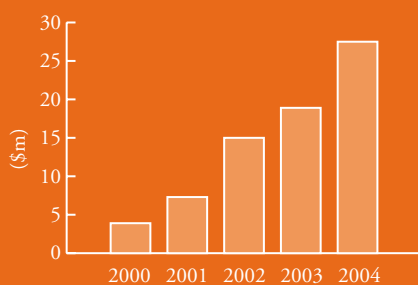


AWB is one of the largest users of the US wheat futures exchanges in Chicago, Kansas City and Minneapolis, and on an average day, can hedge up to 300,000 tonnes for the AWB National Pool.

NPBT* – Pool Management Services



* Net profit before tax

Jillian Wright
Agrifood
Technology



Pool Management Services

Highlights

- Finalised the 2002/03 AWB National Pool with near record pay grade returns
- Received 19.9mt from the largest ever national wheat crop of 25.2mt
- Shipped 19.1mt for year ended November 30, the second largest ever program
- Successfully continued trade with Iraq, securing sales in excess of 1.5mt
- Sold 2.5mt to China, the first significant sales since 1996
- Achieved record sales of more than 3mt to Indonesia
- Reduced supply chain costs for the sixth consecutive year
- Achieved \$140 million in out-performance value above the Wheat Industry Benchmark for the 2002/03 AWB National Pool, and a projected \$332 million to date for the 2003/04 Pool

AWB National Pool

AWB, through its wholly owned subsidiary AWB International (AWBI), manages the AWB National Pool. Integrated services are provided by AWB to AWBI for a fee under a commercial services agreement approved by the boards of both companies. AWB National Pool provides growers with a world leading grain marketing and risk management system, which actively manages wheat on their behalf from the point of delivery in Australia, to the point of consumption in the global market.

Active Pool manager

During the financial year, AWB finalised the drought impacted 2002/03 AWB National Pool. As part of its management, AWB was forced to ration supply to international customers with export volumes that were less than 25% of the previous Pool. AWB worked with domestic grain users during the drought, adjusting its export program and selling more than one million tonnes domestically to help satisfy demand, while still meeting its mandate to maximise net pool return. Although Pool value of \$1.3 billion from 2002/03 was down markedly (from \$5.3 billion the previous year), the pay grade return for the benchmark Australian Premium White (APW) of \$258.39 per tonne was one of the highest ever achieved.

International sales and marketing

For 2003/04, the volumes available for export rebounded sharply to almost 20 million tonnes. AWB made excellent progress in its sales and marketing campaign for this crop, capitalising on good pricing opportunities to sell more than 90% of available tonnages by the end of the financial year.

Highlights included sales of 2.5 million tonnes to China, the first significant business with that country since 1996. AWB continues to work with the Chinese buying agencies, and with wheat demand likely to

remain strong, is confident of further sales to China during the next 12 months. Despite the political and logistical hurdles in Iraq, the country has remained a key market for Australian wheat. In 2004, AWB struck new contracts for more than 1.5 million tonnes with Iraq, meeting food requirements and maintaining our share of the Iraqi market.

AWB continues to service its long standing market base in Asia and the Middle East, and this year announced record sales programs to two of the most important markets – Egypt and Indonesia. AWB has also created a market success story in Sudan, where, through an exclusive supply agreement with the country's premier flour miller, sales volumes have grown from nothing five years ago, to around 800,000 tonnes this year.

AWB supports its premium wheat product with specialised technical support for customers. In 2004, AWB held 41 Grain Industry Orientation programs in Australia for customers from 17 countries. AWB also enhanced its branding and supply agreements with customers such as Bogasari Flour Mills in Indonesia, where jointly branded flour products are sold. This year, AWB opened a baking centre in Vietnam in conjunction with RMIT University Vietnam. The facility will train bakers from across South East Asia and promote the use of Australian wheat in their flour mixes.

Risk management

Through sound hedging policies and sophisticated currency and commodity risk management programs, AWB enhanced and protected the value of the three Pools under its management during the 2003/04 financial year. Importantly, all these programs are conducted within strict board policies and are closely monitored by an internal corporate risk group, and both the AWBI and AWB boards of directors. The 2002/03 Pool, AWB achieved an average A\$/US\$ hedge rate of US\$0.5455 outperforming the Wheat Industry Benchmark foreign exchange



sub-benchmark, and the average spot rate of US\$0.6191 during the life of the pool. In anticipation of a strengthening Australian dollar in 2003, AWB was in a strong position to build up its hedge book and is well on track to outperform its foreign exchange benchmark for the 2003/04 Pool and the current average spot rate of US\$0.6987 during the life of the Pool. Hedging is well underway for the 2004/05 Pool, with sound risk management programs in place to protect the Pool from adverse currency movements, yet providing flexibility to capitalise on any depreciation in the currency.

AWB is one of the largest users of the US wheat futures exchanges in Chicago, Kansas City and Minneapolis, and on an average day, can hedge up to 300,000 tonnes for the AWB National Pool. AWB's commodity hedging strategy mitigated pool returns from an historically volatile US futures market that dropped by 30% during 2004. Although Estimated Pool Returns have dropped from their highs, AWB's hedging program protected participants from the full impact of this shift, effectively adding millions of dollars to Pool value.

Supply Chain Management

In 2004, for the sixth consecutive year, the AWB National Pool reduced the grain supply chain costs for Pool participants. It has achieved this by continuing to negotiate domestic supply chain agreements on a more commercial basis. This included a two year industry rail agreement in South Australia between grain marketers, bulk handlers and rail users which has already delivered a 4% reduction in rail freight rates. Following changes to State grain legislation in Western

Australia, AWB has been involved in the renegotiation of industry freight agreements with the rail provider in that State, which has seen freight rates reduced by more than 7%. AWB will continue to focus on cost reduction in the grain supply chain.

Grower Services

AWB has sought a more sophisticated and targeted approach to its grower services. Recent communication initiatives include the successful AWB National Pool Forums and Grower Consultative Groups. In 2004, AWB's Grower Service Centre managed more than 90,000 grower enquiries. AWB has continued to improve its on-line offering with a specific focus on meeting the increasingly sophisticated needs of growers. With a dedicated grower website, AWB is developing the site as a business portal for growers' marketing and finance management. While grower pay arrangements have become more complex with the evolution of Golden Rewards and an increased range of finance options, AWB has made improvements in paying growers accurately and on time for their AWB National Pool deliveries.

