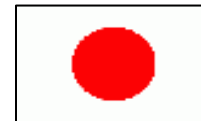
Domestic



USA



Brazil



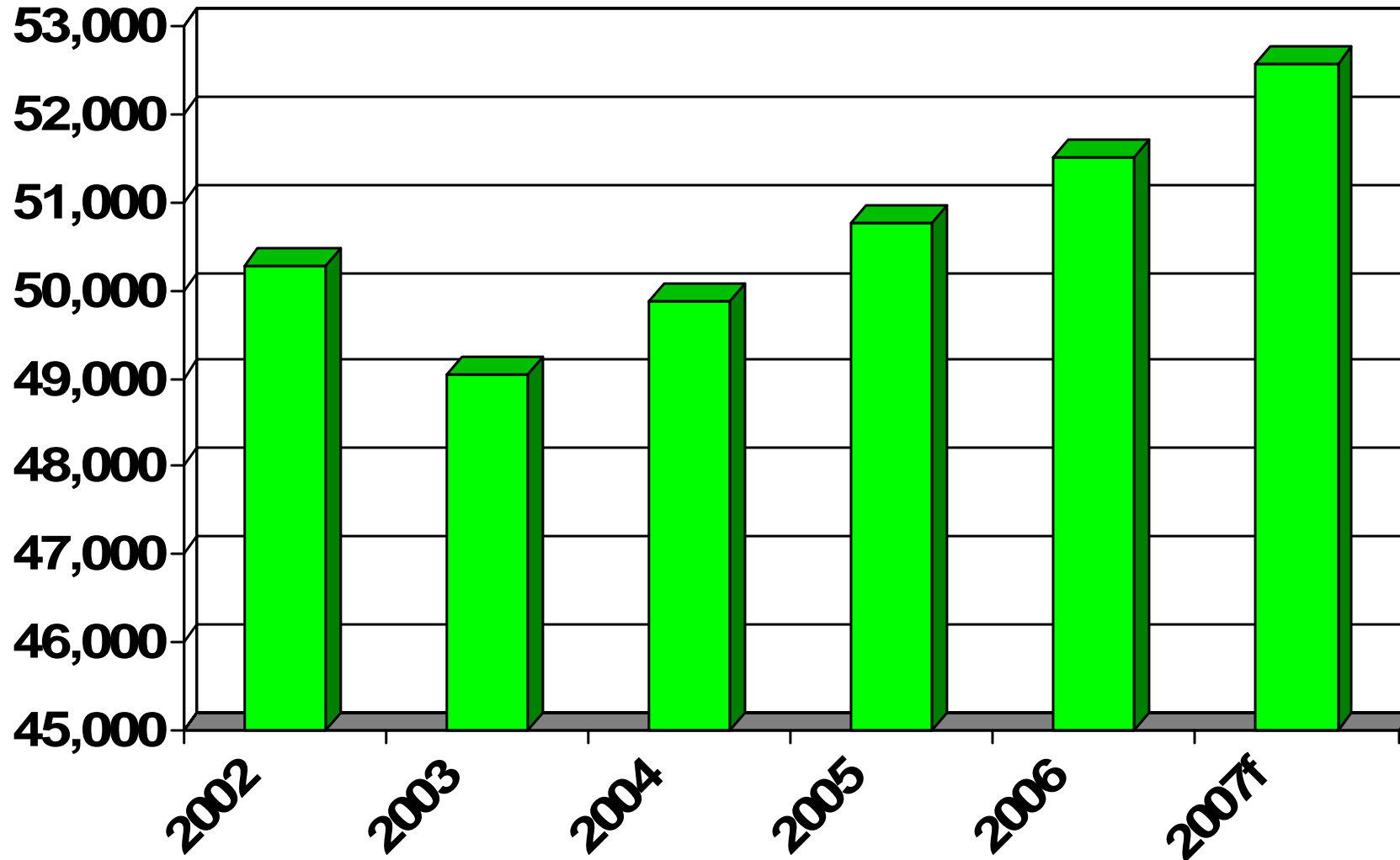
Japan



Korea



1000 Tonnes of Beef and Veal Consumed

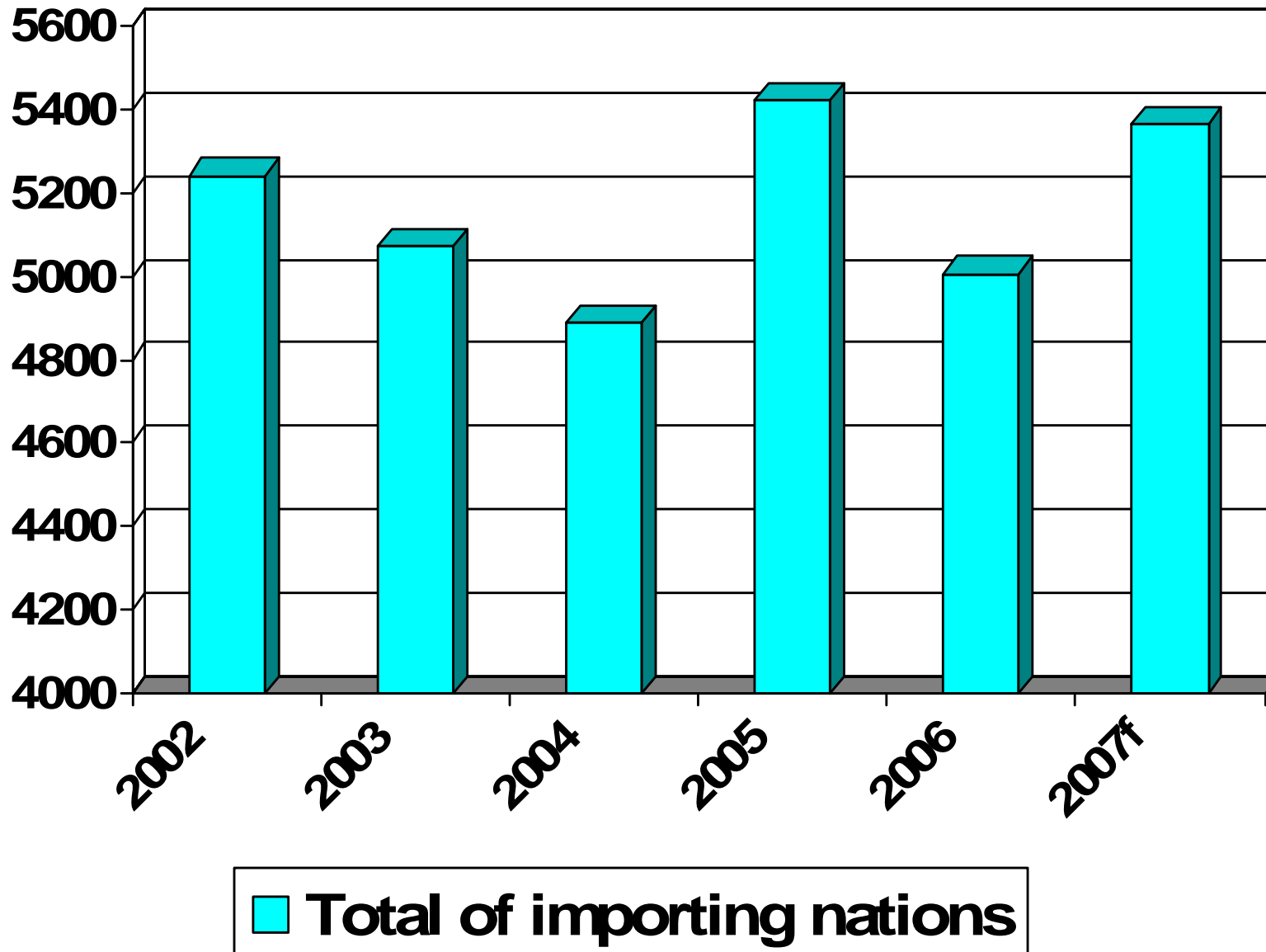


 **World Consumption**

Source : USDA



World Import quantities - 1000 Tonnes of Beef and Veal



Source : USDA



Beef: Per Capita Consumption Summary Selected Countries

Kilograms Per Person

	2002	2003	2004	2005	2006 (p)	2007 (f)
Beef						
Argentina	61.6	62.6	64.2	61.8	65.2	63.3
Australia	35.6	39.8	37.5	36.6	36.5	36.9
Brazil	35.8	34.5	34.8	36.4	36.9	37.8
Bulgaria	9.8	9.9	10.1	13.7	12.5	11.9
Canada	31.1	33.1	32.5	33.7	32.2	31.7
China, Peoples Republic of	4.5	4.9	5.2	5.4	5.6	5.9
European Union 1/	18.0	18.3	18.2	17.8	18.0	18.0
Egypt	8.4	7.5	8.2	9.3	8.7	8.6
Hong Kong	12.6	13.8	13.9	15.4	15.3	15.3
India 2/	1.3	1.4	1.5	1.5	1.5	1.5
Japan	10.4	10.7	9.3	9.4	9.3	9.9
Korea, South	12.7	12.6	9.6	9.0	8.6	9.5
Mexico	23.3	22.1	22.4	22.6	23.1	23.1
New Zealand	31.5	37.5	31.5	31.2	29.4	31.6
Philippines	4.1	4.1	4.5	4.0	4.0	4.0
Romania	7.1	6.7	8.9	10.6	10.8	10.9
Russian Federation	16.7	16.2	15.7	17.1	15.7	15.6
South Africa	14.3	13.9	15.0	15.8	15.5	15.6
Taiwan	4.2	4.6	3.7	4.2	4.5	4.5
Turkey	9.5	9.4	9.2	9.0	8.8	8.7
Ukraine	11.2	8.6	10.8	11.2	11.9	11.5
United States	44.3	42.5	43.2	42.8	42.9	43.2
Uruguay	49.4	37.0	39.7	35.4	39.3	40.6

Sources: USDA -FAS attache reports, official statistics, and results of office research. Population statistics from U.S. Census Bureau, Population Division, International Programs Center.

