

Financial results presentation

for the half year ended 31 December 2019

March 2020



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1. Financial results
2. Portfolio and strategy update
3. Fund update
4. Outlook and conclusion
5. Appendices

RFM presenters



David Bryant
Managing Director



Tim Sheridan
Chief Operating Officer



Daniel Yap
Chief Financial Officer



James Powell
*General Manager - Investor
Relations and Marketing*

An aerial photograph of a well-maintained orchard. The image shows several long, straight rows of mature, leafy green trees. Between the rows are dark, mulched paths. The perspective is from directly above, looking down on the canopy of the trees.

1

Financial results

Key activities and highlights

Acquisitions/disposals, leasing activity and response to short seller allegations.

Acquisitions and disposals	Contracts to acquire six cattle properties (inc. two feedlots) and two properties to be converted to macadamia orchards (see slide 6).	✓ Continuing to execute on acquisition strategy.
	Sale of 17 poultry farms and associated plant and equipment (see slide 6).	✓ Provided funds to reinvest for higher potential returns and materially reduced related party lessee exposure.
Leasing activity	Merger of four almond lessees to form the RFM Almond Fund (disclosed 30 Aug 2019).	✓ Improved lessee capital structure.
	Leased existing cattle property Rewan to AACo (ASX: AAC) (disclosed 31 Jul 2019).	✓ Material uplift in rental income, validation of productivity strategy and reduced related party lessee exposure.
Response to short sellers	Release of Ernst & Young's Independent Investigation Report – Analysis of Bonitas Research LLC Document (disclosed 27 Aug 2019).	✓ Concluded Bonitas' assertions were not substantiated and corroborated RFM's prior rejection of each of the claims.
	Judgment via NSW Supreme Court against Bonitas Research LLC (disclosed 12 Feb 2020).	✓ Found in favour of RFM that Bonitas' statements were false and misleading, contravening sections of the Corporations Act 2001 (Cth) and Australian Securities and Investments Commission Act 2001 (Cth).

Financial performance	Portfolio performance	Capital management	Forecasts
11% AFFO increase Up from 6.4 cents per unit	11.5 yr WALE Up from 11.3 yrs	26% gearing Below target range of 30-35%	FY20 AFFO increase to 13.5 cpu¹ Up from 13.4 cpu
76% AFFO payout ratio Down from 82%	38 properties Across 5 agricultural sectors	Cost of debt 3.70% Down from 4.18%	FY21 distribution of 11.28 cpu In-line with 4% growth target

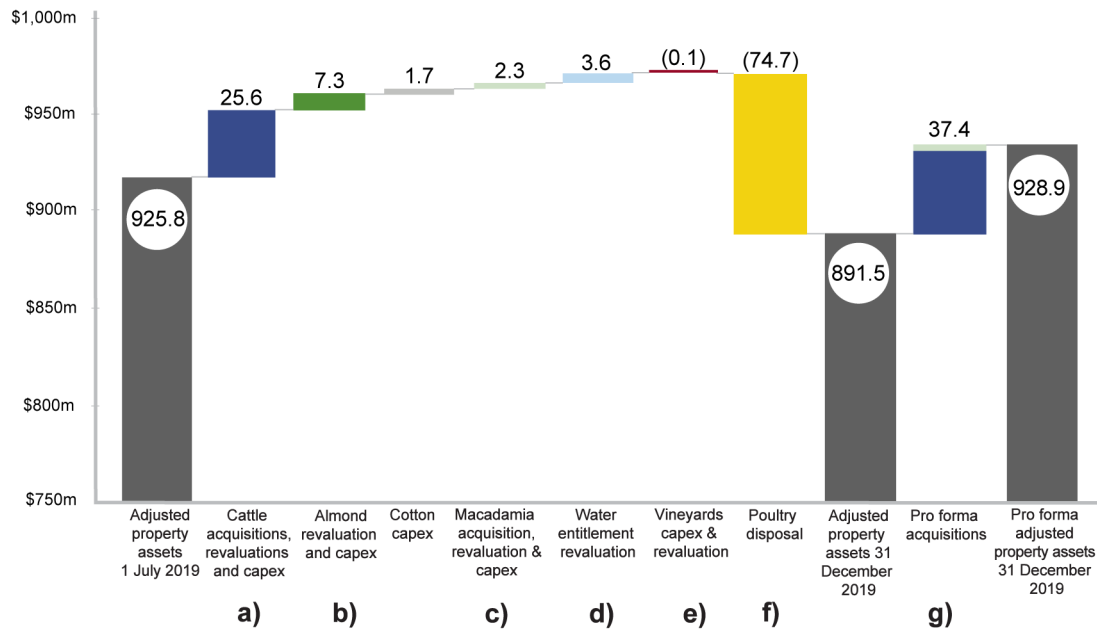
Note:

1. Assumes \$7.5m increase to J&F Guarantee from Apr 2020 and Unitholder approval.

Adjusted property assets

Natal ↑ 18% following rollout of productivity capex.

Adjusted property assets movements (\$m) by sector¹



Key movements:

- Cattle: acquisitions of \$13.3m (Beef City feedlot and cropping land), revaluations of \$10.0m (predominantly Natal property aggregation) and development capex of \$2.3m.²
- Almonds: capex of \$8.0m and revaluations of \$1.1m³, net of bearer plant depreciation of \$1.8m.⁴
- Macadamias: acquisition of \$1.6m (Cygnets) and revaluations of \$0.7m.
- Water entitlements: revaluation of 1,910 ML unleased ground water entitlement.
- Vineyards: capex of \$0.4m net of bearer plants depreciation of \$0.5m.⁴
- Poultry: sale of 17 farms and plant and equipment, valued 30 June 2019 at \$74.7m.
- Pro forma acquisitions⁵: WA cattle properties (\$22.6m), Wattlebank (\$1.8m), Riverina Beef feedlot (\$11.4m) and Swan Ridge South (\$1.6m).

Notes:

- The sector totals presented in the chart are net of written-off transaction costs and inclusive of capex. Acquisition amounts include stamp duty. Revaluations include straight-lining adjusted for rent and finance lease adjustments. Agricultural plant and equipment of \$7.8m is excluded.
- Beef City feedlot settled Aug 2019 for \$12.8m and adjacent cropping land settled Oct 2019 for \$0.5m. Revaluations includes Natal aggregation of \$9.3m, feedlot finance income of \$0.4m and straight-lining adjustment for rent of \$0.3m.
- Equipment finance lease adjustment of \$0.7m and straight-lining adjustment for rent of \$0.4m.
- Bearer plants now treated as property, plant and equipment in accordance with AASB116.
- Pro forma acquisitions WA cattle properties (settled Feb 2020), Wattlebank (settled Jan 2020), Swan Ridge South and Riverina Beef feedlot forecast to settle Mar 2020.

Earnings and balance sheet summary

AFFO pu ↑11% driven by JBS transactions.

Income and earnings metrics

	6 months ended 31 Dec 2019	6 months ended 31 Dec 2018
Property revenue - \$	37,592,000	30,700,000
Total comprehensive income (TCI) - \$	29,731,000	24,620,000
Earnings per unit (EPU) ¹ - cents	8.9	7.7
Adjusted funds from operations (AFFO) - \$	23,656,000	20,320,000
AFFO per unit (pu) - cents (c)	7.1	6.4
Distributions per unit (DPU) - cents	5.42	5.22
AFFO payout ratio	76%	82%

Balance sheet summary

	As at 31 Dec 2019	As at 30 June 2019
Total assets - \$	872,431,000	869,087,000
Adjustment for water at fair value - \$	77,775,000	76,769,000
Adjusted total assets ² - \$	950,206,000	945,856,000
External borrowings - \$	281,630,000	295,238,000
Gearing ³ - %	26.4%	31.2%
Net asset value (NAV) - \$	540,678,000	525,872,000
NAV per unit - \$	1.61	1.57
Adjusted NAV ² - \$	618,453,000	602,641,000
Adjusted NAV per unit ¹ - \$	1.84	1.80

- Property revenue increased 22% and AFFO per unit increased 11% largely due to the JBS Australia (JBS) transactions (feedlot acquisitions and J&F Australia Pty Ltd (J&F) limited Guarantee income), cattle acquisitions, development capital expenditure and lease indexation.
- TCI increased 21% and EPU increased 16% mainly due to additional property revenue and an independent valuation for the Natal cattle property following productivity developments.
- Gearing of 26% below target range of 30-35%, following poultry asset sale, providing capacity for additional acquisitions.
- Refer to pages 25 to 30 for further information.

Notes:

- Calculated TCI/weighted average units (see page 25).
- Assets adjusted for the independent valuation of water entitlements which are recognised at the lower of cost or fair value on balance sheet.
- Gearing calculated as external borrowings (less cash balance)/adjusted total assets.

