Company announcement

GrainCorp Limited ABN 60 057 186 035

Date: Thursday, 25 November 2010

To: The Manager

Announcements

Company announcements office

PUBLIC ANNOUNCEMENT

GRAINCORP YEAR END 30 SEPTEMBER 2010

Results Presentation

Betty Ivanoff
General Counsel and Company Secretary

GrainCorp Limited
Level 26, 175 Liverpool Street, Sydney NSW 2000
PO Box A268, Sydney South NSW 1235
Telephone: (02) 9325 9100 Facsimile: (02) 9325 9180
www.graincorp.com.au

25 November 2010
Alison Watkins, Managing Director and Chief Executive Officer

GRAINCORP FULL YEAR 2010 RESULTS

Agenda

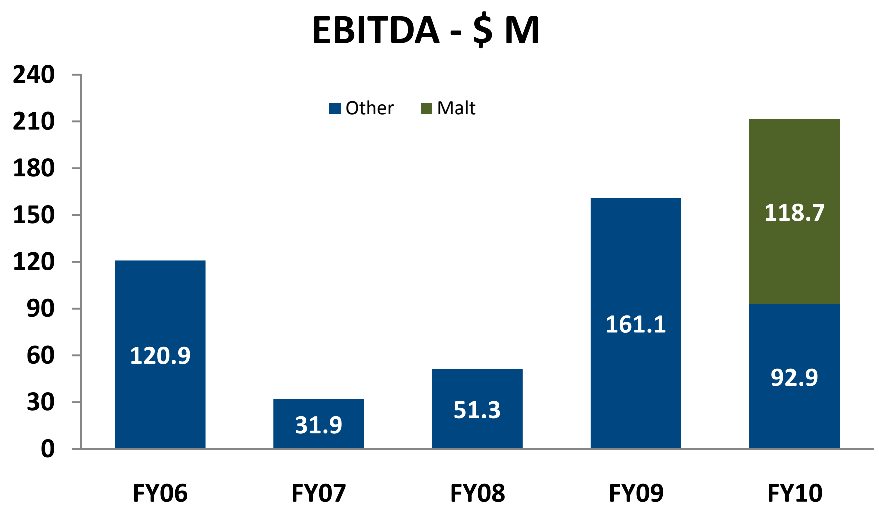
- **Financial Results**
- **Business Unit Performance**
- **Business Structure**
- **Strategic Initiatives Update and Dividend**
- **2011 Outlook**

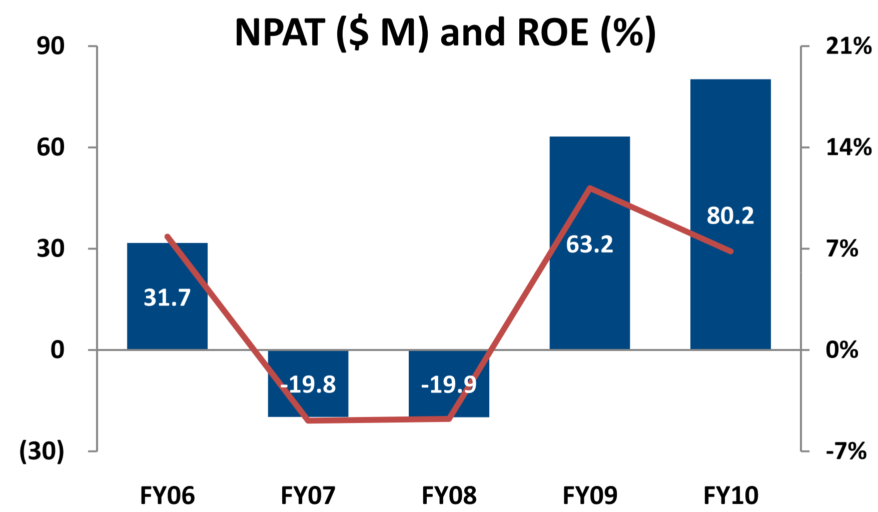
Malt diversification underpins sound result

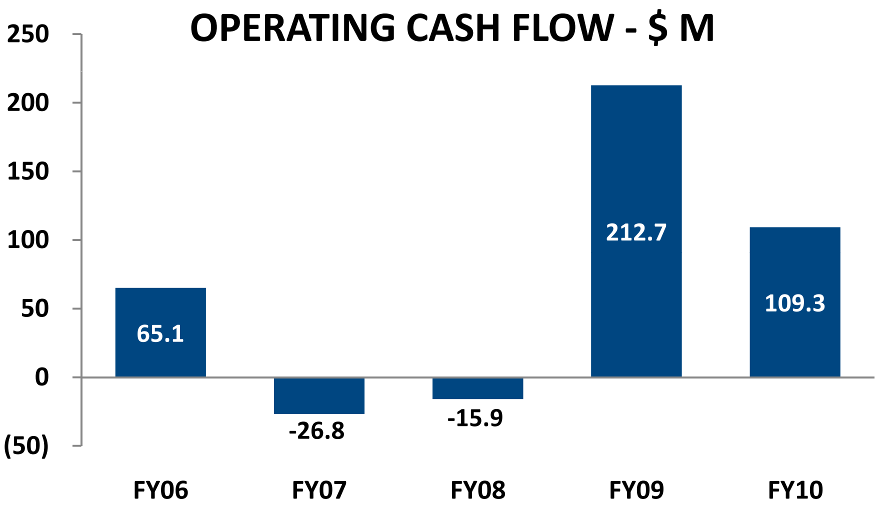
- EBITDA above guidance at $212 M
  - Includes ~$10 M one-off Malt and transaction adjustments
- NPAT of $80 M at lower end of guidance
  - Includes additional D&A of Malt assets
- Eastern Australian 2009/2010 crop below normal
- Malt volume and margins as expected
  - Strong AUD and CAD a negative
- Trading business market share higher year on year
- Low core debt and strong cash flow
- EPS $0.40 and DPS $0.30, including $0.10 final and $0.05 special dividends per share

