



To: The Manager
Announcements
Company Announcements Office

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Public Announcements 2006 – 107

AWB De-merger Proposal

Please find attached for immediate release a statement on the AWB De-merger proposal.

Peter Patterson
Company Secretary
Wednesday, 29 November 2006



Media Release

Wednesday 29th November 2006

AWB De-merger Proposal

AWB Limited Chairman, Mr Brendan Stewart, announced that the Board of Directors will seek shareholder approval in 2007 to split AWB into two separate companies – a wholly grower-owned Single Desk manager, and a purely commercial agri-business company.

“The proposed split will establish AWB International as a wholly grower-owned manager of the National Pool,” Mr Stewart said. “AWB International will also retain the obligation to ensure security of payments and maximise returns to wheat growers.”

“The split proposal will enable AWB Limited to become a more efficient and commercially focused organisation with a standard commercial Constitution that will facilitate the transition to a more competitive environment.”

Mr Stewart said the Board strongly believes that the National Pool arrangements including the bulk veto and buyer of last resort administered by AWB International have served wheat growers well and are still the best way to maximise returns to growers.

“The Board is confident that AWB Limited will continue to be a competitive and competent service provider to the National Pool in the future,” he said.

The proposed changes are consistent with the following six key principles proposed by the grains industry for any changes to Australia’s Single Desk wheat marketing arrangements:

1. Separating the ownership of the Single Desk franchise from the commercial service provider
2. Wheat grower ownership and control of the Single Desk franchise
3. The highest levels of governance and transparency
4. Maximisation of net returns to National Pool participants
5. Security of payment to National Pool participants; and
6. Contestable service arrangements to the National Pool

An attachment outlines in more detail how the proposed changes are consistent with these six key principles.

“We intend to consult widely with all our stakeholders prior to the Annual General Meeting in February 2007 to ensure we canvass all issues and deliver positive and meaningful change which will benefit wheat growers and shareholders,” Mr Stewart said.

“We intend to present a detailed proposal for AWB reform to shareholders at the AGM. It is intended that the proposal will be voted on by shareholders at a subsequent Extraordinary General Meeting.”

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Key AWB Reform Principles

1. Separation of Single Desk from service provider

Once the split is approved, AWB will become two independent companies.

AWB International will be a grower-owned company that manages the Single Desk wheat marketing arrangements.

The key functions of AWB International in managing the National Pool will be to:

- Manage sole export licence and bulk veto
- Provide the buyer of last resort facility
- Manage integrated services contracts
- Report on single desk performance
- Inform and represent industry
- Support industry development

AWB Limited will continue to be an ASX listed company. It will be owned and controlled by shareholders.

In addition to other commercial activities, the key functions of AWB Limited in providing services to the National Pool will be:

- Pool operations
- Treasury
- Price risk management
- Sales execution and marketing
- Supply chain – chartering
- Support services

2. Wheat grower ownership and control of the Single Desk

Once approved, the split will enable wholly-grower ownership of AWB International.

3. High levels of governance and transparency

Changes to the Board appointments process will better ensure that the Directors have the right mix of skills and experience.

The composition of the AWB International Board will be decided following consultation with the grains industry and other stakeholders.

4. Maximisation of Pool returns

AWB International will retain the Constitutional responsibility to maximise returns to Pool participants.

5. Security of Pool payments

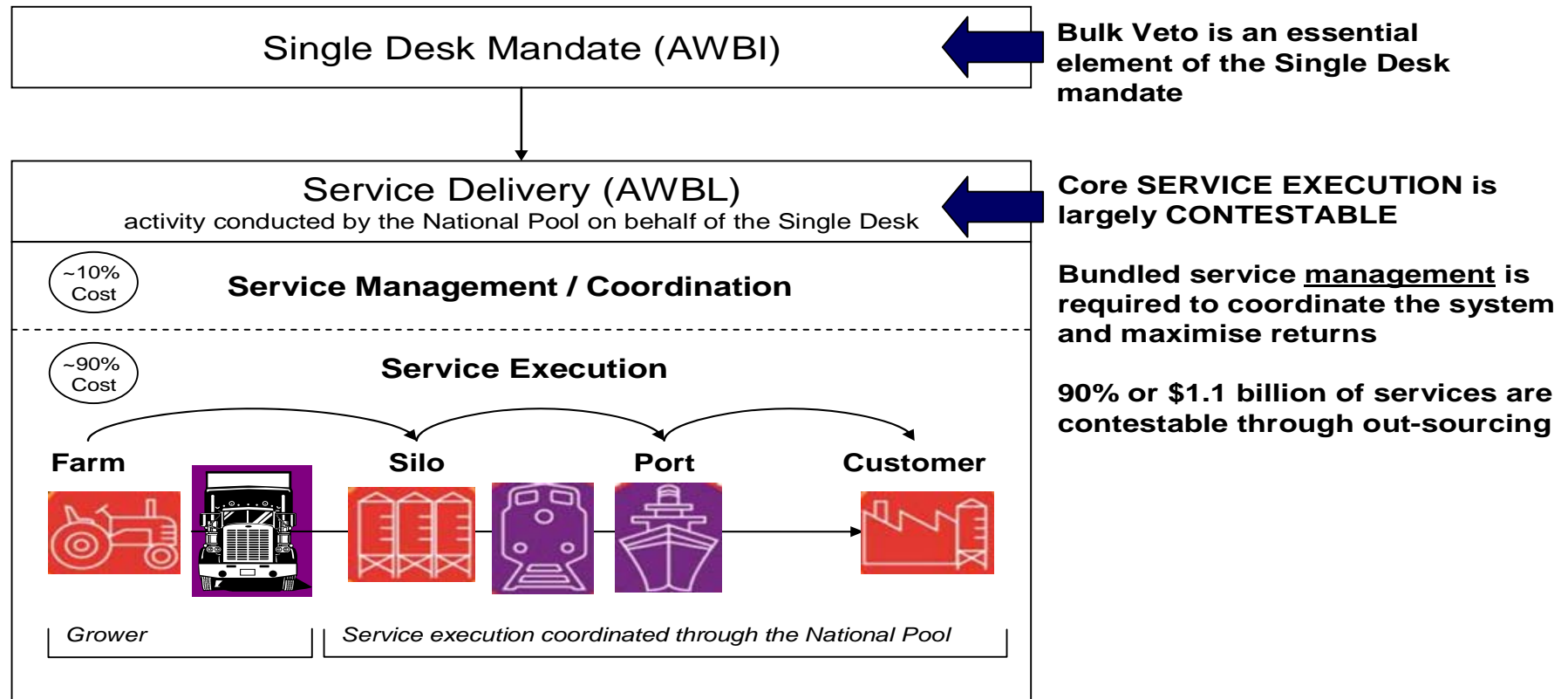
AWB International will retain the responsibility of the security of Pool payments and the buyer of last resort.

