



To: The Manager
Announcements
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Half Year Results – 6 months ending 31 March 2002

Please find attached for immediate release an announcement regarding AWB's Half Year Results for the six months ending 31 March 2002.

Michael Thomas
Head of Investor Relations

Wednesday, 22 May 2002

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The Australian Grains Marketer



22nd May 2002

ASX Announcement

AWB ACHIEVES RECORD \$77.1 MILLION INTERIM PROFIT

The Chairman of AWB Limited, Brendan Stewart today announced a record after-tax profit of \$77.1 million for the half-year ended 31 March 2002. This result represents a 47% increase on the prior corresponding half-year.

AWB's earnings per share of 28.2 cents is 30% higher than the prior corresponding half-year.

The Board has declared a fully franked interim dividend of 14 cents per share to be distributed to shareholders on 5 July 2002 for shareholders registered as at 24 June 2002, which is the same distribution as the prior corresponding half-year. The Chairman also indicated that a higher final dividend will be paid compared with the 2001 full year.

AWB's Managing Director, Mr Andrew Lindberg, said this interim profit result was a good outcome for shareholders and marked AWB's successful transformation into a listed public company".

"The strong increase in earnings is a strong indicator of the support of growers who took advantage of finance and risk management products leading up to the harvest," he said.

"It is our growers, who are also our shareholders, who will continue to benefit from our expanding range of grower products combined with a commercial return on their investment in AWB," Mr Lindberg said.

	Half Year Ended 31 March 2002	Half Year Ended 31 March 2001	Variance %
	(\$m)	(\$m)	
Revenue from Ordinary Activities	1,561.8	1,297.6	20.4%
Cost of Sales	(1,356.2)	(1,120.9)	21.0%
Depreciation & Amortisation	(5.6)	(3.4)	64.7%
Borrowing Costs	(42.3)	(48.7)	(13.1%)
Other	(48.5)	(46.3)	4.8%
Operating Profit Before Tax	109.2	78.3	39.5%
Net Profit After Tax	77.1	52.4	47.1%

Total operating revenue of \$1.56 billion is up 20% on the prior half-year due to higher trading volumes and grain values. Conversely, these same factors resulted in the increase in cost of sales.

BUSINESS UNIT PERFORMANCE

	Half Year Ended 31 March 2002	Half Year Ended 31 March 2001	Variance %
	(\$m)	(\$m)	
EBIT			
Pool Management Services	1.8	4.7	(61.7%)
Grain Acquisition & Trading	52.5	35.6	47.5%
Grain Technology	(0.9)	(0.9)	0.0%
Supply Chain & Other Investments	22.5	6.2	262.9%
Interest Expense	(10.4)	(14.8)	(29.7%)
Finance & Risk Management Services	50.7	55.9	(9.3%)
Corporate	(7.0)	(8.4)	(16.7%)
Operating Profit before Tax	109.2	78.3	39.5%
Net Profit After Tax	77.1	52.4	47.1%

Pool Management Services

AWB provides services to AWB International, the manager of the National Pool, to enable AWB International to operate the pool and in return, AWB receives a fee for the provision of these services.

A new performance-based fee structure has been implemented commencing this financial year, which rewards (or penalises) AWB on a commercial basis. The new remuneration model aligns both the mandate of AWB International to maximise net National Pool returns with the mandate of AWB, by creating incentive for investment and improvement in performance.

For the half-year Pool Management Services contributed \$1.8 million, which is a \$2.9m decrease on the previous corresponding half-year result. This is because the half-year EBIT contribution for Pool Management Services only includes the base fee component for the current reporting period. The contribution in the second half is expected to be significantly higher because the out-performance incentive and remaining base fee will be included.

Grain Acquisition and Trading

Grain Acquisition and Trading contributed EBIT of \$52.5m for the half-year, which is \$16.9m favourable to the previous corresponding half-year result.

Wheat trading activity was the main contributor to the result. Both trading margins and volumes increased over the prior year.

The EBIT was assisted by favourable market conditions, which resulted in improvements in the value of physical wheat, which was greater than decreases in the value of the derivatives position.

Grain contract acquisition products, in particular the MultiV product, had a significant increase in tonnage contracted compared with the previous half-year.

Non-wheat trading activity contributed a small positive EBIT result although this result was marginally down on the prior year.

