

# Half Year Results 2007

23 May 2007



**Overview - Gordon Davis, Managing Director**

**Financial performance – Mark Hosking, Chief Financial Officer**

**Strategy and Outlook - Gordon Davis, Managing Director**

## Overview - Gordon Davis, Managing Director

# 2007 half year highlights



- Underlying profit before tax and amortisation down 58% to \$36.1 million\*
- Reported net profit after tax down 71% to \$11.8 million

## Results affected by continued drought:

- ✘ Operating revenue down 10% to \$2.4 billion
- ✘ Pool Management performance affected by small harvest and export permits
- ✘ Australian Commodity Management severely impacted by drought; business model under review
- ✘ Under-performance in the Meat and Livestock book
- ✘ Continued uncertainty about future wheat export marketing arrangements
- ✘ Legacy issues (class actions) to be managed

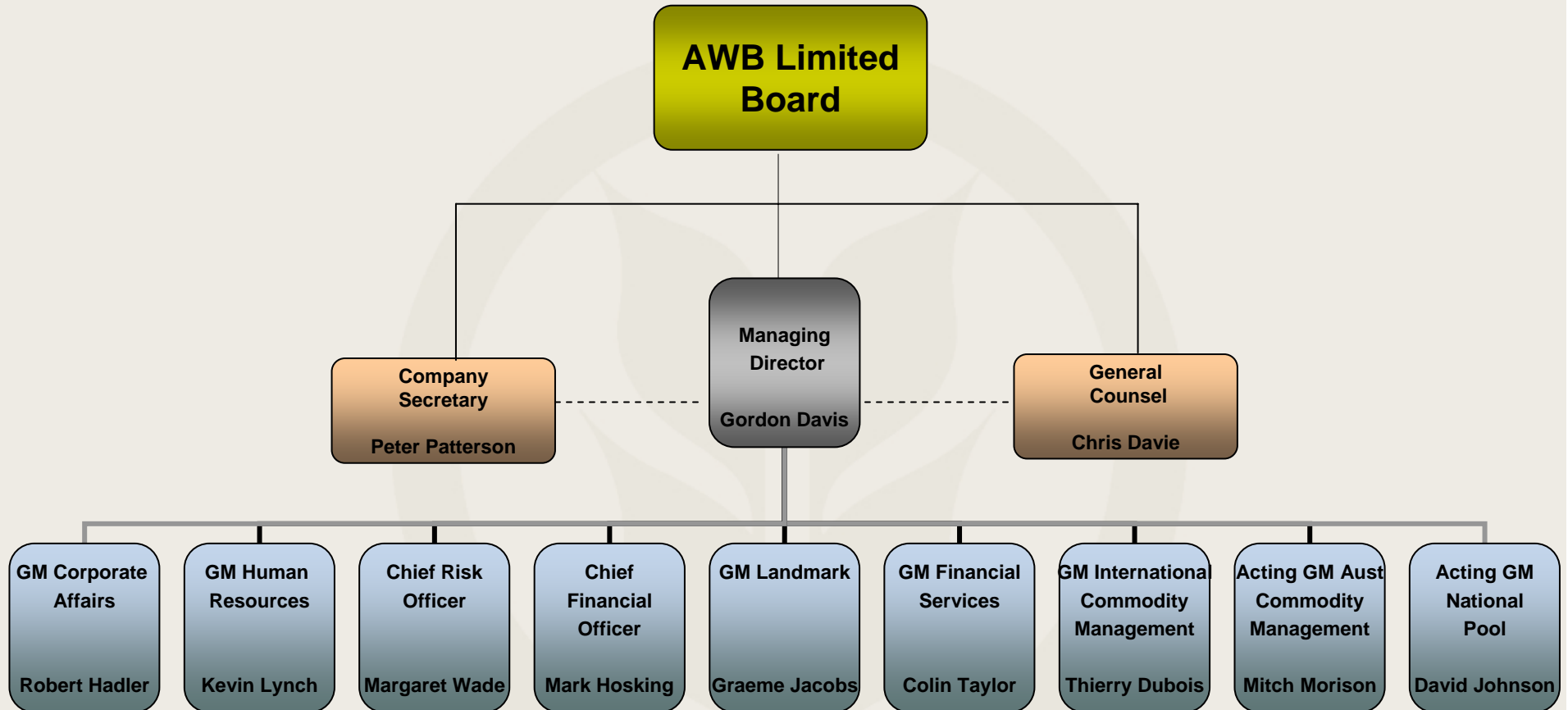
## Good progress on efficiency programmes and business improvements:

- ✓ Overhead costs reduced by \$25.9 million to \$192.2 million, down 12%
- ✓ Drought impact on Landmark network mostly offset by management action
- ✓ Landmark Financial Services loan portfolio over \$2 billion
- ✓ AWB India and AWB Brazil growth as expected
- ✓ New management team in place
- ✓ New values programme implemented across organisation

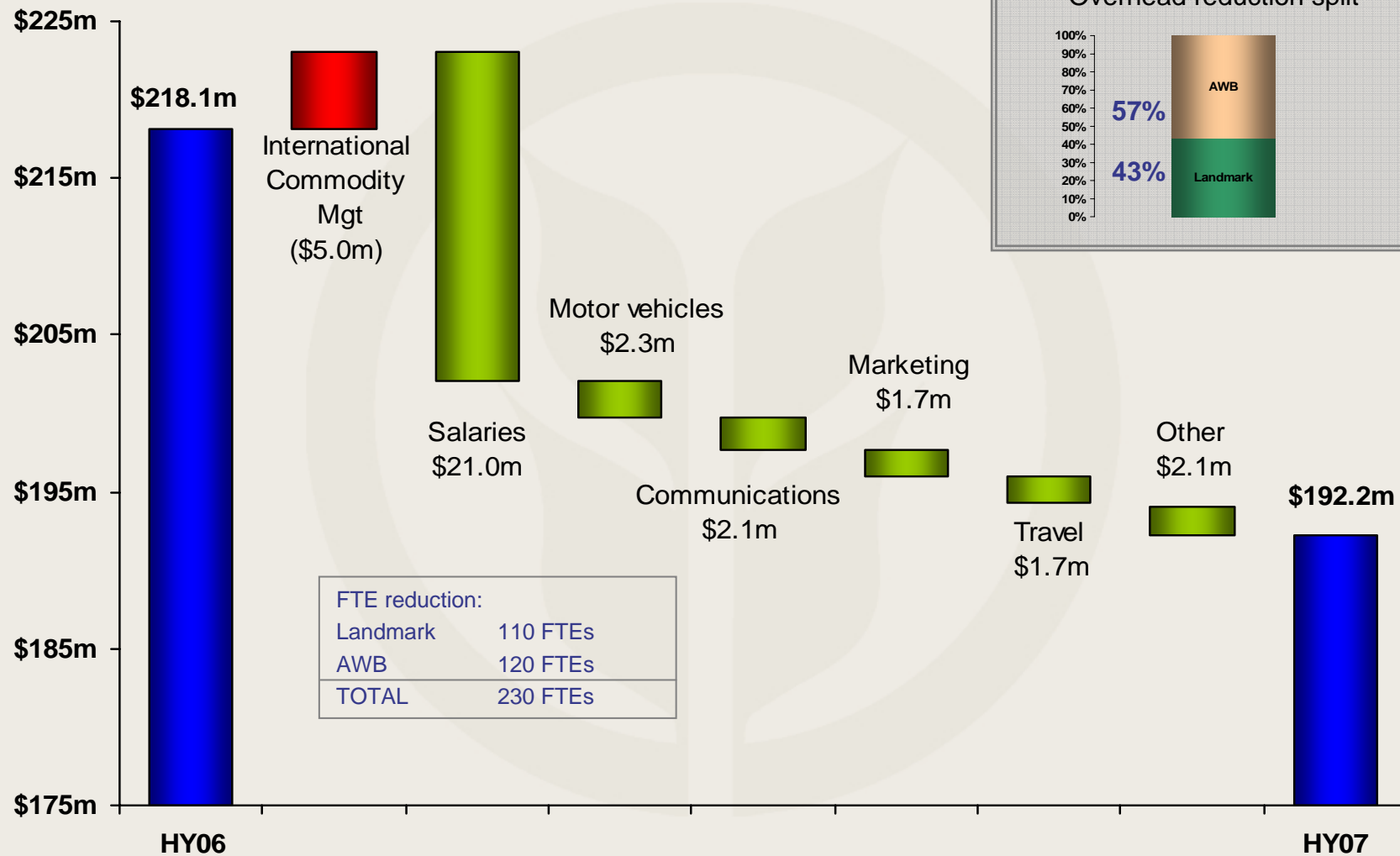
\* In line with guidance given at the AGM in Feb 2007