6. Contestable service arrangements

Over 90 per cent of Pool services provided by AWB Limited are currently subject to contestable tender by third party service providers (see attached chart).

Once the split is approved, AWB International will negotiate a new services agreement with AWB Limited for the provision of Pool related services for a defined transition period to a contestable market.

Single Desk Mandate vs Service Contestability

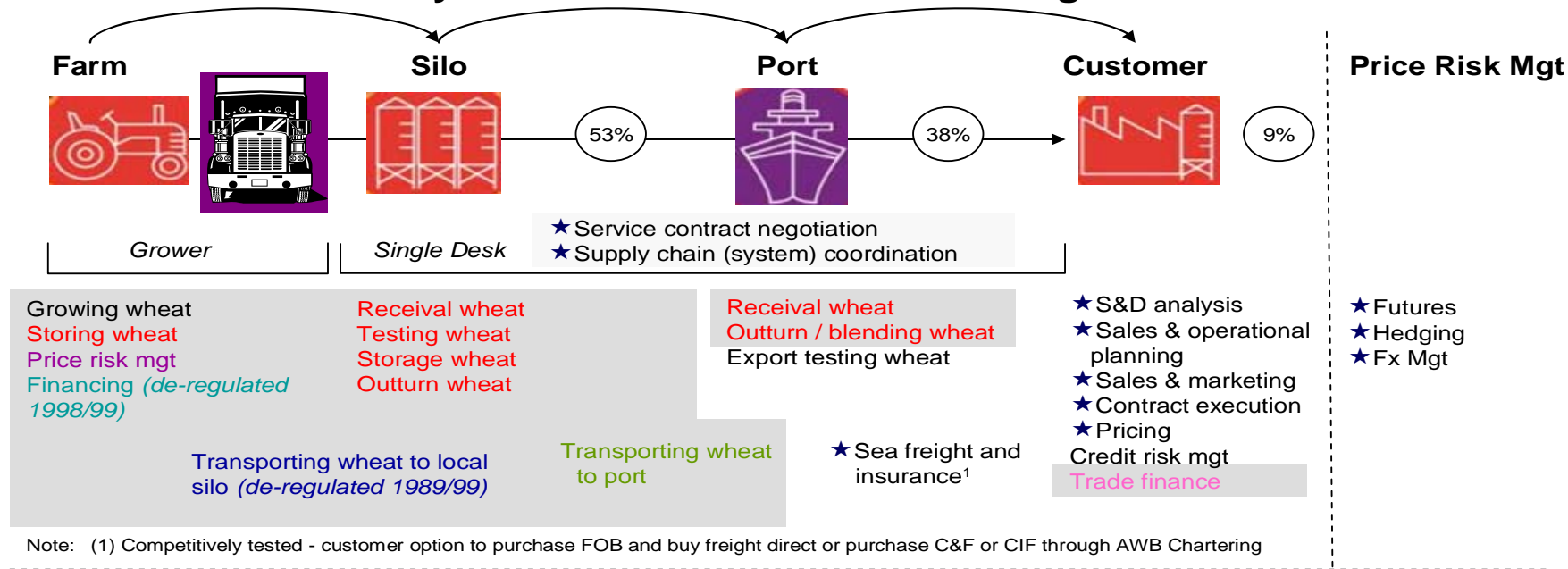


Source: Cost Data - 2003/04 Published Pool Cost Breakdown

Service Execution – Existing Contestability Framework

90% or \$1.1bn worth of services are contestable

National Pool Activity conducted on behalf of the Single Desk



Note: (1) Competitively tested - customer option to purchase FOB and buy freight direct or purchase C&F or CIF through AWB Chartering

- Outsourced
- ★ Core Single Desk Functions – basis of integrated single point selling system

Contestable services provided by Bulk Handling Companies (BHCs) eg CBH, GrainCorp, ABB

Contestable service provided by Local Trucking Co's, BHCs

Contestable service provided by BHCs and Banks

Contestable service provided by Rail Co's, Local trucking Co's

Contestable service provided by Banks, Finance Co's

Contestable service provided by Banks, Insurance Co's

Source: Cost Data - 2003/04 Published Pool Cost Breakdown