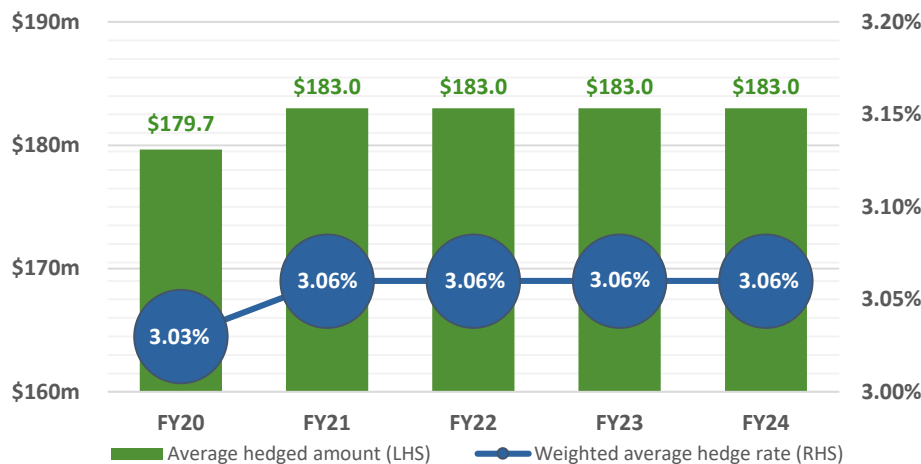
Debt facility and interest rate hedges

Debt facility capacity of \$111.6m.¹

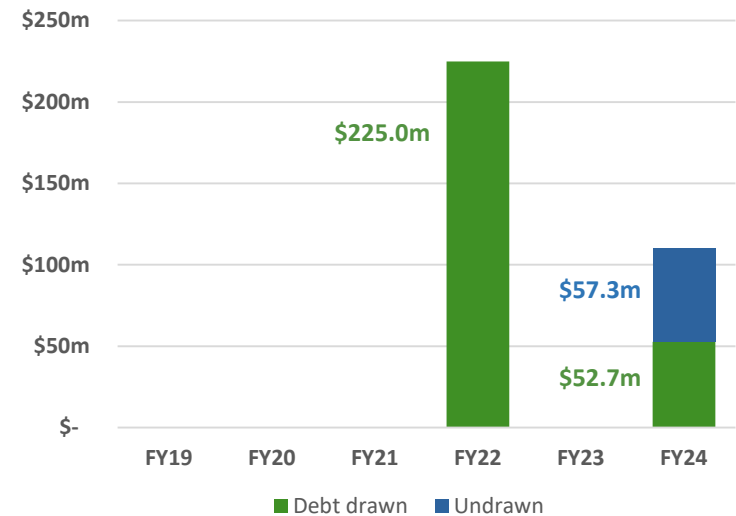
Debt metrics

		31 December 2019	30 June 2019
Debt facility	Term debt facility limit ^{2,3}	\$335.0m	\$335.0m
	Term debt drawn	\$277.7m	\$291.4m
	Headroom	\$57.3m	\$43.6m
	Cost of debt ⁴	3.7%	4.2%
Covenants	Loan to Value Ratio (LVR) ^{2,5}	42.5%	40.7%
	Interest Cover Ratio (ICR) ²	5.6x	5.8x
	Adj. Net Tangible Assets (NTA) ²	\$618.5m	\$602.6m
Hedging	Total amount hedged ⁶	\$193.0m	\$163.0m
	Proportion debt hedged ⁷	69.5%	55.9%
	Weighted avg duration ⁸	7.5yrs	8.0yrs

5 year hedged (fixed rate) position



Debt facility tenor expiry



Notes:

- Headroom as at 31 Dec 2019 of \$57.3m adjusted for: WA cattle properties settled Feb 2020 (\$22.6m), Wattlebank settled Jan 2020 (\$1.8m), Swan Ridge South forecast to settle Mar 2020 (\$1.6m), Riverina Beef feedlot forecast to settle Mar 2020 (\$11.4m), \$50.0m approved for acquisitions and \$41.7m cash balance at 31 Dec 2019.
- Key financial covenants for FY20: LVR <50%, ICR >3.00x, with distribution permitted at >3.15x, Adj. NTA including water entitlements >\$400m, 40% hedging requirement.
- Security: real property mortgages, general security agreement, cross guarantees between RFF and subsidiaries.
- Total interest expense plus cost of hedges, divided by average debt drawn.
- LVR calculated as term debt drawn plus limited guarantee of \$75.0m divided by directly secured assets based on independent valuations.
- Current hedges only.
- Proportion hedged calculated as current hedges/term debt drawn.
- Duration remaining as at 31 Dec 2019 and includes forward start hedges.

2 Portfolio and strategy update



Forage sorghum, two months after sowing, between rows of Leucaena under center pivot irrigation at Comanche, central QLD, January 2020.

Portfolio update

No properties are drought or materially bushfire impacted.

- No properties are impacted by drought:
 - Almond orchards and vineyards are supported by various categories of water entitlements, including high security and ground water.
 - Cattle and cotton properties have received rainfall, initiating pasture growth and filling water storages.
 - Seasonal variations are expected, managed and mitigated by lessees. They are not a direct risk to RFF.
- No properties are materially impacted as a result of bushfires:
 - Two cattle properties sustained some damage to pasture and fences which will be remediated by the lessee.
 - All properties have insurance.

Cattle properties



Water point on cattle breeding property, Gulf of Carpentaria, Qld, January 2020.



Comanche pasture following 53mm rainfall central Qld, January 2020.

RFF's strategy is to achieve 4% per annum distribution growth by leasing and improving farms.

- RFM's agricultural operating knowledge is key to achieving this strategy through:
 - Asset and sector due diligence.
 - Identifying and executing development opportunities.
 - Lessee selection and management.

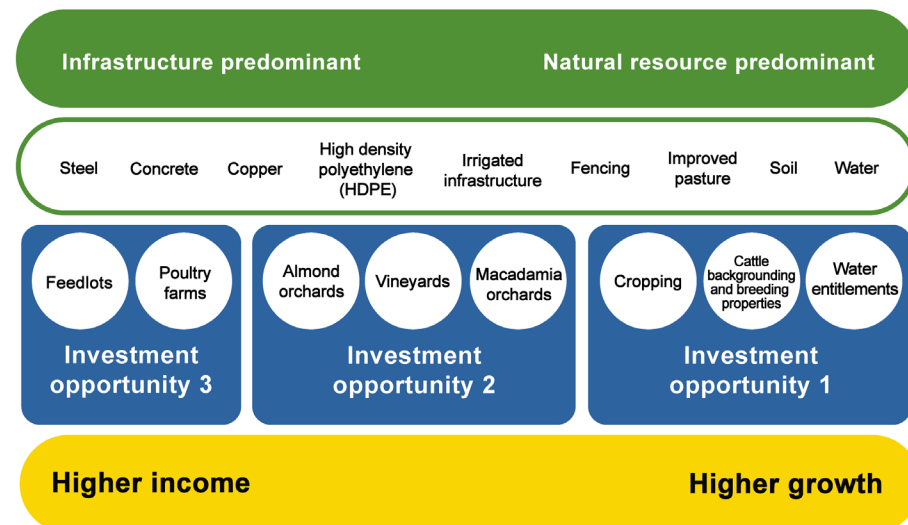
Rural Funds Management

Established	Farm and operations staff	Funds management staff	RFM operational experience
1997 (23 years' experience in Australian agriculture)	91	47	Cotton: since 1998 Vineyards: since 2000 Poultry: since 2003 Almonds: since 2006 Macadamias: since 2006 Livestock: since 2010

- RFM is pursuing three broad types of investment opportunity to achieve this strategy:

- Productivity improvements**, which is reflected in value and then income.
- Higher and better use** developments, supporting increased value and income.
- Infrastructure** type assets that produce higher income.

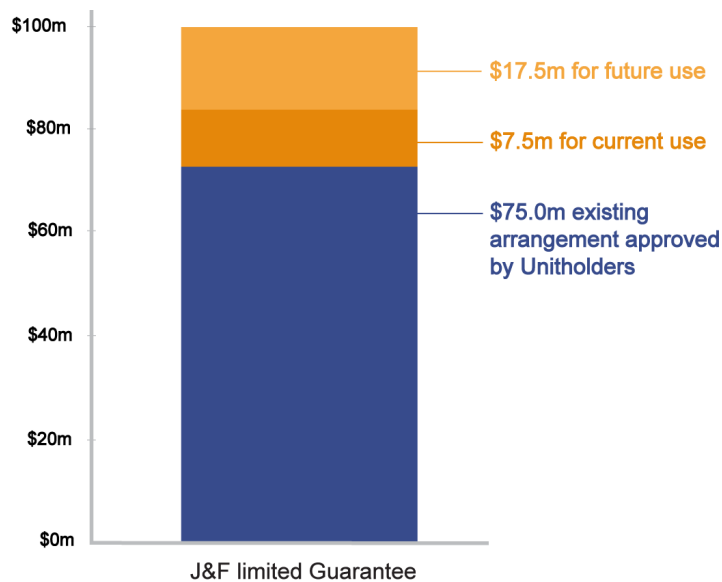
Investment opportunities



Opportunity 3: J&F limited Guarantee

The J&F limited Guarantee is backed by a subsidiary of JBS S.A. the worlds largest meat processor with a market capitalisation of A\$24.0b.¹

Proposed increase to the J&F limited Guarantee²



- JBS have requested an increase in the cattle supply arrangement (J&F) due to increased production.
- Unitholders previously approved the existing arrangement on 10 Aug 2018 with 99.8% votes in favour. A meeting to approve the variation will be held on 14 April 2020.²
- A return of 10.23% has been generated by the Guarantee.³
- The J&F facility was structured outside of RFF (via a wholly-owned subsidiary of RFM) to maintain RFF's REIT structure by quarantining operating risks and responsibilities.
- The variation to the existing arrangement will have no impact on drawn debt or gearing. LVR to increase by 0.9% (following initial \$7.5m Guarantee increase).
- An independent expert has considered the transaction and concluded that it is fair and reasonable to non-associated Unitholders.
- Documents will be posted to Unitholders on 10 Mar 2020. RFM will hold a webinar for Unitholders after this date with details to be announced via the ASX.