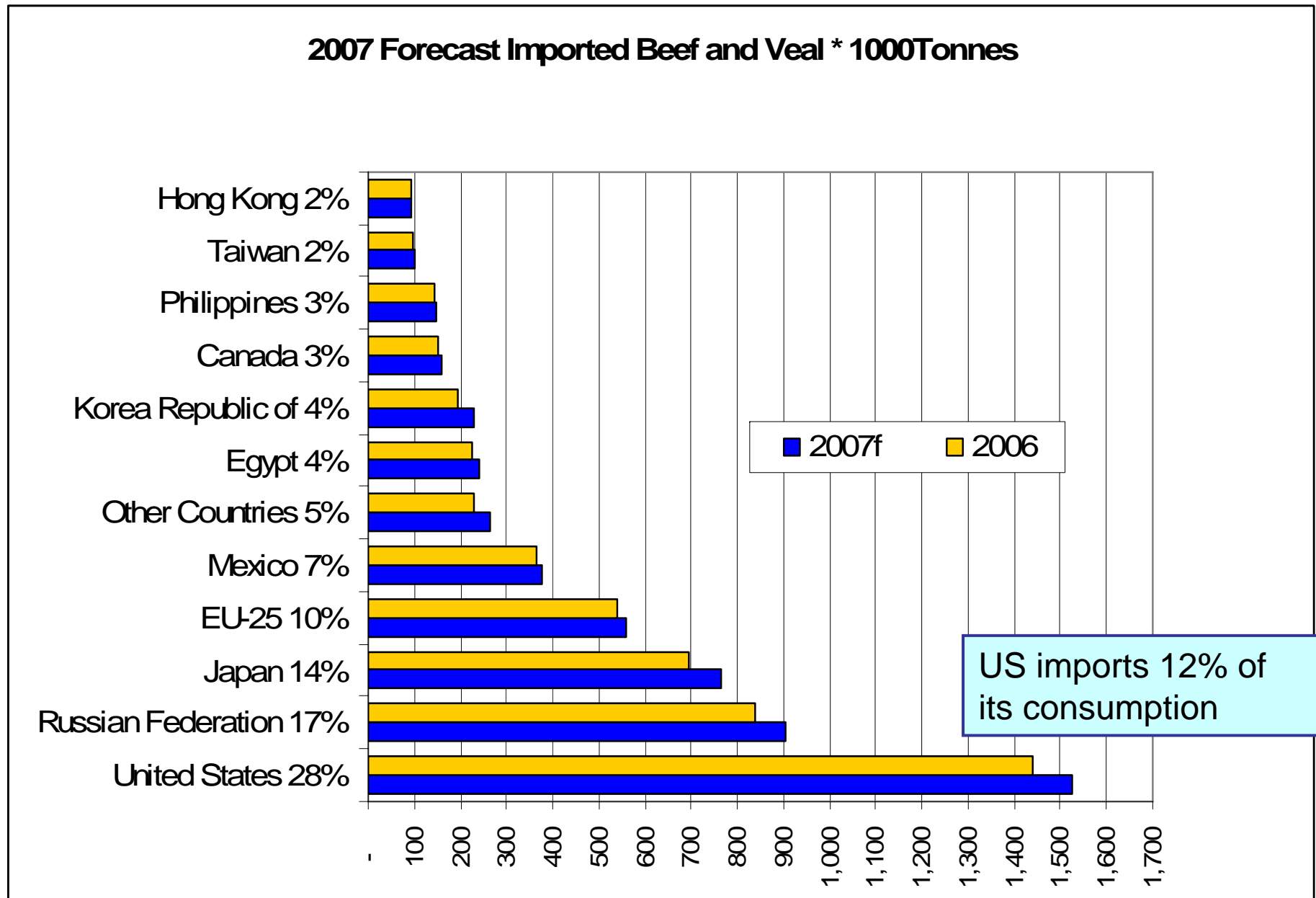
Notes: 1/ EU data includes 25 member states for all years. 2/ Includes buffalo.

