

AWB Limited
Annual General Meeting
February 23, 2006

Introduction:

Welcome to the 2006 Annual General Meeting of AWB Limited

It's a very difficult time for the company.

However, shareholders need to understand that despite the negative publicity, the AWB Limited business is fundamentally strong and continues to perform well.

AWB's reputation has been damaged as a result of its participation in the oil for food program. The Board and I very much regret that.

For legal reasons, it is inappropriate for AWB to now respond to issues and evidence given to the Cole Inquiry. We expect to be able to make a submission to the Inquiry once all the evidence has been given.

I know growers, shareholders and the general community have many questions about matters the subject of evidence given to the Cole Inquiry so far.

I cannot answer those questions here today.

I trust you will understand that it is inappropriate to comment on any matters which are the subject of evidence before the Inquiry.

AWB will continue to monitor the evidence that has been and will be given to the Inquiry and AWB will carefully consider the findings and what action to take after the Inquiry concludes.

The Board is absolutely committed to managing change and restoring AWB's reputation and will take whatever action is necessary to restore the company's good name.

Following the resignation of Andrew Lindberg, the Board announced a number of key initiatives.

I was appointed Executive Chairman and Director Peter Polson acting Chief Executive Officer, drawing on his extensive management experience at senior levels in the banking and finance sector.

A leading international search firm, Egon Zehnder has been appointed to conduct a search for a new Chief Executive Officer.

The Board has established two dedicated sub committees to assist management—one for Governance and the other Stakeholder Management.

KPMG has been appointed to review current governance and internal reporting structures. AWB's internal auditors PricewaterhouseCoopers will conduct a special review around current wheat export sales.

The Board also announced the appointment of Ian Donges as Chairman of AWB (International) Limited. This is a significant appointment and one that is in line with recommendations of the 2004 Wheat Marketing Review.

(Acknowledge Ian Donges presence)

2004/05 performance

I will now comment briefly on the financial performance of the company for the year ended 30th September 2005. AWB reported an after tax profit of \$115.3 million before significant items which included the sale of our Futuris stake.

This represented an increase of 19% compared to the previous year and includes non-repeatable tax benefits realised due to the sale of Futuris. If the Futuris sale is included in the NPAT figure, the uplift is 62% over the previous

year totalling \$157 million. The profit before tax and amortisation excluding significant items was \$184.5 million.

Reported earnings per share was 45.7 cents and returns to shareholders included dividends of 29 cents per share. This was an increase in dividends of 16% over the previous year and is consistent with our stable dividends policy.

Building on the first year of Landmark integration, benefits of \$24.5 million for the period were achieved within the predicted range of \$20-25 million. I do not propose today to go into further detail on last year's financial result, as there will be an opportunity later in the meeting for shareholders to raise questions on the accounts.

Our business approach and strategy going forward will remain focussed on the following three areas, and we are well poised to continue to expand in each of those. I would like to expand on some of the highlights and initiatives that we believe will drive this.

Financial Services

The finance business of the AWB Landmark group continues to grow. The Landmark lending book has grown to more than \$1.5 billion, with the Landmark deposits business increasing from \$254 million to \$550 million in the last 2 years.

Importantly, we have new financial structures in place to grow this further. In order to capture the full potential of provision of financial services in the rural market we have developed the "Rural Trust" funding vehicle. This will provide the AWB Group with a competitive funding platform, which will allow us to compete more effectively with traditional banks and other financial services providers. Already, we have a new range of lending products on the table for our farmer customers that build on our more competitive funding position.

Our leading position in Harvest Finance has been maintained in the face of increased competition. Effective sales and marketing campaigns have

highlighted our innovative leadership in Harvest Finance and allowed us to maintain a loan book that peaked during financial year 04/05 at \$1.1 billion. Already this year we have been able to make a Second Drawdown worth \$114 million available to growers. This is the largest drawdown of this type we have made, and it is the earliest we have made it. This itself is a reflection of a sound start to the sales and marketing program and the improving efficiency and better risk management within the Harvest Finance division.

To manage our Finance business going forward, we have recently appointed Colin Taylor as the General Manager of Financial Services. Mr Taylor was General Manager, Commercial and Regional Banking with Bank of SA.

