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AWB Limited today reported net profit of \$27.1 million for the year ended September 2007 compared with \$58.2 million in the previous year. Underlying profit before tax and amortisation (PBTA) was \$91.8 million, down 37.5 percent. Given changes to government wheat marketing policy effective March 2008, what's the expected impact on earnings in the current year ending September 2008 and how will AWB's strategy change?

MD Gordon Davis

There should be no impact on our income for the 2008 financial year as we finalise the 2007/2008 Pool under the contracted services agreement. Depending on the speed at which we can finalise the pool, we may be able to reduce related operating costs and improve our profit margin.

As a result of our initiatives to diversify our income over the past few years, only approximately 10 percent of our 2007 earnings were dependent, directly or indirectly, on wheat exports. The change in export arrangements has been flagged for nearly two years, and we've been positioning ourselves to make the transition to a deregulated market participant. We've identified alternative applications for the skills we've developed over many years of operating the National Pool.

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How might changes to the wheat export arrangements impact internal capital usage and what's the potential for a release or reallocation of capital?

CFO Mark Hosking

The most significant potential for capital release is in our Harvest Finance business which has \$100 million in equity, largely to support growers' crop financing. In future, any release of equity will depend on how and to what extent we continue to participate in this market. We've introduced an active capital management program and the reallocation of excess capital will depend on the opportunities available to us at the time of any capital release.

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In 2007, weaker results across AWB's Australian Commodity Management businesses were partly offset by the strong performance of International Commodity Management, which booked EBITDA of \$58.1 million excluding a one-off \$12.4 million accounting gain on a forward freight agreement. This compares with EBITDA of \$29.8 million in the previous year. How sustainable are the 2007 earnings and are you generating appropriate returns for the level of risk in your international trading activities?

MD Gordon Davis

The trading businesses had the opportunity to perform well in volatile conditions, particularly in commodity and freight markets in the second half.

The majority of the revenue from our international business was from back-to-back transactional business and returns on our investments in operating assets, not from taking speculative trading positions. The levels of inherent risk in the business are appropriately monitored and audited. We feel that the most appropriate way to handle the risk is to take a diversified fund-of-funds approach to spread the risk across many commodities and geographies.

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AWB had a cash outflow from operations of \$89.2 million in 2007, compared with a cash inflow of \$59.4 million in the previous year. The outflow partly reflected investment in working capital of \$125 million, mainly in your international operations. How is capital being allocated across the businesses and what are your return hurdles?

CFO Mark Hosking

We reduced working capital in the Australian Commodity Management business and allocated it to our more profitable International Commodity Management business. We also supported our Risk Assist product which increased working capital.

Our medium-term ROE target is to exceed our total cost of capital at the corporate level through the cycle.

Our internal divisional ROE targets have been determined by a newly formed investment committee which allocates capital to new initiatives based largely on those hurdles and certain other factors. We still have more work to do to

fully embed this approach into our underlying operations and processes in 2008, but we're making good progress.

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AWB had net corporate debt of \$768.3 million at the end of September 2007, up from \$589.6 million a year earlier. Corporate gearing stood at 69 percent. Are you comfortable with this level of debt given you'll lose the advantage of the current wheat marketing arrangements?

CFO Mark Hosking

The debt level at the end of the year reflected the funding of higher working capital balances, particularly in our Commodity Management businesses. The benefit of that investment flowed through in the 2007 result.

We're continuing to diversify earnings, as demonstrated in the 2007 result, and given this, as well as rising commodity prices, and the difficult conditions arising from the ongoing drought, we're comfortable with our underlying debt levels, and the 2007 corporate net interest cover of 3.5 times.

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Net corporate interest expense was \$37.0 million in 2007, up from \$29.7 million in the previous year. How will recent interest rate rises and the generally tighter credit conditions impact interest expense going forward?

CFO Mark Hosking

The higher interest expense reflected the impact of higher working capital balances, as well as the downgrade to AWB Limited's long-term corporate credit rating by Standard & Poor's to BBB- (Negative Outlook), an increase in wholesale funding and the impact of progressive interest rate rises in Australia. Our interest expense going forward will reflect conditions in financial markets.

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AWB achieved net cost reductions totalling \$43.3 million in 2007, largely through headcount reductions. Roughly 50 percent of the savings were in non-Pool Management related businesses and you've indicated you'll continue to pursue incremental cost savings, mostly through productivity gains, in these businesses. What are your cost cutting goals and in which specific areas can productivity be improved?