Crop Shaping

Shaping the national wheat crop to ensure it continues to match international customer demand is an increasingly important part of AWB's Pool management strategies. To facilitate this process, AWB has held two wheat breeding forums, where key customer feedback was discussed with the wheat breeding and research community, to encourage development of varieties to meet end-user demand. In its role in classifying wheat varieties, AWB has taken steps to improve transparency by appointing

independent members to its Wheat Classification Panel. AWB has also continued to develop its Golden Rewards payment system. Since introducing the scheme with incremental payment for protein and screenings, AWB has added payment for moisture, and in 2004 launched the new Premium Choice Varieties, where premiums are provided for varieties with superior grain quality. The Golden Rewards system is not replicated anywhere else in the world and is playing a crucial role in helping AWB shape the national crop profile.

Grain Technology ¹

Agrifood Technology

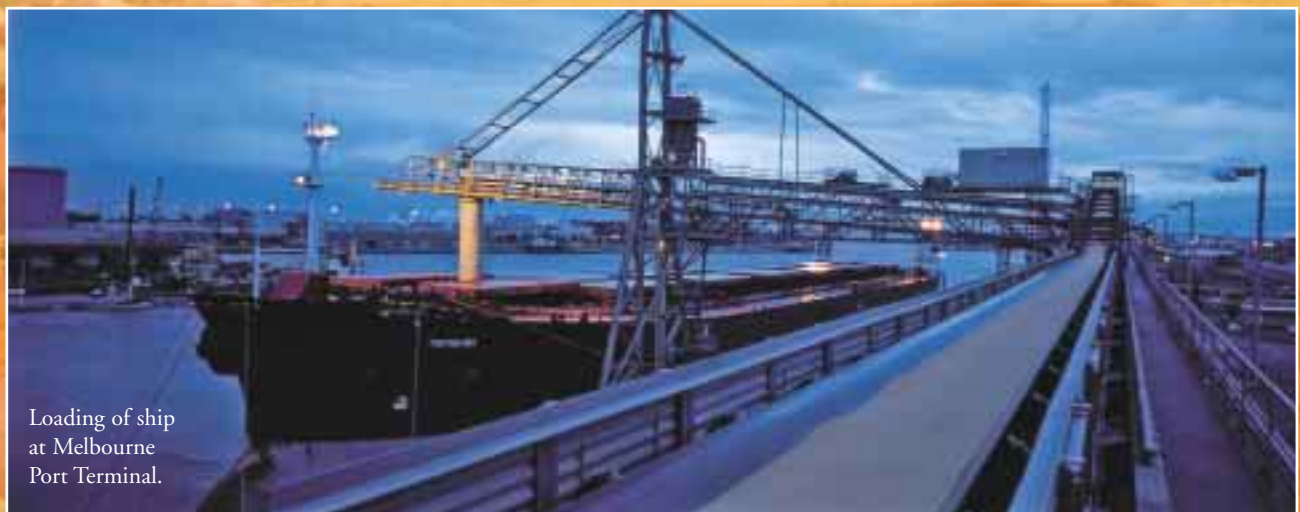
Agrifood Technology provides testing and analytical services to support the AWB National Pool's international marketing program. The business also provides commercial laboratory services to external clients in related industries. This year, Agrifood Technology enhanced the process of variety testing wheat samples at receipt, with the introduction of new DNA based technology for varietal identification. This improves AWB's ability to ensure the integrity of its wheat parcels and overall sales program.

A milestone for Agrifood Technology was the achievement of the AS 4801, safety management system accreditation. Through this process, standard operating procedures were implemented across the business, ensuring operational efficiency and a high level of safety for Agrifood Technology staff.

Innovation and research

AWB's research and development is targeted at the development of new products and processes that generate higher returns to

¹ Previously reported as a separate business unit, Grain Technology is now incorporated within the Pool Management Services business stream.



Loading of ship
at Melbourne
Port Terminal.

AWB National Pool participants. AWB is also working to extend the business platforms for AWB, including taking proprietary positions in germplasm and genetic markers for the development of enhanced Australian wheat varieties. Each project is scrutinised across the business which, along with ongoing assessment, is critical to optimising the research effort.

Remuneration

AWB is remunerated for its Pool Management Services through a performance-based system. To provide an objective measurement of performance, AWB has implemented an assessment model called the Wheat Industry Benchmark (WIB). The WIB acts as a “competing manager” generating a theoretical outcome for each seasonal pool against which actual performance can be measured.

Remuneration is made via a two-tiered payment structure. This includes a base fee, calculated at 1.5% of Pool Value (PV) and subject to a cap and floor. This base fee, depending on PV, covers the majority of costs incurred by AWB in managing the AWB National Pool. The second component is an Out-Performance Incentive (OPI), through which AWB can be rewarded with 20% of AWB National Pool returns achieved above the WIB and an additional hurdle (currently US \$5 per tonne). The Out-Performance Incentive is capped at 1.5% of PV. AWB manages two to three seasonal pools at any one time and receives proportional remuneration from each of these pools during a financial year.

For the most recently finalised 2002/03 AWB National Pool, AWB delivered \$140 million

in out-performance over and above the WIB, which represented about 10% of total PV. Due to the small 2002/03 Pool volumes, the out-performance cap of 1.5% of PV was invoked. For the 2003/04 Pool, AWB’s management has delivered projected out-performance to date of more than \$332 million. Total profit earned by AWB for its Pool Management Services for the 2004 financial year, (which includes earnings from two seasonal pools) was \$32.7 million.

For the year ahead, AWB has refined its remuneration model in line with the recommendations from the 2004 Wheat Marketing Review.

These changes include de-linking the base fee from Pool Value, and fixing it to reflect the costs and risk of running the AWB National Pool. The OPI structure has been divided into two tiers, both of which are performance based to enable the manager to achieve a return through performance. The first tier is set between the Wheat Industry Benchmark and the Hurdle, but the majority of the OPI will reside in the second tier above the Hurdle.