- **Efficiency**
  - Cost reductions delivered
  - Streamlined business processes
- **Culture**
  - New leadership team
  - Values completed and roll-out in final stages
- **Governance**
  - More rigorous risk management
  - Improved compliance
- **Communication**
  - Improved disclosure and transparency
  - Improving stakeholder engagement

# New Management Team

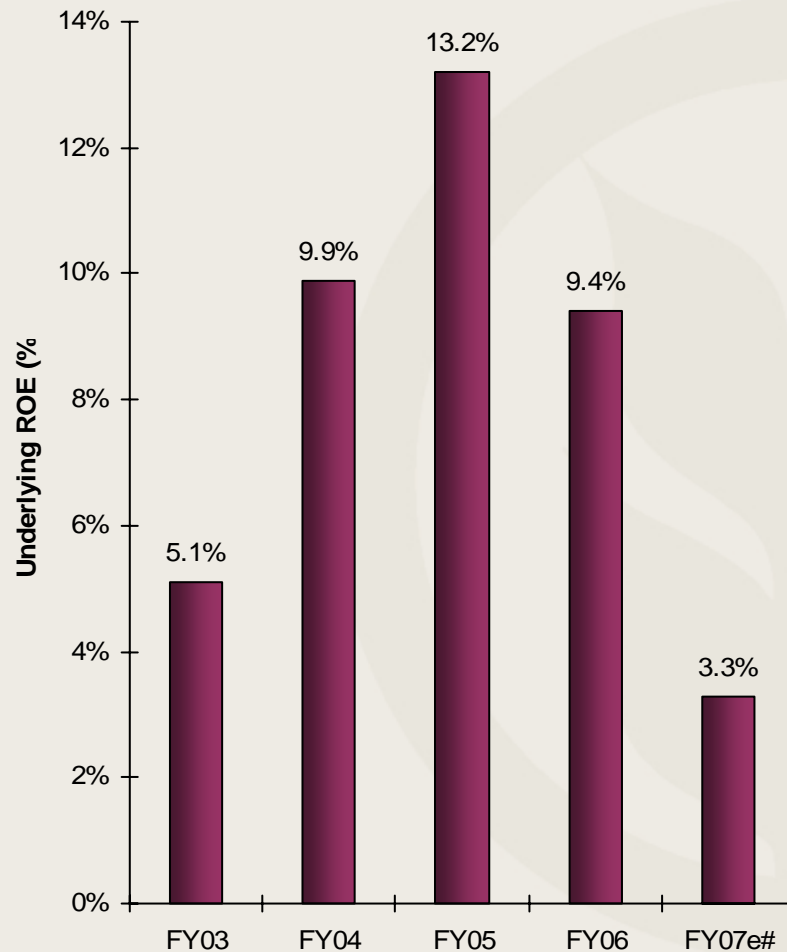


# Overheads\* reduced by \$26 million



\* Underlying overheads (excluding depreciation expenses)

# Return on Equity \*

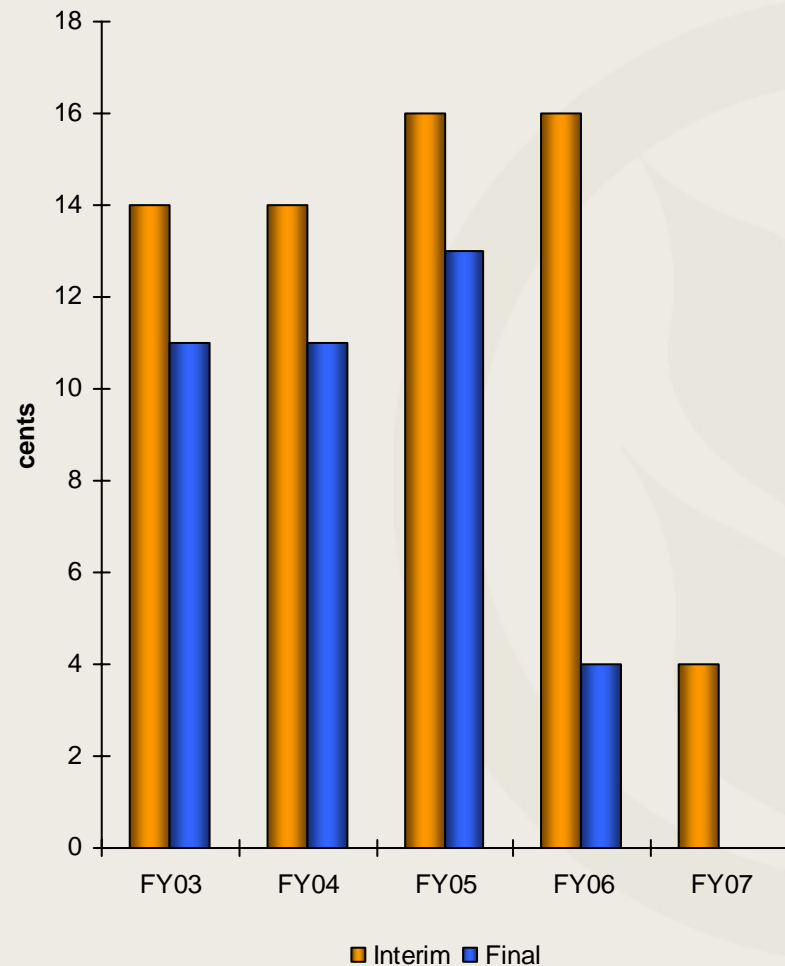


- ROE impacted by seasonal volatility
- Need to achieve a sustainable higher ROE
  - Business by business review in progress
  - Capital reallocation in progress
  - Reduce the seasonal and cyclical volatility through continued diversification

\* Based on net profit after tax excluding significant items

# Based on midpoint of NPAT guidance given at the AGM in Feb 2007



# Dividends





- Fully franked interim dividend of 4 cents reflects lower earnings
- Reported EPS of 3.4 cents per share
- Dividend policy under review

## Financial performance – Mark Hosking, Chief Financial Officer

## Rural Services

-  Resilience of Landmark given adverse seasonal conditions
-  Distribution network and customer relationship strength

## Financial Services

-  Solid growth in loan book under tough rural conditions
-  Strong customer support

## Commodity Management

-  Uncertainty about long term wheat export marketing arrangements
-  Under-performance by Australian Commodity business

