GrainCorp

News Release

Not for distribution or release in the United States

28 August 2012

CREATION OF GRAINCORP OILS: A LEADING INTEGRATED EDIBLE OILS BUSINESS

GrainCorp today executed agreements to acquire both the Gardner Smith Group and Goodman Fielder's commercial oils business, Integro Foods ("Integro"). The two businesses will be combined to form GrainCorp Oils, creating a leading integrated edible oils business.

The combined purchase price of $472 million[1] represents a transaction multiple of 7.4x EBITDA[2] of $64 million (excluding synergies), or 7.0x including synergies. Transaction costs, including stamp duty, are expected to be approximately $15 million[3].

Acquisition details and rationale

Gardner Smith is Australia's second largest oilseed crusher, a leading operator of bulk liquid port terminals and operates complementary used oil recycling and animal feed businesses. Integro is a leading Australian and New Zealand refiner and packager of edible fats and oils for food industry customers[4].

GrainCorp Managing Director & Chief Executive Officer, Alison Watkins, said the acquisitions were consistent with the company's strategic focus on its three core grains – wheat, barley and canola.

"The opportunity to combine Gardner Smith and Integro into a larger business is a clear and logical fit with our business model. Together they build on GrainCorp's existing supply chain management and grain marketing expertise, and expand our downstream processing operations into canola and other edible oils," Ms Watkins said.

"GrainCorp Oils will provide us with immediate scale in the edible oils sector in Australia and New Zealand. The business can crush more than 300,000 tonnes of oilseeds annually, and has 280,000 tonnes of annual edible fats and oils refining and packaging capacity. Its 13 bulk liquid port terminals have high capacity utilisation, with room to grow, and already handle up to 1 million cubic metres of bulk liquids each year.

"Both Gardner Smith and Integro offer us leading positions along the edible oils supply chain. While both are very good businesses in their own right, it is the combination of the two into a cohesive whole that allows us to unlock additional value for GrainCorp's shareholders, connects the grain growers who use our network more closely with edible oils customers, and creates a seamless and compelling offer for those customers," she said.

GrainCorp is targeting $4 million per annum of synergies (pre-tax) after the first 12 months. Additional incremental earnings are expected from procurement benefits and planned growth projects. The acquisitions are expected to be Earnings per Share accretive[5] and reduce earnings volatility.

Ms Watkins said the combined GrainCorp Oils business would be expected to provide:

- a more compelling offer for edible oils customers, by providing improved commodity risk and supply chain management;
- a platform for growth, such as the potential for expansion of capacity at existing terminal sites;
- reduced earnings volatility through further diversifying operations into alternative agribusiness cycles;
- the ability to capture value at additional points along the edible oils supply chain and opportunity to identify and realise further integration benefits.

GrainCorp Limited ACN 057 186 035
Level 26, 175 Liverpool St., Sydney NSW 2000
PO Box A268 Sydney South NSW 1235
T: 02 9325 9100 F: 02 9325 9180 www.graincorp.com.au

GrainCorp Oils will benefit from a long term supply agreement with Goodman Fielder, under which it would provide approximately 40% of Integro total annual volumes.

Management and integration

Sam Tainsh will be appointed as Group General Manager of GrainCorp Oils. Mr Tainsh has been with GrainCorp for more than 11 years, most recently as the General Manager of GrainCorp Marketing. Klaus Pamminger, currently Trading Manager with GrainCorp Marketing, will be appointed General Manager of GrainCorp Marketing and will join GrainCorp's executive team.

Mr Tainsh will work closely with the leadership teams and employees of Gardner Smith and Integro to ensure a smooth integration, to provide a streamlined service to customers and to capture the synergies.

"The three businesses know each other well and there is a strong cultural fit between us," Ms Watkins said.

Group Managing Director of Gardner Smith Chris Morkane said: "The opportunity to combine our group with another leading Australian agribusiness like GrainCorp, whose operations, culture and values are so aligned with ours, was very important to us. Gardner Smith is excited about the opportunities created for our people and the enhanced offering for our customers generated by the new, integrated business."

