

ASX Announcement

Ruralco Holdings Limited (“Ruralco”) (ASX: RHL)

Market Update

Progress Against Future Farming Strategy

The following is an update on progress against the Future Farming Strategy, as announced in Ruralco’s Full Year Results on 15th November 2016:

- Ruralco completed its acquisition of an equity interest in Ausure Consolidated Brokers Pty Ltd (ACB) and transferred Ruralco Insurance Pty Ltd’s assets on 15 December 2016. Ruralco paid cash consideration of \$7.1million for a 50% equity interest in ACB. As part of the transaction, Ruralco transferred its existing insurance books and operations, including staff, into the joint venture. From the completion date earnings from insurance activities will be recognised through the share of associate’s profits line in the Consolidated Statement of Profit and Loss. This transaction is expected to turn Ruralco’s previously underperforming insurance business into a profitable and scaleable platform for future growth.
- Details relating to the proposed acquisition of TP Jones & Co for current estimated cash consideration of \$16million are included in the Notice of Meeting and Independent Expert’s Report and Financial Services Guide provided to the ASX on 13th January 2017. The proposed transaction remains subject to shareholder approval at the Company’s AGM to be held on 17th February 2017.
- During the period there has been a continued focus on portfolio management with the acquisition of increased equity stakes in Frontier International Agri Pty Ltd to 75% and Saffin Kerr Bowen Pty Ltd and Territory Rural Pty Ltd to 100% for a total cash consideration of \$1.2million.
- Integration of the Hunter Irrigation and Riverland Irrigation acquisitions into the Total Eden network have completed in the period and there continues to be a healthy pipeline of Water acquisitions to execute in 2017.

Trading Update

Ruralco has experienced a strong start to FY17 with earnings exceeding last year’s record Q1:

- As anticipated, the rainfall in the latter part of last year has been favourable to the summer cropping season across most of the country with increased plantings of cotton and rice. Ruralco has seen growth in sales of agricultural chemicals and pre-season fertiliser compared with the same period in the prior year. Improved farmer confidence and cash flows have also led to increased demand for general rural merchandise.
- The above average rainfall experienced in the first quarter, particularly in southern Australia, has led to a slower than expected start to the year in Water Services. Whilst the water retail business has performed broadly in line with expectations, the water services (infrastructure) business is behind, with wetter than average conditions hampering project work. Recent and continuing warmer weather, particularly in Tasmania where Ruralco has a major project underway, and the impact of the reset cost base following the restructuring activity undertaken in 2016 is expected to lead to a full recovery of earnings by the end of the year.

- Following the successful restructure of Ruralco's Live Export operations in 2016, volumes have increased on the same period last year with a solid sales pipeline in place for the next quarter.
- Over the next three months the recent rainfall and the availability of irrigation water is expected to continue the demand for Rural Supplies products and services. In addition, continuing strong livestock volumes and prices and the recent uplift in the wool market are expected to underpin Agency trading conditions.

Investor Site Visit to Launceston

Ruralco today is hosting a site visit for a small group of broker analysts and institutional investors to its Tasmanian operations. The day is focused on showcasing Ruralco's three pillar Future Farming Strategy through a tour of various sites around Launceston, including the Powranna sale yards, and offers an opportunity for the group to meet key management, operational staff and customers.

Presentation materials used during the site visit are attached to this release. No new material information will be disclosed during the event other than what is contained in this release.

Further information:

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