## Cost base

-  Good progress in reducing cost base so far

## Capital efficiency

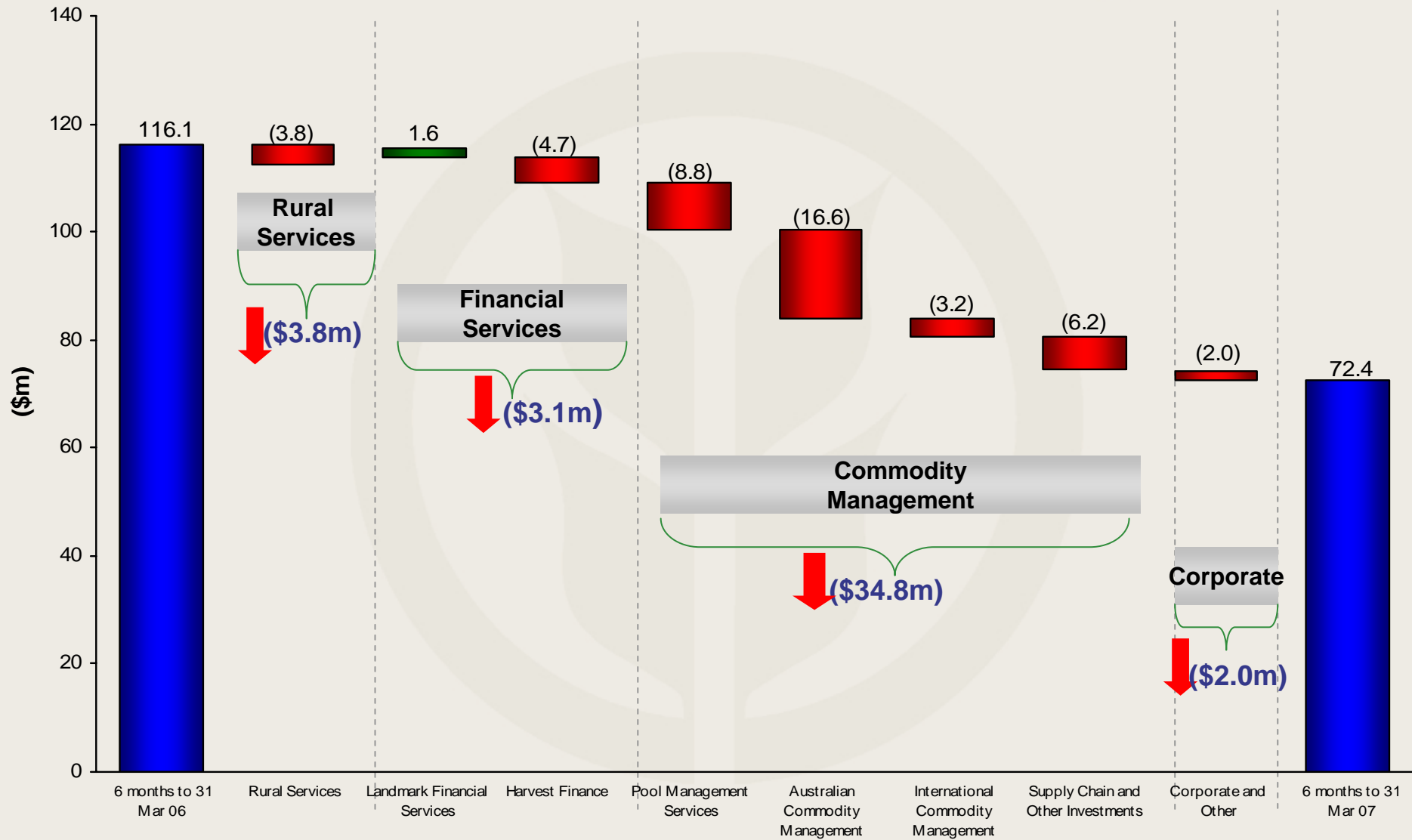
-  Approach to capital allocation to be finalised

# Underlying profit and significant items

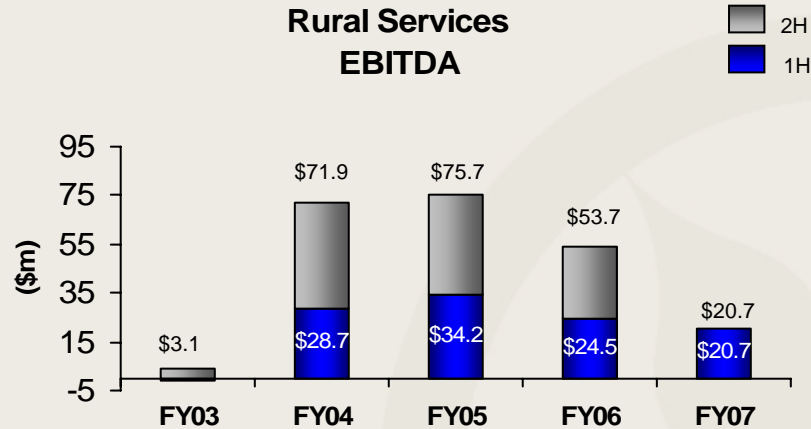


\$m	Half year ended 31 March	
	2006	2007
<b>Underlying PBTA</b>	<b>85.6</b>	<b>36.1</b>
Hi-Fert acquisition benefit	10.4	-
Costs associated with Oil for Food Inquiry	(9.7)	(3.8)
Redundancies and restructuring	(2.4)	(6.8)
Employee share loan fair value	-	(5.6)
A-IFRS transition adjustments	(22.9)	-
<b>Total adjustments to underlying profit</b>	<b>(24.6)</b>	<b>(16.2)</b>
<b>Reported PBTA</b>	<b>61.0</b>	<b>19.9</b>

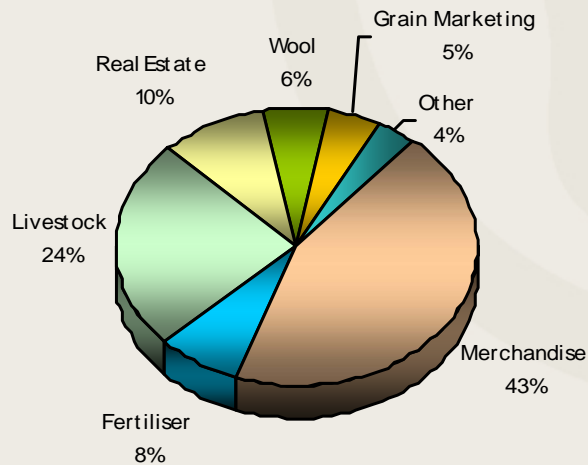
# Underlying EBITDA



# Rural Services highlights



**Landmark\* Gross Profit contribution - HY07**



## Environment

- Further deterioration in seasonal conditions in first half

## Performance

- Landmark\* gross profit down 9% - reduced merchandise sales and livestock prices; offset by increased earnings in Fertiliser, Real Estate and Wool
- Performance from investments (Hi-Fert, RD1 and AWH) as expected