Goodman Fielder Chief Executive Officer Chris Delaney said: "We are very pleased with the outcome of this transaction, which enables Goodman Fielder to concentrate our investment and internal resources on our core categories and brands. We have also structured a long term supply partnership with GrainCorp to ensure Goodman Fielder maintains an efficient supply of strategic raw materials. This transaction is also a positive result for the staff at Integro. The combination of GrainCorp's expertise along the grain supply chain and Gardner Smith's oils expertise offers significant opportunities to support Integro's continued growth in the region."

Each of the acquisitions is expected to complete during October 2012, on satisfaction of closing conditions. Integration planning has commenced and is focused on supporting our new employees, reinforcing customer relationships, aligning the business structure and migrating systems and services to GrainCorp's infrastructure.

Acquisition funding

The acquisitions will be funded via:

- approximately $110-$121 million scrip consideration issued to Gardner Smith shareholders at an issue price of $9.79 per share, calculated based on the 5-day VWAP adjusted for the impacts of the Entitlement Offer;
- a 1-for-11 fully underwritten accelerated, pro-rata renounceable Entitlement Offer to raise approximately $159 million; and
- the balance funded via a committed acquisition debt facility, including funding for oilseed inventory and seasonal working capital requirements at completion.

"This balanced funding structure maintains our flexible balance sheet, supports our seasonal working capital and grain marketing requirements, and maintains our current dividend policy," Ms Watkins said.

Approximately 18.0 million new shares in GrainCorp will be issued as part of the Entitlement Offer.

Under the Entitlement Offer, eligible shareholders will be invited to subscribe for 1 new share at an offer price of $8.80 per new share for every 11 existing GrainCorp ordinary shares held at 7.00pm (Sydney time) on the record date of 3 September 2012.

The Offer Price represents a 10.1% discount to the theoretical ex rights price[6] of $9.79.

Details of the Entitlement Offer are also set out in an investor presentation which GrainCorp has provided to the ASX today. The investor presentation contains important information, including key risks and foreign selling restrictions with respect to the Entitlement Offer.

Entitlement Offer key dates

The indicative key dates for the Entitlement Offer are as follows:

Institutional Entitlement Offer opens	28 August 2012
Institutional Entitlement Offer closes	30 August 2012
Institutional Bookbuild	30 August 2012
Record date under the Entitlement Offer	7:00pm (Sydney time) 3 September 2012
Retail Entitlement Offer opens	6 September 2012
New institutional shares commence trading	11 September 2012
Retail Entitlement Offer closes	5.00pm (Sydney time) 21 September 2012
Retail Bookbuild	26 September 2012
New retail shares commence trading	8 October 2012

FY12 guidance and FY13 outlook

"Due to the ongoing strong performance of our businesses, I'm confident our 2012 financial year earnings will come in around the upper end of our guidance ranges of $385-415 million EBITDA and $185-205 million Underlying NPAT[7]," Ms Watkins said.

"In terms of FY13, across eastern Australia's grain belt, the winter crop remains in generally good condition however, as always, a good spring break will be critical. Industry production forecasts for eastern Australia's wheat, barley and canola crop are currently in the 16.0-17.9 million tonne range. There are strong forward bookings from exporters on our shipping stem.

"While we're expecting the global malt market to remain challenging, we have made good progress with our FY13 sales, forward selling more than 70% of our production capacity, and remain confident we have the right strategy and competitive position."

MEDIA CONTACT: Angus Trigg, 0413 946 708, atrigg@graincorp.com.au

NOT FOR DISTRIBUTION OR RELEASE IN THE UNITED STATES

This announcement does not constitute an offer to sell, or a solicitation of an offer to buy, any securities in the United States. Neither the entitlements nor the new shares have been, or will be, registered under the U.S. Securities Act of 1933, as amended (the “U.S. Securities Act”) or the securities laws of any state or other jurisdiction of the United States. Accordingly, the entitlements may not, directly or indirectly, be taken up by, and the new shares may not be offered or sold to, any person in the United States, unless they have been registered under the U.S Securities Act, or are offered and sold in a transaction exempt from, or not subject to, the registration requirements of the U.S. Securities Act and any other applicable U.S. state securities laws.