For 2005, the respective boards have negotiated a fixed base fee of A\$65.1m. For OPI, a 20% incentive will continue to be paid based on performance, with tier one OPI capped at 0.375% of Pool Value and tier two capped at 1.125% of Pool Value.

Outlook

AWBI’s overriding mandate is to maximise net return to growers who deliver to the AWB National Pool. In pursuing this goal, it faces a tough international market, with increasing competitive threats from “non-

traditional” wheat exporters. To meet this competition, AWBI has a strategic emphasis on the Asian region, to capitalise on the freight and quality advantages we have in those markets. While still retaining its long-held relationships in the Middle East, AWBI is aiming to market 65% of the Australian wheat crop into Asia by 2009. Delivering on this strategy, AWBI this year sold more than 10 million tonnes of Australian wheat to Asia for the first time.

In 2003, AWBI commissioned the Boston Consulting Group to undertake a study of the global wheat market; provide some objective research into market trends from the perspective of customers and competitors; and examine how AWB might best respond. The findings confirmed that AWB’s competitors were making inroads into the market advantage that AWB has established. It also identified some key areas for AWB to invest in to meet these challenges including:

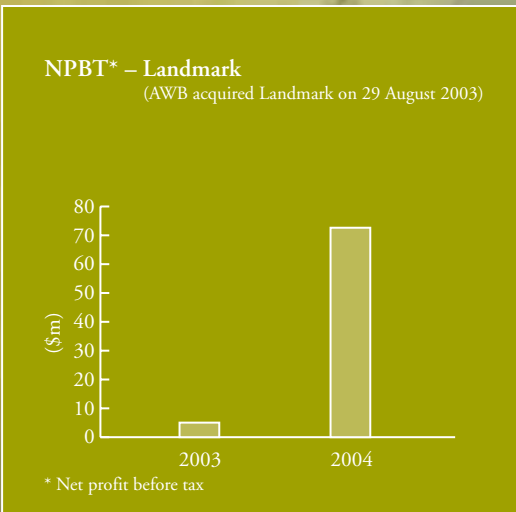
- improved research, development and crop shaping to meet current and emerging market requirements;
- grower communications strategy that builds further trust in AWBI’s strategy and drives competitive advantage down the chain;
- realising supply chain opportunities;
- boosting trade advocacy; and
- clearly differentiating sales and marketing activities from our competitors.

In response, AWB has instigated a project to implement these findings and to target the priority areas of the business for investment.

Financial summary for Pool Management Services

(\$million)	For the year ending 30 September 2004			For the year ending 30 September 2003		
	2002/03 Pool	2003/04 Pool	Total	2001/02 Pool	2002/03 Pool	Total
Base Fee	4.6	57.2	61.8	6.0	41.8	47.8
Out-performance Incentive	4.1	29.4	33.5	14.0	15.3	29.3
Administration costs	–	(62.6)	(62.6)	–	(53.8)	(53.8)
Total Pool Management Services	8.7	24.0	32.7	20.0	3.3	23.3

The Landmark business serves over 100,000 rural customers through its national network of more than 430 outlets across Australia.

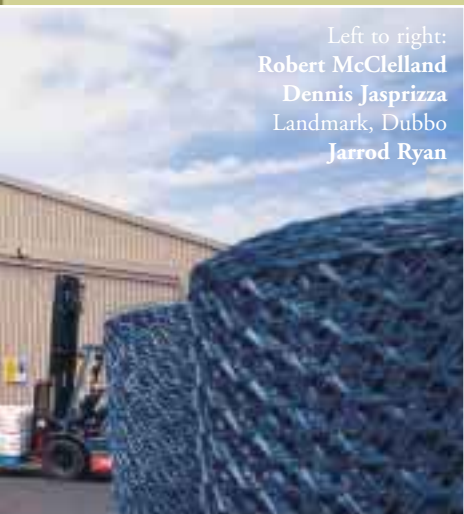


Landmark

Highlights

- Integrated Landmark and AWB business processes
- Exceeded the first year integration earnings growth and cost savings target of \$5 – \$10 million
- Converted 85% of Landmark deposits to an AWB backed prospectus
- Increased Landmark lending book by 34%, passing \$1 billion mark
- Upgraded insurance supplier agreements to meet new financial services legislation obligations and increased Gross Written Premium by 20%
- Signed an agreement positioning Landmark as a major supplier of dairy cattle to China
- Increased national merchandise and fertiliser sales by 13%
- Increased real estate sales by 31% to record levels of near \$1 billion
- Traded more than two million cattle and 10 million sheep in 2004

Left to right:
Robert McClelland
Dennis Jasprizza
Landmark, Dubbo
Jarrod Ryan



Landmark is Australia's largest supplier of farm inputs including merchandise, fertiliser and chemicals, with significant sales in wool, livestock and real estate. It also offers a comprehensive range of lending, deposit and insurance products and services. The Landmark business serves over 100,000 rural customers through its national network of more than 430 outlets across Australia. Around half Landmark's outlets are company owned, with the balance being owned and operated by franchisees, agents and affiliate members.

Integrated Business Model

AWB has developed an Integrated Business Model (IBM), through which the company will capitalise on the respective and complementary agribusiness strengths of AWB and Landmark. The IBM provides a framework for strengthening existing business and creating new custom via an integrated customer management approach, as well as optimising the network and procurement systems to deliver this in the most efficient manner. The majority of the administrative integration tasks have been completed, with the full integration of key functions such as accounting, treasury, human resources, corporate insurance, information technology and legal. Consolidation of the regional network has also occurred with a number of AWB and Landmark offices being merged.

The integration of the Landmark and AWB financial services businesses is delivering positive financial results, with increased lending volumes, the launch of new products and an increase by more than 25% in the number of specialist staff in the lending and insurance areas.

During 2004, Landmark has seen a healthy rebound in its rural services following the drought induced reduction in volumes last year. AWB has also improved its competitive position through network optimisation and account management strategies across its rural services businesses, improving efficiencies and cost control.

