

11 May 2018

The Manager
Company Announcements Office
ASX Limited
20 Bridge Street
SYDNEY NSW 2000

GRAINCORP LIMITED: GNC
INVESTOR PRESENTATION
FINANCIAL HALF YEAR ENDED 31 MARCH 2018

Please find attached the Investor Presentation relating to the financial Half Year ended 31 March 2018.

GrainCorp is holding a briefing for investors and analysts commencing at 10:00am (Sydney time) to present the Half Year Results.

The briefing will be webcast live and can be accessed from the following link: <https://webcast.openbriefing.com/4434/>.
An archived version will also be available later in the day.

Yours faithfully,

GrainCorp Limited



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HY18 results

11 May 2018



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Disclaimer

This presentation includes both information that is historical in character and information that consists of forward looking statements. Forward looking statements are not based on historical facts, but are based on current expectations of future results or events. The forward looking statements are subject to risks, stakeholder engagement, uncertainties and assumptions which could cause actual results, timing, or events to differ materially from the expectations described in such forward looking statements. Those risks and uncertainties include factors and risks specific to the industry in which GrainCorp operates, any applicable legal requirements, as well as matters such as general economic conditions.

While GrainCorp believes that the expectations reflected in the forward looking statements in this presentation are reasonable, neither GrainCorp nor its directors or any other person named in the presentation can assure you that such expectations will prove to be correct or that implied results will be achieved. These forward looking statements do not constitute any representation as to future performance and should not be relied upon as financial advice of any nature. Any forward looking statement contained in this document is qualified by this cautionary statement.

Agenda

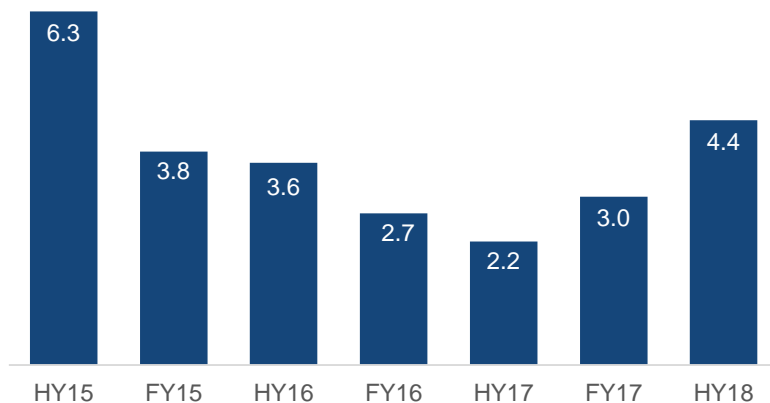
- Results overview
- Segment performance
- Balance sheet & capex
- FY18 outlook
- Questions



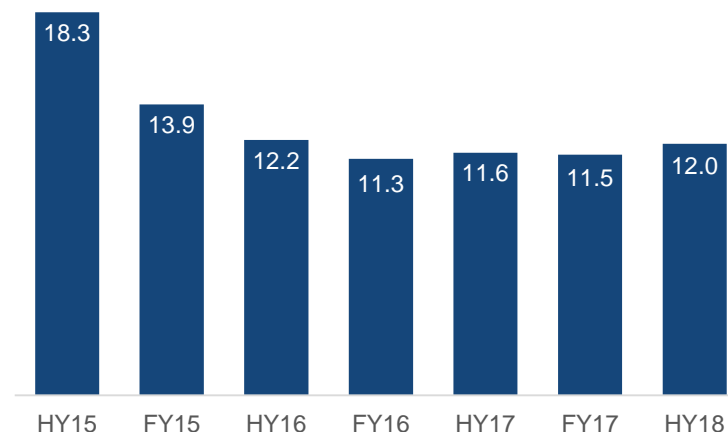
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Commitment to safety is fundamental

LOST TIME INJURY FREQUENCY RATE⁽¹⁾



RECORDABLE INJURY FREQUENCY RATE⁽²⁾



LTIFR and RIFR increased in HY18, emphasising the need for continued, strong focus to drive sustained performance improvements.

1. Lost Time Injury Frequency Rate ("LTIFR") is calculated as the number of lost time injuries per million hours worked. Includes permanent and casual employees and GrainCorp controlled contractors.
2. Recordable Injury Frequency Rate ("RIFR") is calculated as the number of injuries per million hours worked. Includes lost time injuries, medical injuries and restricted work injuries. Includes permanent and casual employees and GrainCorp controlled contractors.

HY18 earnings down due to substantial drop in eastern Australian grain production

\$M	HY18	HY17
Underlying EBITDA ⁽¹⁾	119	236
Underlying NPAT ⁽²⁾	36	100
Statutory NPAT ⁽³⁾	36	90
Dividend (cents per share) – 100% franked	8	15