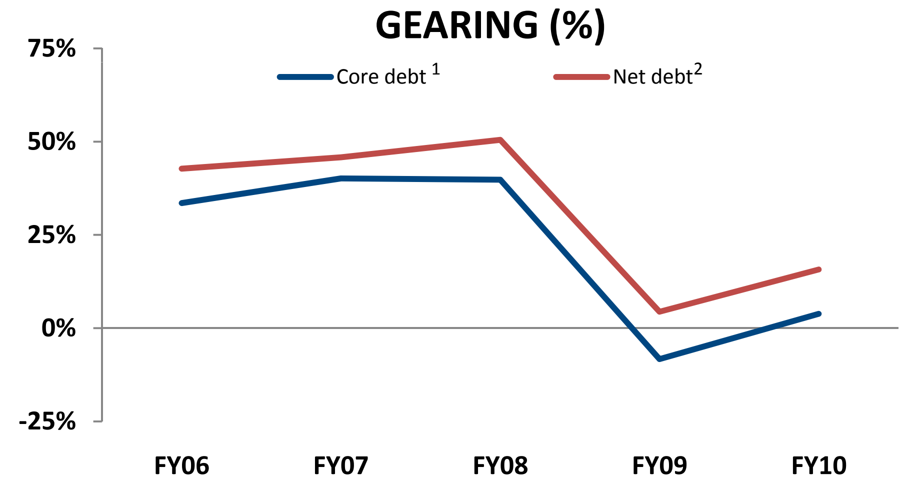
FINANCIAL RESULTS

Diversification and stability



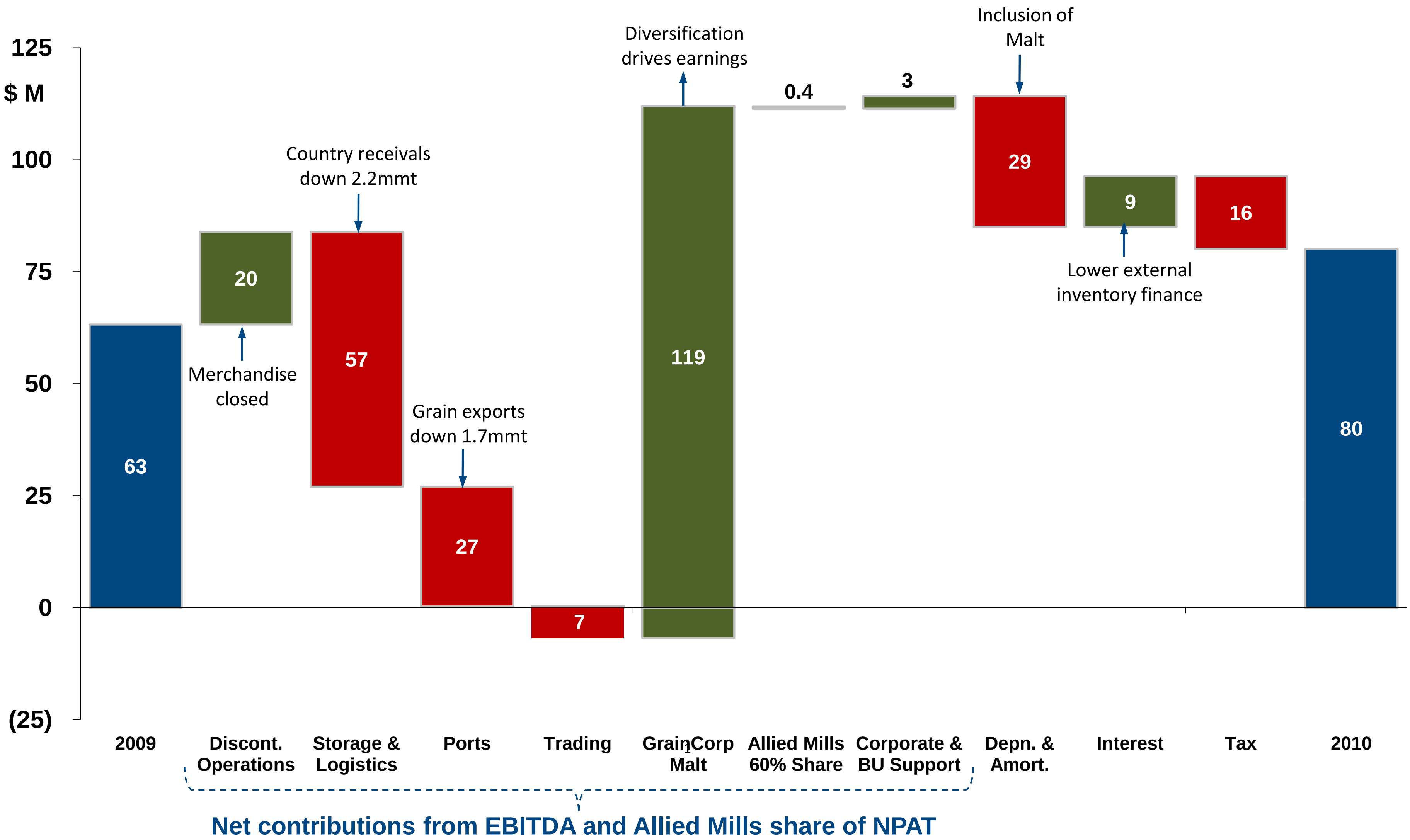






1. Core debt is total debt less cash less grain trading inventory finance. Core gearing = Core Debt / (Core Debt + Equity)
2. Net debt is total debt less cash. Net debt gearing = Net Debt / (Net Debt + Equity)