Increase consumption per capita

Note the US per capita increase forecast for 2007 is 0.7% and China 5.3%



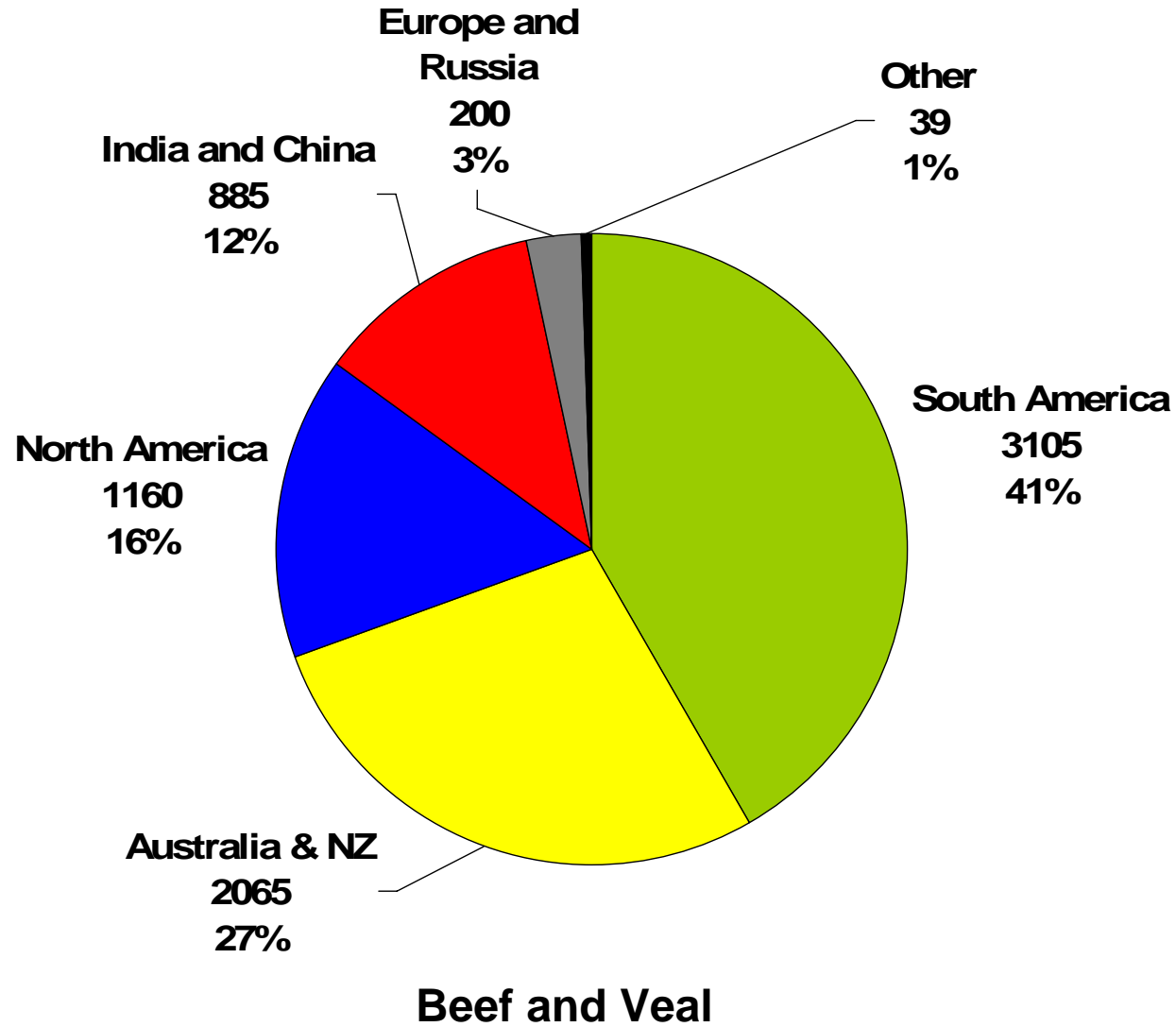
WORLD IMPORTS BY NATION *1000T



Source data USDA



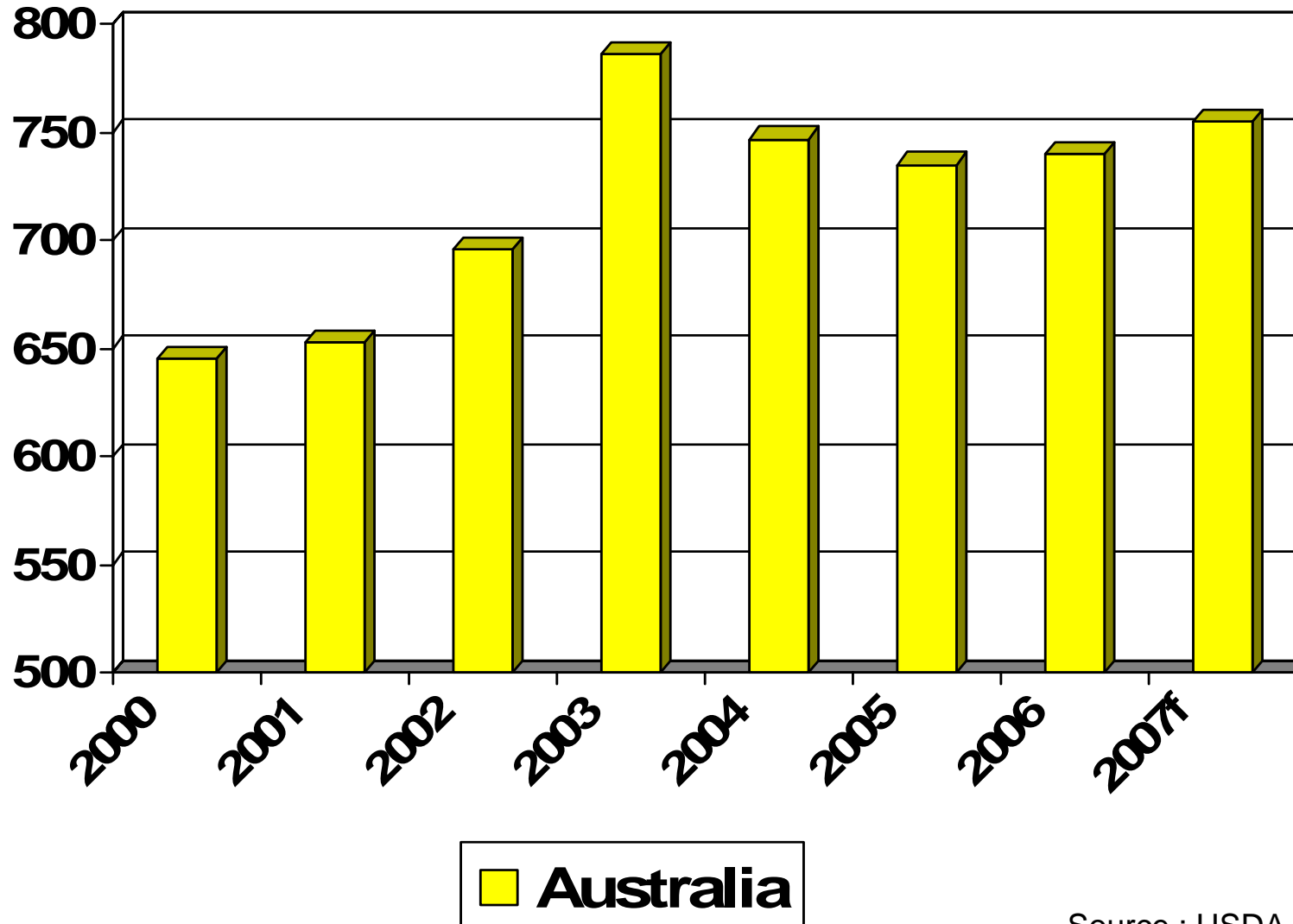
1000 Tonnes Regional Exporters 2007 forecast