Financial services

Financial services is a key driver for growth through the Integrated Business Model. Following the acquisition of Landmark, AWB sought to build the business by investing in new product development, recruitment of specialist and experienced staff and creation of finance offerings that leverage the company's local knowledge and global reach. Excellent progress has been made with improvements in financial services enabling the company to exceed its forecast "uplift" for the first year by more than 10%.

Landmark Lending

AWB is already tapping the finance opportunities flowing from the integration of AWB and Landmark financial services. During 2004, AWB was able to grow the previous Landmark loan book by more than \$350 million to peak at \$1.1 billion. To achieve this, the company generated a significant uptake of finance from grain growers, while maintaining Landmark's historically strong connection with livestock customers. AWB also recruited experienced senior lending staff with specialist skills in key agricultural industries. The investment in product development is already reaping rewards, with the market launches of new products such as Fastrak Finance, which capitalise on the combined skills and synergies between the two organisations.

Landmark is Australia's largest supplier of farm inputs including merchandise, fertiliser and chemicals, with significant sales in wool, livestock and real estate.



Landmark deposits

The integrated company is also targeting growth in short and long-term deposit business. During 2004, the company converted 85% of deposits to an AWB backed prospectus, and is now marketing a range of deposit products to rural customers through its distribution channels.

Landmark Insurance

Last year, AWB signalled its plan to develop the insurance business and during 2004, the company was able to make some significant

progress. AWB recruited staff with specialised insurance knowledge to support the Landmark network. The business maintained a steady growth in Gross Written Premium over the whole year with an increase of 20% to \$117 million. In partnership with NRMA (part of Australia's largest insurance provider, Insurance Australia Group Limited), AWB is now distributing compulsory third party products through Landmark outlets in Queensland and is pursuing growth in the crop insurance segment.

Rural Services

Merchandise and Fertiliser

Landmark is the largest merchandise distributor in Australia, and combined with its fertiliser distribution business, makes about \$1.3 billion worth of sales annually. In 2004, the merchandise business increased both its sales volumes and margins. The diverse spread of Landmark's merchandise business, both geographically and by industry, has mitigated the drought's impact on total turnover during the past two years. As part of



the integration, Landmark has relocated its procurement team from Sydney to AWB's Melbourne office. The merchandise division is now focused on improving procurement processes and the merchandise supply chain to reduce capital employment and improve profitability. It has also targeted growth areas of business, such as merchandise for the cotton industry.

Landmark also supplies more than one million tonnes of fertiliser per year, as well as retailing liquid, trace element and other specialist fertilisers. It trades as principal with a number of suppliers for the majority of sales. Improved seasonal conditions in 2004 helped fuel good growth in national fertiliser sales and record sales across all sectors. Landmark is now targeting growth of its fertiliser business by leveraging cross selling and product bundling opportunities. Demand for fertiliser products is positive, particularly for nitrogen products.

Real Estate

Landmark markets a range of rural properties, lifestyle blocks and residential real estate. In 2004, the real estate business achieved a record year with total sales of approximately \$1 billion. Whilst having a significant presence in the rural property market, the business is well positioned to expand in the rural residential real estate market. The real estate business will also seek to capitalise on cross sell opportunities, particularly through Landmark finance and insurance.

Livestock

Landmark is one of Australia's largest livestock marketers, with 20% of livestock trading in Australia, comprising

approximately two million cattle and 11 million sheep per year. About 60% of Landmark's sales come from agency activities through the auction system, although the company also directly supplies processors, supermarkets, feedlots and live export markets. Decreased numbers for sheep and cattle have reduced sale volumes, although this has been partly offset by near record livestock prices. In the past year, Landmark has further developed its dairy business in southern Australia, and reached an agreement with a significant exporter for the supply of cattle to China.

Wool

Landmark is a major player in Australia's wool industry, handling more than 20% of the national wool clip, or about 500,000 bales in the past year. It provides traditional broking and auctioning services, as well as offering alternative selling methods. Landmark also offers customers a range of risk management products. In addition, Landmark is involved in wool handling and storage through its 50% ownership of Australian Wool Handlers. In 2004 this business began providing wool trading services and has delivered a strong financial result. During the financial year, Landmark reinforced its position as the leading marketer of superfine wool, achieving eight of the top 10 wool prices for the year.

Johnstone River Transport (JRT2)

JRT2 was acquired through Landmark, and is involved in the transportation of sugar related products in northern Queensland. With a fleet of 60 trucks, the business transported more than 1.8 million tonnes of sugar

products in 2004. JRT2 is also expanding its revenue base to servicing other industries' bulk road requirements, including fuel. In 2004, JRT2 transported about 20 million litres of fuel.