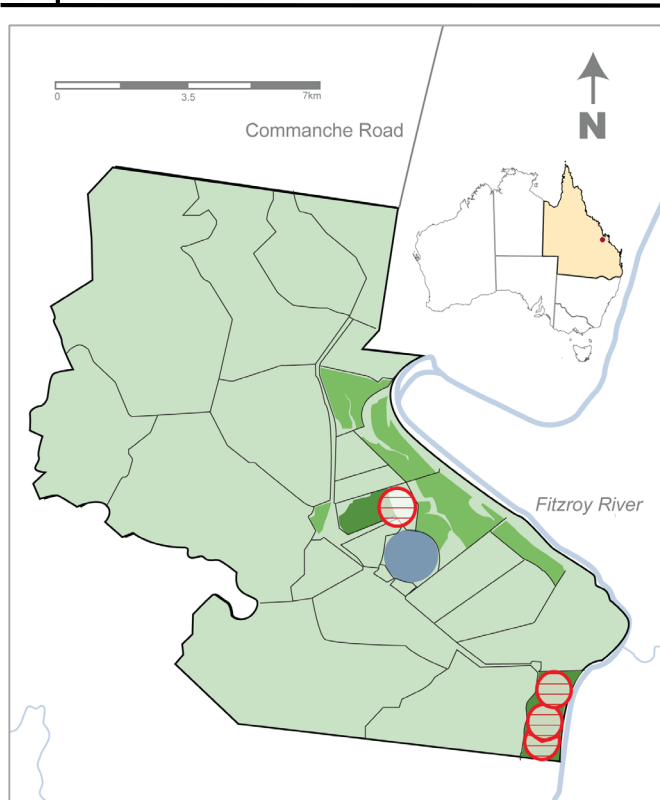
Notes:

1. Contractual arrangements are guaranteed by Baybrick Pty Ltd (net assets \$3.5b as at Dec 2018).
2. An additional Guarantee of \$25.0m is a variation to the Initial Guarantee of \$75.0m approved in Aug 2018. As J&F is a wholly owned subsidiary of Rural Funds Management Ltd (RFM), the additional Guarantee requires RFF Unitholder approval under ASX Listing Rule 10.1. If approved by Unitholders, it is expected that JBS would initially utilise up to \$275.0m of bank debt. As a result, the RFF guarantee limit would increase proportionally, by \$7.5m (from \$75.0m to \$82.5m). As additional bank debt is required, the RFF guarantee would increase proportionally to the Unitholder approved \$100m maximum. Refer to Explanatory Memorandum dated 2 Mar 2020 for further details.
3. FY19 annualised return 10.23% (inclusive of interest cost savings).

Opportunity 1 & 2: development examples

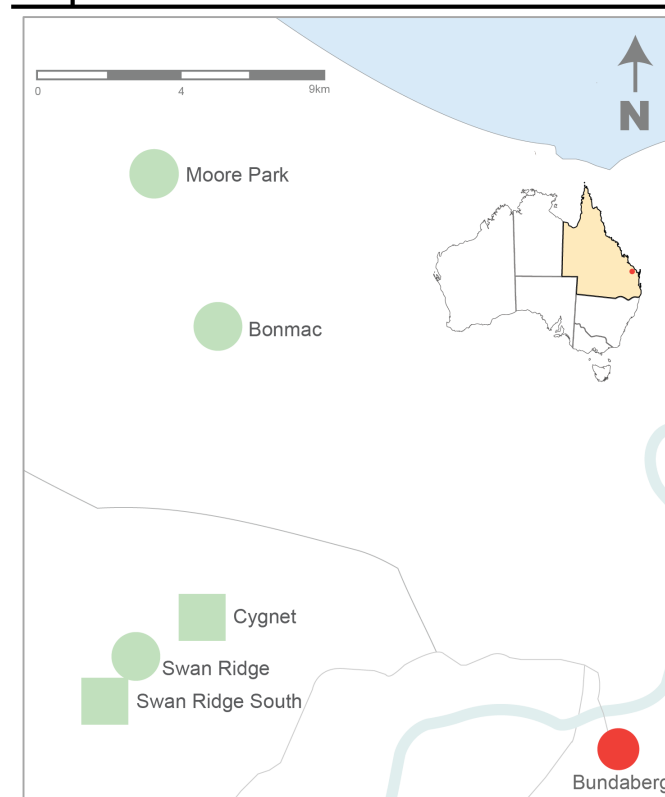
RFM continues to rollout productivity and higher and better use developments.

Productivity improvement: Comanche



-  6,998 ha existing grazing area
-  172 ha existing improved pasture
-  342 ha developed to cultivation
-  88 ha existing irrigation area
-  147 ha proposed conversion to irrigation

Higher and better use: Macadamia developments



-  Sugar cane farm to be developed to macadamia orchard
-  Existing RFF macadamia orchard

Opportunity 1 & 2: developments

Productivity and higher and better use developments occurring on 18 properties.

 Cattle	Acquisition Date	Rent Review	Productivity improvements ¹	Initial	FY17	FY18	FY19	FY20f	FY21f
Mutton Hole and Oakland Park	July 2016	Year 5	Water points	102	4	5	2	6	-
			Pasture improvements	20,000 ha	20,000 ha	-	-	-	-
Rewan	August 2016	Year 5	Water points	42	10	30	-	-	-
			Cultivation area	1,830 ha	668 ha	554 ha	380 ha	287 ha	-
			Pasture improvements	485 ha	-	160 ha	-	125 ha	320 ha
Natal aggregation	December 2017	Year 5	Water points	96		8	2	13	20
Cerberus	September 2018	Year 5	Cultivation area	-			-	-	200 ha
			Pasture improvements	-			-	250 ha	250 ha
Comanche	July 2018	Year 5	Cultivation area	-			-	342 ha	-
			Irrigated area	-			-	88 ha	147 ha
			Pasture improvements	172 ha			-	-	500 ha
Dyam berin	October 2018	Year 5	Grazing area	1,175 ha			-	-	-
Woodburn	January 2019	Year 5	Grazing area	802 ha			-	-	-
Cobungra	March 2019	Year 5	Grazing area	4,221 ha			-	-	-
Petro, High Hill & Willara ²	February 2020	Year 5	Irrigated area	200 ha				-	-
			Grazing Area	5,459 ha					
 Cotton	Acquisition Date	Rent Review	Productivity improvements	Initial	FY17	FY18	FY19	FY20f	FY21f
Lynora Downs	December 2016	Note 2	Water storage	10,405 ML	-	4,142 ML	-	-	-
			Irrigated cropping	779 ha	-	177 ha	174 ha	-	-
Mayneland	September 2018	Note 3	Water storage	5,700 ML	-	-	-	-	2,900 ML
			Irrigated cropping	485 ha	-	-	-	-	246 ha
 Macadamias	Acquisition Date		Development	Initial	FY17	FY18	FY19	FY20f	FY21f
Cygn et	October 2019		Macadamia orchard	0 ha				-	40 ha
Swan Ridge South	March 2020		Macadamia orchard	0 ha				-	46 ha

Notes:

- Pasture development refers to stylo on RFF's north Qld properties, and intensive pastures including Leucaena on central Qld properties. Cultivation area refers to development of additional areas for planting forage crops such as oats. Development of grazing area for southern properties involves investments such as fertiliser to improve production of the existing area.
- The Lynora Downs lease has a five-year term with an option to continue the lease for an additional five years with lease revenue income based on an independent valuation.
- RFM will lease Mayneland for FY20 and commence development to improve the productivity of this asset. A third-party lessee will be sought for FY21 and beyond.

3 Fund update



Cotton crop with open bolls prior to picking (foreground) and replenished water storages following recent rains (background), Lynora Downs, central Qld, February 2020.

Sectors and assets

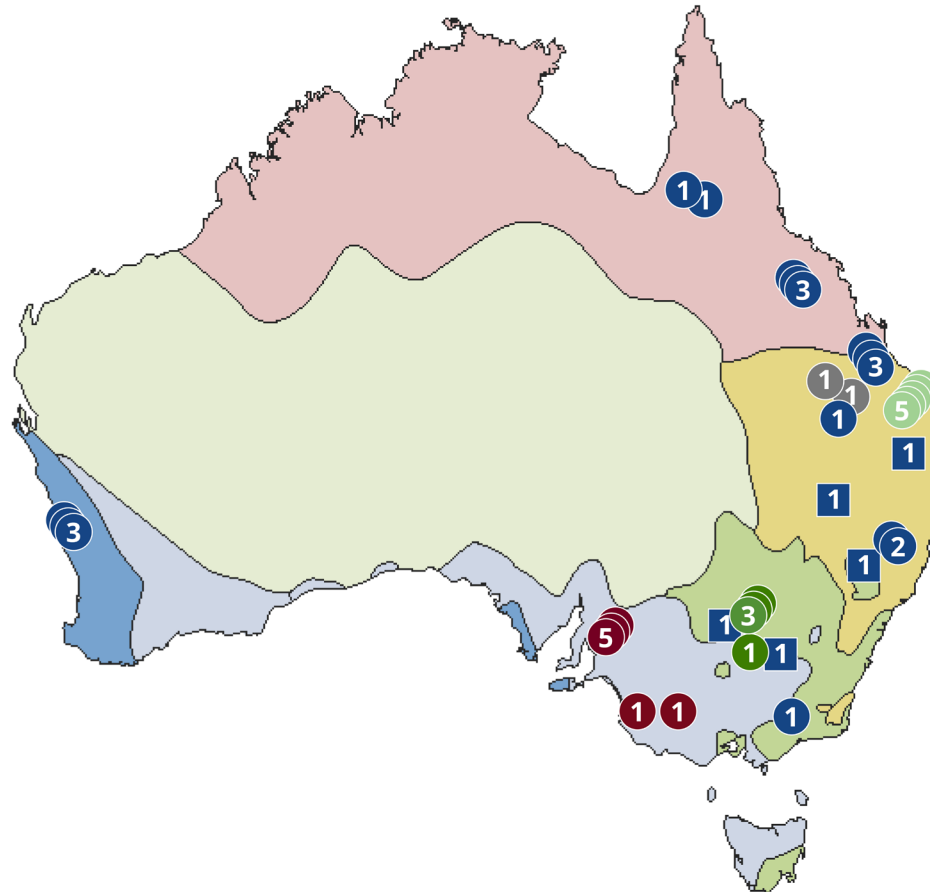
Diversification of 38 properties, five agricultural sectors and multiple climatic zones.¹

Cattle

Properties:	20
Description:	665,561 ha of breeding and backgrounding land. 150,000 head feedlot capacity
HY20 value:	\$310.7m
FY20f rent:	\$22.4m
Water entitlements:	8,708 ML

