



Company announcement

GrainCorp Limited ABN 60 057 186 035

Date: 22 May, 2012
To: The Manager
Announcements
Company announcements office

PUBLIC ANNOUNCEMENT

GRAINCORP INVESTOR PRESENTATION FOR THE HALF YEAR ENDED 31 MARCH 2012

Results Release Presentation

A handwritten signature in black ink, appearing to read "A. Horne".

Andrew Horne
Company Secretary

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22 May 2012
Ms Alison Watkins
(Managing Director and CEO)



GrainCorp

2012 HALF YEAR RESULTS

Agenda

- **Financial Results**
- **Business Performance**
- **Dividend**
- **Guidance and Operational Update**
- **Strategy Update**

Earnings higher due to strong grain volumes



- Earnings higher to \$235M EBITDA and \$134M Statutory NPAT
- NPAT in this presentation excludes a \$12M Significant Item for Malt defined benefit plan adjustment → \$122M NPAT
- Higher Grains⁽¹⁾ earnings due to:
 - Strong grain volumes (carry-in, receivals, exports and marketing) and lower variable harvest receival costs
- Higher Processing⁽²⁾ earnings due to:
 - Volume growth and additional value captured through grain procurement, utility cost savings and value add activities
- Low gearing
- Fully franked interim dividend per share of \$0.15 plus \$0.15 special
- FY12 earnings guidance upgrade

(1) Includes Country & Logistics, Ports and Marketing

(2) Includes Malt and Allied Mills



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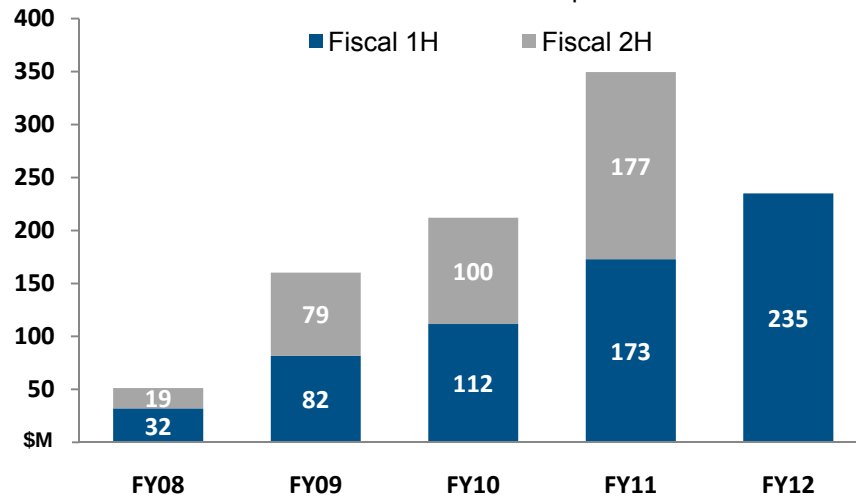
FINANCIAL RESULTS



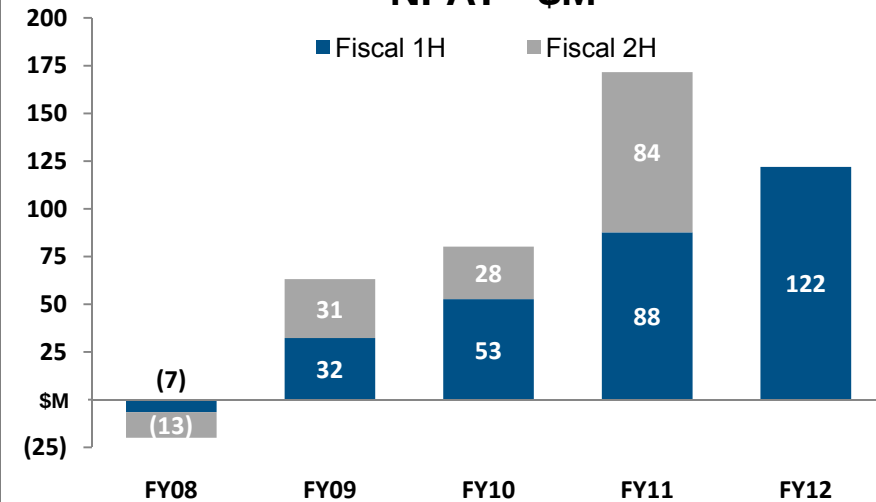
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Earnings higher in a record half year