Source : USDA



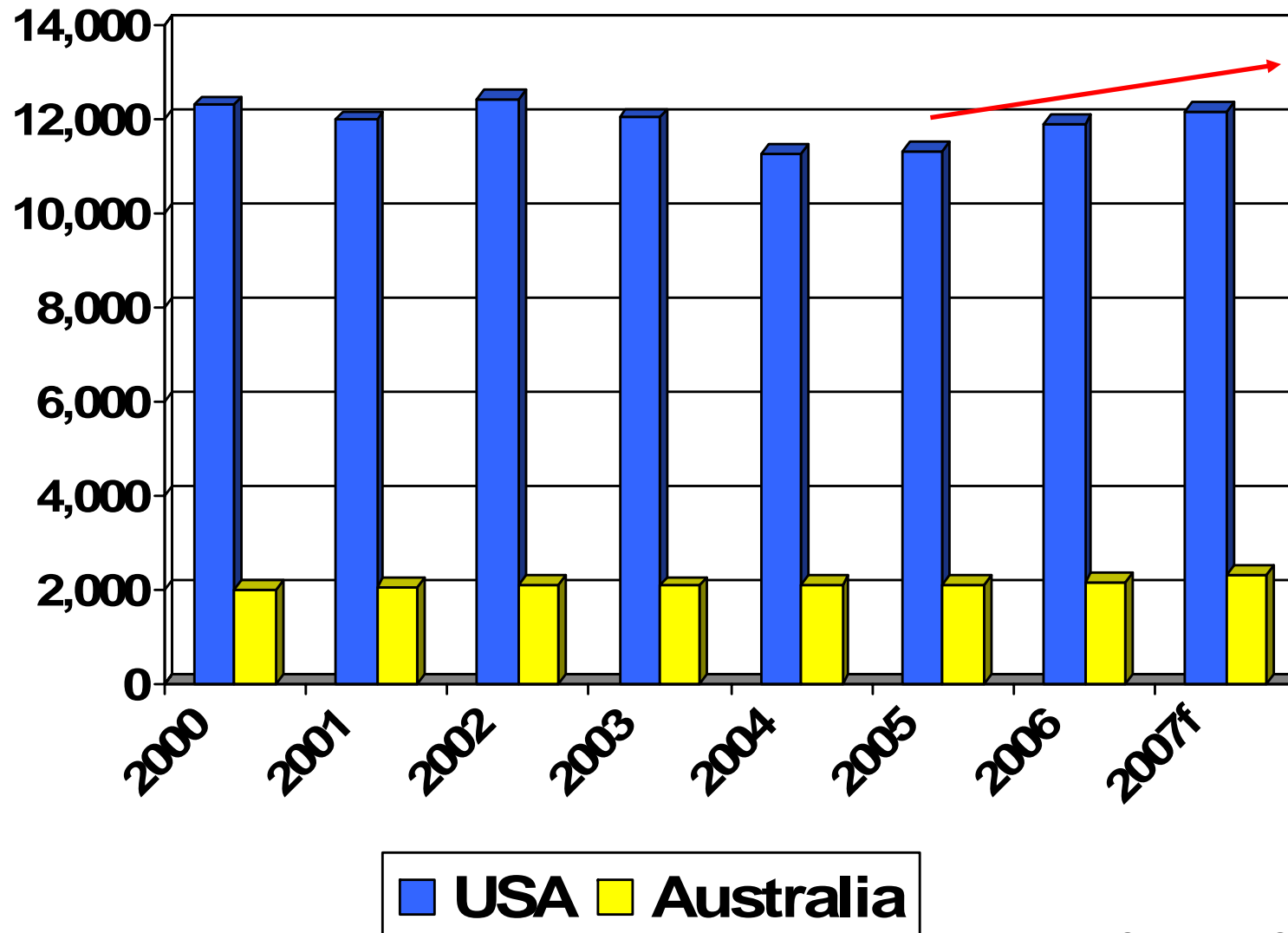
1000 Tonnes Consumed of Beef and Veal



Source : USDA



1000 Tonnes Produced of Beef and Veal

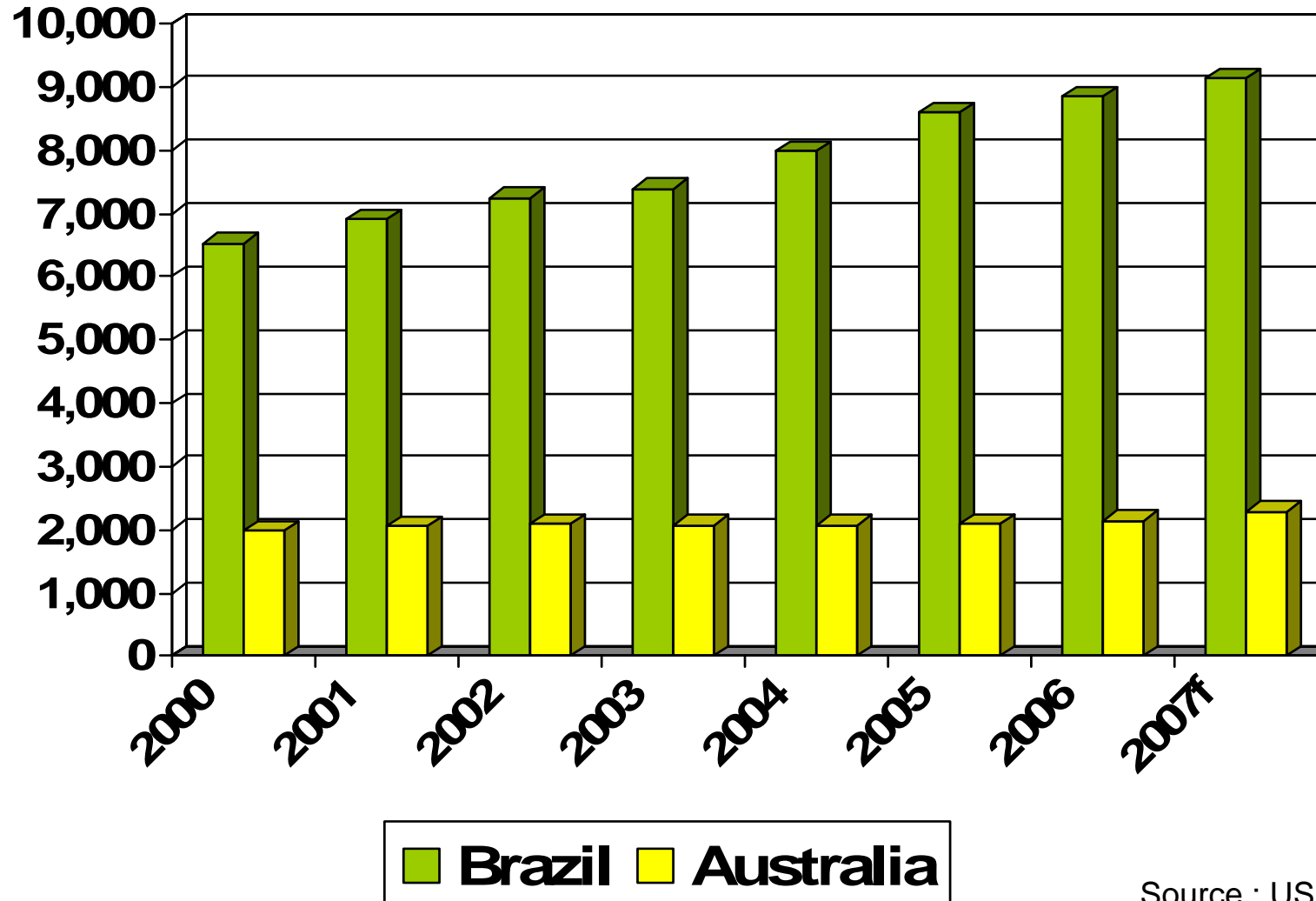


Source : USDA



1000 Tonnes Produced of Beef and Veal

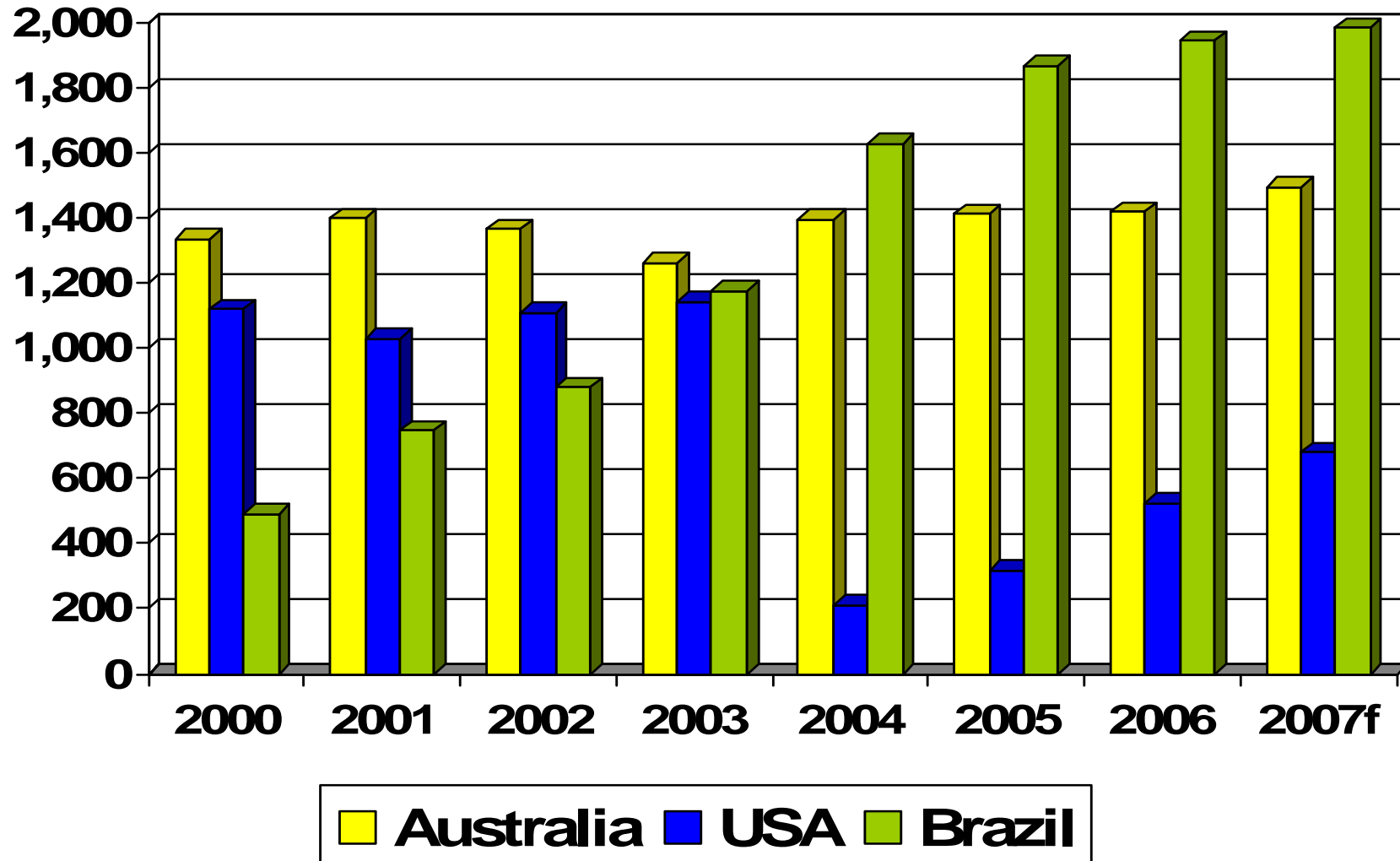
Kg'000

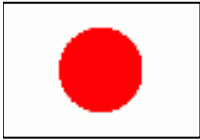


Source : USDA

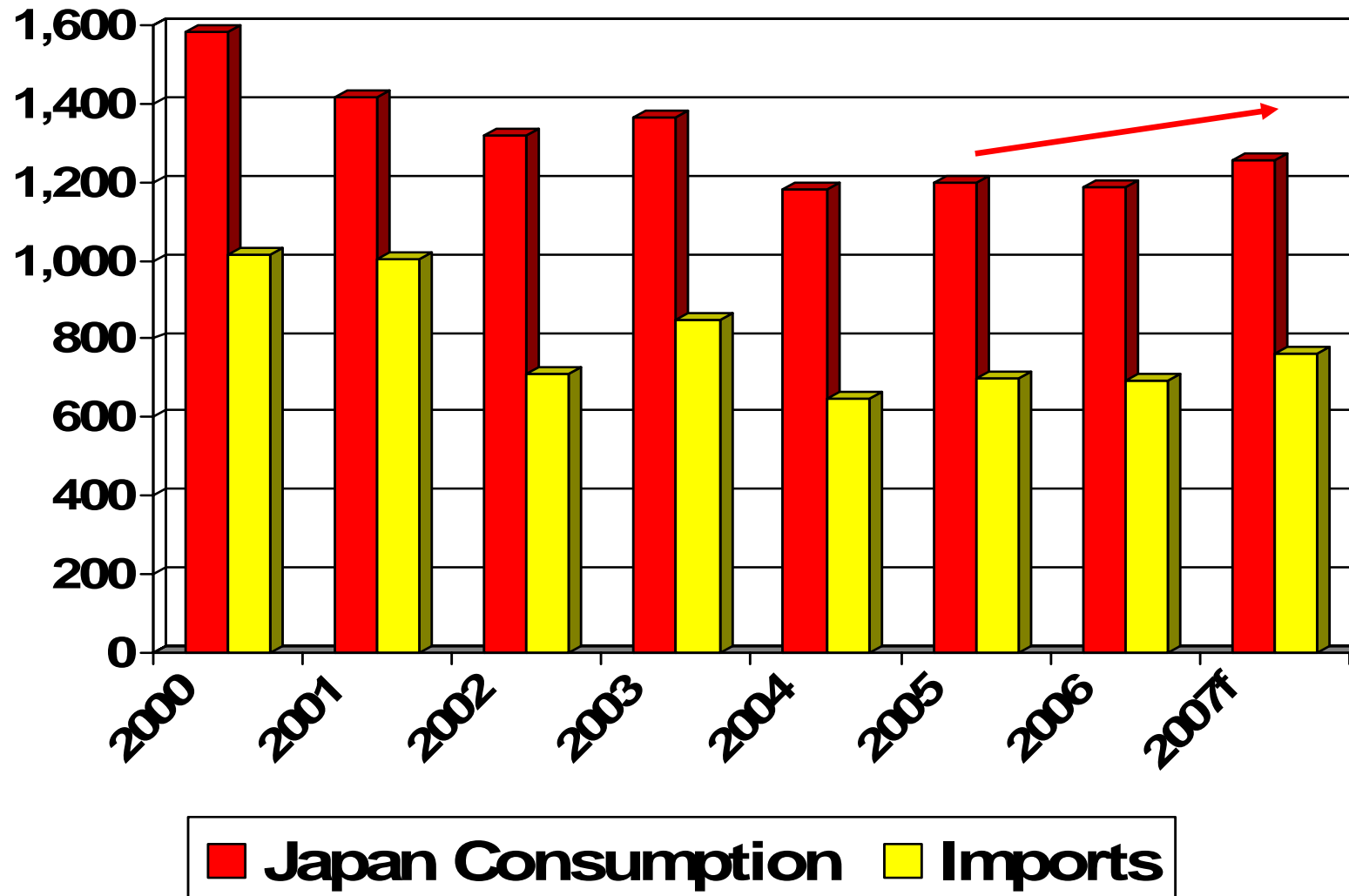


1000 Tonnes Exported



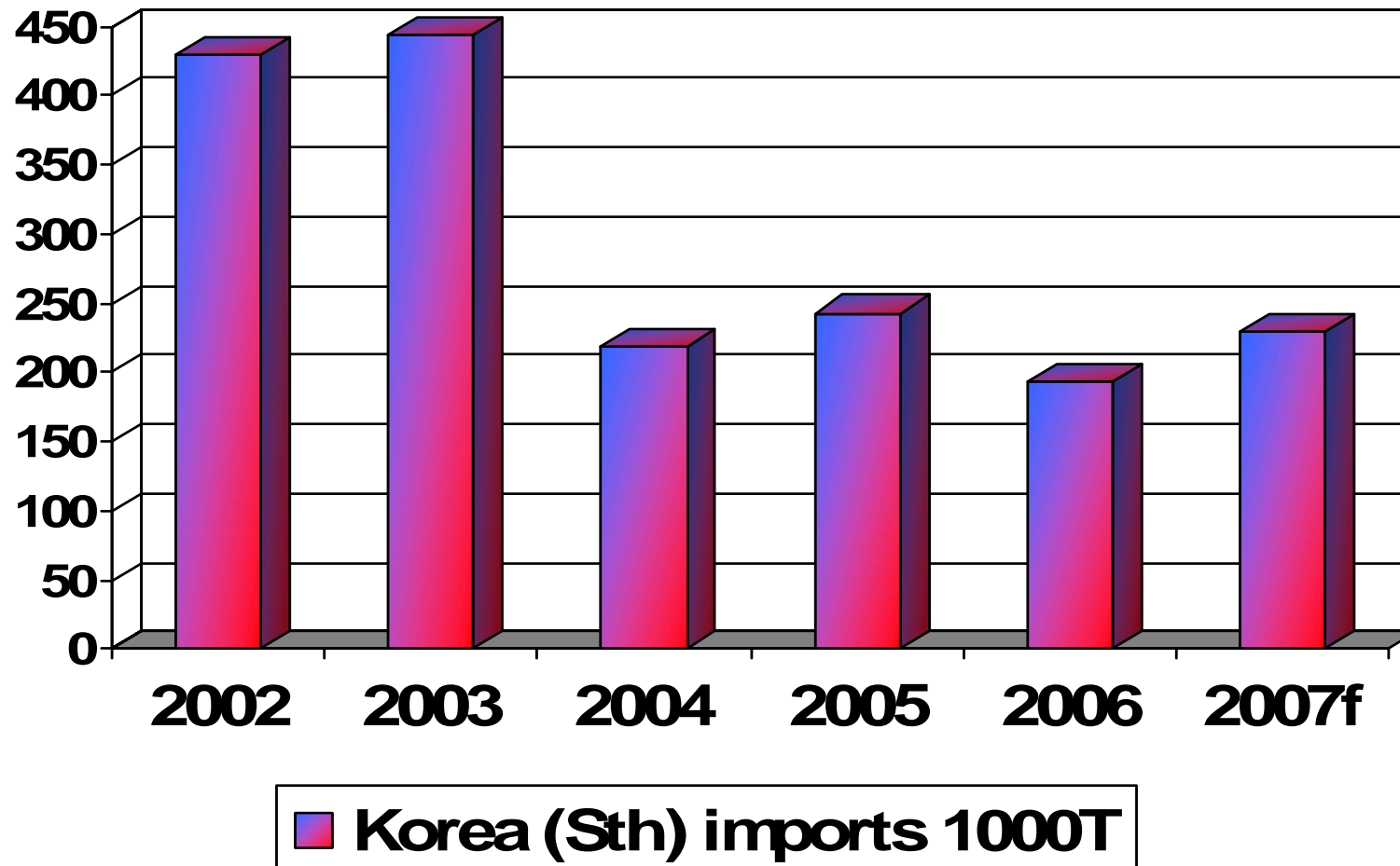


1000 Tonnes Consumed of Beef and Veal





1000 Tonnes Imported of Beef and Veal





THE FUTURE

Outlook for 2007

Outlook for 2015



Outlook for 2007

Market Outlook

Factors influencing the market in Australia as assessed by AACo are:

- Cattle prices are likely to lift with a return to more normal seasons in the South as graziers re-stock.
- A sustained drop in fuel prices while welcome remains unlikely
- Seasonal conditions – Despite a drier than normal finish to 2006, 2007 has started well with good rain in January 2007 for all of the breeding stations. Growing and backgrounding stations have had some rain but more is needed in the next two months.