AWB Seeds

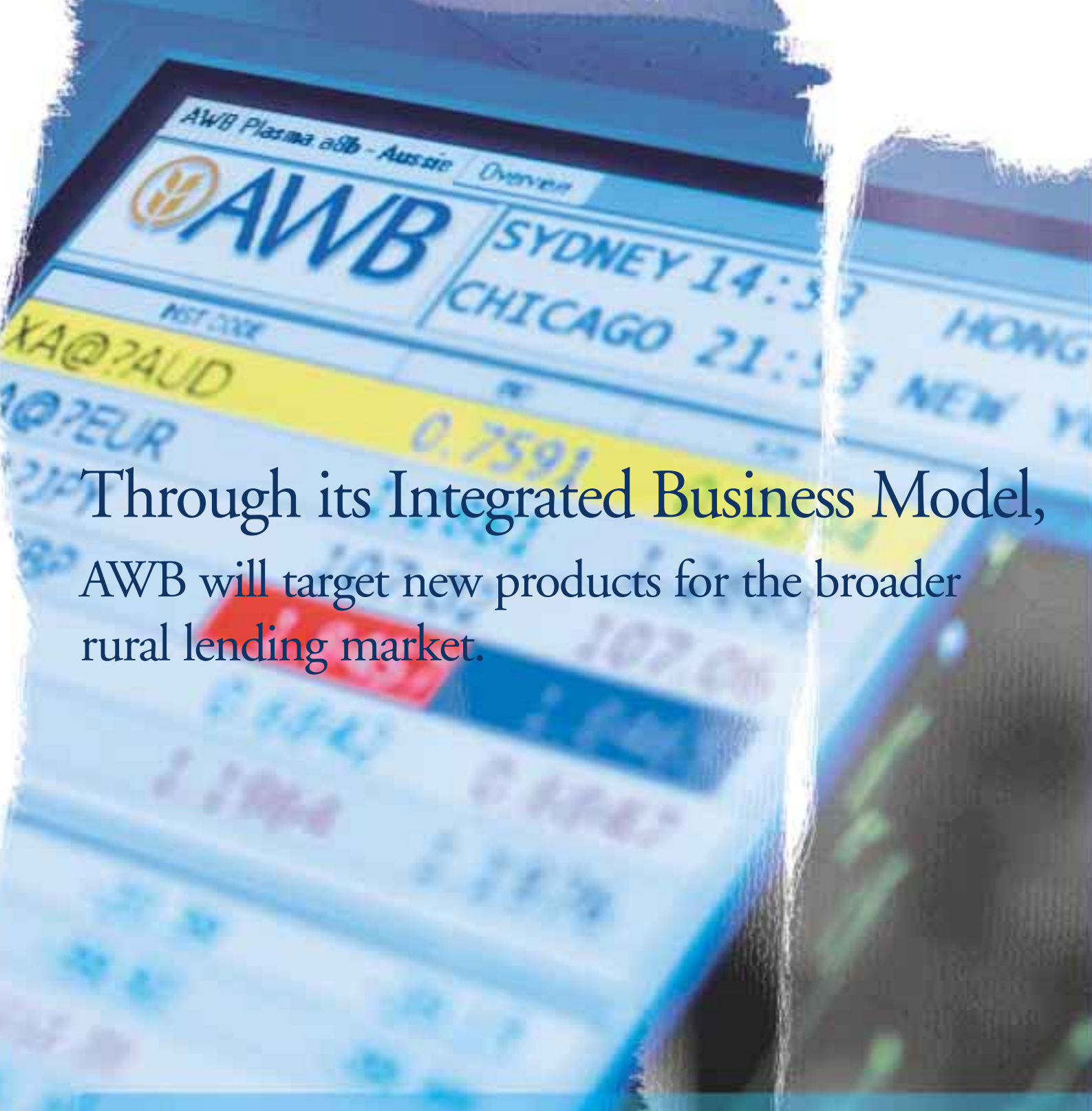
Now positioned within the rural services division of the AWB Group, AWB Seeds has consolidated its Seednet business structure this year, working closely with partners across Australia to improve and streamline the seed commercialisation value chain. Total sales through Seednet increased by more than 20% during 2004. AWB Seeds was also successful in gaining seven new licences for grain varieties during 2003/04 and aims to add more broadacre crop varieties in the coming season.

Outlook

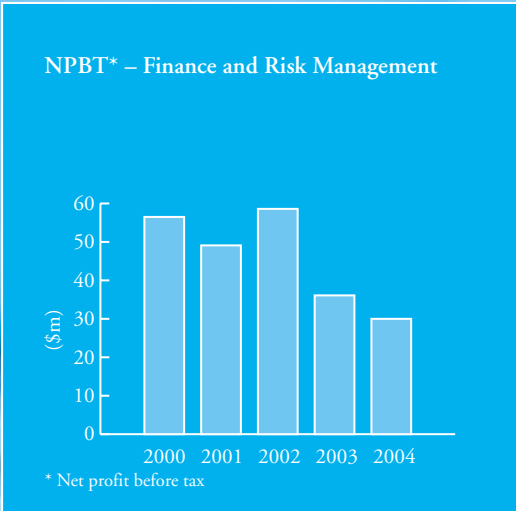
While drought will have a lagging impact on business volumes for wool and livestock, improving seasonal conditions, coupled with reasonable commodity prices, should create a positive environment for growth across all rural services, particularly merchandise and fertiliser. In the areas of financial services, AWB is well positioned to expand its presence with the traditional Landmark customer base, as well as attract uptake from its grain grower base. Landmark will also continue to focus on improving the procurement and supply processes to enhance current business, target new areas for growth, and capitalise on cross-sell and bundling opportunities through the Integrated Business Model.



Landmark Stud Stock staff conducting 2004 World Hereford Conference feature sale, Royal Easter Show, Sydney.



Through its Integrated Business Model, AWB will target new products for the broader rural lending market.



Finance and Risk Management

Highlights

- Successfully integrated the AWB and Landmark financial services teams across Australia
- Retained a leading market share of more than 70% in harvest finance market
- Established AWB Advanced Payment as the fastest growing new harvest finance product in the market
- Implemented a ring-fence company structure and maintained credit ratings
- Established a \$750 million syndicated loan facility agreement to provide flexible funding arrangements for AWB Group
- Expanded the risk management offer to international customers through AWB RiskAssist, taking total business volumes above five million tonnes

AWB Harvest Finance

AWB's comprehensive range of harvest finance products performed well in 2004. Following the drought, customers showed a strong interest in protecting their income, prompting a high uptake of harvest finance. Despite strong competition, AWB has maintained its leading share of the harvest finance market, with the loan book peaking at \$1.6 billion. In 2004, the AWB Advanced Payment product provided the fastest rate of growth, now representing 20% of the market. However, an increasing number of growers also chose to "mix and match" between the four AWB harvest finance options, a feature not available from competitors. AWB also leveraged its comprehensive Landmark network, engaging Landmark Finance staff to sell AWB harvest finance to grain growers who sourced their broader financing needs elsewhere.

AWB RiskAssist

AWB RiskAssist Limited, a wholly owned subsidiary, provides a specialised and sophisticated risk management service to its customers, which include Australian grain growers, as well as domestic and international grain customers. Drought significantly impacted business volumes through AWB RiskAssist during 2002/03 and continued to temper the grower appetite for such products during 2004. This has restricted the volumes of grain attracted to the Basis Pool product. However, the Basis Pool continues to perform very well for growers using the product this season.