## Developments/Outlook

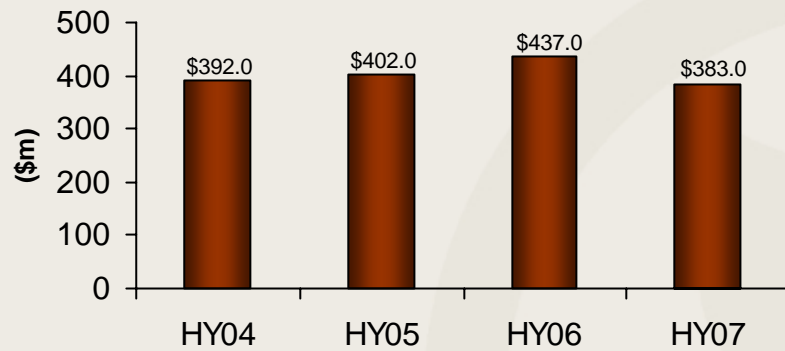
- New General Manager, Graeme Jacobs, appointed
- Return to average rainfall will be key driver of improved performance in second half

\* Landmark excluding Landmark Financial Services

# Rural Services – by activity



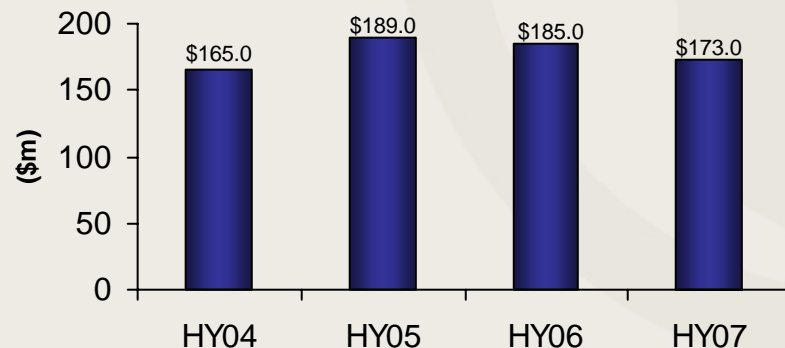
Merchandise sales



## Merchandise

- Gross profit down 12%
- Sales down by 12% from pcp to \$383 million
- Lower demand for crop chemicals due to adverse seasonal conditions
- Direct import strategy commenced

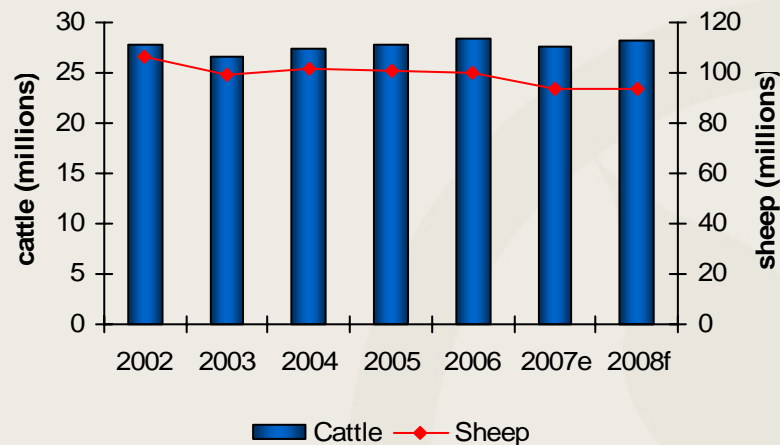
Fertiliser sales



## Fertiliser

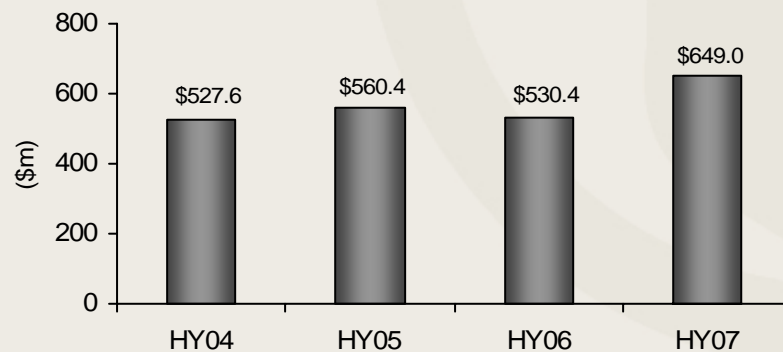
- Gross profit up 13%
- Sales down by 6% to pcp to \$173 million

# Rural Services – by activity



Source: ABARE March 2007

Real Estate - value of properties sold



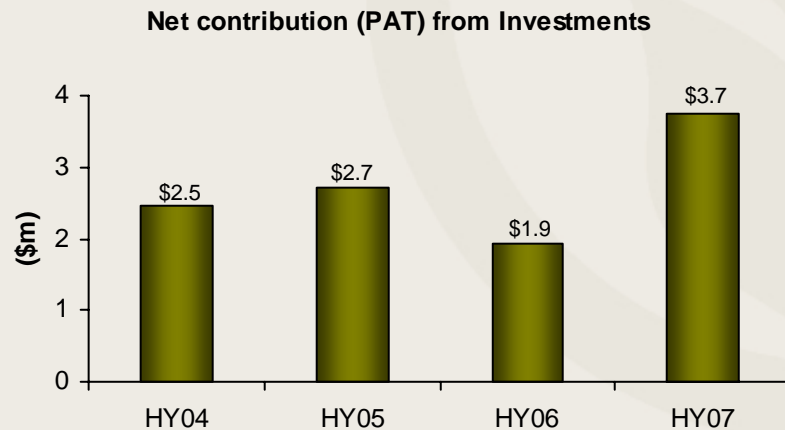
## Livestock

- Gross profit down 15%
- Farmers de-stocked due to continuing dry conditions:
  - cattle sold up 9%; sheep up 4%
  - average price for cattle down 13%; sheep down 16%
- Restocking will depend on a return to normal seasonal conditions

## Real Estate

- Gross profit up 13%
- Rural property sales up 25% from pcp, mainly in Queensland, Victoria and Western Australia
- Strategy continues to focus on rural residential opportunities

# Rural Services – by activity

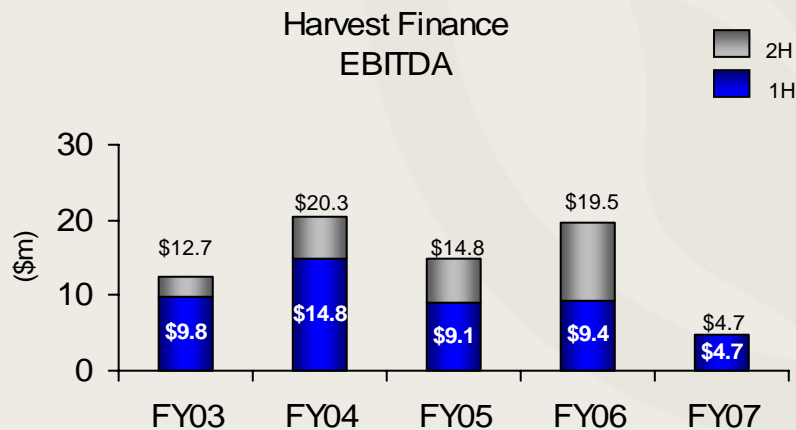
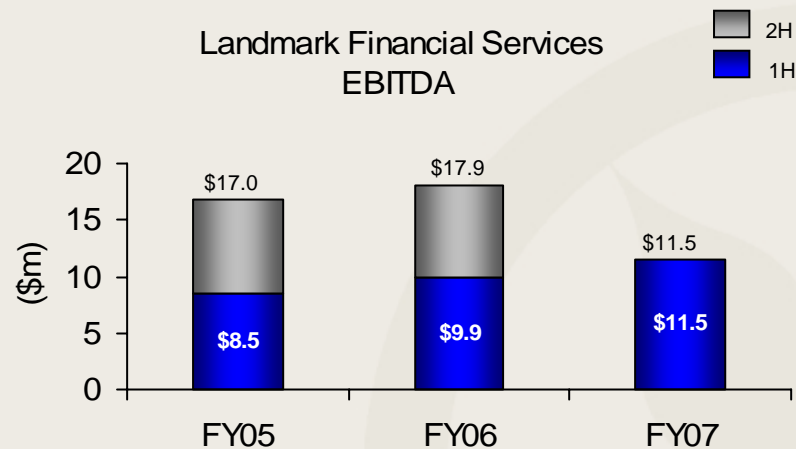