Vineyards

Properties:	7
Description:	666 ha of premium vineyards
HY20 value:	\$64.0m
FY20f rent:	\$3.9m
Water entitlements:	936 ML



Cotton

Properties:	2
Description:	7,822 ha of irrigated cropping and of dryland cropping land
HY20 value:	\$51.7m
FY20f rent:	\$3.3m
Water entitlements:	32,365 ML

Macadamias

Properties:	5
Description:	259 ha of orchards 86 ha orchards to be developed
HY20 value:	\$16.6m
FY20f rent:	\$1.4m
Water entitlements:	1,543 ML

Almonds

Properties:	4
Description:	1,814 ha of mature orchards and 3,100 ha of recently developed orchards
HY20 value:	\$429.5m
FY20f rent:	\$33.5m
Water entitlements:	65,614 ML

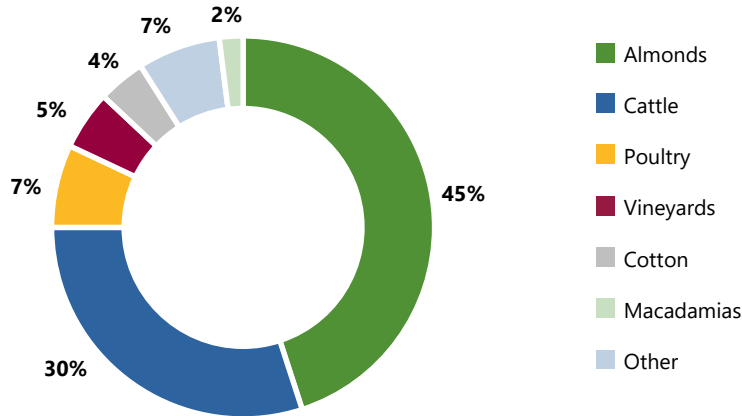
Note:

1. Shaded areas denote climatic zones differentiated by rainfall seasonality. Source: Bureau of Meteorology; see RFF Climatic Diversification discussion paper, 20 Jun 2016. Blue square boxes on map denote cattle feedlots. Map and sector information includes pro forma assets, including: WA cattle properties (settled Feb 2020), Wattlebank (settled Jan 2020), Swan Ridge South (forecast to settle Mar 2020) and Riverina Beef feedlot (forecast to settle Mar 2020). Murrumbidgee High Security water entitlement (8,754 ML) with a value of \$48.1m not shown. HY20 values exclude plant and equipment.

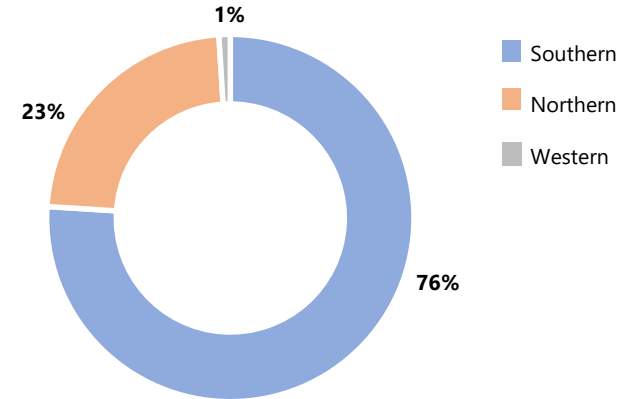
Portfolio diversification

Diversification by sector, asset type, climatic zone and indexation mechanism.

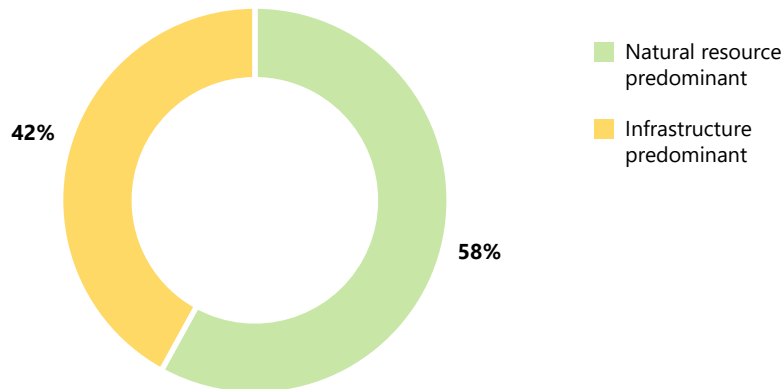
Sector (FY20f revenue)



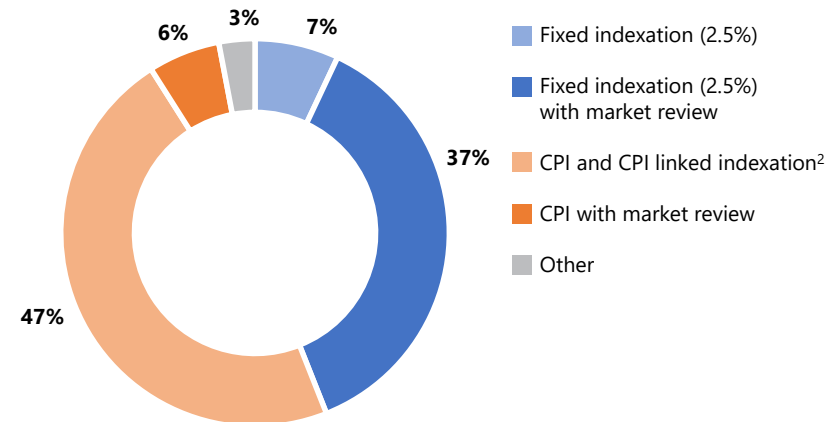
Climatic zone (FY20f revenue)



Asset type (FY20f revenue)¹



Indexation (FY20f revenue)



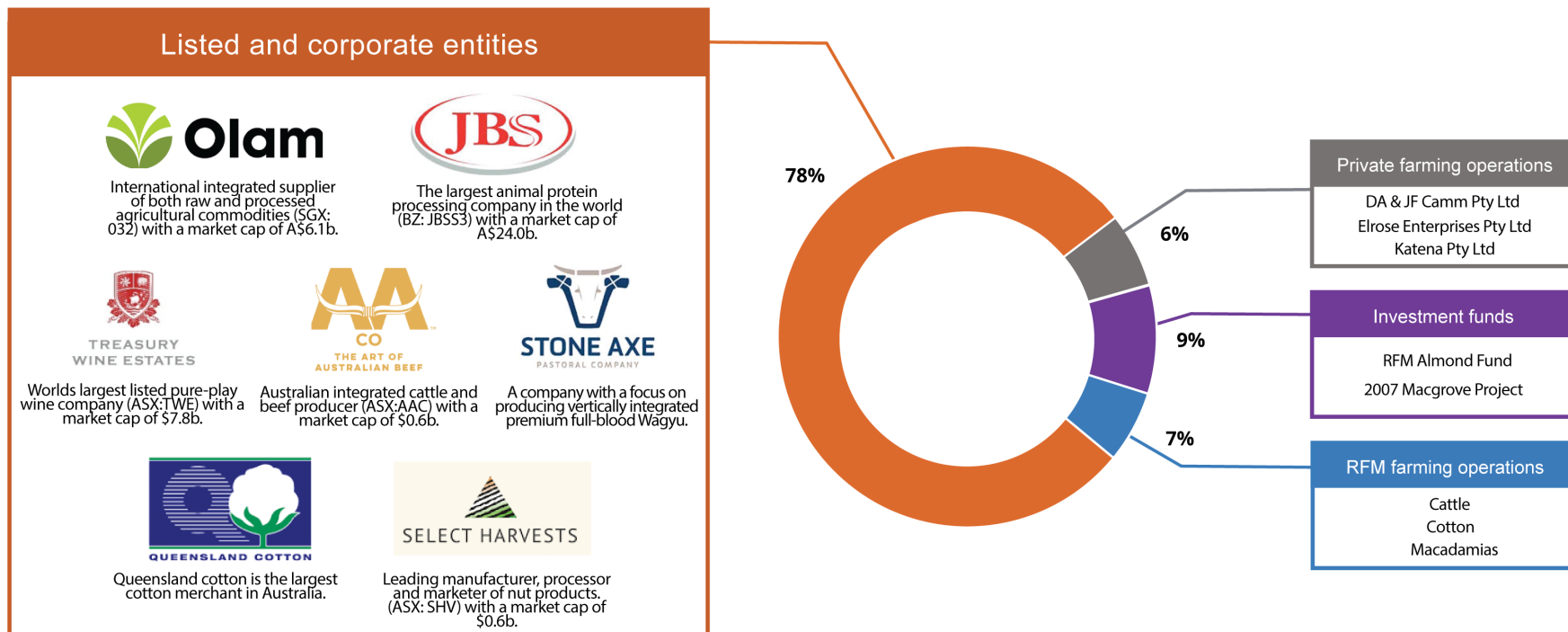
Notes:

- Assumes: Poultry, feedlots (and Guarantee fee) are infrastructure predominant; vineyards, cotton, and cattle properties are natural resource predominant; almond and macadamia orchards are split equally.
- CPI linked indexation refers to RFM Poultry (disposed of Dec 2019) which is 65% of CPI capped at 2%.

Quality lessees and counterparties

Most lessees are corporate entities and listed on domestic or international securities exchanges.

Lessee type by FY20f revenue¹



Note:

- Lessees shown by annualised FY20f revenue and reflecting the sale of the poultry assets. Olam refers to Olam Orchards Australia Pty Ltd, a wholly owned subsidiary of SGX-listed Olam International Ltd (SGX: O32). Excludes non-lessee income e.g. annual water allocation sales. Income from J&F Australia Pty Ltd attributed to JBS Australia. Cotton JV income split 50% RFM and 50% listed and corporate (Queensland Cotton Corporation Pty Ltd).

Environment, social and governance (ESG)

RFM has policies and procedures which address ESG issues.

