

**Building your
shareholder
value on solid
business platforms.**



GrainCorp Limited

Chairman's & Managing Director's Report



Ron Greentree
Chairman



Tom Keene
Managing Director

Results

The extremely difficult business conditions caused by the drought have served to underscore our company's resilience and flexibility. Our results for the six months to 31 March 2003 show an after tax profit of \$9.8 million. This result is well short of the \$37.8 million we reported for the corresponding period last year.

Revenue for the six months to 31 March 2003 was \$304.7 million, down from \$382.7 million for the first half of last year. This reporting period has also seen an increased contribution from other sources including processing and grain trading.

The company's grain throughput was 1.8 million tonnes of grain to 31 March 2003, down from 11.6 million tonnes in the previous corresponding period. This includes around 0.3 million tonnes of inter-State transfers that attract a lower fee than ex-farm receivals. Exports of grain were also down to 0.9 million tonnes from 3.7 million tonnes, and domestic out-loading was 2.4 million tonnes. The carry in stocks of grain amounted to 4.6 million tonnes.

With the harvest of winter crops long finished and the mopping up of the summer harvest nearly done, total grain throughput is forecast to increase only marginally to 1.9 million tonnes for the full year – a reduction of around 84% from receivals in 2001/02.

Part of this result was derived from investment activity. The disposal of our investment of 8.7 million AWB shares provided a one-off contribution of around \$5 million after tax. However the most valuable achievements have been extracted from core operating activities - through adapting the business to contain costs and promote integration synergies throughout the company's operations.

Although the drought has hit us hard, it has also provided us with an opportunity to demonstrate the underlying strength of the company. It is a good business that could take a cut in revenue of 84% and maintain positive cash flow.

Our strategy of earnings and geographic diversification will help the company to emerge stronger from the present drought. Indeed, the acquisition of Allied Mills in particular is emerging as an integration success story.

While the company expects to remain cash flow positive, it is forecast to book a loss for the full year after depreciation is accounted for. The company will maintain its policy of returning 65% of profit to shareholders. For this reason, no interim dividend has been declared.

We have weathered a tough season and subject to average seasonal conditions returning, GrainCorp should return to the company's proven ability to generate strong cash flow and earnings for the 2003/04 harvest period.

Outlook

GrainCorp is forecasting an after tax loss for the full year to 30 September 2003 of \$19-20 million.

Our performance during the drought has confirmed the value of our strategy of earnings and geographic diversification. It has also highlighted the benefits of our selective capital expenditure and reinforced the importance of maintaining our focus on integration along the supply chain.

Allied Mills

The period since acquisition has allowed us to confirm our view of the quality of Allied Mills' assets, with no short-term requirements for significant capital investment.

The contribution of Allied Mills is accounted for using the equity method. Although no dividend has been declared for the first half of the year, it is likely that a dividend will be declared for inclusion in the full year results.

Share Review



Financial Highlights

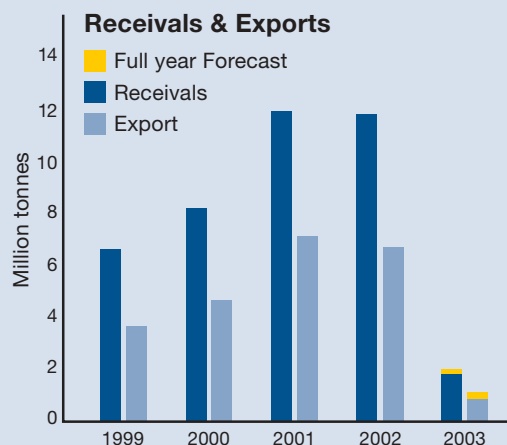
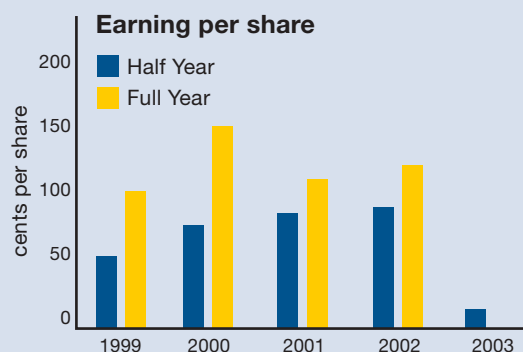
1.8 million tonnes of grain have been received by GrainCorp facilities in the last six months. This is a significant decrease from the corresponding period last year. Exports to 31 March 2003 were 0.9 million tonnes. Receivals and exports are expected to rise slightly by year end to 1.9 million tonnes and 1.1 million tonnes respectively.

