

ANNUAL GENERAL MEETING: CHAIRMAN'S ADDRESS



18 December 2014

I am pleased to report it has been another year of positive progress for GrainCorp. In the face of a smaller crop we delivered a solid result, underpinned by contributions from our processing businesses. It is pleasing to report that this result was delivered with a substantially improved safety performance – a 34% reduction in Lost Time Injury Frequency Rate. In a challenging year, I am very proud of the commitment of all our people to delivering performance with a focus on our values, particularly safety.

As our statement on the outlook makes clear, there will again be challenges in the year ahead. We have another relatively dry winter behind us and have largely finished receiving a second consecutive, smaller crop, where market competition has never been more intense.

Outside of harvest, our team has also remained focussed in the face of persistent market speculation regarding GrainCorp's ownership and the potential activities of competitors and other industry players.

These challenges: crop size, weather variability and the intentions of other players in the market are largely outside our control, however I can assure you that our company does not sit by waiting for these factors to affect our destiny. Our attitude remains that we must be active and shape those matters that are within our control to maximise value for you, our shareholders.

This is the same philosophy that drove our decision five years ago to grow and diversify our business, building on our areas of natural strength and expertise. Our proactive approach has enabled us to generate earnings more consistently. Despite last year being a lower production year for Storage & Logistics, the company was able to pay a dividend of 20 cents per share. Quite simply, the GrainCorp of five years ago would have been unable to do this.

Our more reliable earnings base now allows us to shape our environment in other areas. It allows us to invest in the business and to pursue new opportunities. As a demonstration of our assertive approach, we now have a series of major capital projects underway across the company, involving investment of over \$500 million.

Good progress has been made on the growth projects in GrainCorp Oils. The consolidation of our edible oils manufacturing footprint to align it more closely with major oilseeds production areas, is on track. Work at our West Footscray and Numurkah facilities is now well underway.

The construction of an additional 30% capacity for GrainCorp Liquid Terminals has also progressed rapidly. We've completed the new tank farm at Port Kembla and taken first deliveries. Works in Fremantle are also complete and a substantial proportion of the new capacity at both these ports has been leased. The third project in Pinkenba, Queensland is underway and on time.

Together, these projects will deliver a step-change benefit to the future performance of these operations.

GrainCorp Marketing is pursuing measured growth based on a strong focus on our customers. For example in July we took a 10% equity stake in one of our most significant export customers and leading Egyptian flour miller: Five Star Flour Mills. We continue to explore additional opportunities to strengthen major customer relationships, and expand our grain origination footprint further into new and complementary regions.

GrainCorp Malt has been able to deliver solid performance in a highly competitive environment – and this is particularly pleasing for all of us at GrainCorp. This business is working hard to maintain its strong relationships in the niche craft beer and whisky distilling markets. However, a substantial proportion of its improved performance can be attributed to its disciplined focus on costs and a series of plant-based projects to improve the efficiency of energy, water and labour use at its malt houses.

GrainCorp Limited (ASX: GNC)

Level 28, 175 Liverpool Street
Sydney NSW 2000

T 02 9325 9100
graincorp.com.au

Of course, we are also taking a proactive approach in the traditional core of our business, Storage & Logistics. As I pointed out at our last meeting, competition is nothing new for this business, but the pace of competitor investment in grain storage and port infrastructure in eastern Australia has again accelerated.

In June we announced Project Regeneration – the \$200 million reinvigoration of our country network. This investment will allow us to provide an improved service to growers and the exporters who use our network.

There are major community benefits too. One million tonnes of grain are returning to rail, saving significant road maintenance costs and delivering additional community benefits of reduced congestion, noise and improved road safety. Improvement in export rail efficiency will be worth \$5 per tonne across the entire crop. Competition for grain will convert this into an additional annual \$90 million for grain growers. This is real money and a significant boost for regional economies throughout the grain belt.

It is important to note however, that these benefits cannot be delivered in full without associated government investment of an estimated \$50-75 million, targeted at government-owned rail sidings that are a major source of inefficiency because they cannot currently hold a full unit train for loading. Given the large scale of our commitment, and the significant industry and community benefits available, our expectation of government support is reasonable and we will continue to encourage governments to play their part in delivering for the industry and for our regional communities.

On another matter, shareholders would be aware we have been working for some time to reduce the burden of regulation on our ports. It's pleasing to report that this work has borne fruit. The introduction of the ports Code of Conduct on 1 October this year was a positive outcome for our company, ensuring we are treated equally with competitor ports, and providing a clear pathway for regulation to fall away where there is competition. Our Newcastle port has already been exempted and we are working towards similar exemptions at other ports.

As a company we look ahead with confidence to the benefits that will be delivered through these important strategic initiatives.

On a personal note, it has been enormously satisfying for me to maintain the momentum across each of these projects during my period as interim CEO.

It is equally satisfying for me and the Board to be able to introduce our new Managing Director and CEO, Mark Palmquist. We are delighted to have secured an executive of Mark's strong international reputation and extensive experience.

Mark joined us from CHS Inc., a diversified, farmer-owned Fortune 100 company well known to all of us at GrainCorp. In a 35 year career with CHS, Mark held senior executive and board roles in sectors with great relevance to our businesses including grain trading, storage and logistics, malt production, edible oils, flour milling and liquid terminals.

Experience and reputation aside, Mark has an open, collaborative style and we are already benefiting from the leadership, fresh insight and strategic perspective that he is bringing to the business. We look forward with great confidence to the significant positive contribution he will make to the company in the years ahead.

We continue to consider the mix of skills and experience on the board. I'd like to acknowledge and welcome our new director Rebecca Dee-Bradbury, who joined the Board in September. Rebecca brings to the Board a wealth of experience in consumer goods and foods businesses and she has excellent knowledge of key markets, including China.

The appointment of Rebecca is the first step in the board renewal process and we intend to appoint an additional director this financial year.

Before I conclude, I want to pay tribute to the professionalism of the members of GrainCorp's executive team, who have led their businesses with such focus and commitment, ensuring we maintain momentum across the group.

I also want to thank GrainCorp's people, in all parts of the company, for their dedication: those who serve our customers and who work tirelessly to improve our service to them, those in regional areas working to bring in the harvest, those on the shop floors of our processing plants, the teams at our ports and terminals, those team members doing late nights at trading desks; all the administrative, finance, technical, planning and support teams that work in offices and laboratories around our network and around the globe. These are the people who draw our fantastic assets together into a cohesive whole and we could achieve nothing without their enthusiasm for GrainCorp and for our broader industry.

We have established a solid platform for your company, from which there are many options to build. This is cause for great optimism as we look ahead.