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AWB Limited today reported net profit before significant items of \$95.5 million for the year ended September 2008, up from \$58.0 million in the previous year. The major contributors to the increase in earnings were the Landmark Rural Services and Australian Commodity Management (ACM) businesses, which offset a mixed performance from International Commodity Management (ICM). Where does the 2008 result leave the company positioned in relation to its legacy issues and to the environment post wheat export deregulation?

MD Gordon Davis

We're particularly pleased with the result, with EBITDA up 32 percent and NPAT up 137 percent in a year when there was significant volatility in the markets, considerable uncertainty around seasonal conditions, and whilst we were going through a major transformation in terms of our constitution and shareholder structure.

What has also been pleasing is that we've been able to effectively quarantine the operating businesses from our legacy issues and not allow them to be distracted by such issues in delivering this result.

We've also begun to reposition the business around our key areas of focus – Landmark Rural Services, Landmark Financial Services and Commodity Management – to build a stronger platform to drive sustainable growth.

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You've indicated you intend to drive sustainable growth by adopting a more customer-centric focus versus the single desk focus of the company prior to the recent structural and regulatory changes. What changes need to be made and how will the new focus work in practice?

MD Gordon Davis

We recognise that the business is now a more conventional one, with a single class of shareholder and without the regulatory requirements that came with the statutory wheat marketing function. We provide a suite of services in the agricultural space, particularly around producers and also around users of agricultural commodities, particularly grains. Deregulation is leading us to more opportunities in new markets or products where we hadn't been represented. We're now able to take a more commercial approach to the areas we want to be in, and as a result the role of customers becomes more important.

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AWB had cash outflow from operations of \$319.6 million in 2008, compared with outflow of \$89.2 million in the previous year, largely reflecting investment in working capital, which stood at \$1,194.7 million at year-end, up \$395.1 million from a year earlier. Given recent sharp falls in commodity prices, why wasn't there a reduction in working capital in the second half?

CFO Philip Gentry

The factors that increased working capital in the first half – higher rural input costs in Landmark and higher commodity prices in ICM and ACM – were still relevant in the second half. While commodity prices and input costs have declined in recent months, the majority of the inventory we had on our books at year-end was purchased toward the middle of the second half and didn't see the full benefit of the price reduction. Also, the ICM business is largely a US dollar business so the recent weakness of the Australian dollar had a significant impact on the working capital balance at year-end; if the exchange rate had remained at the March level, the September working capital balance would have been around \$78 million less.

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AWB had net corporate debt of \$1,136.0 million as at the end of September 2008, up from \$1,088.5 million in March. Corporate gearing (net debt to equity) stood at 96.6 percent. Are you considering new equity?

CFO Philip Gentry

Our gearing is sustainable at this level, and as our results show we have considerable funding capacity. However, our gearing is toward the higher end of the range we feel comfortable with. We have an objective of maintaining an investment grade rating and given we're toward the lower end of that rating band, over time we'd want to ensure we maintained a conservative financial position.

We don't believe we need to raise equity at this time, although the underwriting of our dividend reinvestment plan (DRP) will provide some incremental assistance. More importantly, we think there's still work to be done to improve returns on the capital we have and we have a number of internal opportunities to reallocate capital, for example by diverting equity from the commodity businesses to our other businesses, which can be done relatively easily from season to season. Also, bear in mind the recent reduction in commodity prices should assist in the year ahead.

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Given your relatively constrained balance sheet position, what ability do you have to participate in any industry consolidation post wheat export deregulation?

MD Gordon Davis

It's clear the incumbents in the Australian grains space are small relative to our competitors in the global market. Our focus continues to be on getting the company into a position where it's able to participate in any value creating industry restructure. Of course the significant milestone for us in 2008 was to achieve constitutional reform and a single class of equity.

We have a strong portfolio of businesses across the agricultural value chain and we'll continue to look for opportunities to generate value for our shareholders through complementing those businesses, generating synergies and also generating scale of operation in those parts of the business where scale is important.

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In 2008 EBITDA increased 32 percent to \$228.5 million. Of that, Commodity Management contributed \$100.9 million, up 14 percent. This largely reflected the increase in ACM EBITDA to \$61.9 million from \$5.6 million in the previous year which was negatively impacted by a number of one-off charges. How sustainable is this result?

