



Australian Agricultural Company Limited
ABN 15 010 892 270

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AAco – Sound operational performance in a tough market

AAco increased beef production for the fifth consecutive year despite long term drought in most parts of Australia.

Financial highlights:

- Earnings Before Interest and Tax increased from \$22m in 2006 to \$31m in 2007
- Net Assets increased 25% from \$582m to \$726m
- Net Tangible Assets per share increased 22% from \$2.28 to \$2.78 per share
- Gross Assets Increased 23% from \$1.06 billion to \$1.30 billion
- A cattle herd valuation increment of \$0.5 million compared to a decrement of \$17.3m in 2006
- Settled AMP litigation for \$10m
- A total dividend of 9 cents per share including a special dividend of 2c per share.

Financial challenges:

- Net Profit After Tax declined by \$6.5m to \$3.6m (2006 affected by a positive tax credit on the sale of Wrotham Park)
- Operating Cash flow declined by \$8.7m to an outflow of \$21.2m
- A strong Australian Dollar impacting export pricing
- Increased feed costs during 2007 driven by scarcity of feed grains in the drought

Operational highlights:

- Beef Production increased 7% from 73 million Kg to 78 million Kg
- Calving Rate increased from 71% to 74%
- Herd Growth of 5.7 % through breeder retention
- Increased Wagyu specific breeding herd by 5,000 head
- Conversion of Goonoo Feedlot from lease to Freehold (Cost \$19m)
- Wholesale Meat business revenues grew 36% to \$105.6 million from \$77.8 million
- AAco launched 1824 brand through 85 Woolworths stores in Qld and Northern Territory
- AAco Wagyu now being enjoyed in over 400 restaurants in the USA through Greg Norman Signature Wagyu Program
- AAco won the NAB Agribusiness award for Employer of Choice 2007
- AAco has committed to the "Greenhouse Challenge Plus" programme.

Operational Challenges:

- United States re-entry to Korean and Japanese Beef Market
- Drought conditions for most of 2007 affecting domestic markets

Cattle

Seasonally the Company had another good year with rainfall slightly in excess of long term averages across most stations. This followed a good season in 2006 and so production was able to be increased on the basis of good feed and better calving rates. Whilst we had good production the market was not so kind with an ever strengthening Australian dollar compounding drought impacts of oversupply of cheap cattle from the south and rising feed grain prices.

To mitigate some of these impacts AAco utilised its flexible pathway system to direct a higher proportion of grass fed cattle to the live export market which delivered a better price / cost ratio than selling into the oversupplied domestic market.

In addition the company retained a significant number of female cattle which had been earmarked for sale. The ability to retain cattle for future sale in more favourable markets is a benefit of the AAco system. The result is that some 30,000 more breeding cattle were on hand at year end. Seasonal conditions will dictate what proportion of these cattle will be sold or retained in 2008.

The general herd is in very good condition and the 2008 season at this early stage looks reasonable. The Wagyu herd which was acquired in mid 2006 is also in very good condition and has been delivering calving rates in excess of 80%. It should be noted that cash flows from this investment will take 3 years to mature being the cycle time from birth to slaughter weight.

Branded Beef

The Company has continued to expand wholesale beef sales in the USA and Korea. The Wagyu market remains attractive but does suffer from the strong Australian dollar. Prices in US dollar terms have increased, but not sufficiently to fully offset the exchange conversion rate. Domestically the Chefs Partner business has now reached the required volumes to produce consistent profits out of its new factory, and with the distribution of 1824 product into Woolworths we see this business continuing to grow.

Dividend

An interim special dividend of 2 cents was paid in April 2007 resulting from the settlement of the AMP litigation. A final dividend of 7 cents per share was paid in October 2007. An announcement regarding the 2008 dividend will be made once seasonal conditions are better known. This has traditionally been in August of each year.

Herd Statistics

Year Ended	Dec-03	Dec-04	Dec-05	Dec-06	Dec-07
Number of cattle sold	135,892	175,725	185,313	199,002	181,943
Average gross price of cattle sold (per head)	\$ 748	\$ 947	\$ 909	\$ 935	\$ 927
Natural increase (No of head)	109,810	119,025	143,216	155,900	180,398
Number of cattle on hand on station (Excludes small investment in MIS scheme cattle)	395,140	523,691	502,866	556,478	588,180
Average value of cattle on hand (per head)	\$ 608	\$ 679	\$ 741	\$ 730	\$ 720
Number of breeding cattle on hand	189,989	258,321	264,147	286,206	304,449
Number of non-breeding cattle on hand	205,151	265,370	238,719	270,272	283,731
Number of cattle purchased	41,696	197,099	37,948	114,903	56,368

Land and Building

As noted in an earlier press release the company had all properties independently valued. The overall valuation uplift for the year totalled \$203million. This reflects the increasing demand for quality Northern Australian rural properties.

Market Outlook

Factors influencing the market in Australia and Overseas as assessed by AAcO are:

- Seasonal conditions – a good start to the 2008 season, particularly in large parts of Southern Australia which should mitigate the oversupply situation in the domestic market
- Protocol restriction on US beef into Asian markets may ease this year
- There is growing interest in soft commodities being driven out of Europe that may create new opportunities in that market
- China remains a potent acquirer of soft commodities if that country's economy continues to grow
- Traceability of beef remains a strong consumer driver and AAcO is well positioned in this regard
- High prices for stockfeed grain are likely to ease on the back of a strong Sorghum crop and improved seasonal conditions in Eastern Australia.

The Futuris Corporation Limited (FCL) Transaction

In October 2007 FCL announced its intention sell its 43% stake in AAcO. Since that time, both FCL and AAcO have fielded expressions of interest from various parties. Those expressions are continuing to be explored. Additionally, AAcO and FCL have agreed in principle to work closely together to look at outcomes which would provide benefits to both FCL and the balance of shareholders.

Issued by:

Bruce Bennett
Company Secretary
(07) 3368 4400
www.aaco.com.au