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FY14 result: solid processing performance offset by lower grain volumes

GrainCorp has announced earnings of \$293 million EBITDA¹ (FY13: \$395 million) and operating NPAT² of \$95 million (FY13: \$175 million) for the financial year ended 30 September 2014. GrainCorp's statutory NPAT of \$50 million includes significant items of \$44 million relating to GrainCorp Oils network consolidation, Project Regeneration and an increased claims provision.

GrainCorp Chairman Don Taylor said: "GrainCorp Malt and GrainCorp Oils have delivered solid performances, however our grains businesses have had to contend with persistent dry weather, a smaller eastern Australian crop and the challenges associated with reduced grain volumes."

GrainCorp's Board has determined a final dividend of 5 cents per share (cps), bringing the full year dividend to 20 cps (FY13: 40 cps, plus 5 cps special dividend). The dividend represents a payout of 48% of the company's operating NPAT, in line with GrainCorp's dividend policy of paying 40-60% of NPAT through the business cycle.

Business unit performance

"GrainCorp still has a journey ahead in our safety performance and our pursuit of Zero Harm, however it is pleasing that our investment and the ongoing focus of our people has delivered a significant 34% reduction in lost time injury frequency rate," Mr Taylor said.

"It's pleasing to see the sustained strong performance of GrainCorp Malt, whose earnings grew by 24% in an environment where beer consumption in developed markets continues to decline. The business continues to benefit from its unrivalled commitment to quality and strong relationships in the growing distilling and craft sectors. It's also good to see the solid progress that has been made with the strategic initiatives in this part of the business.

"GrainCorp Oils benefited from continued strong performance and high capacity utilisation in the Liquid Terminals business, offset by some pressure on refined oils volume in the Foods business. Good progress has been made on the optimisation of this business' footprint, as well as the Liquid Terminals expansions at Port Kembla, Fremantle and Pinkenba.

"GrainCorp Storage & Logistics' performance was restrained by a 47% drop in carry-in to 2.3 million tonnes (FY13: 4.3 million tonnes), a smaller crop translating to a 23% year-on-year reduction in receivals to 8.0 million tonnes (FY13: 10.4 million tonnes) and a 47% drop in grain exports to 4.4 million tonnes (FY13: 8.3 million tonnes)."

The company has included an adjustment of \$19 million after tax to its provision for claims in the Storage & Logistics business. The adjusted provision reflects a higher likelihood of claims arising from near record low grain tonnages in the network following a second below average eastern Australian harvest.

"GrainCorp Marketing delivered similar sales volumes with increased contributions from our international offices and presence in Western Australia and South Australia, however the

¹ Earnings Before Interest, Tax, Depreciation and Amortisation

² Net Profit After Tax

competition for the smaller crop in eastern Australia inevitably put margins under pressure," Mr Taylor said.

Outlook

Commenting on the operating outlook for FY15, GrainCorp Managing Director and CEO Mark Palmquist said:

"We expect the environment to remain tight for our grains businesses. The current eastern Australian harvest is expected to be below average, this year's carry-in is a near record low of 1.9 million tonnes, there is a smaller exportable surplus and there will again be competition for grain.

"It is encouraging to see GrainCorp Malt already has strong forward sales of 1.1 million tonnes and, while we anticipate ongoing volume pressures in refined edible oils, I am very positive about the performance and opportunities for our Liquid Terminals business within GrainCorp Oils."

Harvest update

Mr Palmquist said that the eastern Australian harvest is now well underway.

"Growers have had to contend with continued hot and dry conditions in many areas, compounding the challenges of the growing season, which included low rainfall in the north and frosts in other areas. While it's a smaller crop, the quality is generally good and we are all hoping for a good, clean run through to the end of harvest for those growers still in the paddock on headers. Some good rainfall in the next few weeks in northern regions is also required to encourage summer crop plantings," Mr Palmquist said.

"I am focused on ensuring we provide our grower customers with the best service and it's reassuring to see that our consolidated network has been handling the receival task efficiently, with ongoing commitment to delivery turnaround, thanks to the additional efforts of our teams and the extra equipment we have been able to consolidate into the sites experiencing higher demand.

"With plenty of spare storage space and strong export demand, we're confident that storing with GrainCorp provides growers with the most flexibility and more marketing options concentrated into the most convenient location," he said.

FURTHER INFORMATION

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