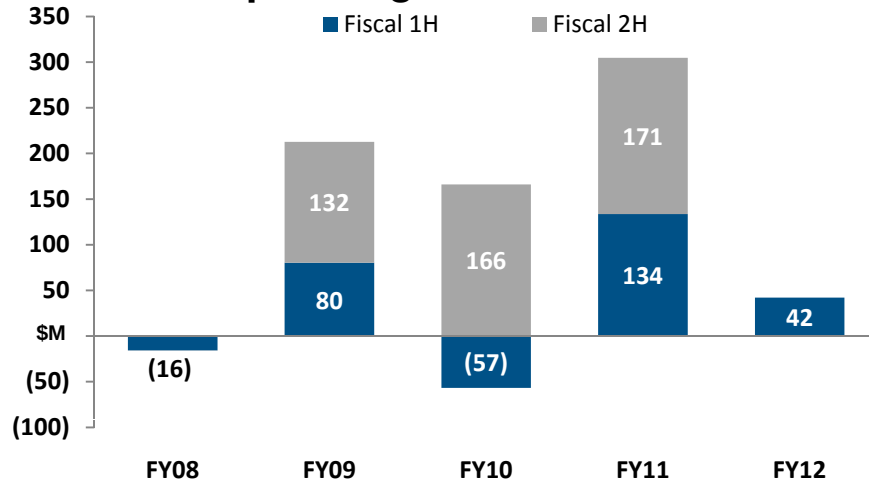
EBITDA⁽¹⁾ - \$M



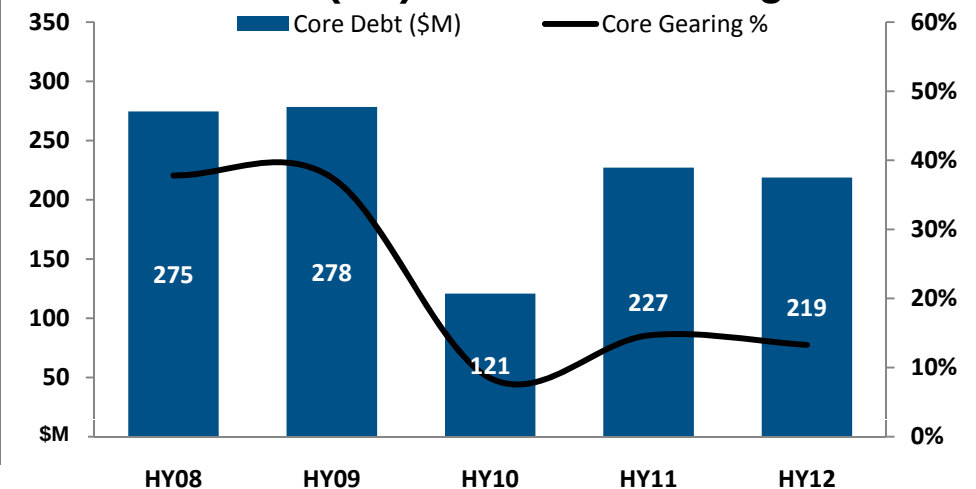
NPAT - \$M



Operating Cash Flow - \$M



Core Debt (\$M) and Core Gearing %⁽²⁾



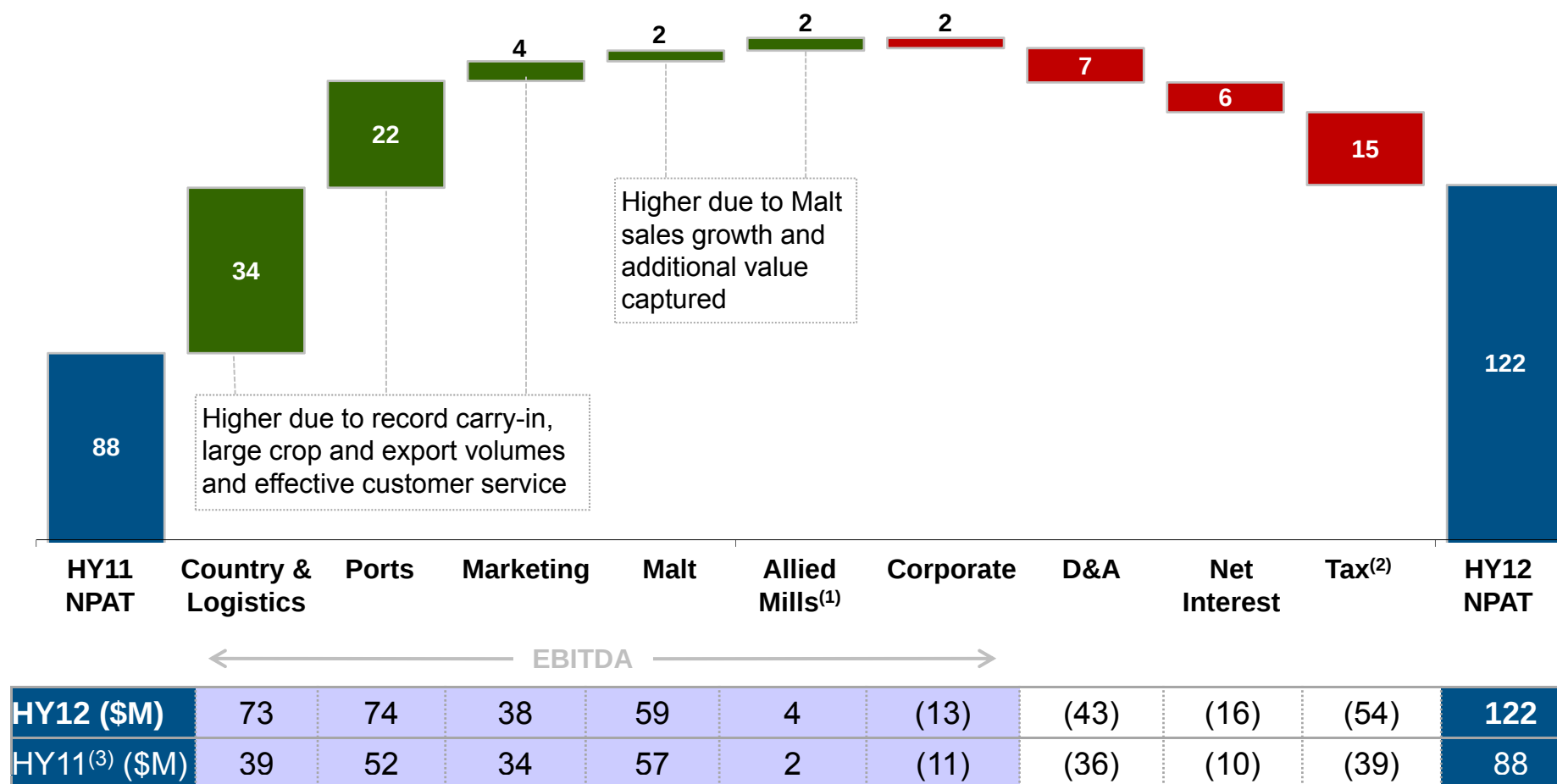
(1) Includes 60% JV share of Allied Mills NPAT