Net profit for half year ended 31 March 2003 was \$9.8 million but due to drought conditions the full year result is forecast to be a loss in the range of \$19-20 million.

GrainCorp results for the six months to 31 March 2003			
	31/1/03	31/3/02	change
Storage and handling	74,044	168,399	(59%)
Marketing	189,868	208,980	(9%)
Other*	42,089	5,280	697%
Total revenue	306,001	382,659	(20%)
EBITDA	42,216	77,825	(46%)
PBT	12,646	52,509	(59%)
NPAT	9,793	37,752	(74%)
Total Assets	618,853	587,017	5%
EPS	\$0.24	\$0.94	(74%)

* includes share of profit from associate companies and proceeds from disposal of interests in equity investments.

Earnings per share dropped this half year as profit was affected by the drought. No dividend is expected to be paid for the 2003 financial year.



Capital Expenditure

GrainCorp has undertaken an extensive modernisation program with \$300 million of capital expenditure since 1996 including over \$40 million in the twelve months to 30 September 2002. This has meant that the depreciation cost for the current year will be around \$41 million. Capital expenditure for the current year to 30 September 2003 is projected to be \$10 million. We have focussed our receival network on the needs of our customers and are well placed to experience increased growth into the future.

Future Strategy

Our ongoing expansion into related and complementary areas of operation will enable us to emerge from the drought with an even stronger business that will add value to the bottom line.

GrainCorp will continue to grow the scale and profitability of the four complementary parts of its operations – storage & handling, grain trading, merchandising of farm inputs and transport logistics. While the low production year has provided limited scope for the utilisation of the train we acquired last year, the integration of transport with the core business of storage &

handling remains an important part of our business strategy. In addition, our activity in road transport continues to grow.

We intend to continue to mould GrainCorp into an integrated and streamlined operation along the grain supply chain.


Ron Greentree
Chairman


Tom Keene
Managing Director

Latest News

Bulk Terminals Australia – a sensible use of capital

Bulk Terminals Australia (BTA) officially commenced operations on 1 November 2002. The joint venture with Grainco Australia operates Grainco's existing port facilities in Brisbane, at Fisherman Islands and Pinkenba, together with GrainCorp's facilities at Carrington and Kooragang Island in Newcastle, under a long-term licence arrangement.

The partnership was created with the idea of diversifying geographically while avoiding unnecessary investment in infrastructure.

Sharing facilities while maintaining competition makes good sense, while the alternative brings with it the danger of over capacity and its associated costs.

The drought conditions have underscored the value of the two companies working together through BTA to better utilise existing terminal capacity. It has also provided a model for the industry in terms of achieving a profitable balance between competition and cooperation. We are looking forward to an improved harvest this year that will allow the full fruits of the partnership to be displayed.

Allied Mills – integration success story

Since taking delivery of the company in October of last year with our joint venture partners Cargill Australia, we have set about maximising the benefits of integration of Allied Mills with other aspects of our business. We have sought to combine a range of sensible cost saving initiatives with a forward looking growth strategy.

The new management direction has been well supported by Allied Mills employees. Our focus on a strong customer relations strategy has allowed us to successfully retain Allied Mills' long list of valuable customers.

As a result of the drought, the company has had a challenging transition after taking delivery of

Allied Mills in October of last year. The first six months of activity have focussed on rightsizing the business and improving supply chain efficiencies.

This has included the managing of costs and removing complexity from the supply chain by eliminating blockages and double handling, and improving integration between Allied Mills sites. In addition, we have sought to maximise efficiencies by optimising the number and mix of product lines produced at each site. The installation of protection from grain price exposure for most of its input requirements has also proven beneficial.

The acquisition of Allied Mills has been the highlight of our strategy of

earnings diversification and will make a growing contribution to revenue in future years.

The business has proven to be a natural fit with our experience and expertise and is an area in which we can create value. By diversifying our earnings streams it will assist in reducing our exposure to the seasonal variations in storage and handling.

Allied Mills has 13 operating sites including 9 wheat flour mills, 3 non-wheat flour mills, 4 mixing facilities, 3 external warehouses and a Research and Development facility.

Shareholder Information

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

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