

7 June 2019

## GrainCorp enters into 10 year contract to manage eastern Australian grain production risk

GrainCorp Limited (“GrainCorp” or “the Company”) confirms it has executed a 10 year agreement to manage the risk associated with the volatility of eastern Australian winter grain production (the “Contract”).

As previously announced on 4 April 2019, the purpose of the Contract is to smooth GrainCorp’s cash flow and earnings across volatile east coast Australia grain harvests. As a result, the Contract will have several benefits for GrainCorp and its shareholders including a reduction in cash flow volatility, particularly in periods of severe drought.

The Contract will take effect from the 2019-20 financial year. During the term, a fixed payment of AUD\$15 per tonne (the “Production Payment”) will be made for each tonne of actual east coast of Australia winter crop production<sup>1</sup> in any given year which is:

- ▶ Below an agreed lower production threshold of 15.3 million tonnes: GrainCorp receives the Production Payment, subject to an annual maximum of AUD\$80 million;
- ▶ Above an agreed upper production threshold of 19.3 million tonnes: GrainCorp pays the Production Payment, subject to an annual maximum of AUD\$70 million; and
- ▶ In all cases, subject to an aggregate net limit of Production Payments to either GrainCorp or the Contract counterparty of AUD\$270 million over the 10 year term.

Excluding the Production Payments, the total pre-tax annual cost of the Contract to GrainCorp is expected to be less than AUD\$10 million (including associated financing costs).

The Contract counterparty is White Rock Insurance (SAC) Ltd, a subsidiary of Aon plc that offers clients a diverse suite of risk management solutions.

The Contract is not subject to a right of termination in the event of a change of control of GrainCorp.

GrainCorp’s CEO Mark Palmquist said the agreement was a positive development for the Company.

“The Contract will smooth GrainCorp’s cash flow and allow for longer term capital allocation and business planning through the cycle,” Mr Palmquist said.

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<sup>1</sup> ABARES’ winter crop production for the Australian states of Queensland, New South Wales and Victoria.



**GrainCorp**

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