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Date of lodgement: 18-Nov-2009

Title: Open Briefing®. AWB Limited. MD & CFO on FY10 Outlook

Record of interview:

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AWB Limited today reported a net loss of \$250.8 million for the year ended September 2009, versus net profit of \$60.3 million in the previous year. Profit for the continuing businesses before tax and non-recurring items was \$93.0 million, down 29 percent, with an increased contribution from International Commodity Management partially offsetting declines in contributions from Landmark and Australian Commodity Management. How is the company positioned in an environment where competition is increasing?

MD Gordon Davis

We've been working hard to get the company in a position where we can focus on growth. We've completed substantial corporate governance reform and moved to a single class of shareholding. We are winding down our under-performing business in Brazil and we've restructured and recapitalised our balance sheet. So we're now in a position where growth can be a priority. Agriculture remains an attractive sector in Australia, and we are focused on making the most of the significant opportunities available.

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Your guidance for the current year ending September 2010 is for continuing business profit before tax and significant items of \$95 million to \$115 million prior to equity raising interest benefits of \$20 million to \$25 million. To what extent is achieving this result dependent on external conditions such as the weather?

MD Gordon Davis

The weather will always have a significant impact on the level of activity in Australian agriculture generally. We see that reflected principally through our Landmark business. Based on current conditions, we're assuming there will be a more benign pattern of weather, particularly in southeast Australia which has been impacted by continuing drought. Our assumptions are relatively conservative: we always budget for a drought effect somewhere in the Landmark network. But clearly, if the weather pattern changes significantly, our guidance will change.

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You've highlighted the work you've done to develop a more sustainable earnings profile for AWB. What will be the basis of ongoing earnings sustainability given the inherently volatile nature of agribusiness markets?

MD Gordon Davis

We've had a long-term strategic objective to reduce the impact on our business of weather conditions in any particular geography. We've done that by diversifying geographically across Australia: the Landmark business operates across all states, usually in very different seasonal conditions. We've also diversified across the agribusiness value chain, including into areas that are less affected by the weather, for example our investment in rail freight capacity, which has a relatively steady, industrial-type earnings stream.

At the same time we're seeking to ensure that the businesses we're in have strong positions in their respective markets and that they're run efficiently: in Landmark we have a business improvement program aimed at achieving a sustainable \$25 million reduction in the fixed cost base. And we continue to look for opportunities to expand in areas that will reduce our overall exposure to weather conditions.

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AWB has flagged that it is involved in processes that could potentially result in the sale of its International Commodity Management business and the joint-venture of its Australian Commodity Management business. How are you seeking to maintain operational momentum in these businesses given the ownership uncertainty and what will be your main considerations in making the sell/keep decision?

MD Gordon Davis

Our commodity business is by no means standing still and continues to be a major consolidator of grain in Australia. The Australian Commodity Management business has a range of new initiatives including an enhanced wheat pooling product, new barley pooling products, and increased capacity in rail freight.

Our main consideration in making the sell/keep decision remains whether we feel the long-term value of the business will be enhanced if we have a strong, multi-origin/multi-country partner. That's been the principal criterion in the discussions we've been conducting.

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What is the anticipated impact of any potential commodity business sale on the capital needs of the group?

MD Gordon Davis

The purpose of partnering our commodity business is not to release capital to the group, but to ensure we have a stronger business that can grow. We see more opportunities in this space, particularly in Australia, than we're able to pursue with our current balance sheet size.

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A highlight of the result was the reduction in net corporate debt to \$880.3 million as at the end of September, from \$1.14 billion a year earlier. This largely reflected significant reductions in working capital in Rural Services and Commodity Management, and was larger than your target net corporate debt reduction of \$200 million. Given the better than expected debt reduction via operating cash flow, in retrospect was your recent \$459 million capital raising unnecessarily large?

CFO Philip Gentry

It's worth noting that approximately half the \$55 million "over achievement" of our target was due to exchange rate movements. We sized the capital raising for the business as it stood at the time and with the aim of achieving net debt to EBITDA and interest cover metrics more in line with a traditional business. It wasn't appropriate to take into account what may or may not happen in the future such as potential capital releases from any potential change to the Landmark Financial Services funding model or in the ownership structure of our commodities business, or any potential sale of Hi-Fert. To the extent that those initiatives release capital if they occur in due course, we'll address any capital management issue at that time.

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On a proforma basis, you estimate net corporate debt will be \$436 million post the raising, with net debt to EBITDA dropping to 2.6 times and EBITDA to net interest increasing to 5.8 times, compared with approximately 5.5 times and 3.5 times respectively pre the raising. What level of balance sheet capacity does this give you to pursue your growth strategy for the group?

CFO Philip Gentry

There's clearly materially more capacity than we've had over the last 12 months. That could increase over time if we realise some of these corporate initiatives, but we intend to maintain a conservative balance sheet position.

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What are the growth opportunities for a potentially downsized and less diverse AWB?

MD Gordon Davis

We'd strongly disagree that the company will be smaller or less diverse. In commodities, we're not getting out of the business, we're seeking to do it differently and indeed grow it significantly. The businesses we're potentially getting out of are ones we arguably shouldn't be in anyway, such as funding large loan books.