- AACo's operations for 2007 are based on the assumption that the AU\$/US\$ relationship will stay in the range of 75 to 80 cents
- AACo's forward purchases of grain has limited the immediate impact of increases in grain prices felt in the spot market during 2006. (AACo has forward bought grain through to October 2007)



Outlook for 2007 continued

- The world supply of quality beef remains limited by historically low herd numbers in the USA and Australia and herd health issues in South America, although current USDA forecasts indicate some growth this year.
- The protocols restricting access of US beef into Japan and Korea is likely to continue to provide opportunities for Australian beef to maintain a high market share in these markets throughout 2007
- Australian beef supply is progressively being seen as high quality and reliable by Japanese wholesalers retailers and consumers.
- The world demand for clean exportable beef remains strong and growing on a per capita basis
- Consumers are becoming increasingly focused on traceable, quality assured and source verified products with Australia's electronic identification scheme (NLIS), a world leader in this regard
- Consistent with prior years, an announcement in relation to the 2007 dividend will be made at the half year when the Company will have a clearer picture of the seasonal and market conditions



Outlook for 2015

The long term strategic plan enunciated in 2005 continues to embrace the following targets for the core business:

1. To more than double the herd size
2. To Triple the production of feed crops
3. To improve land carrying capacities by up to 20% on selected properties
4. To acquire additional grazing lands that fit the current pathways and that support geographic diversity to lower portfolio risk profiles
5. To increase staff capacities to fulfil operational requirements
6. To improve margins through economies of scale and improved management programs
7. To increase the % throughput of our own cattle through feedlots and thereby increasing branded product resources.
8. To increase the % of beef production sold as branded beef to a minimum of 40% of total cattle sold.



Looking to the future - business development opportunities under consideration

1. Increasing participation in the portion control section of the beef supply chain – our new facility has space to quadruple its current capacity. This will be driven by internal development, however see note 5.
2. Further brand penetration into Asia, Middle East and the USA
3. Expansion of Feedlot facilities allowing specialisation in Wagyu and 1824 animals.
4. Last year we made a comment about Brazil and following field trips to that region we are cautious about making any significant capital commitment at this stage and will maintain a watching brief.
5. AAco will continue to review investment opportunities in the areas in which it operates where that investment adds value to the business and its shareholders.