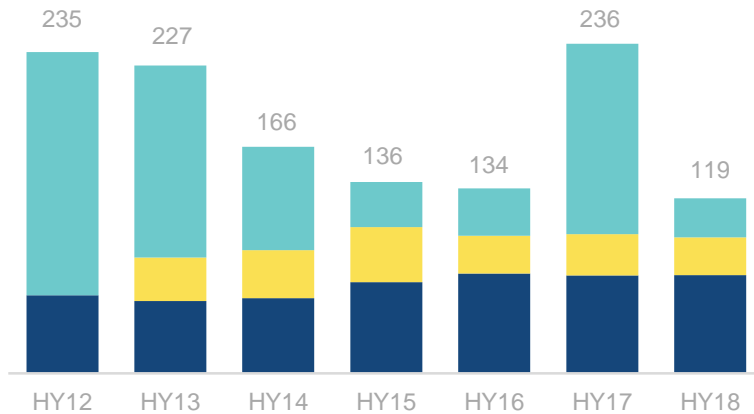
- **Overview:** Earnings declined due to a ~40% reduction in east coast Australia (ECA) crop production, following a near record harvest in FY17. Malt continued to perform strongly and Oils made good progress with its continuous improvement program. Balance sheet remains strong.
- **Malt:** Sales volumes down slightly; continued high capacity utilisation and good demand from craft beer and distilling customers.
- **Grains:** Significantly smaller ECA crop with low exportable surplus. Formation of Grains benefited performance in a low-volume period. Result was negatively impacted by supply chain performance and integration costs.
- **Oils:** Continued high utilisation rate by Liquid Terminals, however weaker oilseed crush margins; good progress with Foods' continuous improvement program and restructure. Result includes restructuring costs.
- **Restructuring:** On track to deliver \$25-30 million in pre-tax benefits within 18 months, through restructuring and continuous improvement programs in Grains and Oils.

1. EBITDA is a non-IFRS measure representing earnings before interest, tax, depreciation and amortisation, before significant items.
 2. Net profit after tax and before significant items.
 3. Net profit after tax and after significant items.

Earnings profile highlights volatility of eastern Australian grain production and benefits of diversified portfolio

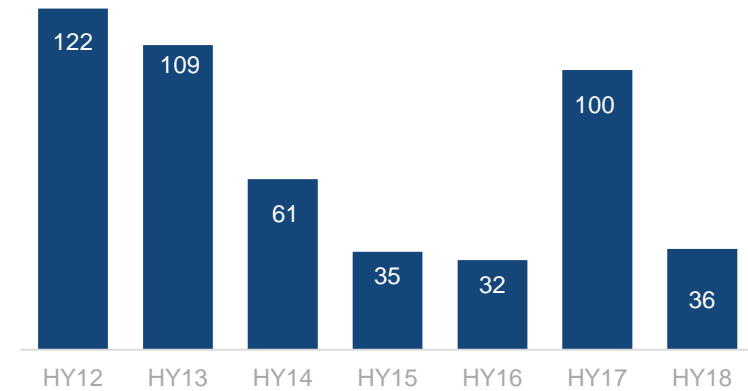
UNDERLYING EBITDA^(1,2) (\$M)

■ Malt ■ Oils ■ Grains



	HY12	HY13	HY14	HY15	HY16	HY17	HY18
1H	235	227	166	136	134	236	119
2H	179	168	127	99	122	154	

UNDERLYING NPAT⁽¹⁾ (\$M)

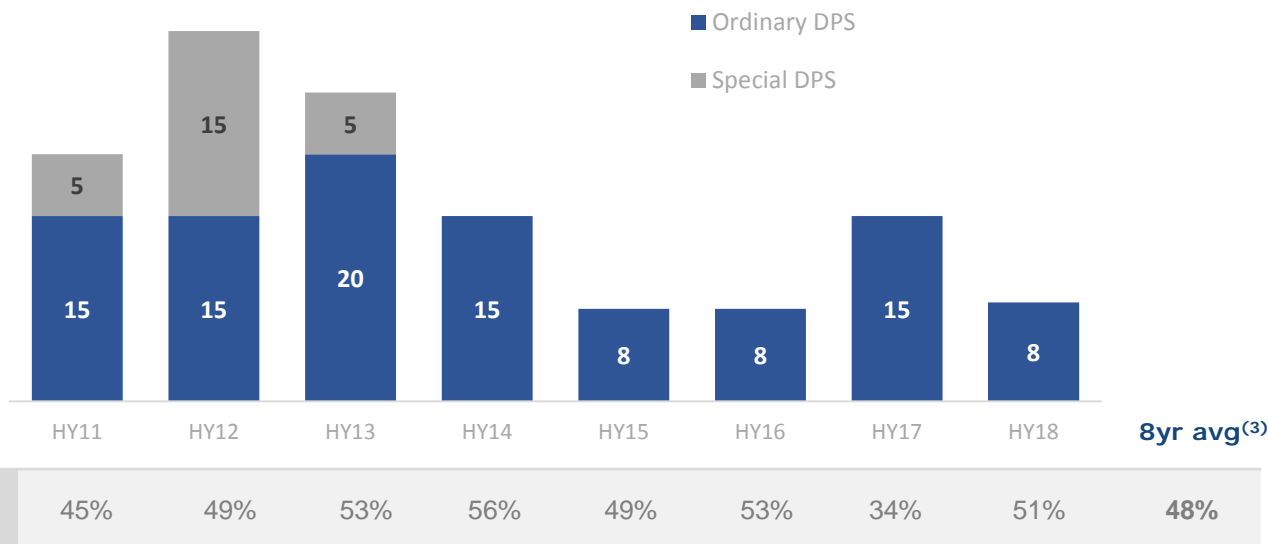


	HY12	HY13	HY14	HY15	HY16	HY17	HY18
1H	122	109	61	35	32	100	36
2H	83	66	34	10	21	42	

1. Totals represent EBITDA and NPAT before significant items (inclusion of Oils from FY13).
2. Bar chart reflects business unit proportions of EBITDA (excludes corporate costs).

