

## ASX Release

12 July 2018

### Subject: Media release “Transaction with JBS Australia”

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Rural Funds Management Limited (“**RFM**”), as responsible entity and manager of Rural Funds Group (ASX: RFF), is pleased to announce that it has entered into conditional agreements with JBS Australia (“**JBS**”), Australia’s largest lot feeder and cattle processor.

As part of these agreements, RFF will acquire JBS-owned Australian feedlots (“**Feedlots**”) located in Queensland and New South Wales for \$52.7 million. The facilities have a combined capacity of 150,000 Standard Cattle Units which represents approximately 15% of Australia’s lot fed cattle capability.

Concurrent with the acquisition, RFF will enter into a finance lease with JBS for a term of 10 years, with CPI indexation. The lease contains a call option for JBS to buy the feedlots back, and a put option for RFF to sell the feedlots to JBS, at year 10.

In addition to the finance lease, RFF will provide a limited guarantee of \$75 million (“**Guarantee**”) to an existing entity called J&F Australia Pty Ltd (“**J&F**”) that currently acquires cattle for JBS Feedlots. J&F will become a wholly-owned subsidiary of RFM, however JBS will retain the day-to-day management of both the feedlots and cattle acquisitions for the feedlots. The Guarantee is subject to RFF unitholder approval at a general meeting to be held on 10 August 2018.

The provision of the finance lease and Guarantee confers no direct operating risk on RFF. In addition, obligations to RFF and RFM from JBS have been guaranteed by their parent company Baybrick Pty Ltd (Baybrick). Baybrick is a diversified entity with net assets of \$2.3 billion and owns other food businesses such as Primo Smallgoods. The owner of Baybrick is JBS S.A, the largest protein processor globally and is listed on the Brazilian stock exchange with market capitalisation of approximately A\$8.9 billion.

A copy of the joint JBS and RFM media release accompanies this announcement.

# Rural Funds Group | ASX: RFF

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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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## **JBS Australia and Rural Funds Management announce strategic partnership for the supply of cattle**

- Partnership establishes RFM as one of JBS's main suppliers of grain fed cattle in Australia.
- Parties conditionally agree to enter into a finance lease transaction of JBS Australia's five feedlots to provide the adequate infrastructure and security for RFM's cattle supply.
- JBS will continue to operate and manage feedlots under a 10 year lease with an option to terminate the agreement at any time after five years.
- Maintains JBS's Australian footprint, ensuring the stability of operations for customers, staff and producer partners.

JBS Australia Group ("JBS Australia" or "the Company"), Australia's largest meat processor and value added food company, and Rural Funds Group (ASX:RFF), a real estate investment trust managed by Rural Funds Management ("RFM"), have entered into a conditional agreement whereby RFM will become one of JBS's main suppliers of grain fed cattle in Australia.

As part of the agreement, JBS has agreed to enter into a finance lease transaction of its five feedlots to provide the adequate infrastructure and security for RFM's cattle, which will be fed for an average of 120 days before being sold to one of JBS's processing facilities for slaughtering.

The transaction is subject to normal terms and conditions, including Foreign Investment Review Board approval.

The five feedlots, located in southern Queensland and New South Wales, have a combined capacity of 150,000 head and support the Company's grain-fed cattle operations. JBS Australia processes more than one million head of cattle annually and exports product to more than 50 countries around the world.

Under terms of the lease agreement, JBS Australia will continue to operate and manage the feedlots for up to 10 years, with an option to terminate the agreement at any time after five years.

JBS Australia CEO Brent Eastwood said that these arrangements are fairly commonplace in the Australian agricultural sector and the agreement has no impact on grain-fed producer suppliers to JBS Australia.

"We are excited to enter into a strategic partnership with Rural Funds Management," said Brent Eastwood, JBS Australia CEO. "The agreement will allow JBS Australia to continue 'business as usual' with our customers and grain-fed cattle supplier partners, while establishing a long term relationship with one of the country's most respected Australian-owned funds to pursue future opportunities."

David Bryant, Managing Director of Rural Funds Management commented, "The strategic partnership announced today, provides Australia's largest meat processor a consistent supply of grain fed cattle. In turn, the Rural Funds Group has introduced to its portfolio, a substantial and



highly capable new counterpart, that will contribute to growth of fund assets and income.”

Importantly, the transaction maintains the JBS Australia’s industry-leading footprint, ensuring stability of operations for staff and cattle producer suppliers, continued access to the country’s highest quality grain-fed cattle, and continuity of supply for JBS Australia customers.

“The JBS Australia team remains focused on working alongside our leading producer partners to ensure Australian red meat and value added food products maintain their status as the preferred choice of discerning customers in Australia and around the world,” Eastwood added.

**ENDS**

### **About JBS Australia**

JBS Australia is the largest meat and food processing company in Australia, operating beef, lamb and pork processing facilities across five states and beef feedlots across Queensland and New South Wales. We are also major players in the smallgoods and value added meat and food sectors through Primo Smallgoods and Andrews Meat Industries. JBS Australia owns and operates an international meat trading and by-products division, domestic trading and network of retail outlets, as well as a transport and logistics business. JBS is Australia’s largest meat exporter supplying to over 50 countries around the world while also maintaining significant market share in the domestic beef and lamb market.

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