

ASX Release

2 March 2020

Subject: HY20 financial results summary

Rural Funds Management Limited (RFM), as responsible entity of the Rural Funds Group (ASX:RFF), have today released Financial Statements for the half year ended 31 December 2019 (HY20).

Highlights of the HY20 results (compared to the prior corresponding period) include:

- Property revenue increase of 22% to \$37.6m.
- Adjusted funds from operations (AFFO) per unit increase of 11% to 7.1 cents.
- Total Comprehensive Income earnings per unit increase of 16% to 8.9 cents.
- Increase of forecast FY20 AFFO to 13.5 cpu.
- FY21 DPU forecast of 11.28 cents, in-line with 4% growth target.

The positive HY20 results are largely due to the JBS transactions (feedlot acquisitions and J&F limited Guarantee income), cattle acquisitions, development capital expenditure and lease indexation. Positive revaluations were also received on macadamia orchards and cattle properties, the latter reflecting the rollout of productivity improvements. Other key activities include:

- Contracts to acquire six cattle properties (inc two feedlots) and two other properties to be converted to macadamia orchards: in-line with acquisitions strategy.
- The sale of 17 poultry farms and associated plant and equipment: providing funds to reinvest for higher potential returns.
- The leasing of existing cattle property Rewan to AACo (ASX: AAC): providing validation of productivity strategy and a material uplift in rental income.

Following increased lot fed cattle demand from JBS Australia, RFM will seek Unitholder approval to increase the J&F Guarantee. Documentation will be sent to Unitholders on 10 March. The increased forecast FY20 AFFO of 13.5 cents per Unit assumes the Guarantee increase is implemented.

Key aspects of the fund include:

- Diversification through ownership of 38 properties across five agricultural sectors.
- Quality lessees and counterparties, with 78% corporate and/or listed entities.
- Long weighted average lease expiry profile of 11.5 years.
- Structured rental growth through indexation and market rent review mechanisms.
- Capacity for acquisitions with gearing of 26.4% (target of 30-35%).

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- Forecast AFFO payout ratio 80% (FY20).
- Forecast FY21 DPU yield of 5.6%, based on 24 Feb 2020 closing price of \$2.03

RFM continues to assess acquisition opportunities, particularly those which offer the potential for productivity improvements or conversion to higher and better use.

RFM's strategy is to grow distributions at 4% per annum and provide capital appreciation. Over the past five years (FY15 to FY19) RFM has established a successful track record of acquiring and developing income generating assets to improve net asset value per unit and AFFO per unit in-line with this strategy.

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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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