HY18 interim dividend

DIVIDENDS PER SHARE (DPS)⁽¹⁾



- **HY18 interim dividend:** fully franked interim dividend of 8 cents per share. Expecting a similar second half dividend, assuming no material change in market conditions.
- **Payout ratio:** 51% of NPAT⁽²⁾
- **Dividend policy:** Payout 40-60% of full year NPAT⁽²⁾ through the business cycle, and targeting to pay an ordinary dividend each year

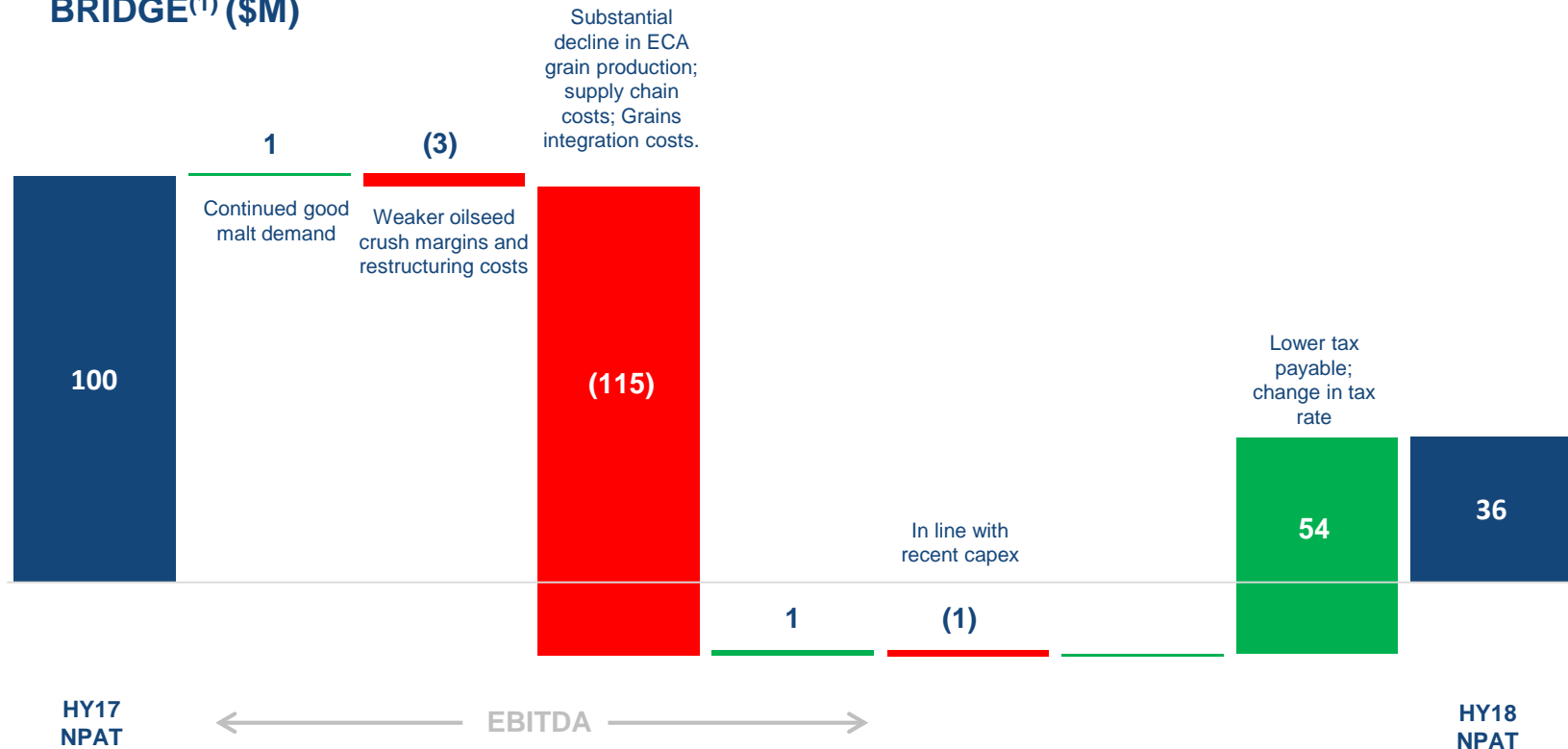
HY18 dividend dates

- Record date: 2 July 2018
- Payment date: 16 July 2018

1. DPS - dividends per share shown in cents.
 2. Payout ratio based on underlying NPAT.
 3. Eight year weighted payout ratio before significant items.

Decline in earnings driven by Grains business

HY17 - HY18 EARNINGS BRIDGE⁽¹⁾ (\$M)



	Malt	Oils	Grains	Corporate	D&A ⁽²⁾	Net Interest	Tax	NPAT ⁽¹⁾
HY18 (\$M)	75	29	30	(14)	(74)	(21)	12	36
HY17 (\$M)	74	32	145	(15)	(73)	(21)	(42)	100

1. Excludes significant items
2. Depreciation & Amortisation

A close-up photograph of a hand pouring beer from a tap into a glass. The beer is golden and has a thick white head of foam. The background shows several other taps in a row, slightly out of focus. The lighting is warm and golden, creating a cozy atmosphere.