Diversification drives NPAT growth



1. 10 ½ months trading only

Low core debt and strong cash flow

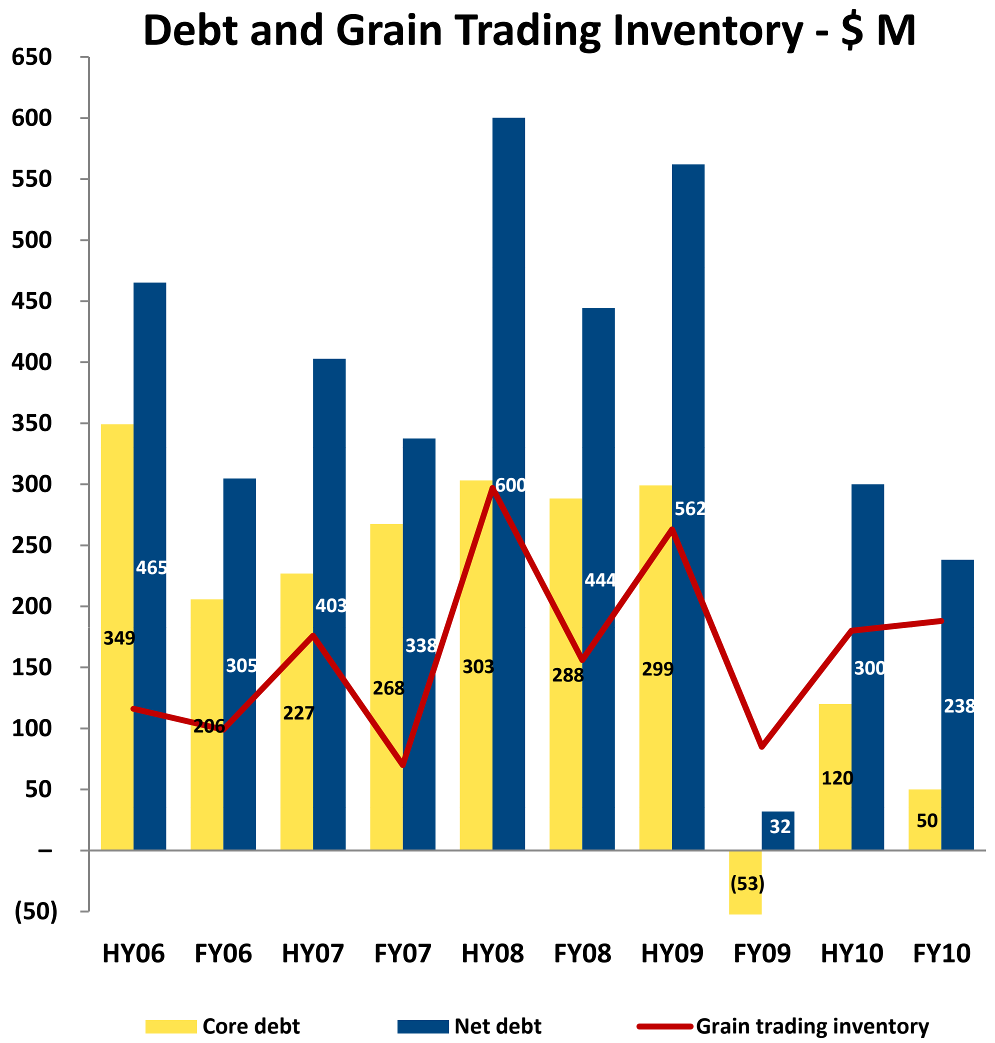
- Operating cash flow strong at $109 M → lower year on year due to higher FY2010 year end grain inventory held
- Ongoing Stay in Business capex $40-55 M → below FY2010 annualised depreciation and amortisation of $76 M
- Total assets increased by 96% to $2.1 B and net assets increased by 85% to $1.3 B due to the acquisition of Malt
- Net assets per share of $6.47
- Core debt[1] $50 M reflects net debt excluding grain trading inventory finance of $188 M
- Net debt[2] $238 M and gearing 18%

1. Core debt is total debt less cash less grain trading inventory finance. Core gearing = Core Debt / (Core Debt + Equity)
2. Net debt is total debt less cash. Net debt gearing = Net Debt / (Net Debt + Equity)

Debt levels low, trading inventory higher

- Current debt facilities for grain trading adjusted to match trading requirements
- Up to $550 M of current debt available for grain trading and working capital

Facility	Drawn[1]	Limit[2]	Expiry[2]
Inventory and working capital	$55 M	$550 M	Nov-11
Term debt	$260 M	$410 M	Jul-13