Environment	Social	Governance
Climate change - Climate diversification strategy. - Quantification of the primary emissions (Carbon dioxide, Methane and Nitrous Oxide) on specific assets. Expectation to quantify emissions and undergo infrastructure and practice changes in response. Management of Natural Resources - Leases require operators to use appropriate agricultural production methods, including minimising environmental impact, protecting biodiversity, management of water and soil health.	Animal welfare - RFM has policies and procedures in place which are explicit about animal health and welfare e.g. cattle lessees are required to comply with best husbandry and pastoral practice. Community engagement - RFM has committed \$1m over three years to assist farmers in agricultural practices to improve farm productivity in Cambodia.	Compliance committee - RFM has an internal compliance committee consisting of representatives of different business units reporting to the RFM Board of Directors. Conflicts of interest and related party transactions - RFM always acts in the best interest of the unitholders of the funds it manages. - RFM has a Conflict of Interest Management Policy. Additional responsibilities are set out in RFF's Constitution, the Corporations Act, ASX Listing Rules and Australian Financial Services License. - The RFM Board receives a monthly report covering compliance, any conflicts of interest and related party transactions.



Indigenous fish traps identified and preserved by RFM. Expected to be recorded in the Aboriginal Heritage Information Management System (AHIMS) register, Tocabil, Hillston, NSW.



RFM funded agricultural consultant inspects rice crop with a local farmer, Taken, Cambodia.

4 Outlook and conclusion

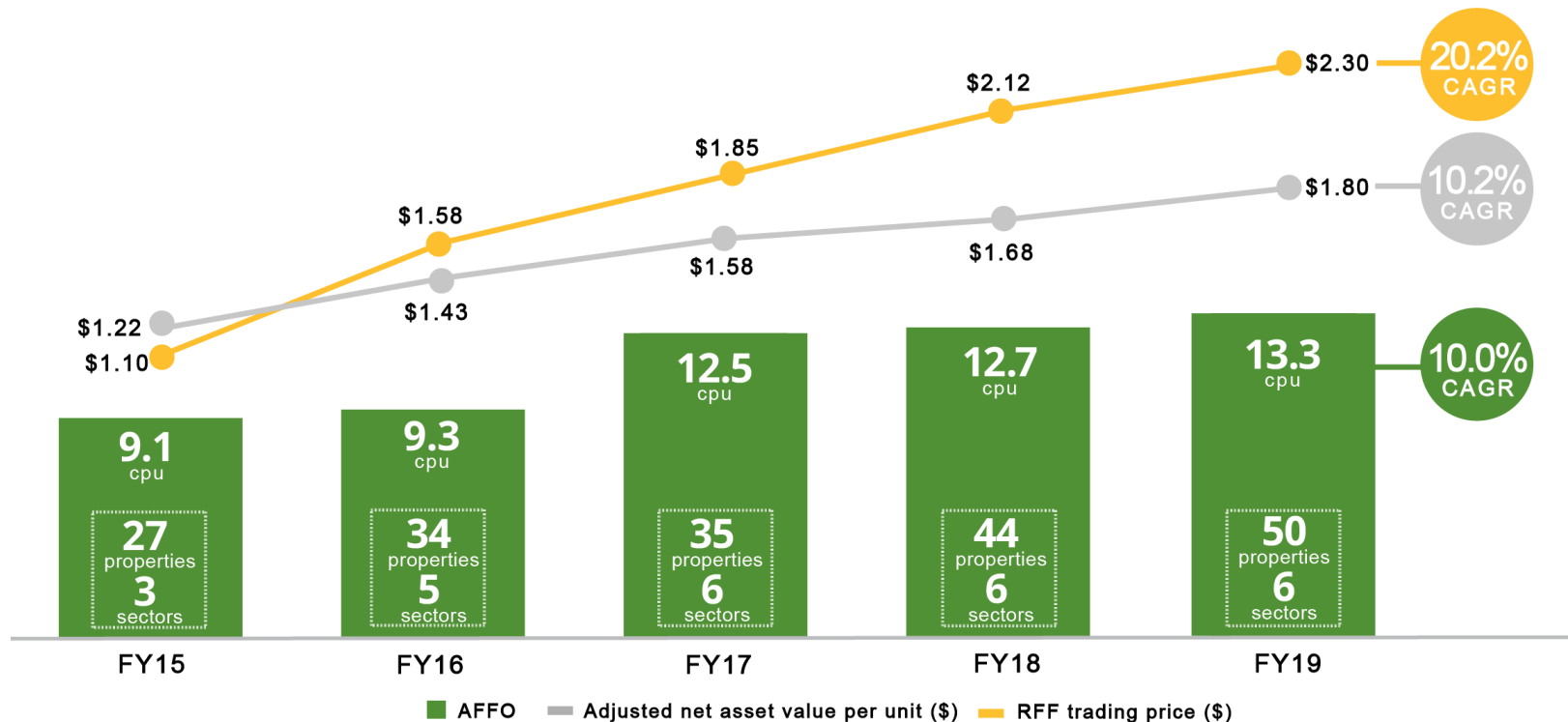


Almond trees in their third year of growth, Kerarbury, Darlington Point NSW, February 2020.

Track record

RFM has established a successful track record of acquiring and improving income generating assets to increase net asset value and AFFO.

Historical financial metrics¹

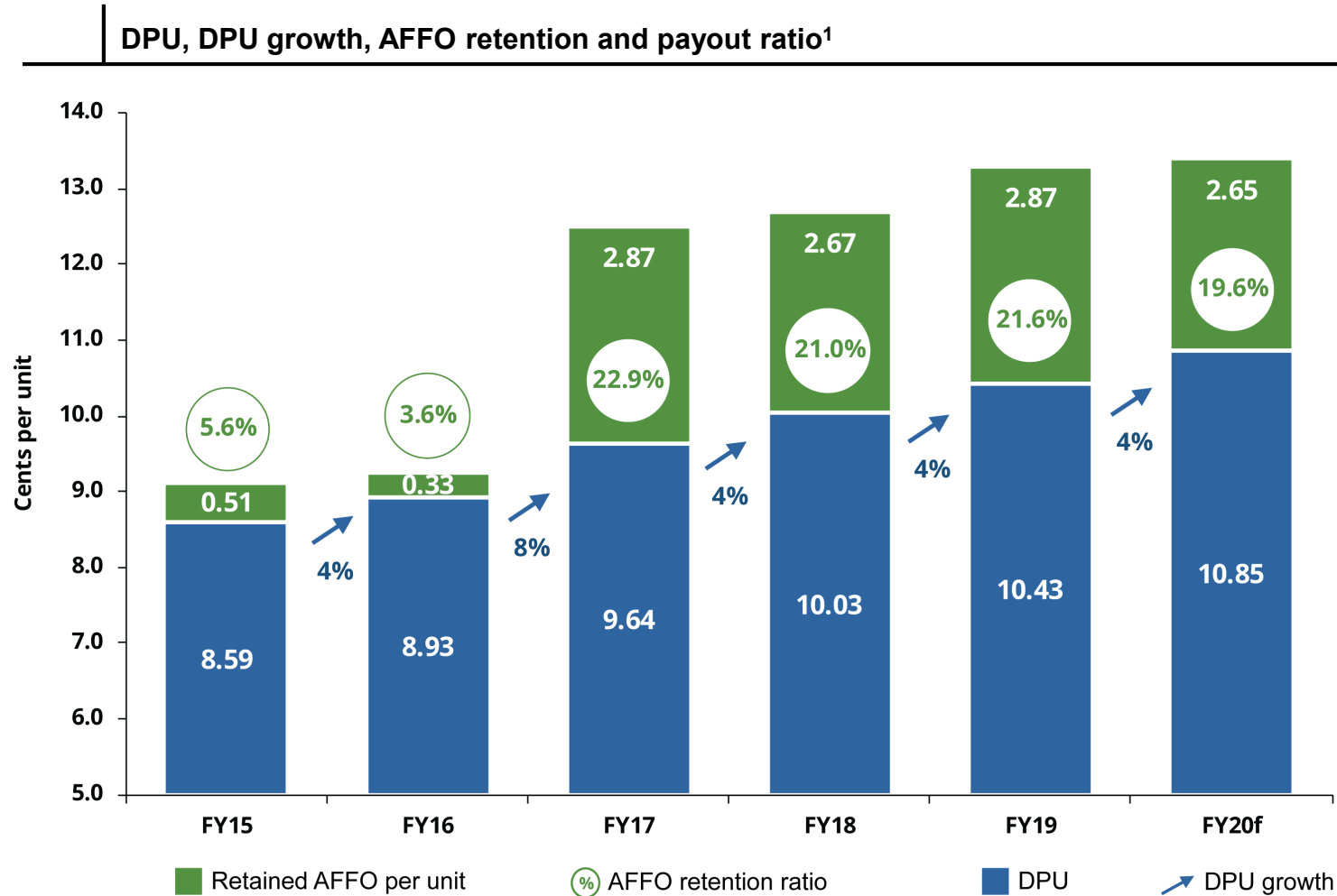


Notes:

1. Adjusted assets incorporates most recent independent property valuations, inclusive of water entitlements. Pro forma properties and sectors presented where applicable.

Continued AFFO and distribution growth

Distributions growth of at least 4% per unit has been funded from increasing AFFO per unit.



Note:

1. Revised FY20 AFFO forecast assumes \$7.5m increase to J&F Guarantee from April 2020 and Unitholder approval.

Conclusion

Positive results, delivering on strategy. Attractive investment attributes.

- **Positive HY20 results:**
 - AFFO per unit growth of 11% and EPU growth of 16% driven by acquisitions, leasing activity and valuations.
- **Authoritative response to short seller allegations:**
 - Ernst & Young Independent Investigation Report.
 - NSW Supreme Court judgment.
- **Continued rollout of acquisition and development strategy:**
 - Acquisitions and developments seek to grow AFFO utilising three types of investment opportunities (infrastructure, productivity improvements and higher and better use).
- **Due diligence being conducted on multiple acquisition opportunities:**
 - Ongoing acquisition opportunities driven by structural trends unique to the agricultural sector.
- **Increased FY20 AFFO forecast and FY21 DPU announced:**
 - FY20 forecast AFFO increased to 13.5 cpu¹
 - FY21 forecast distribution of 11.28 cpu; in-line with the 4% per annum target.