MD Gordon Davis

Now we've got legislative certainty, we've embarked on a systematic improvement plan for our commodity business in a similar way we did for Landmark two years ago. We've started to improve the quality of the business through systems, risk management and continued diversification of our trading activities. We're now starting to see the benefits of the improvements which we believe will improve the sustainability of the business.

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Within Commodity Management, Pool Management Services business booked EBITDA of \$19.7 million, up from \$9.5 million, reflecting the receipt of the full 2007/2008 Pool base fee in the period. From 1 October 2009 Pool Management will be undertaken by ACM, which will get a management fee of 1.75 percent of final gross pool return. What's the rationale for adopting this fee structure and what will be your ability to manage costs in line with pool volume variations?

MD Gordon Davis

Our pools are now operating in a competitive environment, so the fee is market-based and comparable to other pool operators. We're very pleased with the transition the business has made. To date, we've had pre-commitments and deliveries to the pool of close to 1 million tonnes and we've also had strong support from our customers globally.

We see the pools as an alternative source of origination for our commodity business and we believe that pools will continue to play a role in the marketing decisions of growers for the some time yet. The cost structure is well down from what it was under the single desk and we're confident we can operate quite profitably on relatively modest pool volume.

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With nearly 20 entities having received wheat export accreditation, can you comment on the current competitive landscape and AWB's positioning in the market?

MD Gordon Davis

At the origination end, growers are being cautious about who they use to market their product. It's an important decision for them as their livelihood depends on that transaction, so we've been pleased that a lot of them have turned to AWB before the harvest has started. We know a lot of wheat is being warehoused, but we'd expect many growers to make their marketing decisions over the next month or so.

We've launched our Harvest Finance products to provide funding to growers who deliver into our pools. We've taken advantage of the ring-fenced structure of Harvest Finance, which has a superior credit rating and enables us to provide competitive finance to growers.

At the customer end, we've got a long history of dealing with quality overseas customers – we understand their needs intimately and many have been keen to put in place enduring relationships with us for continued supply. The season is still unfolding, but we're very pleased with the progress the business has made to date.

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Within Commodity Management, ICM recorded EBITDA of \$24.0 million, down from \$58.1 million (excluding a one-off \$12.4 million accounting gain on a forward freight agreement in the prior year). Within ICM, Brazil booked an EBITDA loss of \$9.8 million. You're scaling back the Brazilian business and reducing its reliance on soy bean origination. What are the lessons of the Brazil experience and what will be the new focus of the business?

MD Gordon Davis

During the year, the Brazilian grain sector was adversely impacted by extreme volatility in commodity prices. This volatility directly impacted the result in Brazil in three key areas – higher working capital requirements and associated increased interest costs, higher hedging costs, and increased inland freight

costs. Fundamentally our infrastructure struggled to cope with the market conditions.

As part of our repositioning of the broader commodity business we've developed a set of strategic filters that allows us to identify and prioritise the parts of the business with more attractive returns. Brazil was a start-up, and after two years of business, we're now in a position to use those filters to say which activities are attractive in that market and which we want to reduce. We recognise that start-up businesses need to be supported in terms of systems and expertise, and we've got a comprehensive plan to improve the quality of the Brazil business. We're reducing its size, reducing the amount of working capital we've got tied up there, and structuring it to grow at a more sustainable rate.

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With a total of \$645.6 million funds employed in ICM, EBIT return was 3.7 percent. How will your repositioning of the different sectors of the business impact the level of funds employed? Are the current repositioning initiatives sufficient for the business to make an economic return?

CFO Philip Gentry

Of the three geographic regions of ICM, Geneva had the best return on capital. Clearly if we can turn Brazil around as we plan, it will lead to a dramatic improvement on our returns. We also expect to see improved results from India which is still a very young business. We expect this, together with running a more integrated global commodity business, to generate improved returns across the whole of our commodity business.

To ensure we have appropriate discipline and focus on achieving this, over the next six months we'll be implementing a more sophisticated risk adjusted return on capital (RAROC) framework across the group, including commodities. We think this is going to be very useful in ensuring appropriate returns from these businesses.

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You've suggested there will be an increasing integration of your Australian and international commodity businesses in the deregulated environment. Can you comment on how the business might look in the future and what efficiencies might be realised, both operational and in terms of capital employed?