1. As at 30 September 2010
2. As at 25 November 2010

Depreciation and amortisation higher due to Malt

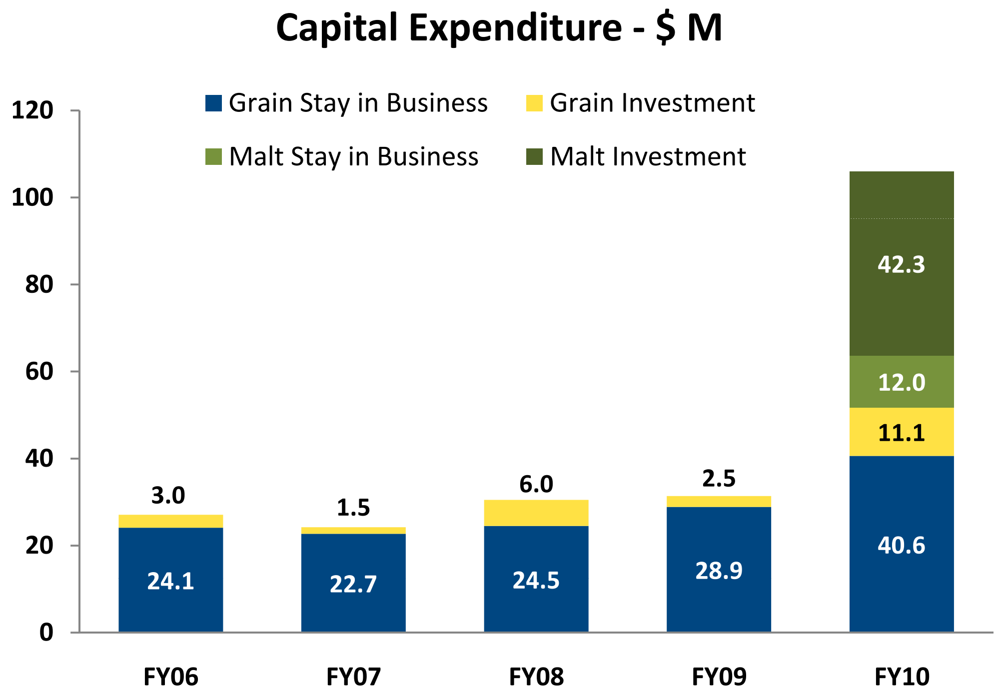
Business Unit $ M	FY10 Annualised		FY10		FY09	
	Depr.	Amort.	Depr.	Amort.	Depr.	Amort.
Malt[1]	18	17	16	14	-	-
Storage and Logistics	22	2	22	2	20	2
Ports	13	-	13	-	14	-
Trading and Corporate	4	-	4	-	6	-
Total	**57**	**19**	**55**	**16**	**40**	**2**

- Malt acquisition accounting complete, annualised depreciation $18 M, and amortisation $17 M over average 7 years
- Total annualised depreciation and amortisation $76 M for FY2010 year end asset base
- Ports and Malt projects on line in FY2011 – additional ~$8 M depr.

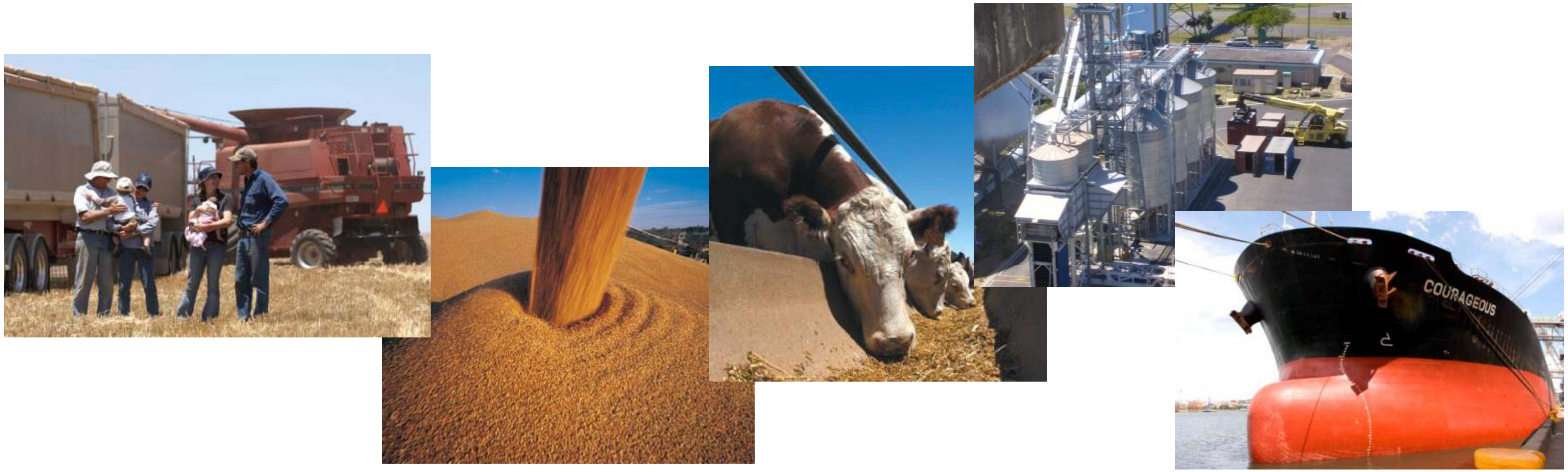
1. FY10 reflects 10 ½ months trading only

Stay in Business capex in line with depreciation

- FY2010 Stay in Business capex of $53 M
- In line with FY2010 depreciation of $55 M
- $53 M investment capex includes:
  – Arbroath malt house
  – Pinkenba malt house
  – Pinkenba silo bins refurbished
  – Portland woodchip expansion



BUSINESS UNIT PERFORMANCE



Safety a strong focus

	Medical Treatment Injuries (MTI)	Lost Time Injuries (LTI)	**TOTAL – All Injuries**	AIFR[1]	
				FY10	FY09
Malt	27	15	**42**	35.1	-
Storage and Logistics	75	29	**105**	17.3	39.3
Total	**102**	**44**	**147**	**20.3**	**39.3**

- 2 major incidents in FY2010 including a fatality at Corio in August 2010 during bunker tarping operations