Investment Attributes		
Attractive forecast DPU yield:	5.6%	Based on FY21 DPU and 24 Feb 2020 close price of \$2.03.
Low AFFO payout ratio:	80%	FY20 forecast.
Acquisition capacity:	26% gearing	Below target range of 30-35%.
Diversification:	38 properties	Additional diversification by sector, climatic zone.
Quality lessees & counterparties:	78% corporate entities	By forecast FY20 AFFO.
Development pipeline:	18 properties	Seeking to benefit from productivity and higher and better use.
Structured rental growth:	3 mechanisms	Fixed indexation, CPI indexation and market rent reviews.
Long WALE:	11.5 yrs	Weighted average lease expiry
Track record:	5 yrs	Successful record of improving AFFO, DPU, scale & diversification

Note:

1. Assumes \$7.5m increase to J&F Guarantee from April 2020 and Unitholder approval.

A photograph of an almond orchard floor covered in a thick layer of harvested almonds. The almonds are light brown and some are still attached to green leaves. In the background, rows of almond trees are visible, and a green semi-transparent box is overlaid on the left side of the image.

5 Appendices

Almond harvest at Moorall, Hillston NSW, February 2020.

HY20 results - comprehensive income

Summarised statement of comprehensive income

	6 mths ended 31 December 2019 \$	6 mths ended 31 December 2018 \$ Restated ¹
Property revenue	37,592,000	30,700,000
Revenue	37,592,000	30,700,000
Other income	1,409,000	1,604,000
Property expenses	(869,000)	(759,000)
Other expenses	(2,543,000)	(2,212,000)
Management fees	(5,044,000)	(3,878,000)
Finance costs	(5,667,000)	(4,655,000)
(Loss)/Gain on sale of assets	(503,000)	26,000
Depreciation and impairments	(604,000)	(591,000)
Property revaluations - Bearer plants	(2,904,000)	2,750,000
Property revaluations - Investment property	8,698,000	2,832,000
Change in fair value of financial assets/liabilities	(24,000)	(34,000)
Property revaluations - Intangible assets	(86,000)	105,000
Change in fair value of derivatives	178,000	(3,908,000)
Profit before tax	29,633,000	21,980,000
Income tax expense	(517,000)	(801,000)
Profit after tax	29,116,000	21,179,000
Other comprehensive income	615,000	3,441,000
Total comprehensive income	29,731,000	24,620,000
Weighted average units	335.1m units	318.7m units
Earnings per unit³	8.87 cents	7.73 cents

- Property revenue has increased primarily as a result of income from new investments, development capital expenditure and lease indexation.
- Other income relates to unleased Murrumbidgee High Security water annual allocation sales.
- Property and other expenses increased largely due to costs associated with the EY independent investigation report and associated costs and increased insurance costs.
- Finance costs increased as a result of debt drawn for acquisitions (Cobungra, Beef City, Woodburn) and capital expenditure.
- Property revaluations of bearer plants includes \$2.4m of depreciation on bearer plants.
- Depreciation and impairments related mainly to plant and equipment depreciation owned within RF Active.
- Income tax expense relates to RF Active and AWF (see slide 27).² RFT treated as a flow through trust for tax purposes.

Notes:

- Restatement relates to the adoption of AASB 2014-6 Amendments to AASB - Agriculture: Bearer Plants relating to the depreciation of bearer plants in 1H19. Restatement resulted in a reclassification between bearer plants revaluation taken through profit and loss and other comprehensive income. There has been no change to total comprehensive income, the balance sheet or AFFO.
- RFM Australian Wine Fund (AWF) is a subsidiary of Rural Funds Trust (RFT) that has formed a tax consolidated group.
- Calculated TCI/weighted average units.

HY20 results – AFFO and forecasts

Composition of AFFO (pre-tax)

	6 mths ended 31 December 19 \$	6 mths ended 31 December 18 \$
Property revenue	36,600,000	30,607,000
Property expenses	(869,000)	(759,000)
Net property income	35,731,000	29,848,000
Other income	1,409,000	1,604,000
Other expenses	(2,543,000)	(2,212,000)
Management fees	(5,044,000)	(3,878,000)
EBITDA	29,553,000	25,362,000
Income tax payable (RF Active)	(230,000)	(387,000)
Finance costs	(5,667,000)	(4,655,000)
AFFO	23,656,000	20,320,000
AFFO per unit¹	7.1 cents	6.4 cents
DPU	5.42 cents	5.22 cents

- AFFO is pre-tax and excludes fair value adjustments, depreciation and impairment to represent RFF's property rental business.
- Property expenses relate to costs directly attributable to the properties (e.g. insurance, rates, applicable cost recovery). Other expenses relate to non-property overheads (e.g. ASX/bank/audit/registry fees, cost recovery).
- Property leases are largely triple net.
- Full year AFFO forecast increased to 13.5 cpu, reflecting impact of variation to J&F limited Guarantee.²
- Forecast FY21 DPU of 11.28 cents, consistent with 4% annual growth target. This is supported by structured AFFO growth per unit through lease indexation, reinvestment of retained AFFO and market rent review mechanisms.

Forecasts

	FY21f	FY20f	FY19
AFFO per unit (cents)	-	13.5	13.2
DPU (cents)	11.28	10.85	10.43
AFFO payout ratio	-	80%	79%

Note:

1. Based on the weighted average number of units on issue during the year.
2. Assumes \$7.5m increase to J&F Guarantee from April 2020 and Unitholder approval.

HY20 results - reconciliation of net profit

Reconciliation of net profit after tax to AFFO

	6 mths ended 31 Dec 2019 \$	6 mths ended 31 Dec 2018 \$ restated ¹
Net profit after income tax	29,116,000	21,179,000
Adjusted for:		
Property revaluations	(8,113,000)	(8,070,000)
Change in fair value of interest rate swaps	(178,000)	3,908,000
Depreciation and impairment - Other	604,000	591,000
Depreciation - Bearer Plants	2,405,000	2,383,000
Change in fair value of financial assets/liabilities	24,000	34,000
Loss/(gain) on sale of assets	16,000	(26,000)
Straight-lining of rental income	(646,000)	-
Interest component of JBS feedlot finance lease	(346,000)	(93,000)
Loss on disposal – one off transaction costs	487,000	-
FFO	23,369,000	19,906,000
Adjusted for income tax expense (AWF)	287,000	414,000
AFFO	23,656,000	20,320,000
AFFO per unit ²	7.1 cents	6.4 cents

- Non cash items added back to reconcile net profit after tax to AFFO.
- Key adjustments include:
 - Property revaluations includes \$9.3m in cattle properties, \$0.1m in macadamia properties and (\$1.3m) in poultry properties.
 - Straight-lining reflects a smoothing of rent earned over a lifetime of the lease (under AASB16 for leases with fixed indexation).
 - Interest component of JBS feedlot finance lease reflects smoothing of indexation due to finance lease classification.

Notes:

1. Restatement relates to the depreciation of bearer plants. Restatement resulted in a reclassification between revaluation taken through profit and loss and revaluation taken through other comprehensive income. There has been no change to total comprehensive income, the balance sheet or AFFO.
2. Based on the weighted average number of units on issue during the year.

HY20 results - summarised balance sheet

Summarised balance sheet

	As at 31 December 2019 \$	As at 30 Jun 2019 \$
Cash	41,711,000	2,588,000
Property investments	813,762,000	849,033,000
Plant and equipment	7,738,000	8,537,000
Other assets	9,220,000	8,929,000
Total assets	872,431,000	869,087,000
Interest bearing liabilities:		
- Current	3,925,000	3,832,000
- Non-current	277,744,000	291,445,000
Derivative financial liabilities	23,863,000	24,041,000
Current tax liabilities	676,000	439,000
Deferred tax liabilities	6,057,000	5,778,000
Other liabilities	19,488,000	17,680,000
Total liabilities	331,753,000	343,215,000
Net assets	540,678,000	525,872,000
Units on issue	335,859,474	334,263,593
NAV per unit	1.61	1.57
Adjustment for water entitlements fair value per unit	0.23	0.23
Adjusted NAV per unit	1.84	1.80

- Accounting standards and ASIC guidance require water entitlements to be recorded as intangible assets, and held at the lower of cost or fair value. The adjustment for water entitlements shows the difference between book value and fair value (based on current independent valuations).
- Additional cash held on balance sheet as at 31 December 2019 following poultry asset sale.
- Water entitlements totalling 118,089 ML and water delivery entitlements of 21,430 ML representing a fair value of \$208.1m or 22% of total adjusted assets.
- See page 30 for details of independent valuations.