(2) Core Debt = Total Debt less Cash less grain Marketing inventory. Core Gearing = Core Debt / (Core Debt + Equity)

Earnings driven by record carry-in and strong receival and export volumes



HY11 to HY12 Earnings Bridge - \$M

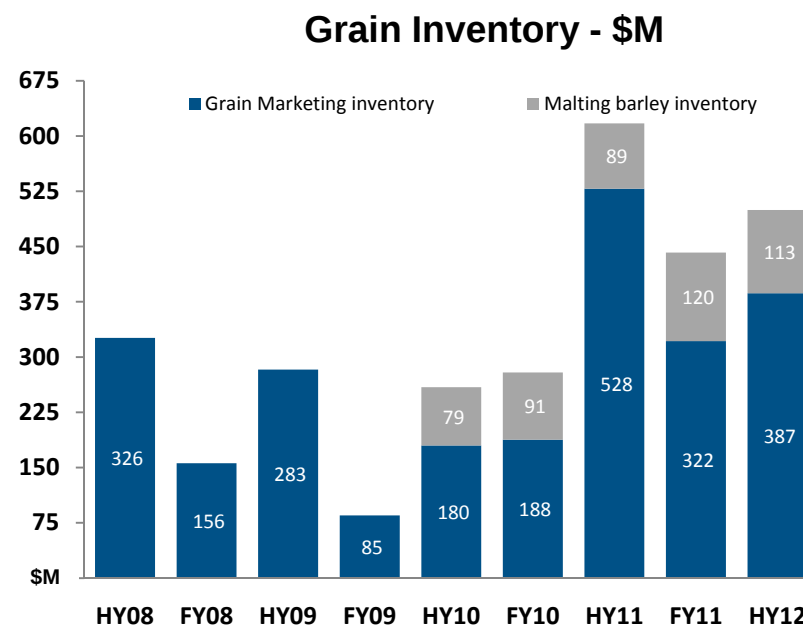
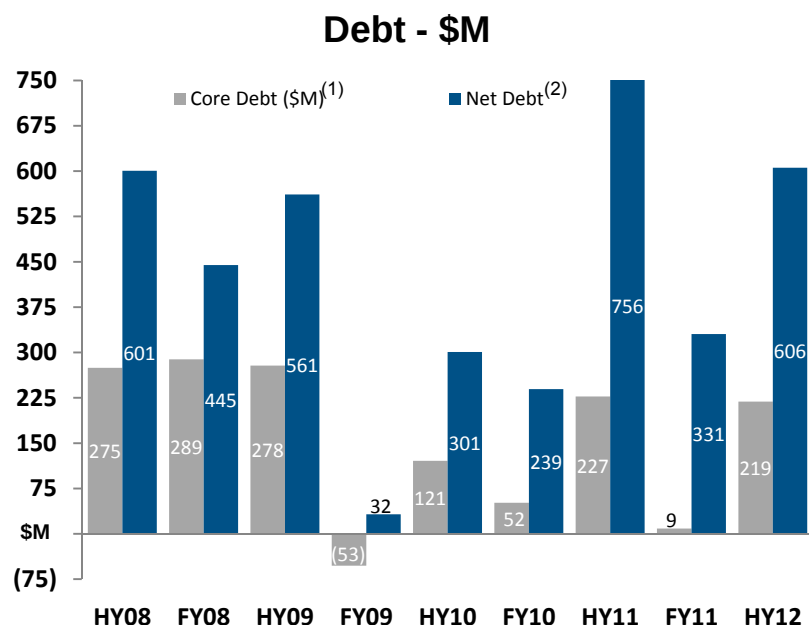


(1) 60% share of NPAT

(2) Excludes tax associated with Significant Item for Malt defined benefit plan adjustment

(3) Segment EBITDA adjusted from prior year to reflect decentralisation of Business Unit Support Costs. See Appendix for Corporate Costs reconciliation

Debt and inventory in line with strategy

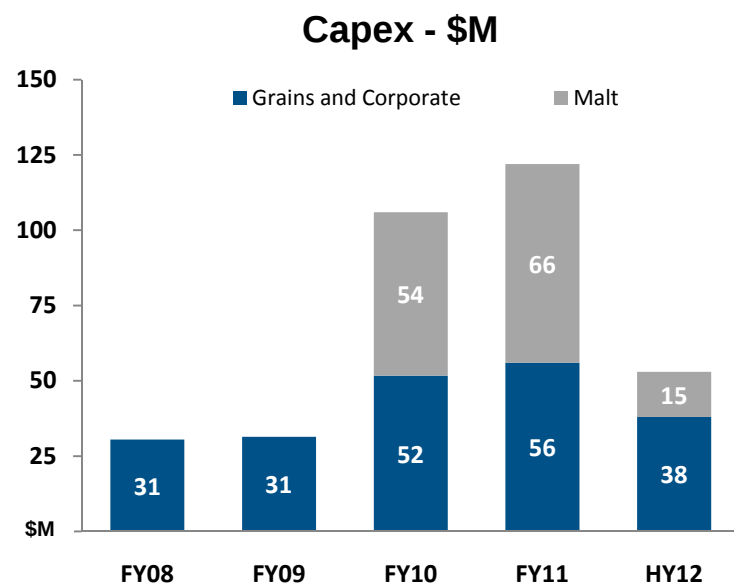


- Core Debt unchanged yoy due to acquisition of Schill Malz and dividend and tax paid
- Marketing inventory lower year on year due to lower crop size
- Malting barley inventory in line with seasonal requirements