AWB will open an office in Geneva, Switzerland later this year to pursue growth opportunities that support its global asset management strategy. The office will form part of AWB's International Sales and Marketing hub and spoke network.

Grain Technology

The EBIT result has remained consistent with the prior corresponding half year, generating a loss of \$0.9 million. During the half-year period the sale of the Seeds Services Laboratory, Seed Processing business and Toowoomba Laboratory were finalised

Supply Chain and Other Investments

Supply Chain and Other Investments generated an EBIT of \$22.5 million, an improvement of \$16.3 million on the prior corresponding period.

Chartering was responsible for the bulk of the increase compared to the prior period. The main reason for the increase is because of an improved trading performance on higher trading margins due to a successful short trading strategy compared to a lower than budgeted result in the prior half-year principally due to unexpected demurrage and time charter costs.

Melbourne Port Terminal achieved a strong EBIT contribution, which is consistent with the prior period.

The grain centres have provided positive EBITDA contributions despite the fact that all sites (other than Dimboola) are in their first year of operation.

Further domestic supply chain investments will be announced in 2002 and 2003.

Earnings from overseas investments have also increased from the prior period due to higher margins achieved by the AWB-Zenoh joint venture and an increased contribution by Five Star following the mill expansion.

Finance and Risk Management Products

EBT has declined by \$5.2 million to \$50.7 million.

The reduction is principally due to timing of the recognition of underwriting premium. This relates to the fact that underwriting revenue is recognised at the half-year in accordance with the level of underwriting risk. The forecast full-year contribution from underwriting is expected to be consistent with the prior year.

Higher average wheat prices have resulted in the average loan book exceeding the figure achieved in the previous period. Interest dollar margins are consistent with the prior period. Even though the amount lent to growers is higher than 00/01 due to their improved cashflow positions, some growers elected not to take loans this year. This will be a season to season issue. Competition from other financial institutions has had a relatively minor impact.

The new start-up advisory service, AWB riskassist, has made a positive contribution to earnings this half-year. The introduction of new products is expected to lift its earnings contribution for 2002-03. The Basis Pool has also increased its earnings on the prior year, mainly due to better margins.

The Finance and Risk Management Products business will continue to provide competitive finance advances to wheat producers and to maintain competitive margins on existing products. Additionally, it will continue to offer new products to grain growers.

Corporate

Corporate costs (unallocated overheads) generated a \$7.0 million pre-tax expense, a decrease of \$1.4 million compared to the prior period. The reason for the decrease is due to timing differences which are expected to reverse in the next 6 months. Corporate costs for the full year are expected to be at least at the level of 2001.

Outlook

As previously announced at AWB's AGM in March, the Board is forecasting a full year profit after tax result of between \$100 million and \$110 million for the full year ending 30 September 2002.

Earnings prospects for financial year 2002-2003 are to a large degree contingent on the current plantings of wheat and other grains, and the tonnes received by AWB later in the year. ABARE has forecast that wheat plantings would be more than the prior year, subject to reasonable planting conditions. NOAA¹ forecasters have indicated that a weak to moderate El Nino event is likely to develop during the next six-to-nine months, but global impacts should be less than those experienced during the strong 1997-98 El Niño.

AWB faces a tough export environment with competition from traditional exporters (USA, Canada and Argentina). In addition significant market price pressure is being applied by India and Eastern European origin wheats into traditional Australian markets.

AWB expects the price outlook for wheat to be similar to that experienced over the past twelve months. While we see tightening world wheat stocks, this is predominantly in the major importing countries. Adequate supplies of wheat in the exporting countries will maintain price within recent trading ranges.

Future earnings growth for AWB will be generated by strengthening the core wheat business, broaden the range and volume of grains under management, expanding the range of financial and risk management products and to invest in processing and branded products.

The Board is confident that the ongoing focus on financial performance will continue to deliver satisfactory investment returns to AWB's shareholders.

¹ National Oceanic and Atmospheric Administration (NOAA) operate the most advanced weather and flood warning and forecast system in the world.

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www.awb.com.au contains copies of this announcement and results presentation given by Andrew Lindberg, Managing Director and Chief Executive, on 22 May 2002.

Appendix A

Cashflow discussion to the half-year ended 31 March 2002

Cashflows used in operating activities of \$1.37 billion were mainly used to fund higher grower loan balances, which is consistent with the prior half and the seasonal nature of the business.