AWB RiskAssist is also looking to expand its product offering. In response to grower demand, it recently launched the Fixed Basis product, which is already attracting significant grower interest. AWB RiskAssist is now aiming to meet grower demand for simpler products, particularly those that de-link the physical component of the wheat sale to reduce exposure to washouts during years of production shortfalls.

AWB RiskAssist has experienced strong take-up of its price risk management products from international and domestic customers. Since introducing these options-based products as part of the AWB bundled product offering in 2002, AWB has sold more than five million tonnes of grain with a risk management component. These products enable the customer to offset some of their price risk, bolster AWB's customer relationships and enhance the ability to secure long-term contracts.

Group Funding & Liquidity

The extent of the AWB Group's borrowing program is primarily driven by the level of finance provided to growers who deliver to the AWB National Pool, and the timing of grain deliveries and sales. The AWB Group is able to obtain funds from a variety of sources in the domestic and global capital markets, specifically, through a US\$1.5 billion US commercial paper program, a \$1.5 billion euro commercial paper program and an A\$2.0 billion domestic electronic promissory note program. In December 2003, AWB Harvest Finance Limited established an A\$500 million domestic medium-term note program with the capability to issue both senior and subordinated longer-term debt.

This program is supported by Australian and US dollar committed commercial paper standby facilities. These are provided by AWB's relationship banking panel where commitments are established to provide liquidity in the event AWB Harvest Finance Limited is unable to issue commercial paper. AWB hedges risks arising from interest rate fluctuations, through a number of approved instruments including interest rate swaps, forward rate agreements, exchange traded futures contracts and options on futures contracts.

All funding and liquidity support in respect of the wheat export related operations of the Group are transacted by AWB Harvest



Jamie Taylor
Agronomist

AWB has maintained its dual credit rating whereby AWB Harvest Finance Limited is able to achieve the highest possible short-term ratings available.



Finance Limited, a wholly owned, bankruptcy remote subsidiary of AWB. AWB Harvest Finance Limited provides growers delivering to the AWB National Pool with a suite of unique loan and payment options for harvest finance.

The commercial activities of the AWB Group not involving wheat exports are funded by six relationship banks via a committed A\$750 million syndicated loan facility agreement established in September 2004. This provides for cash advances and replaces the previous A\$950 million syndicated multi-option facility used for commercial activities. Three separate tranches of the facility mature in 2005, 2007 and 2009. The borrower for the commercial operations of the Group is AWB Commercial Funding Limited, a wholly owned and guaranteed subsidiary of AWB Limited which also provides treasury services to the commercial subsidiaries of the Group.

Credit Rating

Following successful implementation of the ring-fenced company structure, AWB has maintained its dual credit rating whereby

AWB Harvest Finance Limited is able to achieve the highest possible short-term ratings available. The innovation and success of the ring-fenced structure has also been recognised with the AWB treasury division receiving an industry award for the initiative. Current credit ratings are:

AWB Harvest Finance Limited

<i>Standard & Poor's:</i>	A-1+ (short-term) AA- (long-term) Outlook: Stable
<i>Moody's Investors Service:</i>	P-1
AWB Limited	
<i>Standard & Poor's:</i>	BBB Outlook: Stable

Compliance

The AWB Group has fully complied with recent changes to the Corporations Act 2001 relating to financial services regulation, obtaining three separate Financial Services

Licences for regulated activities of the Group. AWB Services Limited, a wholly owned subsidiary of AWB, attained a Licence authorising the wholesale financial services activities in which AWB Harvest Finance Limited and AWB Commercial Funding Limited are engaged. This has resulted in greater administrative compliance measures being implemented in policies and procedures relating to those activities.

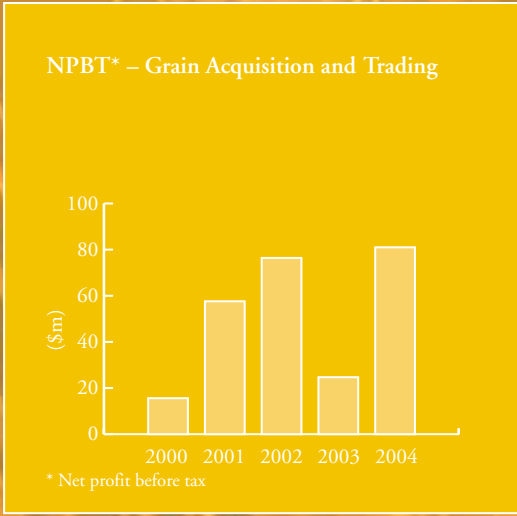
Outlook

With average grain volumes in 2004, AWB will seek to retain a strong position in the harvest finance market by continuing to innovate and offer a broad range of finance options that meet varying customer requirements. Through its Integrated Business Model, AWB will target new products for the broader rural lending market. Good grain volumes and a growing customer market for risk management services should also enable AWB to expand its offering through AWB RiskAssist.



Michael O'Shea
Credit Analyst

In 2004, AWB Australia trading volumes exceeded four million tonnes, an increase of one million tonnes from 2003.



Grain Acquisition and Trading

Highlights

- Achieved a 25% increase in domestically traded grain, with 2003/04 volumes reaching more than four million tonnes
- Growth of international trading operation, trading two million tonnes of grain – up from 1.2 million tonnes in 2002/03
- Developed bundled grain, marketing, finance and risk management packages for growers, domestic and overseas customers
- Introduced a “fund of funds” capital and risk management approach to the AWB trading division
- Developed new freight business with China
- Increased level of pool volumes sold with a freight component by 10%, to 45%



AWB trading division has an objective to develop as a global niche agricultural commodity trader, leveraging its local network and knowledge and its global trading skills. This year, the division began the introduction of its “fund of funds” management approach. The system allows AWB to better manage its risk and generate optimum results from its capital management.

Australia trading

Improved crop conditions and continued volatility in global grain prices provided a favourable trading environment for the Australia trading division. While drought continues to temper the grower appetite for forward contracting, AWB’s range of flexible grain acquisition products retained a significant share of the deregulated domestic grain market. AWB enhanced its regional network during 2004, with 50 dedicated grain marketers now operating as a national grain acquisition network. AWB has supported this with tailored training programs, and initiatives to improve the processes and systems, underpinning AWB’s customer management databases. These developments will allow improved customer segmentation and tracking, better placing AWB to capitalise on cross-selling opportunities through the Integrated Business Model.