## Wool

- Gross profit up 28%
- Bale volumes in line with pcp
- Price up 22% to \$924 per bale, driven by increased demand from international processors

## Other Investments

- Profit after tax up 95%
- Net contribution from investments of \$3.7m
  - Improvement in AWH contribution
  - Adverse foreign exchange mark-to-market timing impact in Hi-Fert
  - RD1 performance in line with expectations



## Environment

- Market remains competitive despite tough seasonal conditions

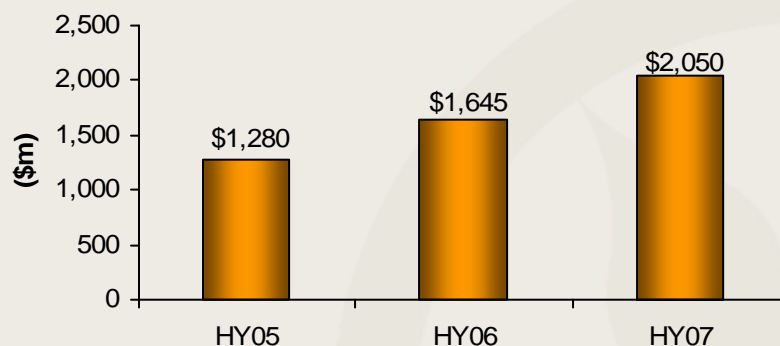
## Performance

- Landmark Financial Services EBITDA up 16% despite increased credit provisioning
- Harvest Finance results down 50% due to adverse seasonal conditions

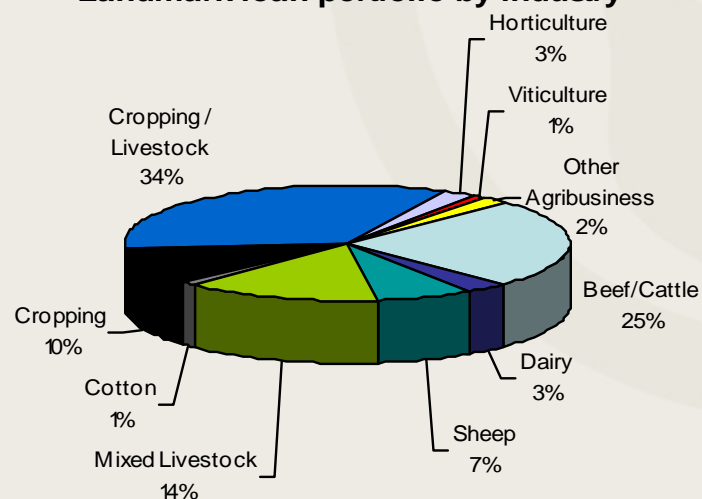
## Developments/Outlook

- Continued organic growth in the loan portfolio in excess of rural sector systems growth (estimated at 10%)

**Landmark loan portfolio balance**



**Landmark loan portfolio by industry**



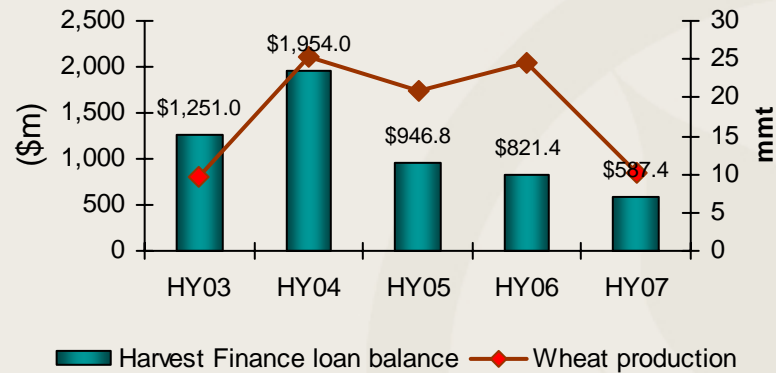
## Landmark Loan Portfolio

- Portfolio over \$2 billion
- Broad based rural loan portfolio
- 92% of portfolio supported by rural property, remainder by livestock, crop or unsecured
- Net non-accrual loans of \$24.6 million, representing 1.2% of gross loans
- Net interest margin on Landmark loan portfolio decreased to 1.68%.

## Deposits and Insurance

- Interest Bearing Deposits (IBDs) balance at \$406 million, down 20%
- Insurance turnover down 3% to \$73 million

Harvest Finance loan book



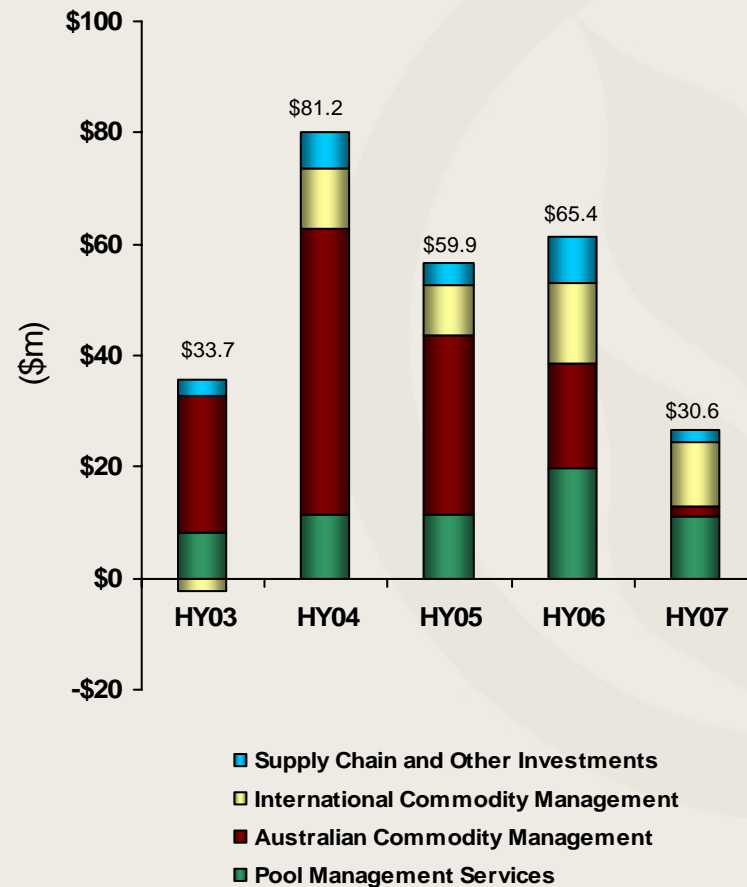
## Harvest Finance

- Harvest Finance results down 50% due to lower crop
- Market share at 66%
  - 2.0 mmt advanced to Harvest Finance compared to 9 mmt in pcp
- Underwriting revenue down 39% to \$4.9 million
- Net interest margin at 1.93%, from 1.82%

