

GrainCorp Expands into Queensland

The acquisition of Grainco and expansion into Queensland means the creation of a larger, geographically and earnings diversified company, better placed to service customers and reward shareholders.

As part of the acquisition, the corporate functions of the combined group were consolidated into the existing GrainCorp structure. Grain trading book and systems integration is complete, key employees have been retained and the international marketing program is on track.

The integration of Grainco's wholly-owned subsidiaries and joint ventures into the GrainCorp structure has added depth to GrainCorp's presence in every part of the grain supply chain and growing export networks and expertise.

Northern Division of GrainCorp

Grainco's country division, Queensland's largest grain receivals network, now forms the Northern Division of GrainCorp. The Division has 3.7 million tonnes of country storage at 65 sites of which 1.4 million tonnes is permanent storage. Over the eight years to 2002 this network received an average of 2 million tonnes of grain per year.

The acquisition has already delivered benefits for northern harvest operations. The storage assets are fit for purpose and capable of providing good customer service, particularly with increased utilisation of mobile equipment and site based IT services.

GrainCorp Port Terminals

Following the acquisition of Grainco, Bulk Terminals Australia has been absorbed into an integrated ports structure within the Storage and Handling Strategic Business Units – Port Terminals.

GrainCorp Port Terminals operates nine facilities across three States – Gladstone, Mackay, Fisherman Islands and Pinkenba in Queensland; Carrington, Kooragang Island and Port Kembla in New South Wales; and Geelong and Portland in Victoria. The acquisition strengthens GrainCorp's storage handling receival network which stretches across the length and breadth of Australia's East Coast.

Agricultural Risk Management Services

Agricultural Risk Management Services Pty Ltd, provides specialist commodity risk management, brokerage, marketing advice, crop insurance and educational services.

ContainerLink

ContainerLink is a container packing, bagging and freight forwarding facility located near Fisherman Islands export port terminal at the Port of Brisbane.

The services offered by ContainerLink include the packing of bulk and bagged commodities, grading of grains, aspiration of grains, fumigation and freight forwarding. As part of GrainCorp, ContainerLink will continue to diversify its product range to minimise seasonal impact.

GrainCorp Marketing

MarketLink, a joint venture between Grainco (75%) and ConAgra (25%), was formed as a grain accumulation, grain trading and grain marketing business. As part of the Agreement, Grainco acquired ConAgra's 25% share of MarketLink prior to the acquisition. On 1 October, 2003 MarketLink and all of its operations were integrated into GrainCorp Marketing.

MarketLink's accumulation team has been transferred to Australian Grain Accumulation (AGA). AGA provides daily bids from GrainCorp Marketing, Cargill and Allied Mills to grain growers.

GrainCorp also acquired New South Wales Grains Board export marketing rights and will hold these until October 2005 for barley, canola and sorghum. This extends GrainCorp's international marketing operations into Asia and the Middle East.

PlantTech

PlantTech, is a joint venture seed commercialisation businesses between GrainCorp (50%) and Elders (50%), specialising in the wholesale and export of pasture and broad acre seed, with rights to more than 150 seed varieties.

With the acquisition of Grainco, GrainCorp now owns a share of Australia's largest broad acre and pasture wholesale seed company.

**MAINTAINING STRATEGIC
STABILITY WHILE
STAYING CASHFLOW
POSITIVE**

SHAREHOLDER INFORMATION

GrainCorp Limited shareholders requiring information regarding their shareholdings should contact the Company's registry at:

Computershare Investor Services

GPO Box 7045 Sydney NSW 1115

Phone 02 8234 5000 Fax 02 8234 5050

Computershare Investor Enquiries

Phone 02 8234 5222 or 1300 855 080



GrainCorp Limited

Level 10

51 Druitt Street
Sydney NSW 2000

Phone 02 9325 9100

Fax 02 9325 9180

inquiries@graincorp.com.au

www.graincorp.com.au

CHAIRMAN'S AND MANAGING DIRECTOR'S MESSAGE

SHARE REVIEW



Ron Greentree *Chairman*



Tom Keene *Managing Director*

In what was a challenging year for Australian agriculture, we are pleased to report that GrainCorp maintained its strategy of earnings diversification and integrated operation along the grain supply chain and remained cash-flow positive.