In 2004, AWB’s Australia trading volumes exceeded four million tonnes, an increase of one million tonnes from 2003. The increases were achieved across all traded grains – wheat, barley and canola. AWB worked closely with more than 50 domestic customers nationwide.

With an increase in exportable surpluses, AWB was able to develop its non-wheat export opportunities in 2004. Increased volumes of canola, barley and sorghum were sold into international markets on the Indian subcontinent, Asia and the Middle East. The division is focused on developing export

business in non-regulated export grains, and has invested further resources to grow the volumes and range of commodities through AWB – Zen-noh (AZL) – the Tokyo-based joint venture trading company between AWB and Zen-noh Corporation. This year, AWB traded small volumes of cottonseed and bran with AZL for the first time.

With average production forecast in 2004/05, Australia trading will pursue domestic growth opportunities, including sales to the domestic and intensive livestock industries. Having diversified its product base in 2004, AWB will continue to expand its trading base beyond grains, capitalising on expertise within the Landmark business to broaden trading abilities.

International trading

AWB’s international trading business was established in 2002 as a platform for AWB to grow its global presence and business.

Through its international trading base in Geneva, AWB is able to access key markets on behalf of the AWB National Pool in the Mediterranean and North African region. In 2003/04, AWB Geneva sold more than one million tonnes of wheat on behalf of the AWB National Pool, up sharply from last year when drought reduced grain volumes.

Total volumes traded by international trading reached two million tonnes in 2003/04, an increase from 1.2 million tonnes last year. A key component of the growth in business has been the development of the oilseed book. This year, more than 35% of total grain volumes traded were soybeans, including the first exports from South America and the first business to China.

International trading has also made a strong contribution through the AWB chartering division, where, working alongside the Melbourne office, AWB was able to expand its global freight services. New physical freight arrangements have been developed

AWB trading division has an objective to develop as a global niche agricultural commodity trader, leveraging its local network and knowledge and its global trading skills.



through the AWB Geneva office, both on behalf of the AWB National Pool, and for non-Australian grain exports.

In the year ahead, International Trading aims to continue to diversify products and markets, and strengthen the skills and expertise to support this. The business will target better market coverage, with an aim to expand its other origin exports through supply agreements and leveraging its marketing and trade finance capacity.

Chartering¹

AWB chartering division provides ocean freight services to the AWB National Pool, AWB's Australia trading division and external customers, generating income via service fees and trading of freight.

The improved harvest for 2004 provided an increased volume of grain for the chartering division to leverage, increasing the physical freight business. Almost half the grain volumes sold through the AWB National Pool during 2004 were sold with a freight component, exceeding a target of 40%. The company was able to increase the fleet of vessels under its charter, secure substantial new market volumes to China, and

significantly grow freight services to key wheat markets such as Egypt and Indonesia.

The chartering division is also working to more closely integrate the resources of its Geneva and Melbourne offices, which currently provide a 24-hour, global presence within the freight market. Through Geneva Global Freight, AWB is also aiming to expand its non-pool related business, with volumes in 2004 exceeding targeted volumes for the second consecutive year.

The past year for the freight market has been the most volatile on record, with freight rates fluctuating by more than 300%. This presented some unique trading opportunities for the chartering division within the freight swaps paper market. Using forward freight agreements, it was able to execute discretionary trading strategies in the volatile market, generating a strong return for the company.

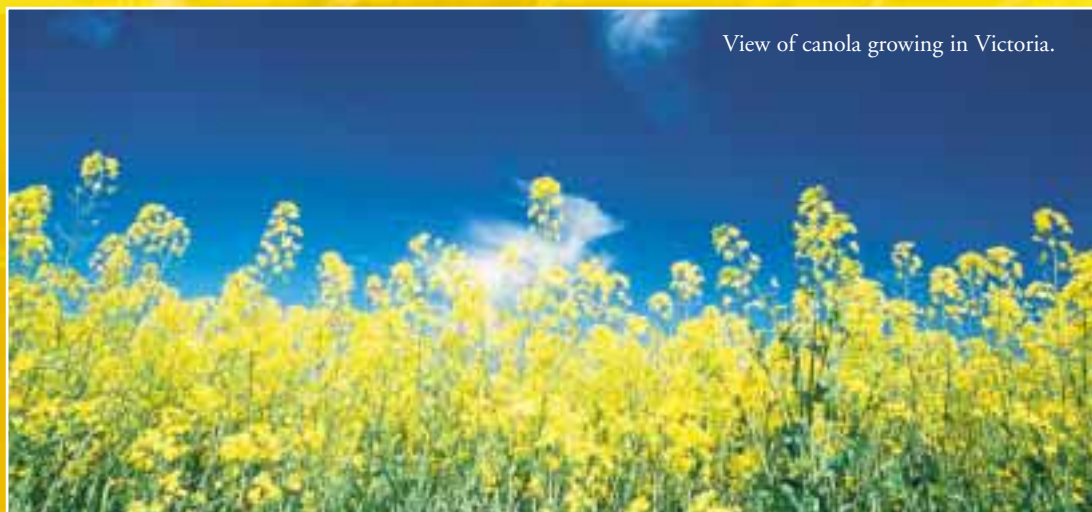
AWB's freight trading activities are now being backed by a new level of position management, through progressive implementation of the Value at Risk (VaR) model. Already in place for the Geneva business, this model is providing the chartering division with an objective benchmark against which it can generate an accurate and

quantifiable measure of risk exposure at any point in time. AWB plans to roll out the VaR model across the entire chartering division in the coming year, which will put the business at the forefront of risk management within the global freight industry.

Outlook

Expectation of a less volatile freight market may limit opportunities and margins for the chartering division in the forward freight business in 2005. However, the chartering division is targeting further growth of the physical grain freight business, using an increasing fleet of vessels to provide competitive freight solutions for an increased level of both AWB National Pool, and non-pool grain sales. Reasonable crop production for 2004/05 will continue to support trading activity for the trading business. The integration of Landmark and the enhanced regional network will contribute to the strength of the AWB's trading operations. With further development of strategic links with AWB joint venture partners such as AZL, and the development of international trading, the company will pursue its objective of broadening the range of commodities under its management.