Rural Services

Our rural services business has become broader, deeper and stronger over the past year. For instance, our fertiliser business has been enhanced through “ELF” a strategic partnership with Elders to jointly acquire Hi-Fert, an East Coast marketer and distributor of fertiliser, providing value-added fertiliser products. Hi-Fert holds a strong position in the Australian fertiliser industry, and with the support of Elders and Landmark, is poised for further growth. Within the Landmark fertiliser distribution business the ELF initiative has aided an increase in sales and market share.

ELF has also recently finalised new agreements with Incitec Pivot to supply a range of fertiliser products. Under the agreements, Incitec Pivot manufactured products will be supplied to ELF along with the distribution of a broad range of fertilisers through selected Landmark and Elders rural merchandising branches. The agreement will complement ELF’s existing supply agreement with Hi-Fert Pty Ltd, and deliver improved performance.

Landmark last year expanded its Australian distribution network with the acquisition of Growmart, based predominantly in the Sunraysia district, and simultaneously enhanced its capability in the horticulture and viticulture sectors.

In the livestock areas we have developed new cattle risk management products to meet the needs of feedlotters and producers and increased our market share in the feedlot sector. Our livestock trading business is also expanding, with more than 65,000 head of cattle traded last year.

The net result of these and other initiatives is that the Landmark components of our business now account for a growing proportion of our bottom line, and are meeting our objectives of insulating the company from some of the seasonality of crop volumes.

Commodity management

At the same time our grain business is also growing, with a commodity management platform that will see this continue. We have established a Fund of Funds management approach, enabling us to target capital and resources to areas within our grains and commodities business where we can generate the best return. A key part of this is the International Trading operations, which have expanded with the commencement of trading operations in India and growth in the Geneva business. These are key areas of opportunity.

We are also expecting a strong earnings rebound this financial year from our domestic grain supply chain investments. This year, our GrainFlow business managed more than 1.9 million tonnes of grain – a record volume with an expanding market share. We have integrated our Grainflow business with our Risk Assist and Domestic Trading businesses and this has resulted in a better alignment of all three businesses. Grainflow is now benefiting from improved operational efficiency and a clearer understanding of the market, as well as improved crop production.

In terms of Pool Management, we have out-performed the industry benchmark for the recently finalised 2003/04 Pool, and are on track to do so for the current 2004/05 Pool. The latest WEA report said that prices achieved exceeded the Wheat Industry Benchmark by more than \$16 a tonne; foreign exchange and commodity pricing risk management have produced positive results; and AWBI has overseen a continuing fall in supply chain costs.

While there have been some distractions on the home front, it is important to appreciate that AWB's national pool and the international wheat marketing program are continuing to go from strength to strength.

The relationships we share with our long standing customers are mutually highly valued, and despite the vigorous efforts of our competitors, we continue to receive very strong support at the sales end of the business.

I have personally received a number of very supportive letters from our key customers who have acknowledged the current issues yet have still indicated their full ongoing commitment to AWB's business relationship. This of course is very heartening.

But the all-important bottom line is to be seen in the 2006 sales program for a very large national pool of 17.7mmt.

This is a large and very challenging export program in comparison to other years yet our sales targets are right on track and we have recently achieved some notable sales successes - which will become evident over time.

Our shipping program is also on track - and in fact the main challenge we face is in trying to manage the shipping logistics with a national port system which is currently very close to full operational capacity.

We are close to maximum shipping volumes for the months February, March and April and this standard of performance must be maintained throughout the rest of the year.

In addition, there must be further improvements in the operational efficiency of the supply chain logistics - and we require the full cooperation and support of all parties to achieve this.

Not only do we have a large wheat crop to deliver to our international customers, we also have large quantities of other commodities such as barley and oilseeds.

In addition, our commodity hedging team has in recent weeks been able to reflect some improvements in US wheat futures values.

The staff and management of AWB are fully committed to the task at hand, and continue to focus as a team on the achievement and execution of the challenging sales targets that have been set.

IRAQ

I would like to comment briefly on the Iraq market – a valuable market which AWB has cultivated and developed for 58 years. We are obviously disappointed at the Iraqi Government's announcement, to temporarily suspend purchases of AWB wheat, but we will be making every effort to win back their confidence and support and service this market again in the future.