# Commodity Management



Commodity Management  
- EBITDA by segment



## Environment

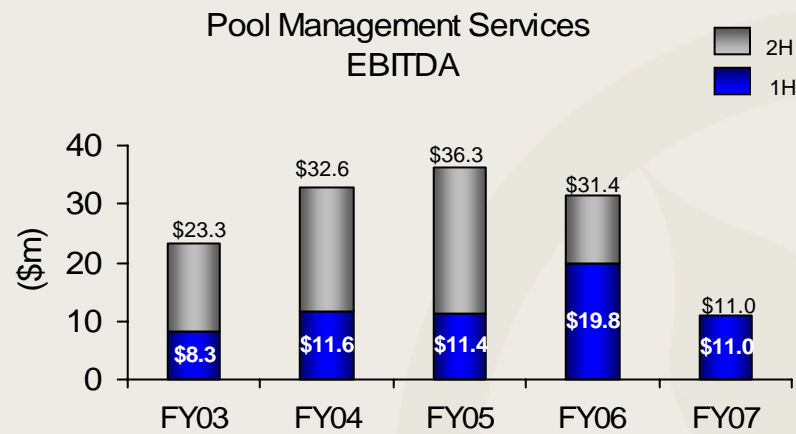
- Adverse seasonal conditions and lower production
- Tough trading environment

## Performance

- Lower crop size impacts Australian Grain Trading, Chartering and Supply Chain
- Under-performance in Meat and Livestock
- AWB India and AWB Brazil in line with expectations

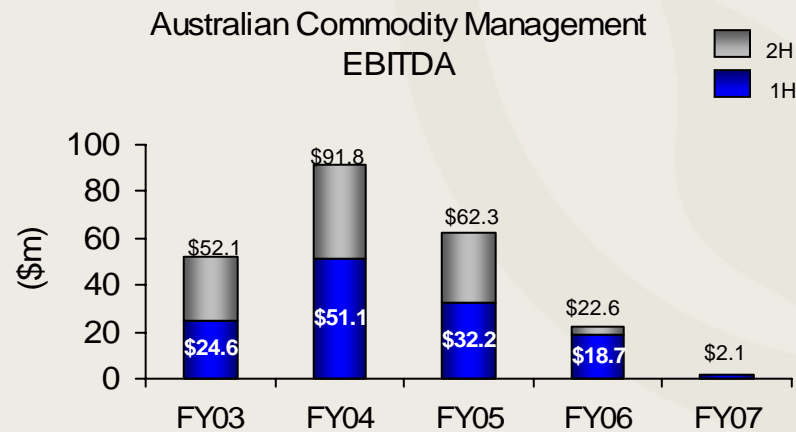
## Developments/Outlook

- Review of Australian Commodity Management business model in progress
- Impact of changes to wheat export marketing arrangements



## Pool Management Services

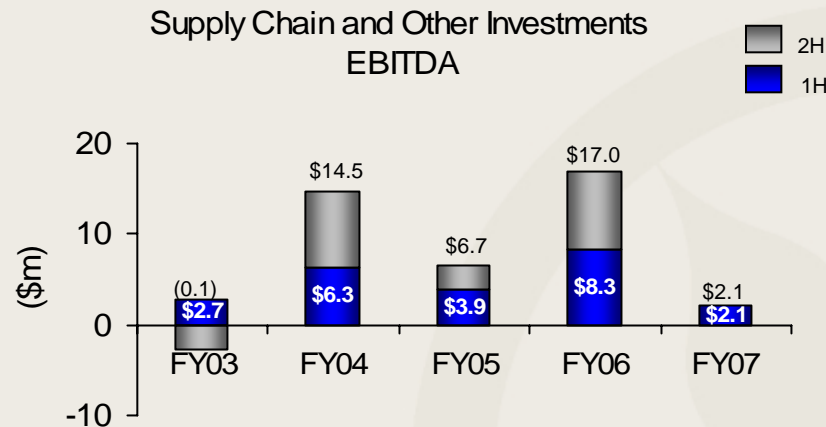
- Out-performance down 40% (lagged impact from 2005/06 Pool)
- Pool receivals down 82% to 3.2 mmt



## Australian Commodity Management

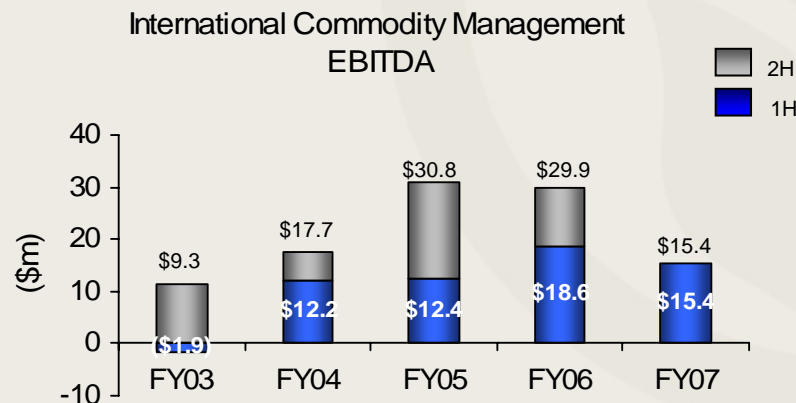
- Domestic wheat volume down 40% to approximately 1mmt
- Other grains down 60% to 190kt
- Australian Chartering volume down by 31%
- Negative contribution from Meat and Livestock

# Commodity Management



## Supply Chain & Other Investments

- GrainFlow receivals 160kt against capacity of 3.1mmt
- Offshore investments in line with expectation



## International Commodity Management

- Expansion of agricultural commodities and markets traded
- Construction of storage assets in India and Brazil

# Balance Sheet



<b>\$ millions</b>	<b>30 Sep 06</b>	<b>31 Mar 07</b>
Working Capital and Other Current Balances	735.6	712.8
Investments, Intangibles and PP&E	842.1	830.3
Total Loans & Grower Receivables	2,918.4	2,649.2
<b><i>Total Funds Employed</i></b>	<b><i>4,496.1</i></b>	<b><i>4,192.3</i></b>
Loan book funding	(2,923.5)	(2,653.9)
Net Corporate Debt	(447.3)	(427.6)
Shareholders' Equity	(1,125.3)	(1,110.8)
<b><i>Total Sources of Funds</i></b>	<b><i>(4,496.1)</i></b>	<b><i>(4,192.3)</i></b>

\* See Appendix 2 for detailed Balance Sheet

# Cash flow - six months to March 2007



<b>Cashflow</b>		
<b>Half Year Ended 31 March (\$m)</b>	<b>2006</b>	<b>2007</b>
Profit before tax	56.0	14.9
Add: depreciation & amortisation	21.8	21.8
Less: profit on sale of n/c assets	(1.3)	(3.3)
Add: other non-cash items	54.9	1.4
	<u>131.4</u>	<u>34.8</u>
(Increase)/Decrease in working capital balances	(142.9)	22.8
Income taxes paid (net)	(21.4)	(9.2)
<b>Cash flows from operating activities</b>	<b><u>(32.9)</u></b>	<b><u>48.4</u></b>
Payments for pp&e (net)	(5.5)	(9.6)
Proceeds from / (purchases of) investments (net)	(10.0)	(2.1)
Payments for intangible assets (net)	(11.3)	(7.3)
Purchase of loan book	(1,599.8)	0.0
<b>Cash flows from investing activities</b>	<b><u>(1,626.6)</u></b>	<b><u>(19.0)</u></b>
Grower loans	(402.9)	143.9
Grower advanced and deferred payments	(278.9)	171.6
Customer loans	(62.6)	(46.1)
Proceeds / (placements) of short term deposits	128.8	(202.1)
Proceeds from issues of shares	8.0	0.0
Net increase / (decrease) in interest bearing liabilities	2,292.8	(71.6)
Dividends paid	(45.1)	(13.9)
<b>Cash flows from financing activities</b>	<b><u>1,640.1</u></b>	<b><u>(18.2)</u></b>
<b>Net increase / (decrease) in cash held</b>	<b>(19.4)</b>	<b>11.2</b>