Segment performance



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Financial summary

\$M	Revenue		EBITDA	
	HY18	HY17	HY18	HY17 ⁽¹⁾
Malt	534	538	75	74
Oils	490	459	29	32
Grains	1,027	1,549	30	145
Corporate	-	-	(14)	(15)
Eliminations and other	(64)	(90)	-	-
Total	1,987	2,456	119	236

1. Before significant items.

Malt: continued good customer demand

\$M	HY18	HY17 ⁽¹⁾
Revenue	534	538
EBITDA	75	74
EBIT	49	49
Capex	11	45

- Malt sales volumes down slightly on HY17.
- Upgraded existing Pocatello plant in Q1 FY18 after successfully commissioning new capacity in Q4 FY17.
- Reduction in capacity from sale of German malt plants in Q2/Q3 FY17.
- Continued good demand for malt and brewing ingredients/products from craft and distilling customers. US craft beer industry sales volumes increased 5% in 2017⁽²⁾.
- Integration of Cryer Malt, a distributor of craft brewing ingredients in Australia and New Zealand, acquired by GrainCorp in September 2017.
- Increase in energy costs in Australian business – HY18 impact \$2 million.

1. Before significant items.
2. Brewers Association

Grains: below-average crop and low ECA exportable surplus

\$M	HY18	HY17 ⁽¹⁾
Revenue	1,027	1,549
EBITDA	30	145
EBIT	(2)	115
Capex	28	49

- Significantly smaller east coast Australia (ECA) crop, following near-record harvest in FY17.
- Low exportable surplus in ECA, with production skewed to Victoria and southern NSW.
- High global grain supply keeping international prices depressed and impacting Australia's global competitiveness.
- Year-to-date (YTD)⁽²⁾ total grain receivals⁽³⁾ of 5.6mmt.
- YTD⁽²⁾ grain exports of 1.4mmt; FY18 grain exports expected to be 60-75% below last year (FY17: 7.2mmt).
- YTD⁽²⁾ non-grain handled of 1.5mmt.
- ~145 silos operated during harvest (2017: ~160 sites). Continued to focus on flexing the network and managing cost base.
- International growth strategy proceeding well:
 - successful execution out of South Australia, Western Australia, Europe, Canada and the Black Sea
 - first GrainsConnect Canada site commissioned
 - initial asset-light Ukraine presence being established.
- Formation of Grains has improved customer engagement, asset utilisation and competitiveness in grains markets. HY18 results include \$3 million in integration costs.
- Take-or-pay rail commitment has been a challenge with lower volumes.

1. Before significant items.
 2. 1 Oct 2017 to 31 Mar 2018.
 3. Tonnes received up-country and direct-to-port. Excludes third-party deliveries direct to port.

Oils: strong liquid terminals performance, weaker oilseed crush margins

\$M	HY18	HY17 ⁽¹⁾
Revenue	490	459
EBITDA	29	32
EBIT	12	15
Capex	18	19

- **Liquid Terminals:** high utilisation, driven by strong customer demand across a range of product segments.
- **Oilseeds:** lower crush contribution due to temporary plant shut-down during crush expansion project and lower canola supply and quality.
- **Foods:** good volumes, improving demand for specialty oils for infant formula, stronger performance due to cost reduction and operational efficiency improvements.
- **Feeds:** improved performance due to strong NZ dairy demand.
- HY18 includes impact of increased energy costs in Australia (\$3m).

Foods repositioning - update:

- Foods and Oilseeds businesses now combined, with more simplified operating structure.
- Cost reduction program on track through restructuring and continuous improvement initiatives.
- Restructuring costs of \$2 million included in HY18 results.
- Numurkah crush expansion on track for commissioning by end of CY18.

1. Before significant items.



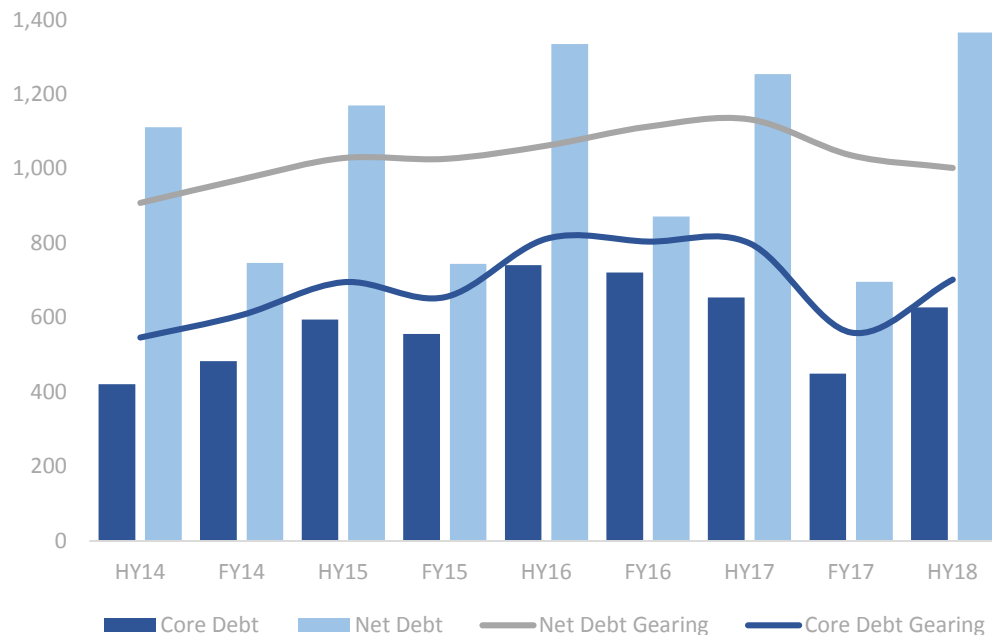
Balance sheet and capex



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Increase in core debt gearing, smaller ECA crop reducing cash flow