(1) Core Debt = Total Debt less Cash less grain Marketing inventory

(2) Net Debt is Total Debt less Cash

Capex supports strategic initiatives



\$M	Malt		Grains and Corporate	
	HY12	HY11	HY12	HY11
Depreciation	13	8	22	20
Amortisation	6	7	2	1
Total D&A	19	15	24	21
Stay-in-business capex	10	5	19	20
Investment capex	5	31	19	12
Capex⁽¹⁾	15	36	38	32

- Grains' investment capex higher due to rollout of strategic initiatives
- Malt investment capex lower due to completion of Pinkenba development in FY11
- FY12 capex forecast of ~\$135M → ~\$60M stay-in-business and ~\$75M investment

(1) Excludes acquisitions



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BUSINESS PERFORMANCE

Earnings from a portfolio of grain related businesses



\$M	Revenue		EBITDA	
	HY12	HY11	HY12	HY11
Country & Logistics	311	284	73	39
Ports	128	90	74	52
Marketing	937	664	38	34
Malt	468	417	59	57
Allied Mills ⁽¹⁾	-	-	4	2
Corporate Costs ⁽²⁾	-	-	(13)	(11)
Intercompany Eliminations	(158)	(106)	-	-
Total	1,686	1,349	235	173

(1) 60% share of NPAT

(2) See Appendix for reconciliation and year-on-year comparison

Strong grain throughput driven by carry-in, receivals and exports



- Throughput higher due to record carry-in and strong receivals and exports
- 63% of total grain production⁽¹⁾ handled by GrainCorp year to date → country and ports

Earnings driver (mmt)	HY12	HY11	Comments
Grain carry-in (1-Oct)	6.0	2.6	• Grain stored at period start • Record FY12 carry-in due to large FY11 crop
Country network receivals	11.6	14.4	• Strong grain production of 20.6mmt⁽¹⁾ • YTD country receivals share of grain production 56%
Grain exports handled	5.0	3.2	• Large export task due to strong demand and record carry-in • Strong receivals from ex-farm and other bulk handlers
Non-grain exports handled	0.7	0.7	• Includes woodchips, mineral sands and fertiliser
Grain carry-out (31-Mar)	11.1	12.4	• Grain stored at period end
Throughput⁽²⁾	17.8	14.7	• Avg of country sites in and out, and ports grain and non-grain
Domestic grain outload	2.9	2.3	• Higher share of supply to domestic grain market
Grain received at port	1.4	0.9	• Grain received direct at port ex-farm and other bulk handlers • Increased total share of grain production from 56% to 63% YTD

(1) ABARES' eastern Australia wheat, barley, canola and sorghum production estimates

(2) Average Country & Logistics grain inload and outload + Ports grain and non-grain exports handled

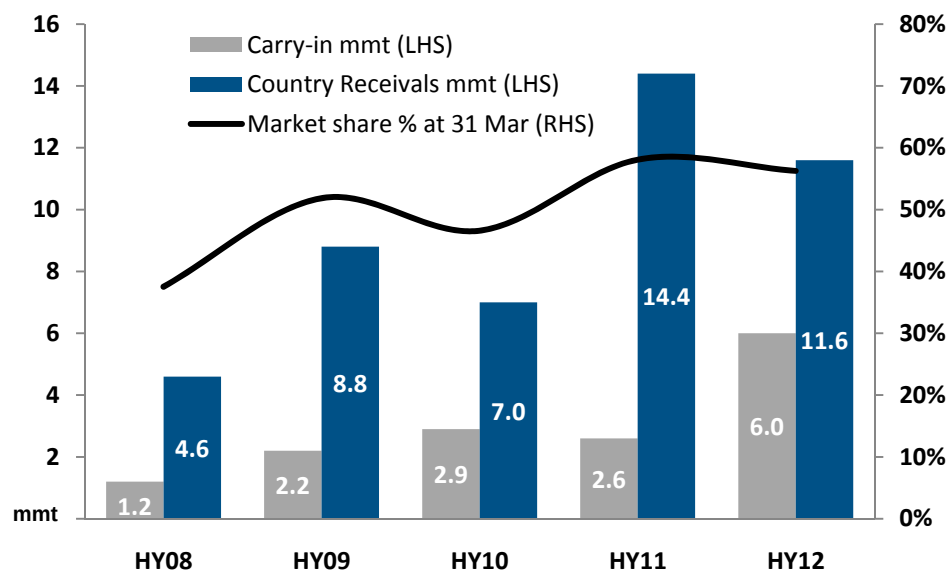
Country & Logistics – higher earnings due to strong throughput volumes