Going forward we fully expect that the Iraq market will be open and competitive, and decisions made based on quality, service and price. The last three years has seen increased sales of US wheat to Iraq, and as we know, this is wheat that has been heavily subsidised in its production. AWB is happy to operate on a level playing field in all international markets, but at the moment that playing field is sharply tilted in favour of the US and EU.

2004 Review

In the past year, the Board has also been working closely on its response to the 2004 Review of our Wheat Single Desk management. While the Independent Panel conducting that review found that AWB had performed well and that the core components of the Single Desk arrangement should remain, it also made a number of recommendations for improvement.

Regarding the 2004 Review response, AWBI has provided its report to the Minister as requested. We believe this Review process has been successful in helping create an improved Single Desk model – making it more effective, responsive and transparent.

AWB will continue to consider further refinements that add value to the Pool participants and increase transparency.

Shaping the Future

The Shaping the Future strategy is all about protecting Australian wheat farmers returns from the long term decline in world wheat prices. The international marketplace is tough, as new regions such as the Black Sea region expand their exports at very aggressive prices. Shaping the Future aims to improve our international marketing capability, the quality of the Australian wheat crop and the efficiency of the Australian supply chain.

For example, Last year, growers harvested their first Premium Choice Varieties, which are designed to improve the quality of our wheat offering to our customers.

In marketing, we are targeting customers in Asia. These represent key quality and growth markets, to which we have a natural freight advantage. We have set targets of 60% of the crop to Asia by 2008, and I am pleased to say that we are already meeting those targets.

We have expanded our on-the-ground presence in Asia, recently opening a new office in Beijing, supporting our new presence in Singapore.

Shaping the Future has been enthusiastically embraced by growers and customers alike.

Single Desk

As a result of recent developments there are many commentators calling for changes to the wheat marketing system. Any changes that might be made must be in the best interests of Australian wheat growers and I make the following observations in that context.

There is about 100 million tonnes of wheat traded internationally each year and the traditional suppliers into the international market are the United

States, Europe, Canada and Australia. When the average US wheat grower pockets around AUD108 per tonne from their Government, and the EU counterpart collects AUD170 per tonne (based on average exchange rate calculations) it is an uphill battle for largely unsubsidised farmers such as those from Australia.

In simplistic terms, this means for every 100,000 tonnes of wheat supplied by the US (the world's largest wheat exporter), their Government is effectively putting AUD11 million on the table in farmer subsidy support. While Australian negotiators achieved some hard fought wins at the recent World Trade Organisation discussions, the fact is there remains a simple refusal by some WTO members to reform on the two key issues of agricultural tariffs and farmer subsidies.

What is clear is that this system of wheat marketing developed by the Australian grain industry is really the only competitive advantage that its farmers have in this environment. It is a self funded wheat marketing system that does not distort trade, and yet, our competitors – countries that heavily subsidise their growers - quite clearly want to strip this advantage away.

Australian wheat farmers export about 80% of their crop and are therefore reliant on securing around 20% of the international market. Without a Single Desk selling system Australian farmers will be faced with numerous traders, large and small, seeking to buy cheaply. There will be concerns over security of payment, farmers will need to make their own arrangements for risk management and there will be no buyer of last resort. Independent research suggests that the loss of the Single Desk will cost growers around \$300 million annually plus substantial one-off costs.

AWB has developed the Single Desk to its current form. This includes innovative, quality-based and incentivised payment mechanisms to growers, unique risk management strategies, management of wheat receipt standards, and varietal classification.

AWB offers an innovative, comprehensive, integrated package which serves growers and customers alike.

The Single Desk is much more than just a licence to sell.

I welcome the Prime Minister's comments repeated yesterday that the Government is not currently considering the Single Desk.

I note too remarks by the Deputy Prime Minister Mark Vaile that there needed to be an open minded look at different options for management of the Single Desk.

As the manager of the Single Desk for the past 65 years, AWB has established a sophisticated and knowledgeable market and pricing system. AWB has developed the knowledge to sell wheat to the maximum advantage of Australian growers.

AWB's vast experience entitles it to have a significant contribution on behalf of Australia's wheat growers to any future debate about management of the Single Desk and I believe growers expect us to do so.