CORE DEBT ⁽¹⁾ AND NET DEBT ⁽²⁾

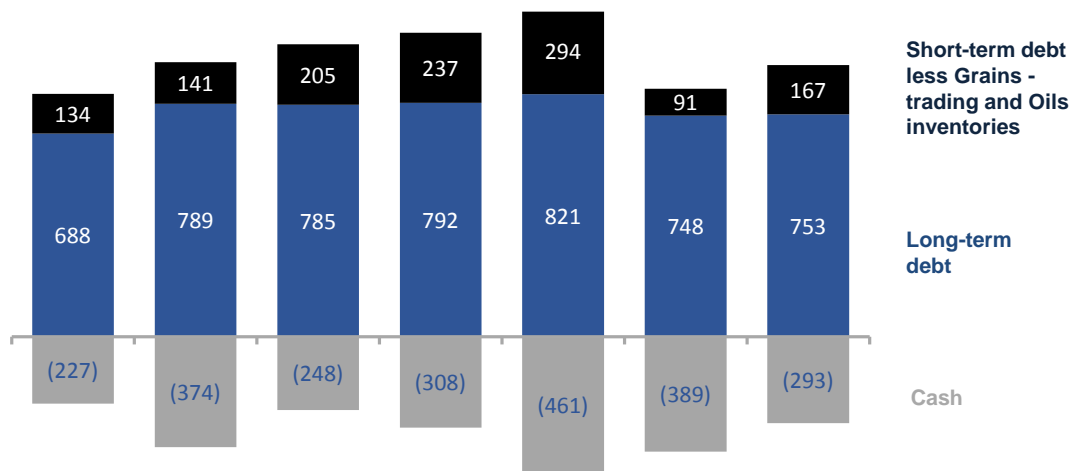


- Core debt at \$627M⁽³⁾ and net debt at \$1,366M⁽³⁾.
- Core debt gearing⁽⁴⁾ at ~25% and net debt gearing⁽⁵⁾ at ~36%.
- Range of maturities on term debt from November 2019 to April 2022, with average term debt of 2.5 years⁽³⁾.
- Barley inventory facilities for Malt - ~\$144 million included in core debt.
- With reduced earnings in FY18, the priority remains to be free-cash flow positive for the full year.

1. Core debt = total debt less cash less commodities inventory (Grains - trading, Oils).
 2. Net debt = total debt less cash.
 3. At 31 March 2018.
 4. Core debt gearing = core debt / (core debt + equity).
 5. Net debt gearing = net debt / (net debt + equity) as quarterly rolling average.

Strong and flexible balance sheet

CORE DEBT⁽¹⁾ (\$M)



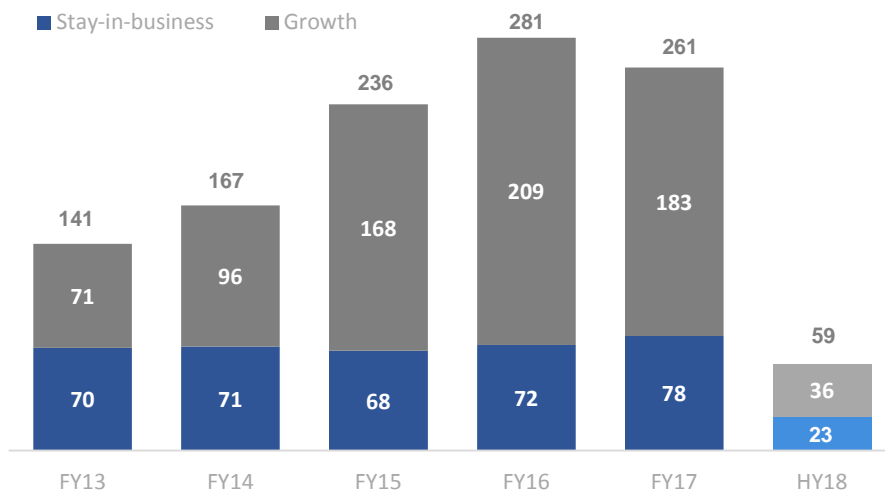
- Core debt has increased in line with smaller crop reducing cash flow.
- Barley inventory facilities for Malt - ~\$144 million included in core debt.
- Average tenor of term debt is 2.5 years⁽⁵⁾ (range 1.7 to 4.1 years and with next renewal in November 2019).

HY15 ⁽³⁾	FY15	HY16 ⁽³⁾	FY16	HY17 ⁽³⁾	FY17	HY18 ⁽³⁾	
595	556	741	721	654	450	627	Core Debt ⁽¹⁾
25%	23%	29%	29%	29%	20%	25%	Core Debt Gearing ⁽²⁾
2.04	2.45	2.79	2.86	1.92	1.41	1.97	Core Debt ⁽⁴⁾ / EBITDA