The drought undoubtedly had a significant impact on GrainCorp's key business drivers. This challenge was met by effective cost management, in turn minimising the impact on the company's financial performance. The cost savings achieved by the company will now be maintained going forward.

For the 2002/03 financial year, the highlights have been the acquisition of Grainco Australia, and the progressive restructuring of Allied Mills in partnership with Cargill Australia in October 2002. Both ventures offer significant promise for the future.

With a crippling drought across the country, grain receivals were severely reduced. The total figure of 2 million tonnes was down 83% from the previous year which led to the company's reported loss of \$18.2 million.

Grain Marketing made a \$13.1 million profit in 2002/03 through the sale of grain stocks, effective risk management strategies and Pools management. This compares with a profit of \$5.7 million in 2001/02.

GrainCorp maintains a policy of distributing 65% of after tax profits to shareholders as fully franked dividends. Given this result no dividends were declared for 2002/03.

The Divided Re-investment Plan (DRP) which closed 13 December 2002 was well received by shareholders who subscribed for an additional 694,618 shares at \$9.21 each, with a total value of nearly \$6.4 million. In addition, the success of the offer of Reset Preference Shares (RPS) made in association with the acquisition of Grainco Australia, raised \$120 million and underscored the appeal of GrainCorp to investors.

The 'carry-in' stocks of grain are at near record lows across our operating Divisions. This has provided us with the opportunity to effectively manage the intake of a harvest which at the start of 2004 has already provided over 10 million tonnes in receivals.

Our strong presence in every part of the grain supply chain, our growing export networks and expertise, and our ability to grow the business in a sustainable and profitable way – will provide the basis for GrainCorp's continued success in the future.

Ron Greentree – *Chairman*

Tom Keene – *Managing Director*

Financial Highlights

GrainCorp's financial performance over the past year has been heavily influenced by the drought, which reduced total grain receivals in NSW and Victoria by 83%. Despite the drought's effects on receivals, revenue was only down by 27% due to increased marketing activity, the contribution of Allied Mills and the disposal of AWB shares.



GrainCorp results for FY03

Financial Summary	2002/03 \$'000	2001/02 \$'000	change \$'000
Storage & Handling	105,523	279,637	(62%)
Marketing	319,849	382,905	(16%)
Other*	87,505	37,464	134%
Total Revenue	512,877	700,006	(27%)
EBITDA	34,063	125,502	(73%)
NPAT	-18,218	48,696	137%
Total Assets	605,980	627,080	(3%)
EPS	-\$0.45	\$1.21	(137%)

* includes proceeds from disposal of interests in equity investments.

Allied Mills - positive first year result

GrainCorp's purchase of a 60% equity share of Allied Mills in 2002 in partnership with Cargill Australia is a key platform in the company's strategy of earnings diversification. The acquisition has allowed GrainCorp to establish an extended presence along the length of the grain supply chain and obtain a share of a strong business brand.

Allied Mills made a positive contribution to GrainCorp over 2002/03, including interest payments. This first year performance was in line with expectations, after a challenging year due to drought and restructuring costs.

GrainCorp's partner in the joint venture, Cargill Australia, continues to add value to the partnership through its depth of experience in global milling operations. In 2003 end-to-end

business operations review was completed in conjunction with Cargill Global Milling experts.

Allied Mills continues to enjoy a long-term supply arrangement with Burns Philip for the baking and Consumer Foods divisions, as well as good relationships with a range of other customers.

The addition of primary processing to GrainCorp's platform of complimentary businesses has provided the company with the edge in understanding customer's specific needs – and therefore in meeting and exceeding their expectations.

From the development of wheat varieties through to the milling of flour, no-one has a better understanding of the bulk supply chain than GrainCorp.