\$ M	HY12	HY11
Revenue	311	284
EBITDA	73	39
EBIT	57	26
Capital Expenditure	27	23

- Record carry-in of 6.0mmt → higher storage and outload revenues
- Strong grain receivals (10.9mmt winter and 0.7mmt summer)
- Lower harvest related costs due to less disrupted harvest
- Accelerated safety expenditure and additional network upgrade
- Focus on effective customer service:
 - Additional trains contracted plus rail and road productivity improvements
 - Higher capex to manage record carry-in and improve customer service

Grain Receivals and Market Share⁽¹⁾



(1) Receivals market share of ABARES' eastern Australia wheat, barley, canola and sorghum production estimates

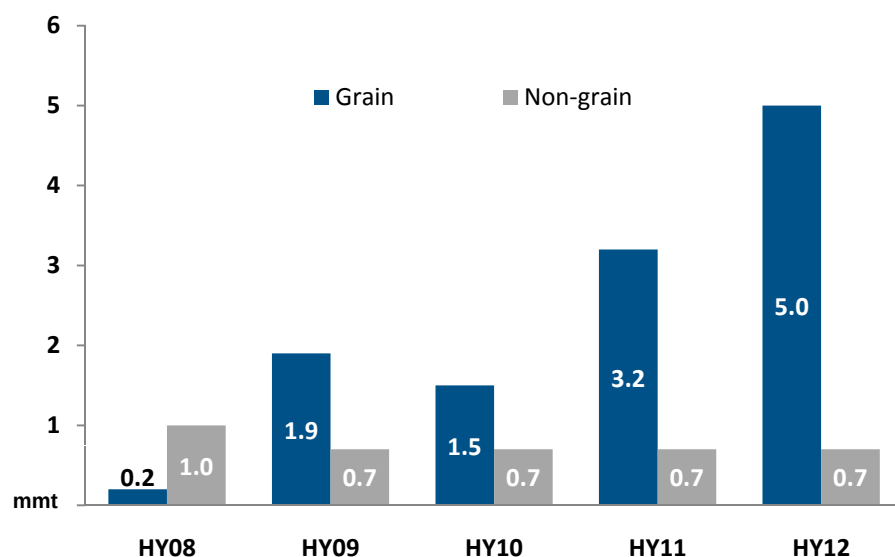
Ports – record elevations due to carry-in and effective customer service



\$ M	HY12	HY11
Revenue	128	90
EBITDA	74	52
EBIT	66	46
Capital Expenditure	7	6

- Record 5.0mmt grain exports handled → 4.8mmt bulk and 0.2mmt containers
- Effective customer service
 - 1.4mmt grain receivals direct to port from non-GrainCorp sites
 - Additional trains contracted
 - Maintained exports during northern and southern NSW floods
 - 0.6mmt additional elevation capacity announced for FY13
- 0.7mmt non-grain exports plus 0.2mmt non-grain imports handled

GrainCorp Exports Handled⁽¹⁾ – mmt

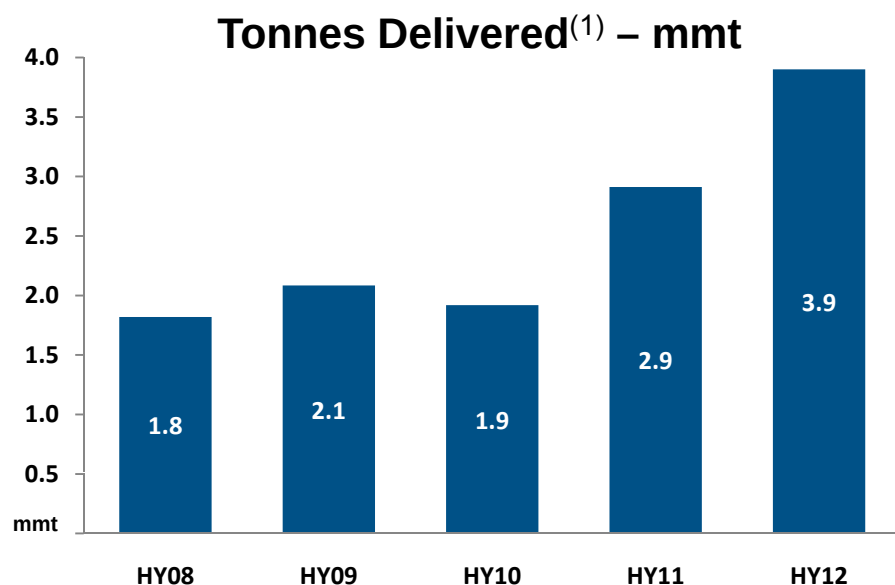


(1) Includes bulk grain elevation and containers

Marketing – strong first half earnings

\$ M	HY12	HY11
Revenue	937	664
EBITDA	38	34
Interest expense	(11)	(9)
PBT	27	25
Marketing inventory	387	528