- Strategy
- Capital Allocation
- Efficiency
- Compliance/Disclosure

## Strategy and Outlook - Gordon Davis, Managing Director

- Ours to control
  - Sustainable cost base
  - Efficient capital allocation
- Ours to influence
  - Wheat export marketing arrangements
  - Conduct of legacy issues
- Ours to manage
  - Seasonal impacts
  - Commodity prices

# Our Strategy



## Increase shareholder returns by reshaping the business:

- Embedding a sustainably lower cost base
- Developing skills and capability for future growth
- Improving capital utilisation across the business
- Minimise the cost of legacy issues; and
- Continue business and geographic diversification

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**For more information contact:**

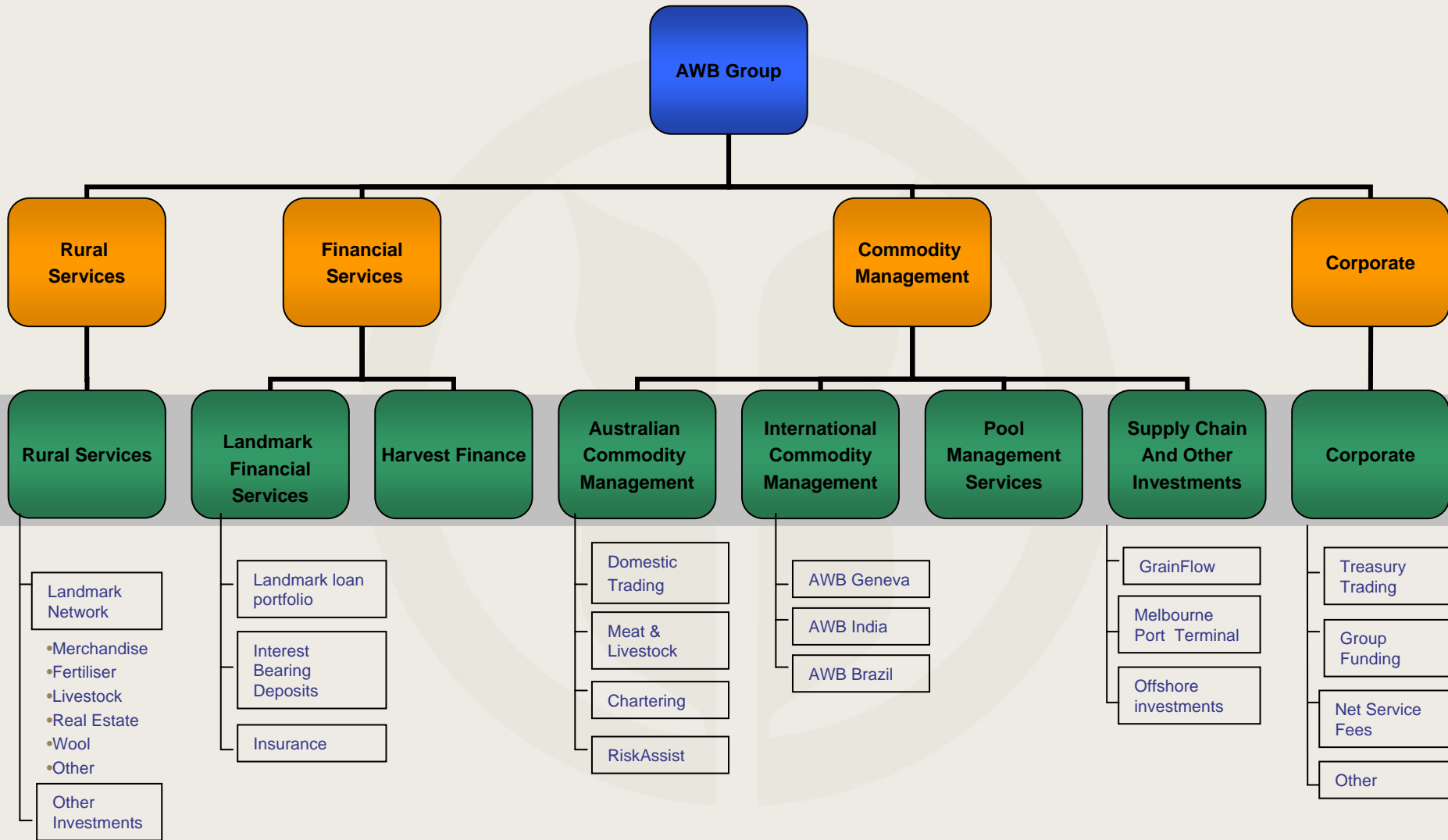
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# Appendix 1 – New segment structure



- AWH (50%)
- HiFert (50%)
- RD1 (50%)

