



Australian Agricultural Company Limited
ABN 15 010 892 270

AAco delivers positive operating cash flow in H1 2008 ahead of strong rebound in cattle prices

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- Australian Agricultural Company Limited – “AAco” (ASX: AAC) – reported a positive operating cash flow of \$5.9 million for the six months ended 30 June 2008 compared to a negative \$20 million in the previous corresponding period
- AAco’s NTA improved slightly to \$2.79 per share
- EBIT increased 28% to \$16 million after adjusting for the AMP settlement (\$8.8 million net) included in last year’s half year result
- AAco’s wholesale beef segment profit was \$1.5 million compared to a loss of \$300,000 in H1 2007
- Overall, the company reported a small loss of \$2.2 million compared to a \$5.9 million profit in the previous corresponding period
- Gearing remained low at 36% down from 40% in the prior year
- Directors have declared an annual dividend of 7 cents per share
- Stephen Toms, previously Acting CEO, has been appointed CEO

Australian Agricultural Company Limited (“AAco”) today reported a positive operating cash flow of \$5.9 million for the six months ending 30 June 2008 compared to the previous corresponding period’s negative flow of \$20 million.

The company’s Net Tangible Assets (NTA) improved to \$2.79 per share while operating Earnings Before Interest and Tax (EBIT) increased 28% to \$16 million after adjusting for the AMP settlement (\$8.8 million net) included in last year’s half year result.

“In today’s business environment, successful capital management is critical,” newly appointed Chief Executive Officer Stephen Toms said. “The interim result demonstrates that AAco understands how to control debt – and we are on track to deliver positive cash flow in the second half of the year.”

The positive cash flow in H1 2008 was primarily due to the sale of a significant number of breeding cattle held over from the previous corresponding period.

Mr Toms, who while in the Acting CEO role was also AAco’s CFO, said that in comparing the current half-year results to the corresponding period, it should be noted last year the profit and cash flow included the benefit of a net \$8.8 million settlement from AMP regarding litigation related to the 2003 Stanbroke acquisition process.

A small loss after tax of \$2.1 million was recorded in H1 2008 compared to a Net Profit After Tax (NPAT) of \$5.9m in the prior year.

Mr Toms said that amongst the company's key operational drivers was the sale of more than 121,000 cattle, releasing \$76.7 million in cash. He also said that property values in northern Australia continued to rise and rainfall patterns returned to normal, with the exception of the Northern Territory's Barkly Tablelands.

"Our response to the Barkly climatic conditions is a prime example of the strength of AAco," he said. "Our geographic spread and our strategic planning ensured that we were ready and able to move cattle to safer pastures. AAco's management had the depth and breadth of skills to successfully move a considerable amount of cattle to the north, east and south."

On the subject of cattle prices, Mr Toms said: "It's important to note that we are positioning the business to take full advantage of what we anticipate will be a rapid increase in cattle prices in the remainder of the year." He noted that prices have rallied from \$3.15 to \$3.40 a kilo in H1 2008 to \$3.53 a kilo in recent weeks.

The strong Australian Dollar has impacted prices, as has the easing of protocols relating to the restricted access of US beef to Japan and Korea. The recent weakening of the Australian dollar will enhance export opportunities for the company.

Discussing Mr Toms' appointment, AAco's Acting Chairman Charles Bright said that Mr Toms' performance had been admirable during a very difficult time for the company both operationally and structurally. Mr Bright added: "In his role as CFO, Stephen has developed a thorough knowledge of all aspects of the business together with strong relationships with providers of capital. He is respected in the market for his openness and transparency in reporting to the financial markets."

In regards to the dividend, Mr Bright said the Board had declared a dividend of seven cents per share, payable in mid October 2008.

AAco

Australian Agricultural Company – AAco (ASX:AAC) – is the largest beef cattle company in Australia, with 565,000 beef cattle.

AAco was established in 1824 and is the oldest continuously operating company in Australia.

The company, which has 500 staff, currently operates 24 cattle stations and two feedlots, and is the custodian of seven million hectares (about 1.2% of Australia's land mass).

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