1. All Injury Frequency Rate

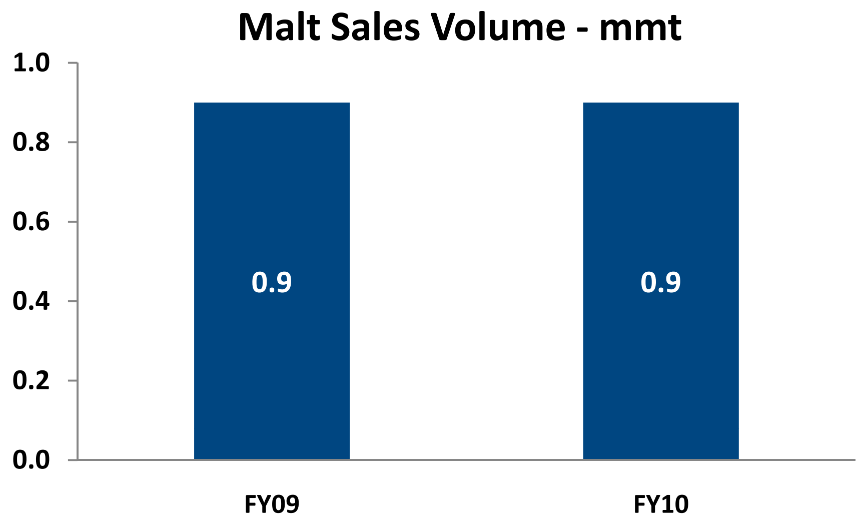
Performance reflects diversified earnings

Business Unit $ M	FY10 Revenue	FY09 Revenue	FY10 EBITDA	FY09 EBITDA
Malt	796	-	119	-
Storage and Logistics	340	409	34	91
Ports	104	130	52	78
Trading	924	1,346	32	39
Allied Mills[1]	-	-	9	10
Discontinued Operations	13	65	(1)	(21)
Corporate & Business Unit Support	-	-	(33)	(36)
Eliminations	(175)	(225)	-	-
Total	**2,002**	**1,725**	**212**	**161**

1. Equity Accounted Profit (60% share of NPAT)

Malt[1] - in line with expectation

$ M	FY10	FY09
Revenue	796	-
EBITDA	119	-
EBIT	90	-
Capex	54	-



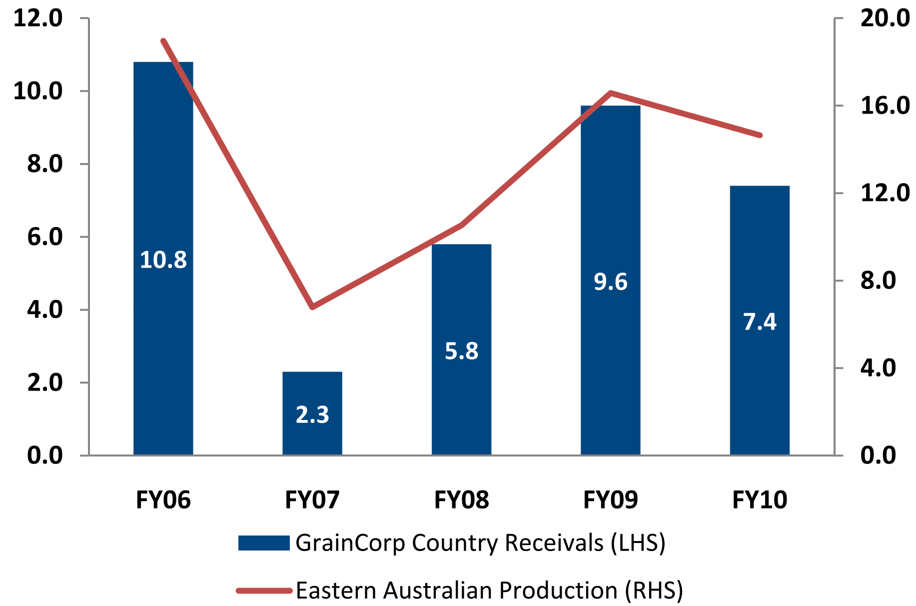
- Underlying volume and margins in line with business case and guidance
  - Includes $8.7 M compensation payment from Port of Vancouver (WA)
  - Includes $15 M positive inventory revaluation adjustment as part of acquisition accounting

1. Reflects 10 ½ months of trading only

Storage and Logistics - below normalised crop size

$ M	FY10	FY09
Grain carry-in (mmt)	2.9	2.2
Grain carry-out (mmt)	2.6	2.9
Domestic out load (mmt)	5.2	4.9
Revenue	340	409
EBITDA	34	91
EBIT	10	69
Capex	27	17

Country Network Grain Receivals and Eastern Australian Production[1] - mmt



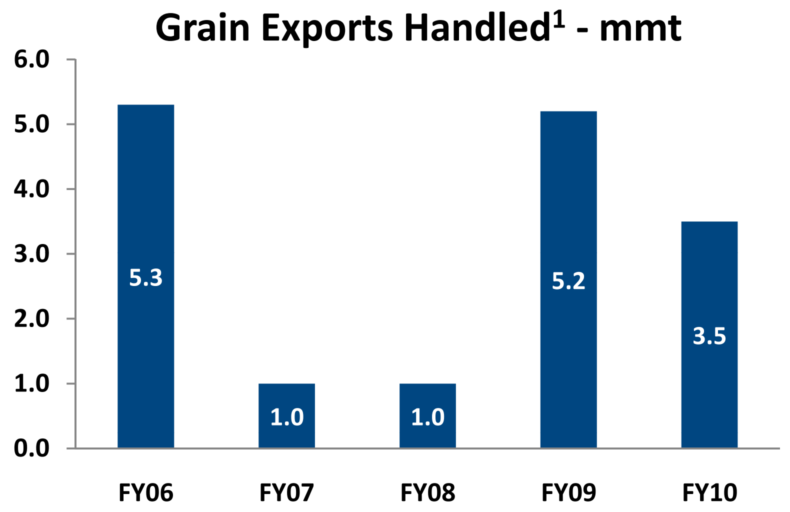
- Country earnings lower due to lower production
- Rail earnings lower year on year due to lower exports
- Capex increase due to preparation for large 2010/2011 crop