HY20 results - total assets reconciliation

Total assets reconciliation

	Investment property	Bearer plants	Intangible assets ^{1,3}	Financial assets - property ^{2,3}	Other assets	Total	Adjustment for water entitlements at fair values ^{1,3}	Adjusted total assets
	\$	\$	\$	\$	\$	\$	\$	\$
Balance as at 30 June 2019	489,327,000	172,915,000	118,531,000	68,260,000	20,054,000	869,087,000	76,769,000	945,856,000
Additions – Cattle	2,342,000	-	-	-	-	2,342,000	-	2,342,000
Additions – Cotton	1,717,000	-	-	-	-	1,717,000	-	1,717,000
Additions – Almond orchard	5,462,000	2,525,000	757,000	(757,000)	-	7,987,000	-	7,987,000
Additions – Macadamias	1,498,000	-	222,000	-	-	1,720,000	-	1,720,000
Additions – Vineyards	351,000	-	-	-	-	351,000	-	351,000
Poultry disposal	(69,846,000)	-	(1,049,000)	-	-	(70,895,000)	(2,595,000)	(73,490,000)
Depreciation and impairments	-	(2,405,000)	-	-	(565,000)	(2,970,000)	-	(2,970,000)
Fair value adjustment ⁴	9,948,000	116,000	(86,000)	-	-	9,978,000	3,601,000	13,579,000
Fair value adjustment - discontinued operations	(1,250,000)	-	-	-	-	(1,250,000)	-	(1,250,000)
Breeder herd lease ⁵	-	-	-	(24,000)	-	(24,000)	-	(24,000)
JBS Feedlots	-	-	-	13,715,000	-	13,715,000	-	13,715,000
Other movements ⁶	(100,000)	-	-	1,593,000	39,180,000	40,673,000	-	40,673,000
Balance as at 31 December 2019	439,449,000	173,151,000	118,375,000	82,787,000	58,669,000	872,431,000	77,775,000	950,206,000

Notes:

- Accounting standards and ASIC guidance require water entitlements to be recorded as intangible assets, and held at the lower of cost or fair value. The adjustment for water entitlements shows the adjustment to the fair value of the water entitlements held.
- Relates to water entitlements held as part of the investment in Barossa Infrastructure Limited, Coleambally Irrigation Co-operative Limited, breeder herd finance lease, loan to Camm, loan to Katena, straight-lined asset, equipment finance leases and finance lease with JBS Australia for four feedlots, which are accounted for as financial assets.
- Water entitlements of 118,089 ML and 21,430 ML of water delivery entitlements held by the Group representing a fair value of \$208.1m.
- Fair value adjustments as part of valuations for the half year ended 31 Dec 2019.
- Breeder herd lease structured as a finance lease with no price risk impact on lessor associated with movements in value of the breeder herd.
- Investment property includes amortisation of lease incentive relating to the Natal cattle properties.

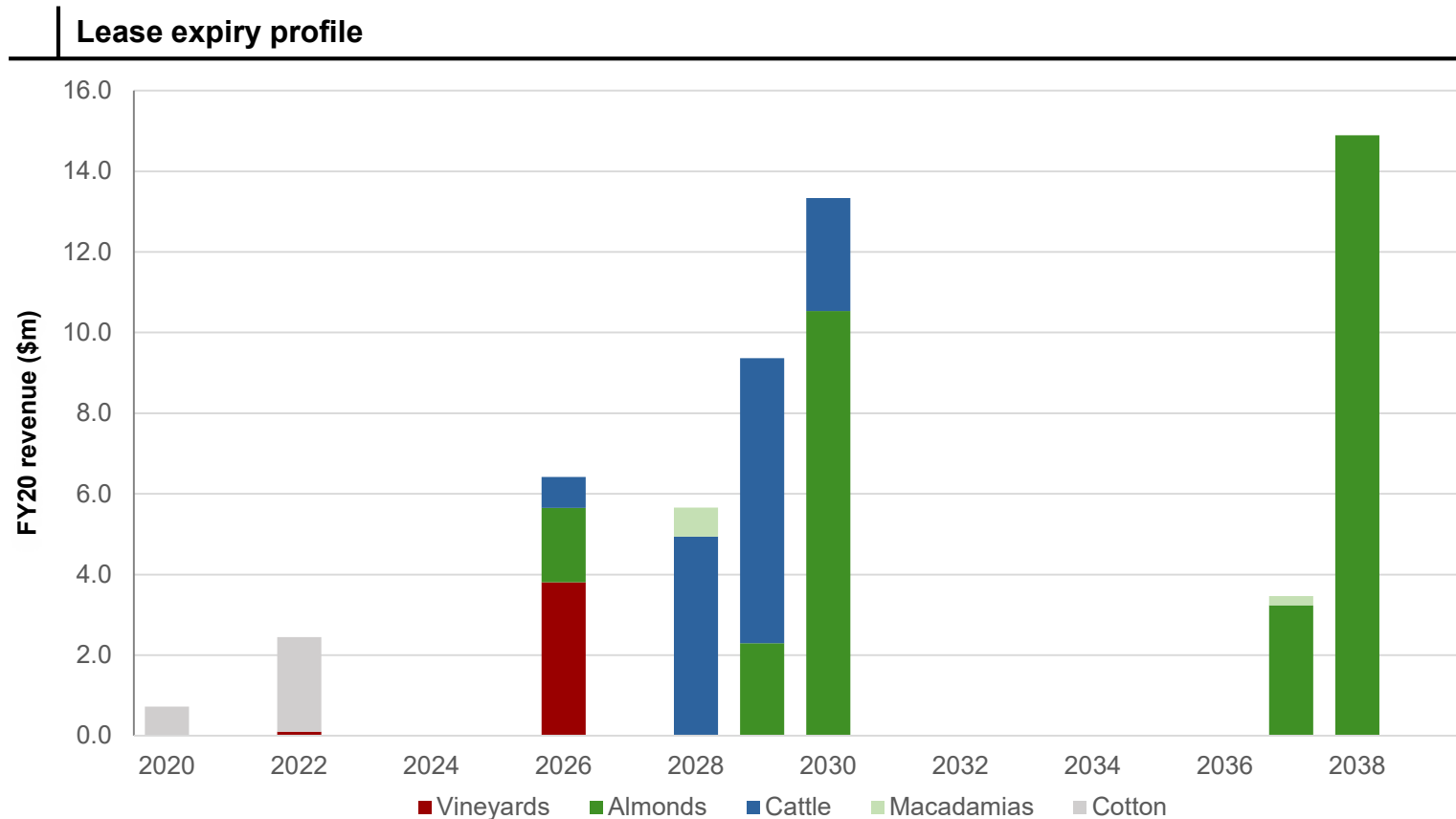
Valuations, valuers and lease expiry

RFM has a policy to independently value assets at least every two financial years and rotate valuers every three years.

PROPERTY BY SECTOR	STATE	BRIEF DESCRIPTION	ACQUISITION DATE	ADJUSTED PROPERTY VALUE 31 DECEMBER 2019 \$M	VALUATION DATE	VALUATION \$M	VALUER	WEIGHTED AVERAGE LEASE EXPIRY DATE	WEIGHTED AVERAGE LEASE EXPIRY (YEARS)
Almonds									
Mooral	NSW	808 ha orchard	Apr-2010	\$ 74.9	Mar-2019	\$ 73.0	JLL	Jun-2028	8.5
Yilgah	NSW	1,006 ha orchard	Jun-2008	\$ 110.2	Mar-2019	\$ 110.0	JLL	May-2030	10.3
Tocabil	NSW	603 ha orchard	Oct-2014	\$ 40.2	Mar-2019	\$ 40.0	JLL	Apr-2037	17.3
Kerarbury	NSW	2,500 ha orchard	Oct-2015	\$ 203.4	Sep-2018	\$ 171.9	CBRE	Apr-2038	18.3
Cattle									
Rewan	QLD	17,479 ha property	Aug-2016	\$ 43.2	Jun-2019	\$ 43.1	CBRE	Oct-2029	9.8
Mutton Hole	QLD	140,300 ha property	Jul-2016	\$ 8.9	Jun-2019	\$ 8.7	CBRE	Jun-2026	6.5
Oakland Park	QLD	85,500 ha property	Aug-2016	\$ 5.6	Jun-2019	\$ 5.4	CBRE	Jun-2026	6.5
Natal Aggregation	QLD	390,600 ha property	Dec-2017	\$ 63.7	Dec-2019	\$ 63.7	JLL	Oct-2027	7.8
Comanche	QLD	7,600 ha property	Jul-2018	\$ 16.2	Jun-2018	\$ 15.7	CBRE	Jun-2028	8.5
Cerberus	QLD	8,280 ha property	Sep-2018	\$ 11.9	Aug-2018	\$ 10.2	CBRE	Sep-2028	8.7
Dyambersin	NSW	1,728 ha property	Oct-2018	\$ 14.1	Jun-2018	\$ 14.0	CBRE	Oct-2028	8.8
JBS Carroona, Mungindi, Prime City, Beef City	NSW/ QLD	97,000 head feedlots (total)	Oct-2018	\$ 42.8	Oct-2018	\$ 41.8	Purchase price	Jul-2028	8.5
Woodburn	NSW	1,063 ha property	Jan-2019	\$ 6.5	Jun-2018	\$ 6.5	CBRE	Jan-2029	9.0
Cobungra	VIC	6,500 ha property	Mar-2019	\$ 35.0	Feb-2019	\$ 35.0	Colliers	Feb-2029	9.2
Cotton									
Lynora Downs	QLD	4,880 ha property	Dec-2016	\$ 33.6	Jun-2019	\$ 33.1	CBRE	Apr-2022	2.3
Mayneland	QLD	2,942 ha property	Sep-2018	\$ 18.1	Aug-2018	\$ 16.7	JLL	Jun-2020	0.5
Macadamias									
Swan Ridge	QLD	130 ha orchard	Mar-2016	\$ 6.5	Oct-2019	\$ 6.4	Colliers	Jun-2028	8.5
Moore Park	QLD	104 ha orchard	Mar-2016	\$ 4.0	Oct-2019	\$ 4.0	Colliers	Jun-2028	8.5
Bonmac	QLD	27 ha orchard	Mar-2016	\$ 2.9	Oct-2019	\$ 2.9	Colliers	Dec-2036	17.0
Cygnat	QLD	40 ha orchard	Oct-2019	\$ 1.6					
Vineyards									
Kleinig	SA	206 ha vineyard	May-2002	\$ 22.4	Jun-2019	\$ 22.7	Colliers	Jun-2026	6.5
Geier	SA	243 ha vineyard	Sep-2000	\$ 28.0	Jun-2019	\$ 28.2	Colliers	Jun-2026	6.5
Dohnt	SA	30 ha vineyard	Sep-2004	\$ 1.0	Jun-2019	\$ 1.0	Colliers	Jun-2022	2.5
Hahn	SA	50 ha vineyard	Feb-2000	\$ 5.1	Jun-2019	\$ 4.9	Colliers	Jun-2026	6.5
Mundy and Murphy	SA	55 ha vineyard	Apr-2000	\$ 4.1	Jun-2019	\$ 3.8	Colliers	Jun-2026	6.5
Rosebank	VIC	82 ha vineyard	Aug-2003	\$ 3.4	Jun-2019	\$ 3.4	Colliers	Jun-2026	6.5
Unencumbered water entitlement – River	NSW	8,754 ML	Dec-2016	\$ 48.1	Sep-2018	\$ 48.1	CBRE	N/A	N/A
Unencumbered water entitlement – Ground	NSW	1,910 ML	Mar-2016	\$ 6.7	Dec-2017	\$ 3.1	CBRE	N/A	N/A
Total Property and water assets				\$ 861.9		\$ 817.2			
Cattle finance leases and other assets				\$ 27.1	N/A	N/A	N/A	N/A	N/A
Plant & equipment				\$ 7.7	N/A	N/A	N/A	N/A	N/A
Other receivables and equipment leases				\$ 2.5	N/A	N/A	N/A	N/A	N/A
Total adjusted property assets				\$ 899.3					

Lease expiry profile

Portfolio WALE of 11.5 years.