MD Gordon Davis

We'll continue to focus on reducing costs across the business as a whole. For 2008 that will include winding down the costs of managing the pool as we finalise activity in that area.

We're putting in place processes for business reviews and target setting that will ensure the management team is focused on finding sustainable reductions in operating costs and ongoing productivity improvements over the coming years. At the same time, where we can invest for superior returns, we'll accept and manage any related costs. Last year that was demonstrated by our investment in the international business and its resultant growth.

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What are the KPIs for AWB's short-term and long-term incentives under its remuneration system? To what extent are they linked to the cost reduction program?

MD Gordon Davis

The short-term incentive plan relates to both team and individual performances during the year. The team component for senior staff relates to the performance of AWB Limited as a whole, and the individual component depends on the role of the individual in the management team.

The long-term incentive plan for our senior staff is based on the achievement of total shareholder return targets. Those targets are reviewed each year by the board, prior to the issue of long-term incentives.

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AWB booked significant charges of \$41.7 million before tax in 2007, down from \$65.7 million in the previous year. This included a redundancy and restructuring provision of \$21.9 million. Will the pursuit of further cost savings or restructuring require material provisioning going forward? What's the outlook for significant items in 2008?

CFO Mark Hosking

I wouldn't rule out some, relatively more modest, significant items associated with future restructuring, but the majority of future cost savings will be delivered through efficiency gains and business improvement. We'll also continue to vigorously defend our legacy issues such as the class actions and to test for asset impairment, and that may give rise to further significant items.

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On a reported profit basis, AWB had an effective tax rate of 47.5 percent in 2007, compared with 18.2 percent in 2006. What's the expected tax rate going forward?

CFO Mark Hosking

Our future tax rate will depend on how and where our income is derived, which will reflect market conditions and opportunities. In 2007 we had a higher effective tax rate as a result of increased earnings from our international commodities businesses, particularly Geneva.

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The EBITDA contribution from Rural Services was up 2 percent in 2007 to \$54.7 million, on revenue of \$1.53 billion, down 2 percent. EBITDA in the second half was \$34.0 million, up 16 percent, in spite of the impact of the drought on merchandise and livestock activities. To what extent did the second-half improvement reflect cost cutting and how is the business positioned if drought conditions continue?

MD Gordon Davis

About three quarters of the second-half improvement came from higher margins, with our focus on costs contributing the remainder.

We've seen the effect of 18 months of adverse seasonal conditions, and while we all hope for a return to normal conditions, we've positioned the business well for any eventuality.

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Your strategy for Rural Services is to lift operational performance, adapt to new opportunities and drive synergies with your other businesses. What are the potential opportunities and synergies that are available?

MD Gordon Davis

The strength of our Rural Services business is its network, with over 400 points of presence nationally reaching over 100,000 customers. We're always looking for opportunities to leverage that strength, in particular as we restructure our domestic grains business and seek to enhance our Financial Services business.

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Financial Services' EBITDA was \$32.5 million, down 13 percent, with the Landmark Financial Services EBITDA increase of 50 percent to \$27.0 million offset by the 72 percent fall in the Harvest Finance contribution to \$5.5 million. To what extent was Landmark Financial Services' performance driven by new products and can the momentum be maintained if rural conditions don't improve?

MD Gordon Davis

Most of the improvement in Landmark Financial Services in 2007 was from the organic growth of the portfolio, margin management and an enhanced focus on fee revenues. We're introducing new products, but they had a minimal impact on the 2007 year. They clearly provide a good platform for growth going forward. The growth of the business will obviously be impacted by seasonal conditions but we're looking to new products to provide new sources of revenue.

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In Landmark Financial Services, net non-accrual loans represented 1.0 percent of gross loans at the end of September 2007, up from 0.8 percent a year earlier. Can you comment on the quality of the loan book and its exposure should poor seasonal conditions continue?

CFO Mark Hosking

Landmark Financial Services' loan portfolio remains sound. It had a low loan to valuation ratio of 40 percent at last balance date and 92 percent of the portfolio is secured by rural property. Whilst net non-accrual loans increased to 1.0 percent compared with a year earlier, they were down from 1.2 percent at the end of March and only represent \$21.9 million on a book of \$2.1 billion.

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At the first-half results announcement you indicated you intended to securitise the Landmark Financial Services loan book. How is this progressing and how will it impact earnings in the current year? What ability do you have in a competitive market to pass on cost increases to customers?