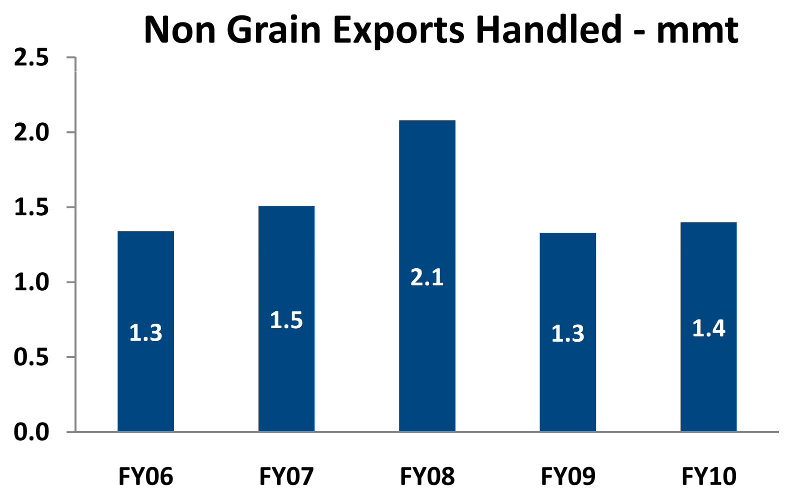
1. ABARE wheat, barley and sorghum

Ports - grain export volumes lower

$ M	FY10	FY09
Total exports (mmt)	4.9	6.5
Revenue	104	130
EBITDA	52	78
EBIT	38	64
Capex	15	7

- Grain received at port (ex growers and other BHC's) of 0.9mmt
- Capex includes:
  - Portland woodchip expansion
  - Pinkenba silo bin refurbishment

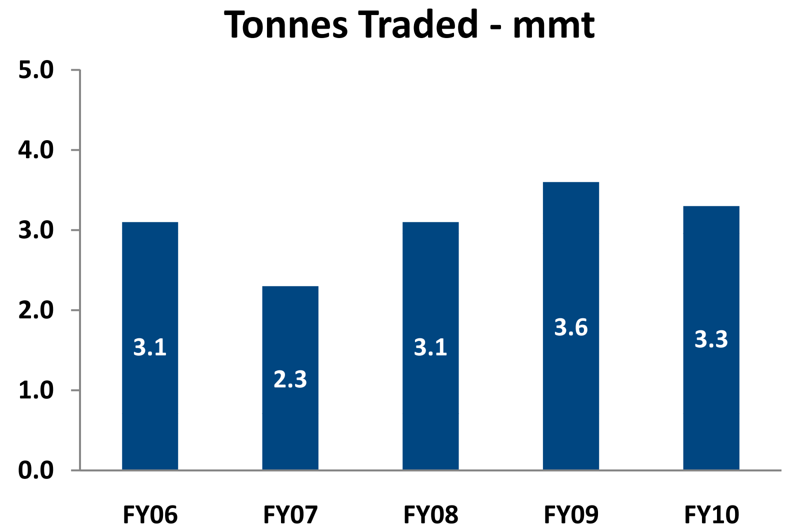




1. Includes bulk grain elevation and containers

Trading - improved market share

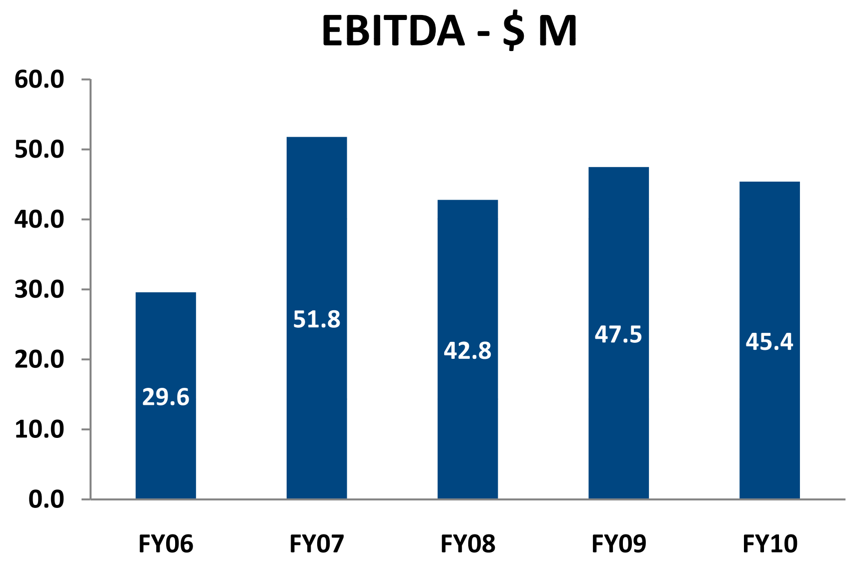
$ M	FY10	FY09
Revenue	924	1,346
EBITDA	32	39
PBT	20	26
Trading inventory held	188	85
Tonnes Traded (mmt)	3.3	3.6



- Revenue lower due to decrease in grain prices
- GrainCorp grain exports of 1.1mmt (incl. containers) - higher market share
- Higher sales to domestic stock feed sector
- Increased bulk wheat sales to Middle East