Notes:

1. Calculated as the FY20 forecast rent and the year of lease expiry.

Capital expenditure

Forecast capex of \$25.8m will attract rent as it is deployed.

Capital expenditure profile

	1H20 (\$m)	2H20f (\$m)	FY21f (\$m)	Total forecast (\$m)	Description
Almonds	8.0	6.7	0.7	7.4	FY20 and FY21 capex primarily for remaining Kerarbury water delivery infrastructure.
Cattle	2.3	5.1	4.2	9.3	Productivity developments and infrastructure. ¹
Cotton	1.7	1.7	4.3	6.0	Productivity developments and infrastructure. ¹
Vineyards	0.4	0.3	0.1	0.4	Frost protection infrastructure.
Macadamias	0.1	1.5	1.2	2.7	Infrastructure and Cygnet and Swan Ridge South development. ¹
Total (\$m)	12.5	15.3	10.5	25.8	

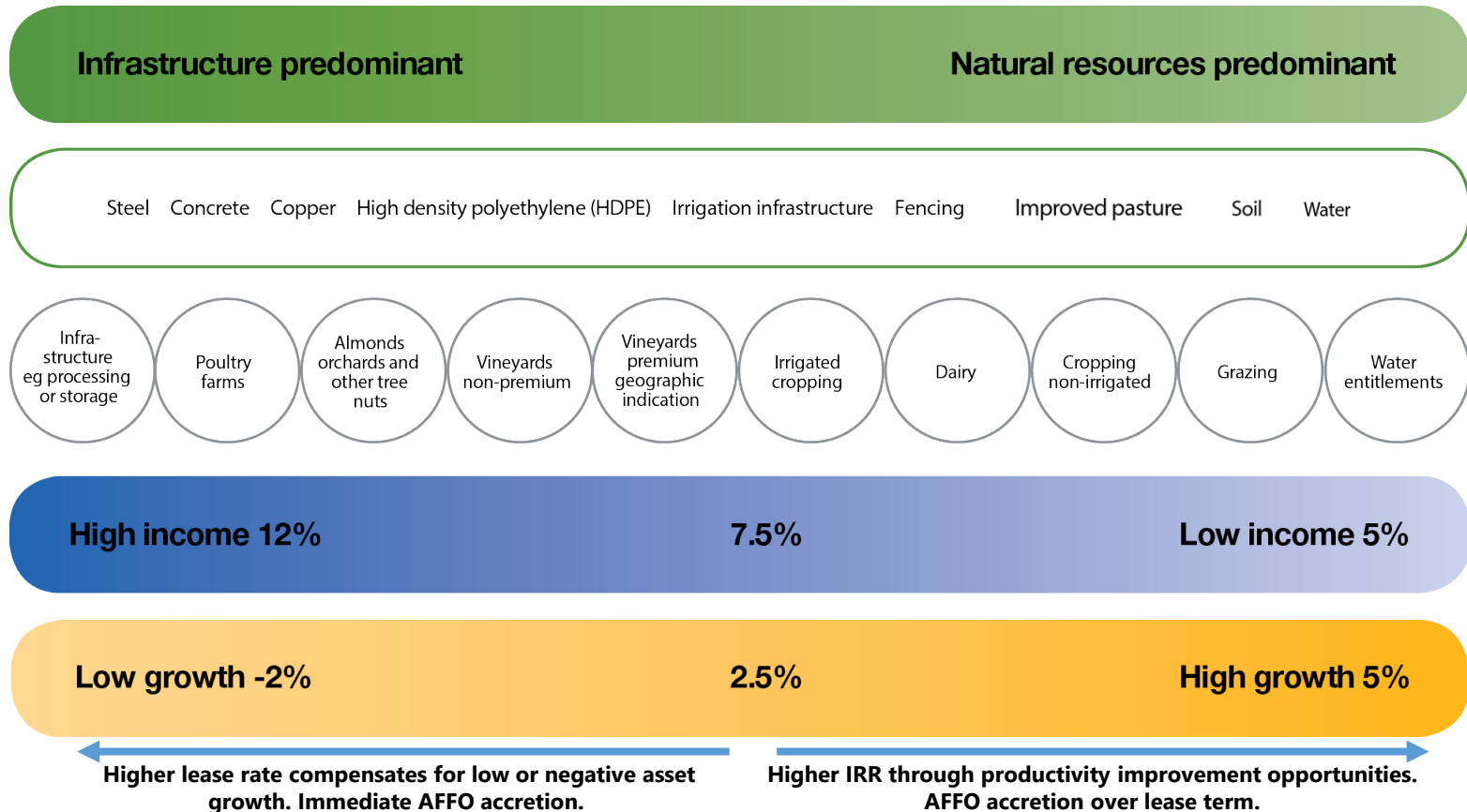
Notes:

1. Includes forecast figures for identified development opportunities which are yet to be finalised with lessees.

Spectrum of investment opportunities

Strategy to invest across the full range of the asset continuum, whilst ensuring the asset mix continues to fund distributions (Explanatory Memorandum, October 2013).

Spectrum of investment opportunities¹



Note:

- The income and growth figures presented in the figure above have been provided to differentiate the profile of income and growth that can be derived from different assets. They are based on RFM's experience and observations of agricultural lease transactions and historical rates of growth. They are neither forecasts nor projections of future returns. Past performance is not a guide to future performance. See RFM Newsletters dated Apr 2014 and May 2016 for further information.

Rural Funds Management

RFM is a fund and farm manager with 23 years' experience in Australian agriculture.

Key information

Established	1997
Assets under management	\$1.2 billion
Ownership	Directors and staff
Farm and operations staff	91
Funds management staff	47
RFM direct operational experience	Cotton: since 1998 Vineyards: since 2000 Poultry: since 2003 Almonds: since 2006 Macadamias: since 2006 Livestock: since 2010
RFF fee structure	1.05% p.a. adjusted total assets & cost recovery
RFF key responsibilities	- Compliance to financial, farming and reporting requirements of leases. - Water asset management including obtaining approvals and engagement with government. - Management of infrastructure e.g. ongoing and development capital expenditure. - Coordination of regular independent valuations. - Facilitating acquisitions. - Managing lessee/customer relationships.

Board and management team contacts and tenure



Guy Paynter
Non – Executive
Chairman

9 years



David Bryant
Managing
Director

23 years



Michael Carroll
Non – Executive
Director

9 years



Julian Widdup
Non – Executive
Director

3 years



Tim Sheridan
Chief Operating
Officer

12 years



Daniel Yap
Chief financial
Officer

8 years



Harvey Gaynor
General Manager
– Farming

1 year



Emma Spear
Company Secretary

11 years



Dan Edwards
National Manager –
Rural Funds Group

15 years



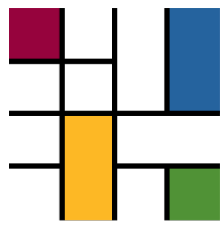
James Powell
General Manager – Investor
Relations and Marketing

12 years

Glossary and table of abbreviations

Term	Definition
Adjusted NAV	Net Asset Value (NAV) adjusted for the independent valuation of water entitlements
Adjusted total assets	Total assets adjusted for the independent valuation of water entitlements
ASX	Australian Securities Exchange
AFFO	Adjusted funds from operations - a financial metric used in the REIT sector to measure available cash flow from operations (adjustment relates to non-cash tax expense)
Counterpart	A party other than RFF involved in a financial transaction, usually referring to the lessee of a property
CPI	Consumer Price Index
DPU	Distributions per Unit
EBITDA	Earnings Before Interest, Taxes, Depreciation and Amortisation
Fair value	Value of an asset as determined by an independent valuation
Gearing	Calculated as external borrowings (less cash balance)/adjusted total assets
Guarantee	Recorded as a contingent liability within RFF, a credit loss allowance will be recognised as a liability within RFF, considering the probability of the Guarantee being triggered. In FY19 this amount was \$0.04 million.

Term	Definition
ha	Hectare(s) – an area of 10,000m ²
Improved pasture	Pasture with higher relative level of nutrition that is sown to increase livestock weight gain
LVR	Loan to valuation ratio - a bank covenant, calculated as debt divided by tangible assets (including water entitlements)
ML	Megalitre - a volume of 1,000,000 litres
m	Million(s)
NAV	Net asset value - calculated as assets less the value of liabilities (does not recognise fair value of water entitlements)
Processor	The operator of a slaughtering facility at which cattle are slaughtered and broken down into saleable beef
Pro forma	Financial statements based on certain assumptions and projections
Total assets	Total value of assets as presented on the balance sheet (water entitlements recorded at the lower of cost or fair value)
REIT	Real Estate Investment Trust
RFF	Rural Funds Group (ASX:RFF)
RFM	Rural Funds Management Limited - manager and responsible entity for the Rural Funds Group



Rural Funds Management

Managing good assets with good people

Rural Funds Management Limited

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