CFO Mark Hosking

We've put our securitisation program on hold and will look to resume when market conditions improve. The pleasing thing is that we're adequately funded, which gives us flexibility. Any change in our interest rates to customers will reflect competitive conditions at the time.

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You've indicated the traditional Harvest Finance business won't continue following the finalisation of the 2007/2008 National Pool and that replacement finance offerings will be developed. How would you seek to structure any new products and what might be the capital requirement versus the current Harvest Finance offering?

MD Gordon Davis

The current Harvest Finance offering is tightly linked to the National Pool and relies on the generation of an estimated pool return. When we're no longer carrying out the pool management function, we'll be looking for other ways to satisfy farmers' seasonal financing needs. We haven't yet finalised our product suite, but the products will be priced for risk and the capital requirement is likely to be lower than that of the current Harvest Finance product, which is unique in that it provides non-recourse loan funding.

Segment results for Harvest Finance will continue to be disclosed under Financial Services.

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In Commodity Management EBITDA was \$88.4 million, down 12 percent, with a strong result in International Commodity Management failing to offset the impact of reduced earnings in the Australian-based sectors of the business. Australian Commodity Management booked EBITDA of \$5.6 million, down 75 percent, and you're currently restructuring the business. What will be the drivers of the new business model?

MD Gordon Davis

The new business model will depend on the new environment for wheat marketing in Australia. Wheat is the largest grain crop in Australia, and any change in government policy will determine the extent to which we're able to develop our business in that space.

Meanwhile, we've continued to review our current suite of products to ensure the products we have are both profitable and also adequately price the risk inherent in them. As a result we exited the meat and livestock principal trading business in the first half.

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Pool Management Services business booked EBITDA of \$9.5 million, down from \$31.4 million, reflecting the reduced size of the wheat crop due to the drought. The business booked an EBITDA loss of \$1.5 million in the second half. Given the reduced service charges relating to the 2007/08 Pool and the incentives AWB is offering farmers for early commitment to the pool, can the business make a positive earnings contribution in its current form?

MD Gordon Davis

We've recently settled a new services agreement with AWB International (AWBI), the trustee for the National Pool. That agreement provides us with a base fee plus a \$1 per tonne incentive to secure early commitment. The wheat price component paid to growers from that early commitment is paid out of the pool, not from our own funds. Under the agreement we can also make a margin during the life of the 2007/2008 Pool by managing our costs efficiently.

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How might the ruling against AWB of the US District Court regarding your dispute with Standard Chartered Bank impact your results in 2008?

MD Gordon Davis

The US District Court for the Southern District of New York has issued a preliminary ruling against AWB (USA) Limited in our long standing commercial dispute with Standard Chartered. The Court has directed the entry of judgement against AWB (USA) for US\$35 million.

We remain confident we have a very strong position and will vigorously appeal this ruling.

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How will AWB manage its legacy issues, such as the class actions relating to its conduct in the Iraqi Oil for Food program, while repositioning the business for a new operating environment?

MD Gordon Davis

Our strategy is to minimise the impact of the legacy issues on our ongoing business and bring certainty to the business as soon as possible. We will vigorously defend all class actions. Our 2007 financial statements include details of the class action claims, how we're managing them and their progress. The information is also available on our website.

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Last night AWB announced a proposal for constitutional reform pending the government's planned changes to wheat export marketing arrangements. What is the process for achieving this reform?

MD Gordon Davis

Resolutions will be put to our AGM in February to provide a mechanism for the company to adopt a standard commercial constitution, with a single class of

shareholder, when wheat export marketing arrangements change because of government policy. Whilst the voting threshold is high – it will require approval by 75 percent of the A-Class shareholders – it's an objective that will remove a further level of uncertainty around future operations.

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AWB announced a fully franked final dividend of 4 cents per share for 2007, unchanged from the previous year. This brought the full-year payment to 8 cents per share, down from 20 cents. The pay-out ratio was approximately 100 percent of reported profit, similar to the previous year. What is the outlook for dividends in the current year and what is the likely dividend policy of the restructured business?

MD Gordon Davis

We're currently undertaking a comprehensive capital management program based on our emerging business strategies, of which dividend policy is a key element. We expect to announce our dividend policy at the AGM.

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Thank you Gordon and Mark.

For more information about AWB, visit www.awb.com.au or call Lisa Keenan on (+61 3) 9209 2651.

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