Goods and Services Tax received is higher than the prior half-year, as in the previous half a number of grain purchase contracts were pre GST whereas in the current half all contracts are subject to GST.

Payments to suppliers and employees are higher than the previous half due mainly to higher volumes and grain values in Grain Acquisition and Trading.

Payments for Property, Plant & Equipment are up on the prior year due to expenditure on information systems development and the new grain centres.

Proceeds from short-term deposits and securities have been used to fund the higher grower loan book.

Borrowings from related parties has been a net cash inflow for the half of \$271m, this is due to the timing of the AWB International pool sales and distributions. AWB International places surplus funds on deposit with AWB Finance as the pool sales program progresses. The amount deposited with AWB Finance increases in advance of the first pool distribution in April. Borrowings from non-related parties increased during the half as the group funded increased loans made to growers.

The 2001 final dividend of 8 cents per share was paid in January 2002. In the previous half year a final dividend of 22 cents per share was paid.

Balance Sheet discussion to the Half Year ended 31 March 2002

Compared to the half year ended 31 March 2001, net assets have increased by \$141.8m. Net tangible assets per share are \$2.89 compared with \$2.68 at 31 March 2001. Details of significant individual balance sheet movements since the prior half-year (on a consolidated basis) are as follows:

Receivables (current) – Increase of \$693 million

Pool distribution receivables increased by \$224.1m, which was due to increased Grain Acquisition and Trading activity. In addition, grower loans increased by \$527.8m. due to a large wheat crop and higher prices. The payment of the March 2002 quarterly distribution in early April will result in a decrease in the loan book.

Inventories – Decrease of \$62.6 million

The decrease in inventory on hand is due to the delayed purchase of new season inventory in the Grain Acquisition and Trading division compared to the previous period.

Other Financial Assets (current) – Decrease of \$20.9 million

The decrease in other financial assets is mainly due to the lower level of activity in short-term advances, deposits and negotiable securities on hand. This is a direct result of increased

working capital needs resulting from the financial services business and cash required to repay external borrowings.

Other Assets - Increase of \$37.5 million

This increase is due to a \$42m receivable related to trading positions that have been closed out in the market but have not yet settled.

Investments – Increase of \$6.8m

The majority of this increase (\$4.2m) related to AWB's 30% investment in the Five Star Feed Mill and Animal Production Company, the remainder results from equity accounting the profits of the Five Star Flour Mill and the partial repayment of a loan made to Five Star Flour Mill.

Property, Plant and Equipment - Increase of \$61.6 million

The increase in PPE during the period is mainly due to the capital expenditure on construction of the additional grain centres and the expansion of the storage facility at Dimboola (\$44.5m) and information system development of \$22.8m during the past 12 months.

Deferred Tax Assets – Decrease of \$14.9 million

This decrease is a result of the movement in timing differences in the current period. The major tax timing differences are unrealised foreign exchange and commodity movements, accrued interest and tax losses in some of the AWBA businesses.

Payables – Increase of \$14.4 million

The major cause for this movement is the increase in direct cost accruals related to the Grain Acquisition and Trading Products activities.

Interest Bearing Liabilities – Increase of \$567.6 million

The majority of the increase in interest bearing liabilities is a result of the additional funds required to finance the higher level of grower loans and pool distributions receivable compared to the half year ended 31 March 2001.

Current Tax Liabilities – Decrease of \$29.4 million

The decrease in tax payable is a direct result of income tax payments of \$44.7m paid during the half-year. Provision for Income Tax is in debit balance (\$1.2m) at half-year and is therefore disclosed in Other Assets, this is essentially a timing issue.

Provisions - Increase of \$6.1 million

The increase is due to the greater number of shares on issue at 31/3/02. An interim dividend of 14 cents per was declared on issued shares, this amounts to \$38.3m. In the prior half-year, the interim dividend declared at 14 cents amounted to \$33.8m.

Equity – Increase of \$93.1 million

The increase is made up of \$99.9m of new equity raised at the time of listing in August 2001 less \$6.8m of transaction costs incurred as part of the two year process leading up to and including the IPO.

Interim dividend details

Amount: 14 cents
Ex-Dividend Date: 18 June 2002
Record Date: 24 June 2002
Payment Date: 5th July 2002