

**CHAIRMAN'S ADDRESS 2002**  
**ANNUAL GENERAL MEETING**  
**27<sup>th</sup> FEBRUARY**

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**WELCOME**

Ladies and Gentlemen and special guests, once again I would like to extend a warm welcome to the 2002 GrainCorp Limited Annual General Meeting.

Your Board greatly appreciates the effort that many of you make to attend our meeting and we continue to be pleased with the participation in our business by our shareholders.

**2001 BUSINESS HIGHLIGHTS**

It is very pleasing for me to report on another year in which GrainCorp achieved solid results and continued to grow value for our shareholders.

2001 was the first year completed as a merged business with Vicgrain. Integration is complete and we are now operating as one entity and growing our reach across all the major grain production states in Australia.

The reporting year, which ended 30 September 2001, saw above average winter and summer grain receipts of over 12 million tonnes.

The value of capital committed over the past 5 years and Service Centre network expansion, are clearly evident in our performance in an increasingly competitive market place.

The ongoing policy of targeted capital expenditure will further improve GrainCorp's storage and handling facilities, providing increased service to GrainCorp's grower and end-user customers. In 2001 we allocated approximately \$50 million in capital to key receipt sites.

GrainCorp's strategy in allocating capital at key sites is part of a long-term plan to develop a network of highly efficient storage facilities across the business. And it will place us in a strong position to meet competition.

As competition increases, this capital strategy is essential for the most efficient use of resources to benefit the greatest possible number of growers and end-user customers.

Around 150 of the more than 300 silos we operate receive 75 per cent of our grain. This confirms the case for targeting future capital at key receipt sites.

Our continuing capital works program also benefits rural and regional communities by creating jobs in construction and operations. GrainCorp already employs 850 full time staff across NSW, Victoria and Queensland and over 2,000 casual staff at peak periods.

Last year we continued expansion of non grain activities with over 1 million tonnes of woodchips handled through our Geelong and Portland terminals and solid growth in our cotton seed exports from Newcastle terminal. These activities complement our core business of grain storage and handling and continue to play a crucial role in growing GrainCorp's bottom line.

During the financial year, GrainCorp acquired a small shareholding of 3.23% in AWB Limited. This was part of a long-term investment strategy to further vertically integrate our core business and grow shareholder value. We are currently the single largest shareholder in AWB Limited.

Your Board believes it makes good commercial sense to invest in other segments of the grains industry. And GrainCorp's investment in AWB Limited is entirely consistent with the Company's growth strategy of related diversification, and will ensure the business is well positioned to take advantage of further changes in the grains industry

In June 2001 we announced a Joint venture with P & O Ports to construct a first class Agrifood storage and export facility at Newcastle. Two multi-purpose storage sheds with a combined capacity of 30,000 tonnes, conveyor belt and modified ship loader will be built, primarily to handle the growing cottonseed exports market out of Newcastle. It will also be able to handle other non-grain products such as meal.

For the first time in NSW, the terminal will allow cottonseed to be loaded directly from storage onto berthed vessels, offering significant cost savings.

To further enhance our Newcastle facility, GrainCorp in 2001 built a \$2.5 million grain-grading plant. Australia has not graded grain at port on such a large and efficient scale before. By providing this service it will mean that NSW growers will benefit in accessing higher prices for their cleaned grain.

In another first for the Australian grains industry, GrainCorp has created a Web service that allows producers to transfer their warehoused grain into Pools or contracts. Over 2000 buyers and producers have registered and used this service. We are leading the field in creating a more transparent and competitive market place and at the same time reducing the costs of doing business.

In December 2001 we entered the export market with the sale of barley on a FOB basis at our Geelong Terminal. This is another significant step towards our goal of providing services from farm to port.

In the past financial year, GrainCorp, through the GrainCorp Foundation, has distributed in excess of \$350,000 of after-tax profits to rural and regional communities.

The Foundation was established as an initiative of the GrainCorp Board, with the mission to represent the Company's social responsibility to the communities – particularly rural and regional - in which GrainCorp staff, shareholders and customers live and work.