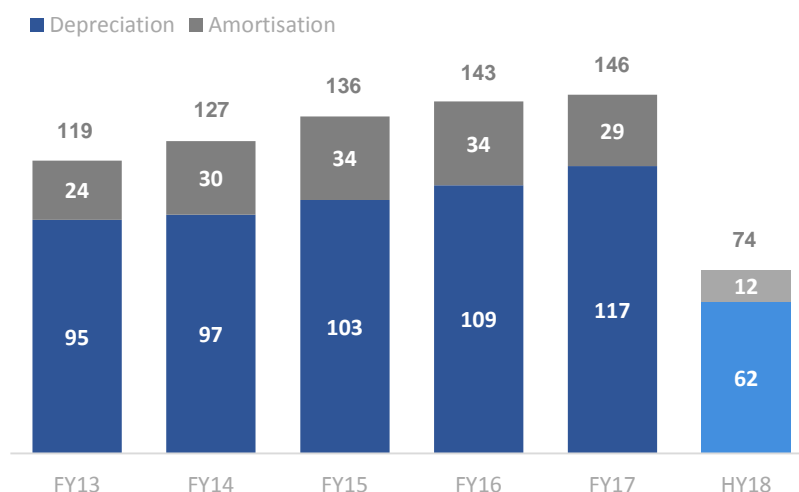
1. Core debt = total debt less cash less commodities inventory (Grains - trading, Oils).
2. Core debt gearing = core debt / (core debt + equity).
3. HY EBITDA based on last twelve months ('LTM') ending 31-Mar.
4. Represents the six-monthly rolling average of core debt.
5. At 31 March 2018.

Capital intensity down significantly as investment program winds down

CAPEX⁽¹⁾ (\$M)



DEPRECIATION & AMORTISATION⁽²⁾ (\$M)



- Capex peaked in FY16; has since declined as major capital works program reaches conclusion (expected to complete by end of 2018).
- FY18 committed growth capex of \$80-100 million and stay-in-business capex of \$50-70 million.
- Stay-in-business capex expected to remain at similar levels for the next few years.
- Depreciation & Amortisation in line with recent capex program and expected to peak in FY19.

1. Excluding acquisitions.
2. Before significant items.

FY18 outlook



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FY18 processing outlook

	Market fundamentals	GrainCorp FY18 outlook
Malt	<ul style="list-style-type: none"> Global barley crop production ~142mmt (FY17: 146mmt)⁽¹⁾. Continued growth in US craft beer market; 5% growth in sales volumes in 2017⁽²⁾. Distilling demand growing. Demand for Mexican style beer remains robust. Increased energy costs in Australia. 	<ul style="list-style-type: none"> High capacity utilisation. Good demand for specialty products. Continue to benefit from efficient distribution network. Contribution from Pocatello expansion (additional 120,000mt capacity) and upgrade of existing plant expected to benefit second half. German malt plants sold in FY17 (60,000mt capacity).
Oils	<ul style="list-style-type: none"> Continued steady demand for bulk liquid storage. Australian canola crop production estimate of ~3.7mmt, (FY17: 4.3mmt)⁽³⁾. Increased energy costs in Australia. Ongoing shift in consumer preferences to dairy blends. Improving demand for specialty oils in infant formula category. 	<ul style="list-style-type: none"> High capacity utilisation of bulk liquid terminals. Pressure on oilseed crush margins due to temporary plant shut-down (during crush expansion project) and oilseed procurement. Ongoing benefits from Foods restructuring and continuous improvement program.

1. Source: United States Department of Agriculture 'World Agricultural Production' – April 2018.
 2. Brewers Association.
 3. Average of ACF's and ABARES' February 2018 forecasts.

FY18 Grains outlook

	Market fundamentals	GrainCorp FY18 outlook
Grains	<ul style="list-style-type: none"> • Total east coast Australian (ECA) winter crop production of 15.1mmt (FY17: 27.2mmt)⁽¹⁾. • Low exportable surplus on ECA, with production skewed to Victoria and southern NSW. • FY18 summer crop (sorghum) estimates approximately 1.5mmt⁽²⁾. • High global grain supply keeping international prices depressed and impacting Australia's global competitiveness. • Domestic demand taking priority. • Continued growth in on-farm storage capacity. • ECA planting underway in challenging dry conditions. 	<ul style="list-style-type: none"> • Year-to-date total grain receivals of 5.6mmt^(3,4). • Year-to-date grain exports of 1.4mmt⁽⁴⁾. Expect FY18 grain exports to be 65-75% below FY17. • Year-to-date non-grain handled of 1.5mmt⁽⁴⁾. • Impact from supply chain issues \$12-15 million. • Continue to diversify grain origination, with throughput via GrainsConnect Canada. • Capturing benefits from the formation of Grains business unit. • Ukraine presence established for 2018 new crop.

1. ECA wheat, barley, canola and chickpea production estimate, using average of ABARES' and ACF's February 2018 forecasts.
2. ECA sorghum estimate, using average of ABARES' and ACF's February 2018 forecasts.
3. Tonnes received up-country and direct-to-port. Excludes third-party deliveries direct to port.
4. 1 Oct 2017 to 31 Mar 2018.

FY18 Earnings Guidance

	EBITDA	NPAT
Guidance	<ul style="list-style-type: none"> Underlying EBITDA (before significant items): \$240 – 265 million. 	<ul style="list-style-type: none"> Underlying NPAT (before significant items): \$50 – 70 million. This includes the ongoing tax benefit from the recent change in US corporate tax rate, and an initial \$19 million tax benefit.
Assumptions/variables	<p>Variables</p> <ul style="list-style-type: none"> 2H18 volumes: direct-to-port receivals; port elevations. Impact of global crush margins on Australian edible oils. New season grain trading opportunities in Q4. Foreign exchange movements. 	<ul style="list-style-type: none"> Depreciation & Amortisation: ~\$150 million.