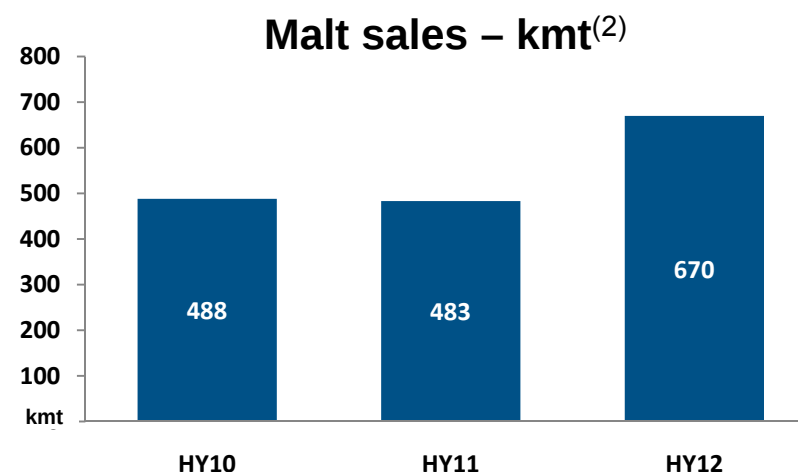
- Higher revenue due to strong marketing volumes → 2.1mmt domestic and 1.8mmt exports
- FY12 earnings front ended to first half
- Marketing inventory of \$387M
 - Mark to market unrealised \$14M gain → majority of physical volumes to be delivered in second half
- ~60% of marketed grain acquired from growers and ~90% sold to end users
- International offices established in Hamburg (Germany) and Calgary (Canada) and now operational



(1) Including bulk and containers

Malt – lower processing margins offset by higher volumes and value add activities

\$ M	HY12	HY11
Revenue	468	417
EBITDA ⁽¹⁾	59	57
EBIT	40	42
Capital Expenditure	15	36



- Lower processing margins offset by volume growth and additional value captured from barley procurement, utility cost savings and global portfolio proposition
- Schill Malz acquisition and Pinkenba development add 190kt and 86kt annual capacity respectively, partially offset by Thornleigh closure by end Jun-12 (25kt)

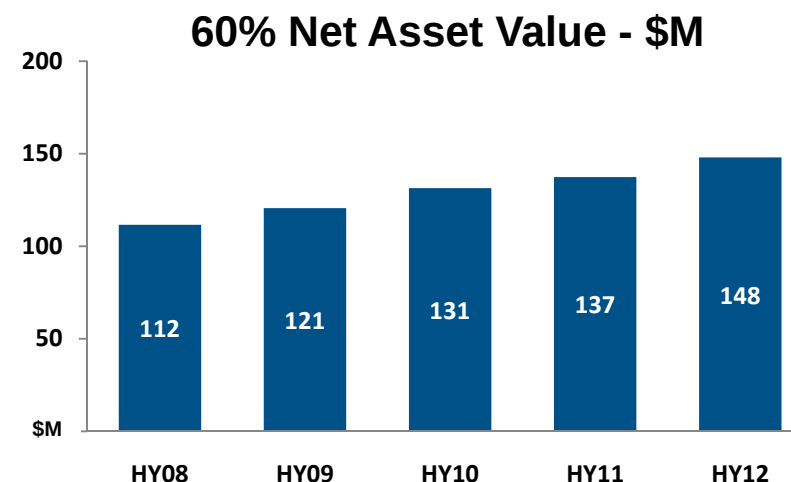
(1) Includes Port of Vancouver compensation receipts of \$5.0M in HY12 and \$7.1M in HY11

(2) Thousand metric tonnes. HY10 reflects Like Six Months (as business acquired in November 2009)

Allied Mills – higher earnings and capacity replacement announced



\$ M (60% JV share)	HY12	HY11
EBITDA	12	7
Equity Profit	4	2
Shareholder loan interest received	1	1
Net Asset Value ⁽¹⁾	148	137



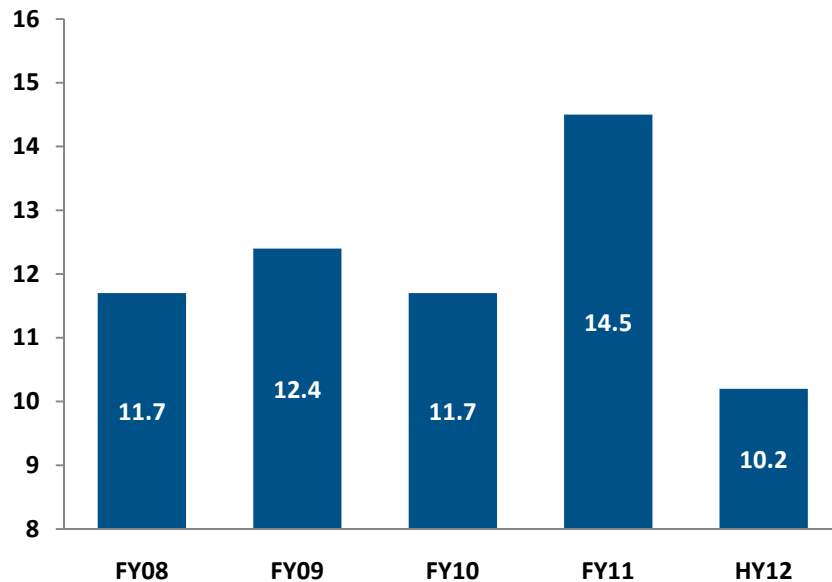
- Higher earnings from value add initiatives and tight Cost of Goods management (including grain)
- Replacement of Toowoomba milling capacity (closed due to flooding) through expansion of existing Tennyson (Brisbane) mill → renewed network scale at reduced operating cost
- Tennyson Development Application approved and majority of funding sourced from insurance proceeds (balance from debt)

(1) HY12 includes 60% of Shareholders' Equity (\$131M) and Shareholder Loan (\$19M)

Safety – “Zero Harm – Safe for Life”