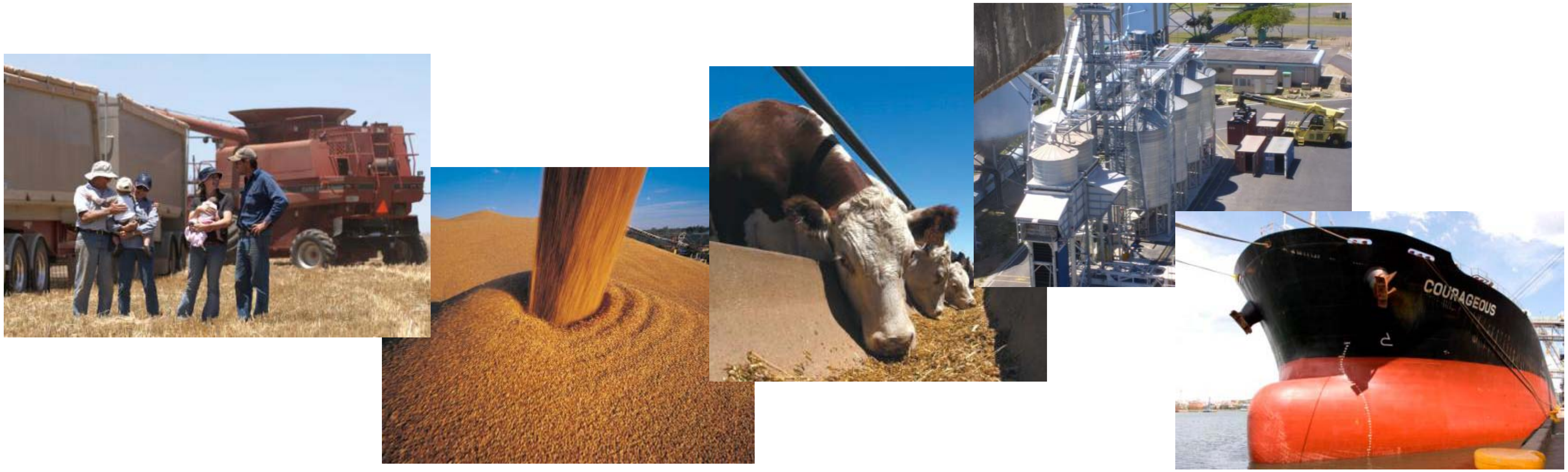
Allied Mills - retail and food service innovation

$ M	FY10	FY09
EBITDA	45	48
Equity Profit (60% Joint Venture Share)	9	10
Net Asset Value	227	211
Capex	10	11



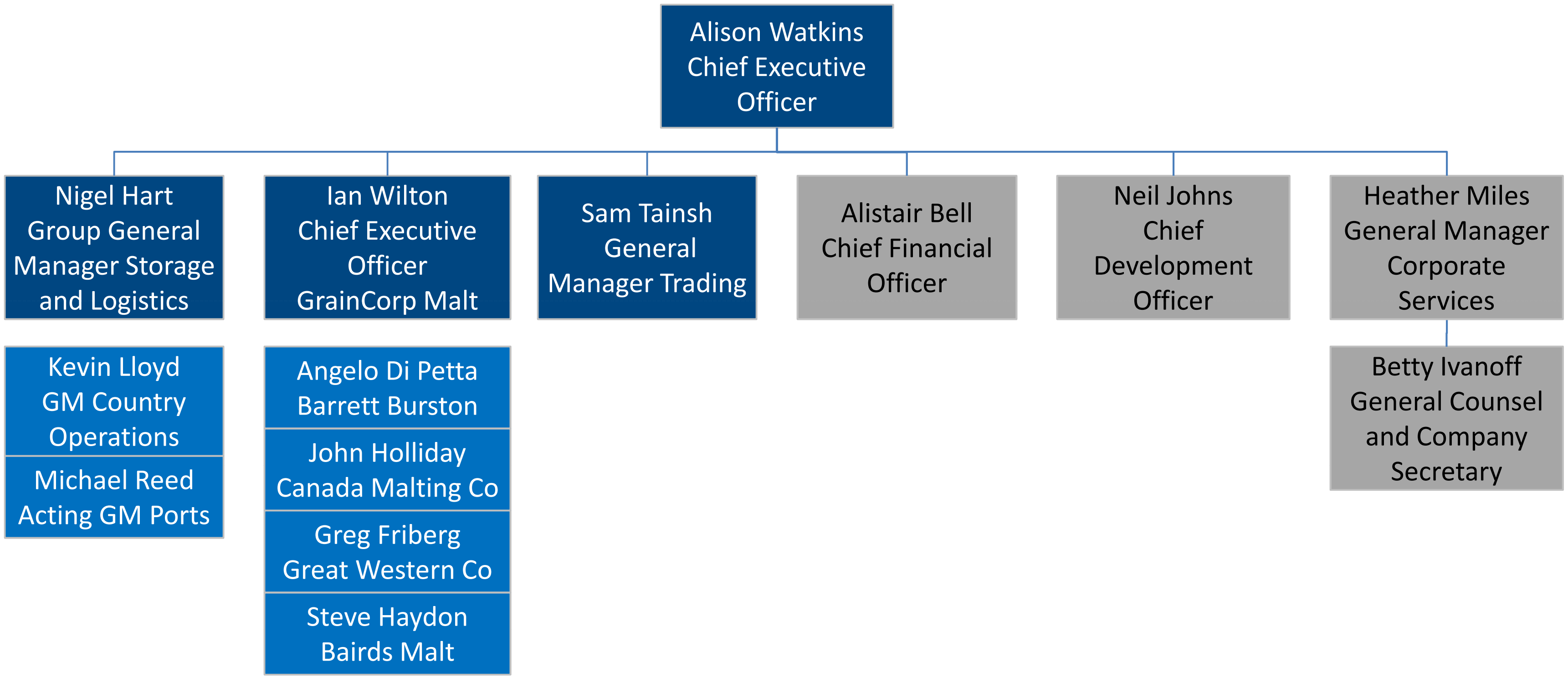
- Retail sales pressure and competitive market
- Allied business has been split into 2 operating divisions – Milling and Retail Food Service
- Development of par bake bread range and frozen doughnut range at Yatala

BUSINESS STRUCTURE



New team, clear accountabilities

- New leadership including appointments of GrainCorp CFO, GrainCorp Malt CEO, GM Storage and Logistics, GM Corporate Services and President Canada Malting Company