We've got a set of objectives around risk, sustainability and earnings, and we see broad categories of opportunity for AWB. We see the potential for organic growth in our existing businesses and we've been very active in identifying and executing those opportunities. We're also looking at parts of the agribusiness value chain where we're not well represented, either geographically or in particular activities. In addition, there's the potential for further industry consolidation and with a stronger balance sheet we're obviously better able to participate.

We look forward to being in a position at the AGM in late December to further update the market on the development of our growth strategy.

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Commodities Management booked EBITDA of \$123.1 million, down 2 percent from the previous year. The 17 percent fall in contribution from Australian Commodity Management to \$75.6 million was largely offset by the 41 percent increase in contribution from International Commodity Management to \$47.5 million. How sustainable is International EBITDA at the 2009 level?

CFO Philip Gentry

If you look back over five years, our international commodity business based in Geneva has a reasonable track record, increasing its earnings on average over that period. The 2009 result was Geneva's second highest since it began and while we're budgeting for slightly lower earnings in 2010, we're still expecting a strong contribution and believe the level of earnings is broadly sustainable.

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Australian Commodity Management benefited from improved volumes in Logistics, with EBITDA increasing to \$21.6 million from \$1.9 million. This offset reduced contributions from Grain Marketing and Pool Management Services, down 20 percent and 71 percent respectively to \$44.0 million and \$10.0 million. How indicative is the 2009 composition of Australian Commodity Management EBITDA of that expected going forward and how is AWB positioned in the broader Australian grain marketing and logistics market?

CFO Philip Gentry

We've been pleased with the performance of our Australian commodity business in its first year of deregulation, and we expect another solid contribution in 2010. We expect the Logistics business to continue to be a strong contributor, with an improved harvest outlook in the south and east of Australia assisting. We've continued to increase our market share in non-wheat grains, and our Grain Marketing and Pool Management businesses should continue to contribute solidly as well.

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Landmark Rural Services booked EBITDA of \$39.8 million in 2009, down 50 percent. You've said activity levels improved in the second half, but EBITDA for the half was weaker than the prior year, with prices and margins deteriorating. To what extent are these trends due to structural changes in the market?

CFO Philip Gentry

The biggest driver of Landmark's weaker year was margin compression in fertiliser and crop chemicals, and certainly the price reductions we saw in the last 12 months were unprecedented. We think there's scope for improvement in margins given input prices are now at much lower levels. We also see scope for volume improvement in the period ahead, albeit, offset to some extent by an increasing Australian dollar.

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You've flagged plans within Landmark Rural Services to reduce "non-customer facing" fixed costs by \$25 million and deliver efficiencies in the merchandise and fertiliser segments. To what extent will these initiatives contribute directly to Landmark's earnings in the current financial year?

CFO Philip Gentry

The majority of the \$25 million savings should drop to Landmark's bottom line in the 2010 financial year. But remember, this is off the 2009 base and there will be some modest increase in Landmark's cost base through inflation that will offset the \$25 million cost savings to some extent.

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Landmark Financial Services booked EBITDA of \$18.5 million, down 33 percent, with the benefits of an improvement in net interest margin in the loan book and growth in insurance commission offset by an increase in provision charge. Does this signal a significant deterioration in the quality of the loan book? Where are we in the rural credit cycle and will further increases in provisioning levels be required?

CFO Philip Gentry

We haven't seen significant deterioration in the quality of the loan book as a whole. But, a small number of accounts have been downgraded to non-accrual due to prolonged drought. In recent months we've seen some stabilisation of the credit metrics of the portfolio, and at this stage we're not seeing any reason for further increases in provisioning levels. If anything, the outlook for the season, and in particular improved production in the south and east, may lead to some improvement.

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Can you provide any update on your ongoing discussions around the restructuring of the funding model for the Landmark Financial Services loan book?

CFO Philip Gentry

We're well advanced on securing an alternative funding model but it's not appropriate to say any more at this time. As we have said previously, we hope to conclude this process during the first half of this financial year.

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Discontinuing operations, AWB Brazil and Hi-Fert, booked total pre-tax losses of \$125.8 million and \$61.6 million respectively. Do you expect to incur further losses from these businesses going forward? What's been the progress in exiting the businesses and what have been the lessons, particularly from the Brazil experience?

CFO Philip Gentry

The wind-down of Brazil is progressing according to plan and at this stage we believe our provisioning for the operation is adequate. In Hi-Fert, we've written down the carrying value of our investment in Hi-Fert to what we believe reflects current fertiliser market valuations. Fertiliser prices are relatively low at this point in the cycle and we believe there's little scope for future inventory write-downs.

MD Gordon Davis

We've conducted a full analysis of the Brazil experience from sanction by the board through to closure. We've identified a range of causes: poor commercial decisions made locally; some of the activities being inconsistent with the original business case; asset impairment for credit risks going unidentified for too long; and some conflicts of interest that weren't appropriately managed. We've learned from that experience and put in place more structure around formal approval processes at head office, more direct visibility of business activity by head office, and a significantly stronger risk management framework across all our businesses.

For Hi-Fert, we're continuing the sale process, although if a reasonable value cannot be obtained, there are other alternatives.

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AWB did not pay a dividend for 2009. What will be the triggers of a return to dividend payments?

MD Gordon Davis

We have a stated dividend payout policy: 40 to 65 percent of NPAT post significant items. Clearly the trigger for a return to dividends is a positive net profit result.

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Thank you Gordon and Philip.

For more information about AWB, visit www.awb.com.au or call Belinda Seal on (+61 3) 9209 2887.

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