# Appendix 1 – Restated segment financials



	Y/E September 2003			Y/E September 2004			Y/E September 2005			Y/E September 2006			HY Mar 2007
	1H Mar-03	2H Sep-03	FY Sep-03	1H Mar-04	2H Sep-04	FY Sep-04	1H Mar-05	2H Sep-05	FY Sep-05	1H Mar-06	2H Sep-06	FY Sep-06	1H Mar-07
<b>REVENUE (\$m)</b>													
<b>Rural Services</b>	1.2	119.2	120.4	682.1	959.3	1,641.4	706.4	944.9	1,651.3	726.0	841.0	1,567.0	652.1
<b>Financial Services</b>	58.7	155.5	214.2	763.6	466.3	1,229.9	446.9	245.5	692.4	657.2	150.7	807.9	189.6
Landmark Financial Services	0.0	1.3	1.3	8.9	8.5	17.4	9.1	8.6	17.7	57.8	88.4	146.2	104.7
Harvest Finance	58.7	154.2	212.9	754.7	457.8	1,212.5	437.8	236.9	674.7	599.4	62.3	661.7	84.9
<b>Commodity Management</b>	966.2	906.6	1,872.8	1,440.4	1,008.6	2,449.0	1,380.9	1,159.5	2,540.4	1,208.2	1,240.9	2,449.1	1,516.3
Pool Management Services	33.5	43.6	77.1	37.3	57.9	95.2	42.2	58.7	100.9	51.0	41.4	92.4	31.2
Australian Commodity Management	744.0	675.9	1,419.9	1,145.0	581.0	1,726.0	821.9	398.8	1,220.7	569.6	401.8	971.4	465.4
International Commodity Management	146.1	160.4	306.5	210.9	308.1	519.0	470.4	671.9	1,142.3	539.3	757.5	1,296.8	981.3
Supply Chain and Other Investments	42.6	26.7	69.3	47.2	61.6	108.8	46.4	30.1	76.5	48.3	40.2	88.5	38.4
<b>Corporate</b>	4.2	0.3	4.5	9.5	14.8	24.3	88.4	19.5	107.9	26.8	3.0	29.8	5.0
<b>TOTAL REVENUE</b>	<b>1,030.3</b>	<b>1,181.6</b>	<b>2,211.9</b>	<b>2,895.6</b>	<b>2,449.0</b>	<b>5,344.6</b>	<b>2,622.6</b>	<b>2,369.4</b>	<b>4,992.0</b>	<b>2,618.2</b>	<b>2,235.6</b>	<b>4,853.8</b>	<b>2,363.0</b>
<b>EBITDA (\$m)</b>													
<b>Rural Services</b>	(0.6)	3.7	3.1	28.7	43.2	71.9	34.2	41.5	75.7	24.5	29.2	53.7	20.7
<b>Financial Services</b>	9.8	5.6	15.4	28.0	16.5	44.5	17.6	14.2	31.8	19.3	18.1	37.4	16.2
Landmark Financial Services	0.0	2.7	2.7	13.2	11.0	24.2	8.5	8.5	17.0	9.9	8.0	17.9	11.5
Harvest Finance	9.8	2.9	12.7	14.8	5.5	20.3	9.1	5.7	14.8	9.4	10.1	19.5	4.7
<b>Commodity Management</b>	33.7	50.9	84.6	81.2	75.4	156.6	59.9	76.2	136.1	65.4	35.5	100.9	30.6
Pool Management Services	8.3	15.0	23.3	11.6	21.0	32.6	11.4	24.9	36.3	19.8	11.6	31.4	11.0
Australian Commodity Management	24.6	27.5	52.1	51.1	40.7	91.8	32.2	30.1	62.3	18.7	3.9	22.6	2.1
International Commodity Management	(1.9)	11.2	9.3	12.2	5.5	17.7	12.4	18.4	30.8	18.6	11.3	29.9	15.4
Supply Chain and Other Investments	2.7	(2.8)	(0.1)	6.3	8.2	14.5	3.9	2.8	6.7	8.3	8.7	17.0	2.1
<b>Corporate</b>	15.5	(22.7)	(7.2)	(1.3)	(7.3)	(8.6)	8.6	3.3	11.9	6.9	11.2	18.1	4.9
<b>TOTAL EBITDA</b>	<b>58.4</b>	<b>37.5</b>	<b>95.9</b>	<b>136.6</b>	<b>127.8</b>	<b>264.4</b>	<b>120.3</b>	<b>135.2</b>	<b>255.5</b>	<b>116.1</b>	<b>94.0</b>	<b>210.1</b>	<b>72.4</b>
<b>EBIT</b>													
<b>Rural Services</b>	(0.6)	2.3	1.7	20.0	34.4	54.4	25.5	35.7	61.2	19.6	24.8	44.4	16.2
<b>Financial Services</b>	9.8	5.5	15.3	27.7	16.4	44.1	17.2	14.1	31.3	19.2	18.2	37.4	15.6
Landmark Financial Services	0.0	2.6	2.6	12.9	10.7	23.6	8.1	8.4	16.5	9.8	8.0	17.8	10.9
Harvest Finance	9.8	2.9	12.7	14.8	5.7	20.5	9.1	5.7	14.8	9.4	10.2	19.6	4.7
<b>Commodity Management</b>	28.1	44.9	73.0	75.0	68.7	143.7	54.8	70.7	125.5	60.1	30.0	90.1	26.1
Pool Management Services	8.3	15.0	23.3	11.6	21.0	32.6	11.4	24.9	36.3	19.8	11.6	31.4	11.0
Australian Commodity Management	24.6	27.5	52.1	51.1	40.7	91.8	32.2	30.1	62.3	18.7	3.9	22.6	2.1
International Commodity Management	(1.9)	11.2	9.3	12.2	5.3	17.5	12.3	18.4	30.7	18.5	11.2	29.7	15.3
Supply Chain and Other Investments	(2.9)	(8.8)	(11.7)	0.1	1.7	1.8	(1.1)	(2.7)	(3.8)	3.1	3.3	6.4	(2.3)
<b>Corporate</b>	8.9	(32.8)	(23.9)	(23.7)	(37.3)	(61.0)	(3.4)	(8.5)	(11.9)	(4.6)	(0.4)	(5.0)	(7.3)
<b>TOTAL EBIT</b>	<b>46.2</b>	<b>19.9</b>	<b>66.1</b>	<b>99.0</b>	<b>82.2</b>	<b>181.2</b>	<b>94.1</b>	<b>112.0</b>	<b>206.1</b>	<b>94.3</b>	<b>72.6</b>	<b>166.9</b>	<b>50.6</b>

# Appendix 2 - Balance Sheet (detailed)



	30 September 2006	31 March 2007	Rural Services	Landmark Financial Services	Harvest Finance	Australian Commodity Management	International Commodity Management	Supply Chain and other investments	Corporate & Other / Eliminations
Working Capital and Other Current Balances	735.6	712.8	91.7	148.9	(4.6)	227.8	185.0	19.5	44.5
Investments & Available for Sale Assets	116.2	109.0	87.8	-	-	-	-	-	21.2
Intangible Assets	560.1	558.5	323.1	219.8	-	-	1.2	-	14.4
Property, Plant, and Equipment	165.8	162.8	35.4	0.2	-	-	7.2	95.5	24.5
<i>Funds Employed (excluding Finance)</i>	<i>1,577.7</i>	<i>1,543.1</i>	<i>538.0</i>	<i>368.9</i>	<i>(4.6)</i>	<i>227.8</i>	<i>193.4</i>	<i>115.0</i>	<i>104.6</i>
Landmark Loans (incl Rural Trust)	2,003.4	2,049.6	-	2,049.6	-	-	-	-	-
Grower Loan Receivables	590.6	446.8	-	-	446.6	0.2	-	-	(0.0)
Advanced & Deferred Payment Products	324.4	152.8	-	-	152.8	-	-	-	-
<i>Total Loans &amp; Grower Receivables</i>	<i>2,918.4</i>	<i>2,649.2</i>	<i>-</i>	<i>2,049.6</i>	<i>599.4</i>	<i>0.2</i>	<i>-</i>	<i>-</i>	<i>(0.0)</i>
<b>Total Funds Employed</b>	<b>4,496.1</b>	<b>4,192.3</b>	<b>538.0</b>	<b>2,418.5</b>	<b>594.8</b>	<b>228.0</b>	<b>193.4</b>	<b>115.0</b>	<b>104.6</b>
Interest Bearing Deposits (Landmark)	(442.6)	(405.6)	-	(405.6)	-	-	-	-	0.0
Deposits - AWB National Pools	(511.9)	(678.4)	-	-	(585.0)	-	-	-	(93.4)
Net Interest Bearing Debt	(2,416.3)	(1,997.5)	(20.6)	(1,988.6)	-	-	(77.2)	3.7	85.1
Net Intercompany Balances	-	-	167.5	(3.2)	(4.1)	(231.6)	(19.4)	(174.0)	264.8
<i>Net Debt</i>	<i>(3,370.8)</i>	<i>(3,081.5)</i>	<i>146.9</i>	<i>(2,397.4)</i>	<i>(589.1)</i>	<i>(231.6)</i>	<i>(96.6)</i>	<i>(170.3)</i>	<i>256.6</i>
<i>Shareholders' Equity</i>	<i>(1,125.3)</i>	<i>(1,110.8)</i>	<i>(684.9)</i>	<i>(21.1)</i>	<i>(5.7)</i>	<i>3.6</i>	<i>(96.8)</i>	<i>55.3</i>	<i>(361.2)</i>
<b>Total Sources of Funds</b>	<b>(4,496.1)</b>	<b>(4,192.3)</b>	<b>(538.0)</b>	<b>(2,418.5)</b>	<b>(594.8)</b>	<b>(228.0)</b>	<b>(193.4)</b>	<b>(115.0)</b>	<b>(104.6)</b>