Lost Time Injury Frequency Rate⁽¹⁾



- Lower injury frequency rate
- Step Change Strategy being implemented
- Focus on improving safety behaviours and culture
- Target improved lead indicators such as Safety Toolbox Talks, Near Miss Reporting and training

(1) Lost Time Injury Frequency Rate calculated as the number of Lost Time Injuries per million hours worked

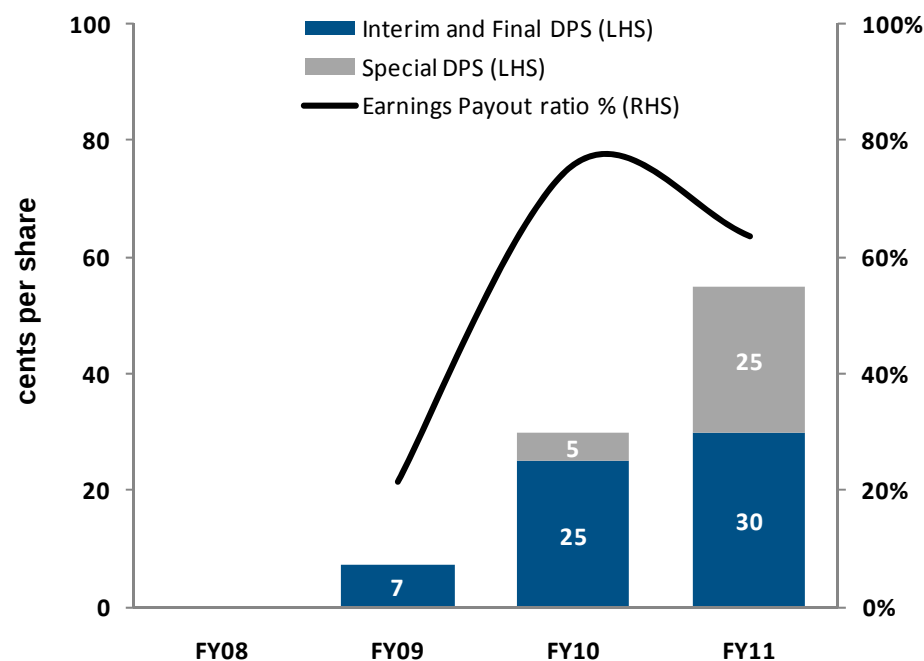


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DIVIDEND

Higher dividends including Special

Dividends and Earnings Payout Ratio⁽¹⁾



- HY12 fully franked dividends of \$0.15 interim and \$0.15 special
- HY12 NPAT payout ratio of 49%, or 44% of Statutory NPAT
- HY12 dividend dates
 - Ex-dividend date: 2 July 2012
 - Record date: 6 July 2012
 - Payment date: 20 July 2012
- Policy to pay 40-60% of NPAT through the business cycle
 - Targeting a dividend each year
 - Flex via Special dividend

(1) DPS (Dividend Per Share) divided by EPS (Earnings Per Share)
Historic dividends not adjusted for rights issue



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GUIDANCE AND OPERATIONAL UPDATE

FY12 guidance – Storage & Logistics and Malt business drivers



Storage & Logistics		Malt
Guidance	Country & Logistics	Ports
	• Receivals → ~12.0mmt • Domestic outload → ~6.0mmt • Carry-out → ~4.5mmt	• Direct Receivals⁽¹⁾ → ~2.5mmt • Grain exports → ~10.0mmt • Non-grain exports → ~1.5mmt
Variables		
	• Ex-farm post harvest receivals • Central QLD sorghum receivals	• Direct to port receivals • Rail and road freight availability • Booking execution rate
		• Sales → ~1.35mmt • EBITDA per tonne⁽²⁾ → ~\$80

(1) Grain received direct at port ex-farm and other bulk handlers
 (2) Excludes ~\$5.0M Port of Vancouver compensation receipt



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FY12 guidance – GrainCorp earnings

	EBITDA	NPAT
Guidance	• EBITDA → \$385-415M	• NPAT (excluding Significant Items) → \$185-205M • Statutory NPAT (including Significant Items) → \$200-220M
Assumptions	• Excludes Marketing interest expense of ~\$20M → i.e guidance reflects Statutory EBITDA • Includes 60% share of Allied Mills NPAT	• Depreciation & Amortisation ~\$85M • Tax ~30% • ~\$17M Significant Items → Malt defined benefit plan adjustment (~\$12M) and Allied Mills Toowoomba mill insurance proceeds (~\$5M)

Grains update



FY12 Operational Update

Country & Logistics

- Year-To-Date⁽¹⁾ country receivals 11.9mmt
- Accelerating safety expenditure and additional network upgrade

Ports

- Year-To-Date grain elevations 6.1mmt
- Year-To-Go⁽²⁾ Shipping Stem grain elevation bookings 4.6mmt

Marketing

- Domestic and export sale programs in line with expectation

FY13 Outlook

- Forecast ~4.5mmt grain carry-in
- Additional rail capacity maintained
- 0.6mmt export capacity added
- FY13 first quarter Shipping Stem opened early → 2.4mmt booked
- Winter crop planting well progressed
- Good sub soil moisture profile, but planting rain sought
- ACF⁽³⁾ predict 18.3mmt eastern Australia wheat, barley and canola crop, based on:
 - Area 9.4m Ha (2% lower yoy)
 - Yield 1.94mt/Ha (6% higher yoy)