The GrainCorp Foundation seeks to create and support opportunities that build on the initiative and potential of rural people in growing the communities in which GrainCorp operates.

## 2001 FINANCIAL HIGHLIGHTS

For the 2001 financial year, the company achieved a 26 per cent increase in earnings before tax, depreciation, amortisation and interest (EBITDA) to \$115 million and an after tax profit of \$44.6 million.

This follows last year's \$48.7 million result and is GrainCorp's first profit as a consolidated entity.

The after tax profit was impacted by reduced exports, higher depreciation costs plus merger integration and associated costs.

With integration of the two operations successfully completed, the business is now in a position to realise after-tax cost savings in the order of \$4 million per annum. Carry over stock at financial year end was at a record level of 4.2 million tonnes.

The Company has increased the dividend payout ratio to 65 per cent to more effectively balance capital investment and shareholder reward following a 93 per cent increase in depreciation and amortisation. It is timely to balance returns to shareholders as GrainCorp has successfully reinvigorated its storage and handling business through a five year, \$250 million capital injection.

Shareholders received a full year total dividend of 72 cents per share, representing a strong yield of about 6.5 per cent. Basic earnings per share were \$1.09 with a return on equity of 16.3%.

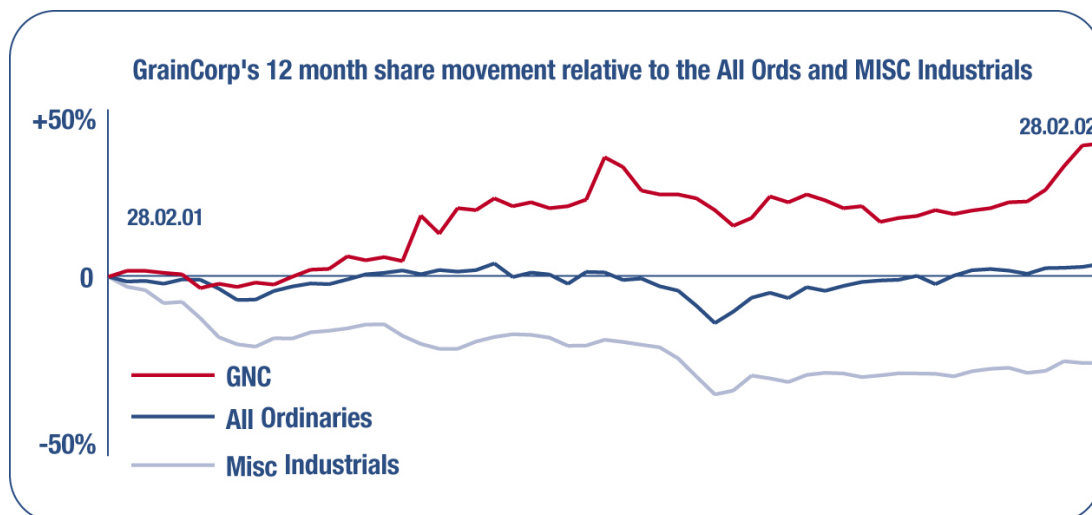
A highlight of the pleasing result was the substantial growth in earnings. The earnings reflects record grain receivals and our successful strategy of related diversification, which has seen investments in domestic grain trading, logistics, merchandising and farm input supply, as well as woodchip and cotton seed handling.

A major achievement of the reporting period was shareholders' overwhelming support, with a 96% vote in favour, to simplify GrainCorp's capital structure and consequently improve the Company's growth potential.

The simplification involved cancellation of GrainCorp's Class B Shares held by Grain Growers Association Ltd in exchange for a payment of \$37.57 million. The move has eliminated the risk of Class B Shares diluting the value of GrainCorp's 40.2 million Ordinary Shares.

The market has responded very positively to the restructure, which is good news for current and prospective shareholders in our growing business.

In our annual report we publish a graph which demonstrates the growth and success of the company and I would like to present this again today.



This graph illustrates the excellent performance of the Company.

The market capitalisation has increased from \$280m on the day of listing to over \$500m today and the company is now ranked in the top 150 listed companies on the Australian Stock Exchange.