Corporate Governance and Social Responsibility

I mentioned earlier that AWB has appointed external companies to assess current governance internal reporting structures. This move is necessary, regardless of the Cole Inquiry findings, and AWB will respond as required.

Constructive advice from these reviews will build on the considerable investment we have made in recent years in ensuring our Corporate Governance is at best practice standard.

One of the major responsibilities of the Board is to ensure that the major risks of the business are identified, and that we have a system of policies and procedures in place to manage them. To do this, we have in place an Enterprise Risk Management system which records all major risks across all divisions of the Company and details of how those risks are mitigated. This

process allows formalised risk monitoring by the Executive Leadership Group, as well as the AWB Board Corporate Risk Committee, the AWBI Board compliance committee, the Board audit committee and the full Board of both AWB International and Limited.

As well, we have an active internal audit process which is managed by PricewaterhouseCoopers. Each year a number of audits are undertaken into the Company's processes, concentrating on high risk issues identified by the Enterprise Risk Management System. Reports are prepared by the internal auditors with findings and recommendations for improvements and these reports are provided to management and the Company's Board Audit Committee for action. For the last financial year, AWB invested about \$2.8 million on our internal and external auditing.

The Company also maintains a detailed corporate governance manual. The Board is benchmarking itself against the ASX Principles of Good Corporate Governance, and AWB's governance currently satisfies these.

While these steps are evidence that this Board has taken the issues of Corporate Governance very seriously, we will continue to review our Governance policies and practices.

Financial outlook

I would now like to give you an update on our current trading conditions.

Financial services performance to date, which covers Harvest Finance and Landmark's financial services, is in line with last year's results.

Rural services are performing well and to date the contributions from those businesses, predominately Landmark, are ahead of last year.

Commodity management, which includes pool management, GrainFlow and our commodity trading activities both domestically and internationally, is below the results for the same period last year.

The forecast PBTA (profit before tax and amortisation) for the year ending 30 September 2006 has been revised down and will now be similar to the 2005 PBTA, subject to normal seasonal and operating conditions. This compares to the guidance we gave at the 2005 full year results of pre tax profit for 2006 being around 10% higher than the 2005 PBTA of \$184.5 million.

The reported earnings however will be impacted by the following one off adjustments:

- Estimated costs to 31 March 2006 associated with the Cole Inquiry, \$16million
- Impact of the new international accounting standards (A-IFRS) transition, and adjustments related to carry forward mark to market positions on financial instruments will be taken directly to this year's opening retained earnings rather than the income statement, resulting in a reduction of \$16m in reported earnings.
- Profit on the acquisition of the increased shareholding in HiFert, \$10million.

Strategic Outlook

The broader outlook for Australian agriculture is positive. Despite trade obstacles we are confident that Australian agriculture will remain globally competitive, and any gains we can assist farmers achieve will benefit them, our business and the Australian agribusiness industry as a whole.

Forecasts for the 2005/2006 Australian harvest are for a larger than average wheat crop of more than 24 million tonnes. The outlook for the global grain market is tightening with new competitors, particularly from emerging countries such as the former Soviet Union, Eastern Europe and South America. But, we have a strategy in place to tackle that competition, and we are already delivering on some of those objectives.

The growing financial services business remains a priority. We have developed a new financing model and secured competitive funding. Supporting growth in our rural services business, including merchandise and fertiliser, is the account management focus across the network that will aid delivery of an integrated offering to farmers. In this way, we better provide a full suite of products and services to aid the success of our customers.

AWB is a strong business. We face many challenges, but we can rise to meet them. We have 2500 highly professional and capable staff, with a network across Australia that reaches into the global market. We retain world leading expertise in finance, risk management and trading, backed by top level business and client management systems. And, notwithstanding the current issues, we do have a proud tradition of best practice.

I would like to thank our dedicated and hard working staff for their commitment not only through this difficult period but also throughout the year.

I would also like to thank my fellow Board members for their counsel and support and particularly for Peter Polson for stepping in as acting CEO.

Last, but not least, on behalf of the Board, I would like to thank our growers, customers and shareholders for their confidence and support.

We are a resilient organisation with a long history, and I am confident we retain the ingredients for success.

Thank you.