



Media Release

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AWB Half Year Results Mixed result in challenging environment

AWB Limited today announced a net profit after tax and significant items of \$8.5 million for the half year to 31st March 2009.

Commenting on the results, Managing Director Gordon Davis said it was a mixed result for the company in a challenging environment with some divisions, particularly Australian Commodities, AWB Geneva, and Landmark Financial Services performing well, however Landmark Rural Services and AWB Brazil underperformed.

“The first half was impacted by continuing adverse seasonal conditions in parts of rural Australia, weak demand for fertiliser, and a poor performance by our operations in Brazil,” Mr Davis said.

Financial

Net profit after tax and significant items of \$8.5 million was down 62% on the previous corresponding period (pcp) of \$22.3 million.

Revenue was \$3,495.3 billion, a 9% increase on the pcp of \$3,199.3 billion, principally through increased activity in Australian grain marketing.

Earnings Before Interest Tax Depreciation and Amortisation (EBITDA) before significant items was \$73.6 million, a 32% decrease on the pcp of \$108.2 million.

Mr Davis said significant progress was made on the company’s debt reduction targets and net corporate debt was reduced by more than \$150 million during the half and we are well advanced towards exceeding our \$200 million debt reduction objective by 30 September 2009.

“Lower net corporate debt is being driven by reduced and more efficient use of working capital,” Mr Davis said.

“The company also successfully refinanced the tranche of debt for Landmark Financial Services which was due to mature in May 2009.”

Commodities

Mr Davis said our Australian commodities management division had a solid first half driven by grain origination, sales and chartering.

“This Division capitalised on the opportunities presented by the deregulation of the Australian bulk wheat export market and acquired approximately 5.9 million tonnes of wheat or over 25% of the 2008/09 wheat crop,” Mr Davis said.

“In addition, the logistics business result improved significantly, due to increased volume in GrainFlow sites, as well as a good performance from Chartering.

“International commodities management division had a mixed first half with Geneva achieving a strong result driven by the grain, oilseed and freight businesses, however the performance of our operations in Brazil was poor and we have taken steps to address this unacceptable result.

“We have restructured the management team in Brazil and are refocusing and reducing the business into more commercially stable activities,” he said.

Landmark

Mr Davis said Landmark Rural Services and its investments, particularly Hi Fert, have been adversely affected by dry conditions in south east Australia.

“Landmark’s livestock business recorded solid growth and Landmark broadly maintained merchandise margins despite significant competitive pressures,” Mr Davis said.

“However, lower volumes in merchandise (particularly chemicals) and fertiliser due to ongoing dry conditions in parts of Australia reduced Landmark’s overall result.

“Our associated investment, Hi Fert was down due to lower fertiliser tonnes and margins and RD1 was down due to lower milk prices adversely impacting demand.

“However, expectations are stronger in Landmark Rural Services for the second half as the level of agricultural activity across Australia is expected to increase.

“We are seeing an increase in activity due to more favorable weather conditions in some parts of rural Australia, however it is early in the cropping season and more rain is needed in some parts of Australia,” Mr Davis said.

Mr Davis said Landmark Financial Services recorded a solid first half result driven by increased income from both the lending and insurance business.

“Our loan book experienced a 9% growth and our insurance business recorded 11% growth,” he said.

Dividend

The AWB Board of Directors has decided not to pay an interim dividend in order to retain capital in the current environment. The Board envisages that the company will pay a final dividend however this will not be determined until the end of the financial year when the full year results are known and the outlook for 2009/10 is clearer.

Outlook

Mr Davis said the company looked forward to an improvement in the second half which is traditionally stronger and we are confident that the company strategy we have in place will increasingly benefit customers and shareholders going forward.

“Australian and international agriculture remains an attractive industry segment and AWB is well positioned to capitalise on agribusiness opportunities,” Mr Davis said.

For further detail on AWB Limited’s Half Year Results visit AWB website, www.awb.com.au.

For further information:

Peter McBride
GM Corporate Affairs
Tel: (03) 9209 2174
Mob: 0417 662 451

Belinda Seal
Investor Relations Manager
Tel: (03) 9209 2887
Mob: 0438 535 975