Executive remuneration review

- Review of executive remuneration framework and in particular long term incentives
- Committed to linking company executive incentive framework to longer term performance criteria

Design Proposals	Rationale
1. Introduce Long Term Incentive plan with performance hurdles	✓ Provides longer-term focus and alignment to business strategy ✓ Aligned with market practice and linked to performance hurdles (Total Shareholder Return and Return on Equity) ✓ Addresses concern that GrainCorp does not have an LTI plan
2. Discontinue Retention Share Plan and introduce Short Term Incentive deferral	✓ Addresses shareholders' concerns about focus on retention and short-term performance under Retention Share Plan ✓ Short Term Incentive deferral into equity consistent with market practice

STRATEGIC FOCUS AND DIVIDEND

Strategic response in 2011

Australia's largest ASX agribusiness operating in a changing environment...

Strategic Response

1. Efficient capital structure	Efficient use of shareholder funds and debt to fund grain inventory, manage variability and growth
2. Strong presence in our market	Competitive cost and service platform to maintain and grow market share
3. Operate along the grain chain	Operate and generate value along the whole grain chain to increase earnings
4. Grow as an agribusiness	Grow as an integrated and international agribusiness by leveraging our current business

Final and Special Dividend

- The Board has approved a fully franked final dividend of $0.10 per share plus a fully franked special dividend of $0.05 per share
- Record date of 7 December 2010, payable on 21 December 2010
- Combined with the fully franked interim dividend of $0.15 per share, total FY2010 dividends were $0.30 per share → representing 75% of FY2010 NPAT

2011 OUTLOOK

FY2011 Outlook and Drivers - Grain

Outlook

- ACF[1] predicts ~22mmt
- Harvest late by 4 weeks
- Continued uncertainty on grain volume, grain quality and harvest timing
- Locusts - minimal effect on total crop

Drivers

- Estimated receivals 10-13mmt subject to harvest quality
- Estimated grain exports handled 5-7mmt
- Low carry in stocks 2.6mmt and expected higher carry out stocks vs normalised
- YTD receivals 3.2mmt and continued delayed receivals

P&L Impact

- Storage revenue reduced
- Grain quality effects:
  - Receivals timing and volume
  - Export demand
- Outloading revenue and export revenue deferred into FY2012

1. Australian Crop Forecasters – wheat, barley and canola production estimates (Nov 2010)

FY2011 Outlook and Drivers - Malt

Outlook

- Beer demand softening in mature markets
- International barley crop 17%[1] lower
- GrainCorp Malt plants have sound competitive positions

Drivers

- Tighter margins reflecting softness in beer market
- Excess malting capacity in Europe and North America
- Unfavourable FX influence
- Estimated Malt sales 1.0-1.1mmt
- Malt forward sold volumes 925kmt FY2011 and 500kmt FY2012

P&L Impact

- Margin pressure
- Reduced competitiveness of export sales from Australia and Canada
- FX translation influence of ~$10 M due to parity AUD/USD (vs FY2010 avg $0.90)
- At current FX rate average EBITDA margin +/-A$90 per tonne

1. USDA – World Agricultural Production report (Oct 2010)

THANK YOU
Q&A

Appendix - Balance Sheet

- Grain inventory higher at $279 M including:
  - Grain trading $188 M
  - Malting barley $91 M
- Core debt higher due to Malt related term debt

$ M	FY10	FY09
Cash	92	161
Grain inventory	279	85
Trade Debtors & other inventories	323	171
Other current assets	82	53
Fixed assets	754	414
Other non current assets	598	200
Total assets	**2,128**	**1,084**
Trade Creditors	233	110
Other current liabilities	133	52
Current debt (grain trading)	56	89
Non-current debt and L/T leases	275	105
Other non-current liabilities	149	34
Total liabilities	**846**	**390**
Net assets	**1,282**	**694**

Appendix - Malt business highlights

- ✓ **Acquisition** November 2009
- ✓ **Arbroath** opened in April 2010
- ✓ **Pinkenba** scheduled to open early in 2011
- ✓ **Port of Vancouver** redevelopment works commenced
- ✓ **Calgary waste water sharing agreement** signed
- ✓ **Brewcraft USA** acquired July 2010

Appendix - Storage and Logistics business highlights

- ✓ New stock management system **Grain Transact** launched in July 2010
- ✓ **Grower Marketing Services** expanded to 17 customer facing staff and extended to Western Australia
- ✓ **Refurbishment** of locomotives for NSW branchlines and **take or pay agreement** for QLD
- ✓ **Domestic outload higher** at 5.2mmt

Appendix - Ports business highlights

- ✓ **Pinkenba** bin refurbishment project complete – first intake delivery in September
- ✓ **Portland** woodchip elevation expansion on track including truck marshalling yard complete
- ✓ **Cooks River** container packing facility progressed to development application stage
- ✓ **Koch fertiliser storage** deal agreed at Geelong


Pinkenba silo bins


Portland truck marshalling yard

Disclaimer

This presentation includes both information that is historical in character and information that consists of forward looking statements. Forward looking statements are not based on historical facts, but are based on current expectations of future results or events. The forward looking statements are subject to risks, uncertainties and assumptions which could cause actual results or events to differ materially from the expectations described in such forward looking statements. Those risks and uncertainties include factors and risks specific to the industry in which GrainCorp operates, as well as matters such as general economic conditions.

While GrainCorp believes that the expectations reflected in the forward looking statements in this presentation are reasonable, neither GrainCorp nor its directors or any other person named with their consent in the presentation can assure you that such expectations will prove to be correct or that implied results will be achieved. These forward looking statements do not constitute any representation as to future performance. Any forward looking statement contained in this document is qualified by this cautionary statement.