Investors should be aware that certain financial data included in this announcement are “non-GAAP financial measures” under Regulation G of the U.S. Securities Exchange Act of 1934. These measures include “EBITDA” and “NPAT”. The disclosure of such non-GAAP financial measures in the manner included in the release may not be permissible in a registration statement under the U.S. Securities Act. Such non-GAAP financial measures do not have a standardized meaning prescribed by Australian Accounting Standards and therefore may not be comparable to similarly titled measures presented by other entities, and should not be construed as an alternative to other financial measures determined in accordance with Australian Accounting Standards. Although GrainCorp believes these non-GAAP financial measures provide useful information to users in measuring the financial performance and condition of its business, investors are cautioned not to place undue reliance on any non-GAAP financial measures included in this release.

Forward looking statements

This document contains certain forward looking statements. Forward looking statements should or can generally be identified by the use of forward looking words such as “anticipate”, “believe”, “expect”, “forecast”, “estimate”, “will”, “could”, “may”, “target”, “plan” and other similar expressions within the meaning of securities laws of applicable jurisdictions, and include earnings guidance and statements of intention about future matters and the outcome and effects of the equity raising. Indications of, and guidance or outlook on, future earnings, distributions or financial position or performance are also forward looking statements. The forward looking statements contained in this document involve known and unknown risks and uncertainties and other factors, many of which are beyond the control of GrainCorp, and may involve significant elements of subjective judgement and assumptions as to future events which may or may not be correct. Except as required by law, GrainCorp assumes no obligation to update or revise such information to reflect any change in expectations, beliefs, hopes, intentions or strategies. No representations, warranty or assurance (express or implied) is given that the occurrence of the events expressed or implied in any forward looking statements in this document will actually occur.

---

[1] Gardner Smith enterprise value of $302 million based on core net debt as at 31 March 2012 which excludes oilseed and oil inventory at completion (to be funded via separate oilseed and trade inventory financing). Integro enterprise value of $170 million includes an assumed investment to build up working capital based on the average working capital requirement for the 12 months ended 30 June 2012.

[2] Comprises Gardner Smith multiple of 9.2x EBITDA for the 12 months ended 31 March 2012 (no pro forma EBITDA amounts were included for recent Gardner Smith acquisitions finalised after FY12 year end) and Integro multiple of 5.5x EBITDA for the 12 months ended 30 June 2012. Refer to Appendix for further detail.

[3] Excludes fees associated with the equity raising which are deducted from gross proceeds of the equity offer.

[4] The purchase of Integro does not include Goodman Fielder’s out of home business in Australia, or its Asia Pacific fats and oils business.

[5] Based on GrainCorp’s normalised grain receivals of 10.0-10.5 million tonnes, exports of 5.0-5.5 million tonnes and carry-in of 3.0 million tonnes, and Gardner Smith and Integro’s average earnings over the last four years, including synergies.

[6] The Theoretical Ex-Rights Price ("**TERP**") is the theoretical price at which GrainCorp shares should trade after the ex-date for the Entitlement Offer. TERP is calculated by reference to GrainCorp's 5-day VWAP to 27 August 2012 of $9.88 per share, being the last trading day prior to the announcement of the Entitlement Offer. TERP is a theoretical calculation only and the actual price at which GrainCorp shares trade immediately after the ex-date of the Entitlement Offer will depend on many factors and may not approximate TERP.

[7] Excludes ~$5 million Significant Item after tax profit, including Malt defined benefit plan adjustment (~$12 million profit), Allied Mills Toowoomba mill insurance proceeds (~$5 million profit) and the impact of a retrospective change to tax legislation (~$12 million tax expense).