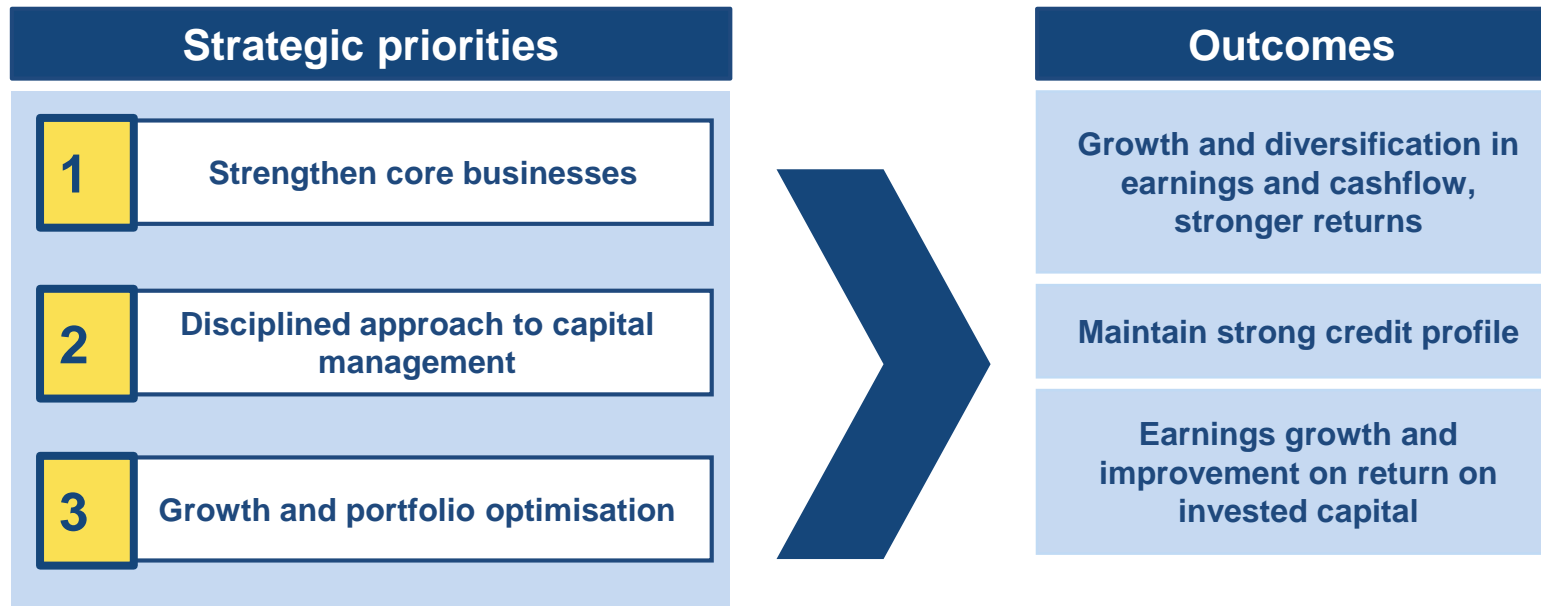


Appendices



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Strategic priorities



Strengthen core businesses



Grains	Oils			Malt
<ul style="list-style-type: none">• Integration to form Grains unit• Re-shaping country network (network)• GrainsConnect Canada (GCC), 50-50 JV<ul style="list-style-type: none">• Expanding origination footprint	Bulk liquid storage capacity expansion	Foods repositioning – undertaking accelerated cost reduction program	Oilseed crush capacity expansion – Numurkah, VIC	Malt capacity expansion and upgrade – Pocatello, Idaho