MD Gordon Davis

We believe the primary task of the international business is to complement our position in Australia, where we can originate grain of many different types and we've got a strong brand and strong relationships with growers. The first task for the international business is to allow us to exploit these strengths, and we're going through a process of screening the activities we currently undertake and we'd expect to wind up or stop some as a result of that process.

We've developed a number of initiatives to improve our commodity business in a sustainable way, including introducing the RAROC framework, investing in business systems particularly in Brazil and Geneva, changing the

performance management systems and looking for complementary activities that allow us to spread our costs over a greater business base.

One of the advantages we have is that we're now able to apply the same systematic improvement process to the commodity business that we've applied to Landmark over the past two years. We'd expect to get a similar improvement in the quality of the commodity business.

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Landmark Rural Services booked EBITDA of \$90.0 million, up 65 percent. To what extent did the profit improvement reflect your internal initiatives and to what extent the more favourable seasonal conditions?

MD Gordon Davis

The improvement came from a combination of not only the favourable conditions in the first half but also activities we're undertaking internally. It also reflected the strong performance of our Hi-Fert joint venture which is in the upstream fertiliser space.

Certainly we benefited from the strong start to the cropping season, particularly in Western Australia, although more recent seasonal conditions haven't been as kind to us. We also started to see early benefits from the improvement measures Graeme Jacobs and his team have undertaken, although we'll see most of the benefits flowing through in the future. We're still at the early stage of some of these projects, such as implementing new information systems to improve the point of sale and the underlying financial controls. We're also benefiting from improvements in staff turnover and morale, and the Landmark rebranding program has had a very positive response.

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You've established a "clear growth agenda" in Rural Services. Can you be more specific about how you plan to grow the business and the sorts of opportunities you see?

MD Gordon Davis

We're looking at a mix of organic growth activities, incremental M&A activity and other step-outs. Our focus has been on getting our house in order, so the work is at the early stages.

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Financial Services booked EBITDA of \$42.1 million, up 30 percent, with Landmark Financial Services' (LFS) EBITDA up 2 percent to \$27.6 million and Harvest Finance's contribution increasing to \$14.5 million from \$5.5 million. LFS's performance was driven mainly by an increase in insurance commission and a reduction in provisioning charge, which offset a contraction in net interest margin. How do you justify a lower level of provisioning in an environment of growing concern about credit quality?

CFO Philip Gentry

There isn't a lower level of provisioning – our collective provisions went up to 0.88 percent of the book from 0.85 percent a year earlier. While the specific

provisioning for the year was reduced, that simply reflected a modest improvement in the quality of an already strong quality portfolio. The average loan to valuation ratio across the portfolio remains low at 39 percent and 94 percent of the portfolio is secured by rural property.

It's worth remembering that we had an active provisioning strategy over the last few years while we validated the quality of the loan book we bought from Rabobank, and we're now in a better position to understand the specific risks of our portfolio. We believe it's important to maintain a strong level of collective provisioning so that we remain in a conservative financial position come what may, particularly climatically.

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How sustainable is the LFS business model in a significantly tighter funding environment?

CFO Philip Gentry

When we announced our first-half results, we said that in a more difficult funding environment and given the refinancing activity we'd undertaken, a 20 to 40 point basis point contraction in margin was likely. We're pleased to report we've been able to hold margins relatively flat in the second half, which shows the funding model is still working.

We remain convinced that the business model of using the Landmark distribution network to provide finance to our rural customers remains a very strong one. However, given the current financial market environment we continue to test whether the Rural Trust funding model is the most appropriate funding vehicle.

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In 2008, corporate costs pre-significant expenses rose 12 percent to \$431.8 million. What is the outlook for costs for the current year ending September 2009?

CFO Philip Gentry

Of last year's cost increase, the majority came from salaries and short-term incentive payments in Landmark, which reflected the performance of the business for the year. Other costs were within the range we anticipated, although we also incurred some one-off costs relating to running campaigns for the constitutional reform and rebranding and repositioning Landmark.

We'll continue to keep a strong focus on costs as we don't want to lose the benefits from our recent cost reduction programs. In particular we'll look to reduce our legal spend on legacy issues over the coming year.

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In an environment of slower growth and falling commodity prices, what is the outlook for earnings in the current year?

MD Gordon Davis

We don't make any forward earnings projections simply because of the uncertainty of seasonal conditions. However, we're confident the foundation we're developing and improvements in each of the businesses leaves us better placed to take advantage of opportunities as they arise.

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Thank you Gordon and Philip.

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