(1) Reflects 30 September 2011 to 20 May 2012

(2) Reflects 21 May 2012 to 30 September 2012

(3) Australian Crop Forecasters May 2012

Malt update



FY12 Operational Update

- Committed YTD sales 1.3mmt → ~95% of FY12 sales guidance
- Strong portfolio capacity utilisation
- Leveraging competitive strengths to capture additional value through:
 - Barley procurement
 - Integrated global portfolio
 - Production efficiencies and utility cost savings

FY13 Outlook

- USDA⁽¹⁾ world barley production forecast at 135mmt, 1% higher year on year
- Forward sold malt volumes of 0.7mmt, ~50% of production capacity
- Softening beer demand and excess malting capacity in developed markets
- Some rationalisation of excess global malt capacity expected

(1) USDA May-12



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STRATEGY UPDATE

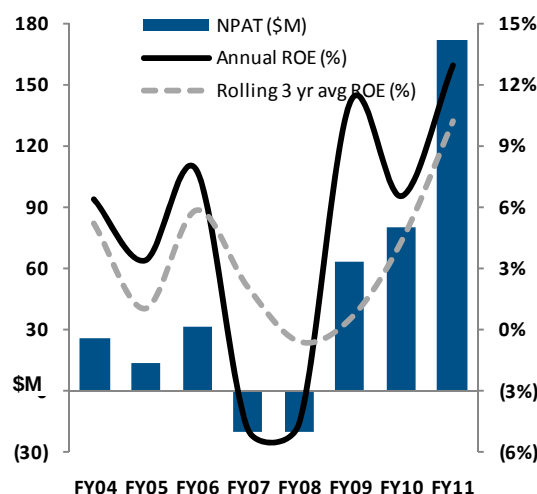
Corporate Objectives



1 Improve Returns

- Improve through the cycle shareholder return
- Focus on value creation from our suite of grain chain assets

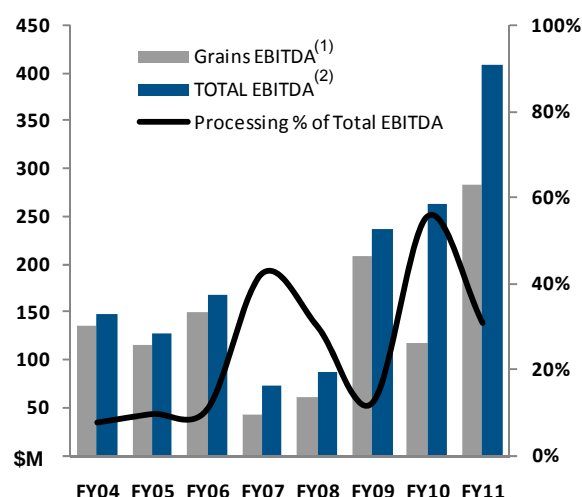
Improving ROE..



2 Manage Variability

- Manage through the cycle earnings
- Maintain strong cash flow and pay consistent dividends

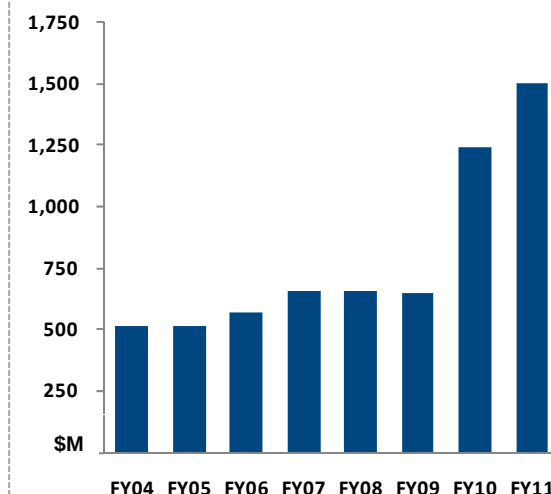
Business diversification...



3 Growth

- Grow business scale → organic and acquisitions
- Leverage capabilities
- Maintain strong balance sheet

Market Capitalisation growth...



(1) Country & Logistics, Ports and Marketing EBITDA

(2) Includes 60% share of Allied Mills EBITDA, excludes Corporate Costs and Merchandising EBITDA

Our Strategy builds on our Business Model and 4 Strategic Themes



1 Strengthen our grain handling network

Develop improved capability from our network to retain and maximise grain volumes

2 Grow our grain Marketing business

Grow relationships to drive grain volume through our network and capture margin

3 Create and capture additional Malt value

Harness our grain processing footprint and capabilities to develop a superior offering for our global and regional customers

4 Better capture synergies from our network and integrated grain businesses

Better capture synergies from our network and integrated grain businesses



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THANK YOU – Q&A



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APPENDIX

NPAT reconciliation

\$ M	HY12	HY11
Statutory NPAT	134	88
Adjusted for Malt defined benefit plan		
Before tax	(17)	-
Tax effect	5	-
Underlying NPAT	122	88

Corporate and Business Unit Costs reconciliation



\$ M	HY12	HY11	FY11
Corporate Costs	13	11	21
Business Support Costs...			
- Storage & Logistics	9	7	14
- Marketing	1	1	2
- Malt	1	1	2
Corporate and Business Support	24	20	39

- Support Costs apportioned to businesses in FY12 but reported as part of Corporate Costs in FY11
- HY12 Financial Statements Segment Information (Note 2) incorporates adjustment
- Corporate and Business Support Costs higher due to strategic consulting review, international growth (Marketing and Malt) and higher safety support

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