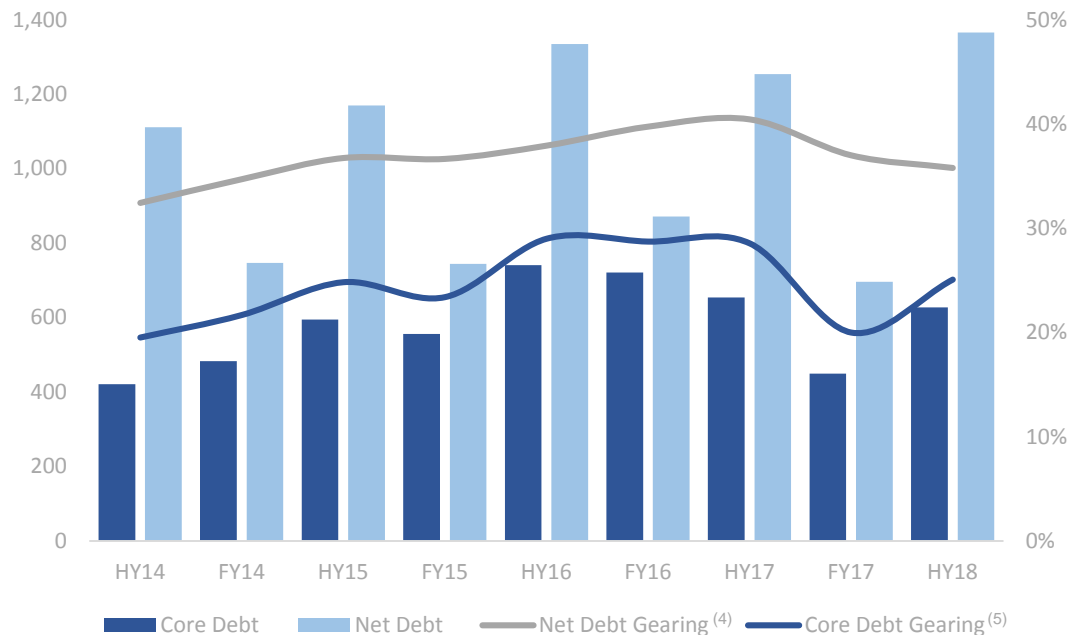
Timing

<ul style="list-style-type: none"> Integration during FY18 FY17-18 in line with govt. support (network) FY18-19 (GCC first trains) 	Completed FY16	FY18, first phase in 1 st half	By end CY18	Expansion completed Q4 FY17; upgrade completed Q1 FY18
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Improved ROE through the cycle
Diversification of earnings and cash flow

Disciplined approach to capital management

CORE DEBT ⁽¹⁾ AND NET DEBT ⁽²⁾



- Balance sheet continues to strengthen as capital investment program winds down and with portfolio optimisation.
- Reduction in net debt gearing driven by reduced capex and increasing cashflows, catering for seasonal fluctuations and small crops.
- Average term debt of 2.5 years⁽³⁾.

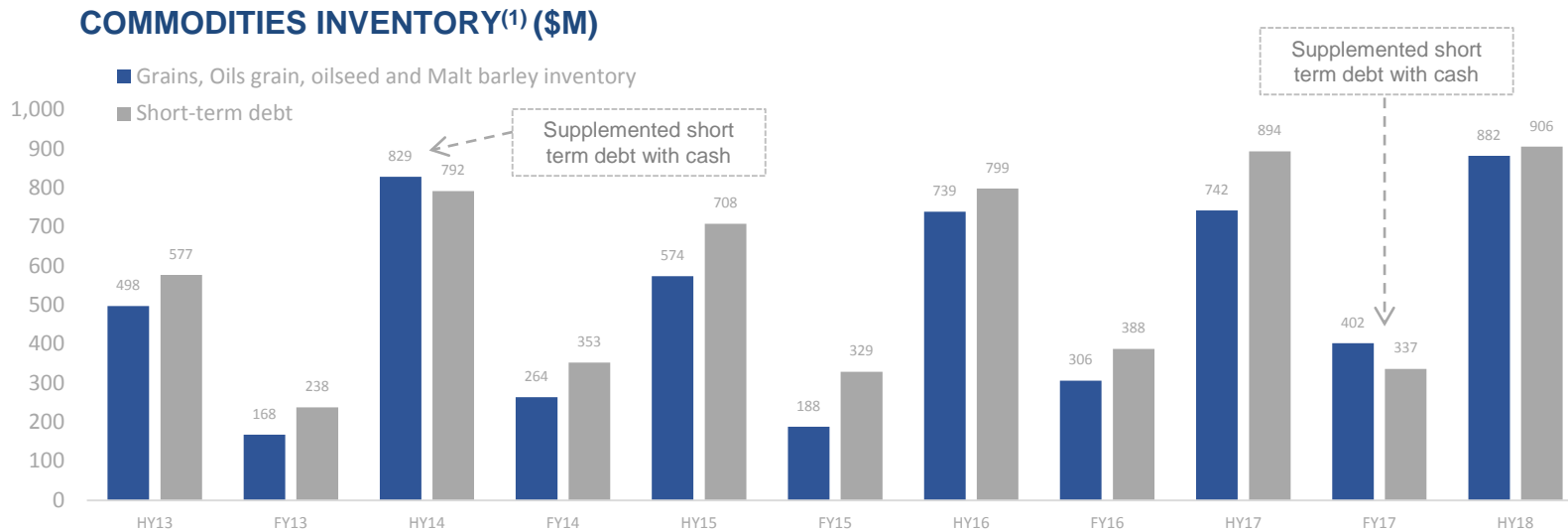
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4. Net debt gearing = net debt / (net debt + equity) as quarterly rolling average.
5. Core debt gearing = core debt / (core debt + equity).

Portfolio optimisation

- Improving return on invested capital remains a key focus.
- Continue to explore opportunities to optimise the full value of invested capital, consistent with strategy and operational needs:
 - Sale of Allied Mills completed 31 March 2017 - GrainCorp 60% share of equity value: \$190 million⁽¹⁾.
 - Sale of German malt plants during FY17.
- Continued diversification of earnings with focus on core capabilities.
- Improving balance sheet strength with further deleveraging.

1. Pre tax and transaction costs

Commodities inventory funded with specific commodity inventory facilities



Grains, Oilseed and Malt barley funding strategy

- Grains' grain trading activities, Oils' oilseed and tallow positions, and malting barley are predominantly funded with specific short term commodity inventory debt facilities:
 - Match debt with asset life
 - Fluctuates with seasonal grain purchases and underlying soft commodity prices

Treatment

- Grains' trading performance measured as PBTDA⁽²⁾ → interest treated as part of cost of goods sold.
- Commodity inventory funding recognised as Operating Cash Flow → match funding purpose and seasonal working capital.

1. Commodities inventory in FY12-15 includes Marketing and Oils inventory (Oils inventory from 2013). Malt barley facilities were established in 1H16 and are included in inventory from FY16.

2. PBTDA - profit before tax, depreciation & amortisation



HY18 results

11 May 2018



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