This growth has been achieved through a strong commitment to sound financial management, running the business more efficiently, hiring the best people and rewarding them appropriately and a commitment to service to ensure ongoing support for the business.

Looking forward we are confident that we can continue to grow value for shareholders.

## **BUSINESS FORECAST**

In the current financial year we have received over 11 million tonnes of winter grain receivals with summer crops of rice, sorghum and sunflowers still to be received.

We are projecting a reasonable export program with 7 million tonnes budgeted and this is the most important potential variable for the remainder of the year.

A continued focus on growth in our related activities such as merchandising, grain marketing, transport and e-commerce will strengthen our earnings.

A significant challenge for our business going forward will be how we continue to position our company in a changing market place.

## **INDUSTRY STRUCTURES**

Restructuring continues in the grains industry with prospective merger announcements in WA between WACBH and Grain Pool. The intention to list by ABB, Ausbulk and GrainCo have also been recently announced.

Deregulation of barley in Victoria, confirmed deregulation of barley, canola and sorghum in NSW in October 2005, plus changes to rail ownership and access in NSW and Victoria, will create major changes in the operating environment.

In response to these current changes and in preparation for change in coming years, we have seen increasing competition in the storage and handling business in NSW and Victoria.

We are confident that we have the resources and the ability to continue to perform in this changing, competitive environment.

## **RAIL**

Integration of rail with storage, handling and marketing is a key plank in the GrainCorp strategy to maximise efficiencies in the supply chain. Inefficiencies develop where segments of supply chain interface with businesses where regulation is utilised to restrict domestic supply chain competition.

To achieve the integration of rail as competitive supply chains do evolve for non-regulated grains, GrainCorp intends to commence its own rail operation in western Victoria this year.

In addition, we will spend \$1.4 million to help build dual gauge rail access at the Port of Geelong. Rail freight deliveries from the standardised networks in the western areas of Victoria and southern NSW will be able to access Geelong Port in April, expanding access opportunities and making GrainCorp sites more competitive.

In NSW, we will continue to crew trains on behalf of the new rail operator on branch lines and are seeking opportunities to expand that role.

Detailed investigations have commenced into an investment in improved rail inloading facilities at Newcastle to maximise efficiencies and cost savings for grain to that port. This will make Newcastle world class in terms of rail receipt operations.

Branch lines have become a big issue in the bush since the privatisation process of FreightCorp began. Growers in NSW are expressing strong concern over viability of branch line operations without Government CSOs. GrainCorp is committed to the ongoing commercial viability of branch lines and our receipt sites situated on these branch lines.

## **SUMMARY**

In the last few years, We have introduced a range of products and services in addition to the \$250 million of capital spent over the past 5 years to modernise our sites.

Our range of products and services include 24 hour operations, on-farm pick-up, farm in-put linkages, competitive pricing, market choice for growers delivering to GrainCorp silos and range of commodities and segregations offered and Online Services.

We will continue to be aggressive in meeting competitive challenges and take all steps necessary to protect the interests of our company against restrictive market practices in the domestic market. We will not be idle in missing out on business opportunities and farmers missing out on savings.

In summary, GrainCorp is well positioned for all future changes and has diversified its operations from farm gate through to primary processing. We have established a strong customer base, have the resources for continued investment in the supply chain and a strong focus on our cost structures. Our customers will see further differentiation in the type and pricing of our products and services. And we are poised to deliver savings from further market deregulation.

We will continue to demonstrate a strong focus on shareholder returns and balancing the needs of business growth with rewarding shareholders.

GrainCorp is significant participant in the industry and intends to maintain that status.

Before concluding this presentation it is appropriate to acknowledge our company's employees.

One of the greatest strengths of GrainCorp is the high quality of our employees across all businesses and at all levels.

On behalf of the Board it is my pleasure to thank them all for their untiring efforts, commitment and loyalty and to acknowledge the important part they have played in achieving the company's results.

Thank you to Fellow Directors, Peter Wade retiring from Board and support from Silo Committees.

Thank you for your attention.