



To: The Manager
Announcements
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2007 Annual General Meeting – Commentary to MD's presentation

Please find attached for immediate release the commentary to the Managing Director's presentation given at the 2007 Annual General Meeting.

Peter Patterson
Company Secretary
Monday, 26 February 2007

AWB Limited AGM 2007

Melbourne: 22 February 2007

Thank you, Mr Chairman. It is a pleasure to attend my first shareholders meeting as Managing Director of AWB. I started with AWB on 11 September 2006, just slightly less than six months ago. Brendan introduced the new Management Team and also the Board of both AWB Limited and AWB International and I would just like to put on the record my appreciation of the support, both from the new Management Team and from the Boards over that relatively short period of the last six months. We have a long way to go to strengthen and rebuild the company, but I am sure with continued commitment, which we have seen from management and from staff and from the Board, that journey can be productive and fruitful.

The purpose today is to give a brief overview of the business, my initial impressions and the steps we are taking to rebuild shareholder value. In particular, we will focus on recent management actions, activities around communication and reputation, the outlook for this year and some of the next steps we have in mind.

The slide shows the business performance over the past five years. What this clearly shows is the business is subject to seasonal swings, activity in the business is directly affected by weather conditions. You can see the drought of 2002-2003 adversely affected profits and the current drought will have a similar impact on 2007. That said, agriculture is a competitive sector of the Australian economy and has proven that over the long-term and does bounce back. And within the agricultural sector, AWB has a very strong position. So, I am very confident that we will move through these difficult times and emerge stronger at the end.

The challenge for the Board and for the Management Team remains to implement the strategy, to diversify the business and reduce our dependence on season factors. We also have to continue to lower the fixed cost base so that we will be able to compete effectively over the cycle. This will ensure that we are able to sustainably deliver satisfactory returns to shareholders.

To meet this challenge in the short term, we have devised a three phase plan. In the first phase, which was principally from September to Christmas, my priorities were focused around dealing with the impacts of the Oil for Food Inquiry; dealing with the impacts of the emerging drought on business performance; initiating activities to start a program to rebuild the culture and inculcate a set of values through the whole organisation; working with the Board on the activities to improve the governance structure, which bore fruit in the context of the demerger and clearly, re-engaging with a range of stakeholders who were disappointed with the outturn of events in a range of ways.

In the second phase, which we are entering now, we have defined our priorities in a similar way, communication and rebuilding our network with stakeholders, letting people understand where we are in the journey, is still a major priority, particularly for my time. We have got a more structured focus on business efficiency, working through each of the business units to ensure that we understand how much capital is employed, what the returns we are getting, what the cost bases are and robust those business models are.

With the people and organisation, we are building on the culture program to put in place the systems, the reinforcement, to ensure that people are aligned, they are accountable and they are acting in a way that is sustainable for the business. And more laterally, we have started to think about strategy and in particular, in relationship to wheat marketing. The third phase, which will be later, will be to really re-engage in the strategic agenda about mitigating the season and cyclical volatility, proactive capital management to ensure that all our activities can lead us to satisfactory returns over time; and of course, the real, interesting challenge, and one we are looking forward to – growing the business.

Just a couple of snapshots in detail to give a little bit of colour to the activity. In terms of management renewals, Brendan introduced the team, and that is in progress and hopefully we will be able to, as the business structures get more clarity, complete that process shortly. What we have called Project Simplicity, which is around how the AWB corporate area operates, about reducing the cost base, reducing business complexity and improving the effectiveness of the organisation. That work is yielding benefits, in particular, in the fixed cost area.

Project Focus, which was started before I began with the organisation, is a coordinated effort in the Landmark business, to improve the performance of the network, to focus the staff on customer management and to get an efficient and sustainable business unit structure. And as I mentioned, the values program, which engaged about 600 people in the organisation, in a discussion about where the company was, what were the things we needed to take it forward. That process has generated engagement and ownership and I look forward to being involved in the rollout of that over the rest of the employees as we move forward.

Moving forward to the engagement with our stakeholders of different types. I felt that this had to be a priority of mine, particularly over the first period in the job. I have been endeavouring to meet employees and have charged the Management Team with the same – to engage and to ensure that we are focused. Investors, there has been a large demand for information and data about our direction and we have been spending significant time on that. More recently, I have had the time to engage with our overseas customers in particular about their aspirations, their concerns. Our growers, our suppliers on the wheat side, again are an important group and we have been engaged in ongoing consultation with both grower bodies and individuals. And of course, the government, under the legislative mandate with which we work, they are working on temporary and future arrangements and seeking our input into that as appropriate.

These initiatives however, will take time to bear fruit and in the short term, we will continue to be influenced by the seasonal conditions.

The Board has recently completed and signed off on a set of forecasts for the year and clearly the severe and ongoing drought will again adversely affect profit this year. The forecasts are at the bottom end of expectations in the market amongst broking analysts. This is a disappointing outlook for us, but given our exposure to seasonal swings, a much lower net profit this year should not come as a total surprise. I think that the positive thing is that we are working very hard to improve performance and returns and in particular, the impact of the drought has severely impacted the commodity management part of our business, which is very volume dependent, chartering grain flow and the like. The impact on Landmark has been less severe but has impacted some growth, in particular financial services. In the trading area, our meat and livestock contract feeding business has significantly under performed and is being restructured.

So, our reported profit for the year, we expect to be about 30-40% below last year.

Looking forward, the next steps for the business are to continue to manage through the government's review of wheat marketing and the Chairman outlined the timetable for that, so from a business end, that is developing the scenarios, ensuring that we fully understand what are appropriate responses as a business. We are of course clearly hoping for clarity as soon as possible, given that the early independent forecasts are now predicting a crop of over 20 million tonnes in the drought breaks. We have to be quite mindful of the risks in managing a crop of that size and in particular how we structure our traditional activities around foreign exchange and commodity hedging.

In the meantime, we will continue to focus on business performance. Ultimately, that is what the company will be defined by. So, we are ongoing focus on business efficiency, continue to work on capital returns in terms of understanding where the funds are employed in the business, at what levels of return we are achieving. And we will also continue to consolidate our operating model with further clarity around accountability through the business and reinforcement of the culture and values.

I hope that short snapshot gives you an understanding of how the Management Team are approaching the significant task we have. As I said, we are at an early stage in the journey, but I think we have got the right team and the right plans to significantly improve the business over time. I look forward to talking to you all later and hand back to the Chairman.

Thank you.