¹ Previously reported in Supply Chain and Other Investments.



View of canola growing in Victoria.

AWB has an established presence in some of the world's biggest and fastest growing grain markets.

NPBT* – Supply Chain and Other Investments

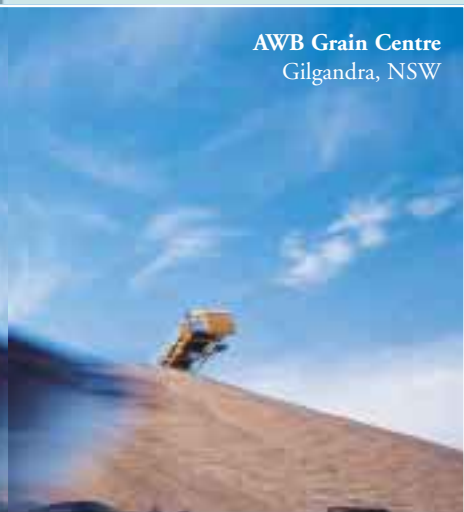


Supply Chain & Other Investments

Highlights

- Record grain receipts by AWB GrainFlow of 1.8 million tonnes – up from 185,000 tonnes in 2003
- Increased receipts at AWB GrainFlow Dimboola site to 345,000 tonnes, making it one of the largest inland grain receipt centres in Australia
- Continued high level of service to growers by AWB GrainFlow, with an average harvest truck turnaround of 33 minutes across the network
- Accreditation of AS 4801 safety management system for AWB GrainFlow – the only grain bulk handler in Australia to achieve this
- Increased grain volumes through the Melbourne Port Terminal from 450,000 tonnes, to 1.3 million tonnes
- Doubled market share for Five Star Flour Mill to 30% of Egyptian premium flour market

AWB Grain Centre
Gilgandra, NSW



Domestic investments

AWB GrainFlow

AWB GrainFlow is a wholly owned subsidiary of AWB which operates grain storage and handling services for the AWB Group. In 2003/04, the business had four new grain receipt centres commence operation, including its first ventures in Queensland. With a total of 21 grain receipt sites operating across the east coast grain belt, AWB GrainFlow's grain receipts rebounded significantly following the drought of last year. Total grain volumes were 1.8 million tonnes, a tenfold increase on the previous year. AWB GrainFlow has out-turned this grain quickly and efficiently, with a carryout of less than 250,000 tonnes by the end of October 2004, in preparation for the new season harvest.

The growth of AWB GrainFlow's Dimboola site continued with receipts of 345,000 tonnes, making it one of the largest inland grain receipt centres in Australia after five years of operation. AWB GrainFlow has upgraded its processing systems to improve grower receipting and allow real-time capture of receipt information. This facilitates better management of grain through the business and best use of resources.

The company's safety management system was recently accredited to AS 4801 standards. This is a significant milestone for the AWB GrainFlow business, which is currently the only grain bulk handler in Australia to achieve the accreditation. The company has also continued its implementation of standard operating procedures, which assists management of safety risks, as well as ensuring operational best practice across each of its receipt sites. AWB GrainFlow will aim to continue increasing market share based on efficient facilities, fast turnaround times and lower costs. Grain volumes should again be solid in 2004.

Port Investments

Income from the AWB Group's 50% investment in Melbourne Port Terminal improved in 2004, with increased grain volumes through the facility. Total grain volumes handled increased from 450,000 tonnes in 2003 to 1.3 million tonnes for the 2004 year. AWB has not extended its investment in port infrastructure in 2004, but will continue to explore opportunities that provide long-term commercial returns to shareholders, as well as delivering reduced costs to the AWB National Pool.

Rail freight

AWB retains leases for two freight trains, the Waratah which is leased from Freight Australia, and another train from ATN. These trains played a significant role in the grain haulage task from the 2003/04 season.

Offshore investments

AWB has broadened its reach into the global grain value chain in recent years through offshore investments that diversify and secure end-use demand for AWB products. AWB has an established presence in some of the world's biggest and fastest growing grain markets. In 2004, these investments have performed well.

Five Star Flour Mills (Egypt)

Five Star Flour Mills Company SAE (FSFM) is the leading producer of premium grade flour in Egypt. The mill uses 100% Australian wheat, and has an established market share based on a quality product model in one of the world's largest flour consuming nations. AWB is the largest single shareholder with a 30% interest.

In 2004, FSFM rebounded strongly, with an increase in the supply of Australian wheat to the mill of more than 50%. During 2004, the mill was operating at its full, 1,100 tonnes per day capacity. The business expanded the market in Egypt, and increased its share of the premium flour market to 30%.

The growth of AWB GrainFlow's Dimboola site continued with receivals of 345,000 tonnes, making it one of the largest inland grain receival centres in Australia.



The Five Star Feed Mill, located on the same site, was commissioned in 2003 and has performed above expectations since. In its first full year of operation, this state-of-the-art mill has delivered strong operating margins. It services an expanding market for industries such as aquaculture and poultry farms, with opportunities for further growth within Egypt, and the broader North African and Middle East region.

AWB – Zen-noh (Japan)

AWB – Zen-noh (AZL) is a joint venture trading company between AWB and Japan's largest agriculture trading company, Zen-noh Corporation. AWB holds a 51% interest. Increasingly competitive market conditions within Japan have placed margin pressure on the business and prompted increased efforts to develop a broader range of trade flows through the joint venture. AWB has provided additional support to the business to help diversify the commodity base, and in the past

year has made inroads with trade in sorghum, canola, cottonseed and wheat bran.

Shenzen Southseas Grain (China)

Shenzen Southseas Grain Industries Limited (SSGI) is one of the largest and most efficient flour and feed milling businesses in southern China. AWB holds a minority 8% stake. Following market disruptions from the SARS and the Avian Flu outbreaks, SSGI rebounded strongly in 2004 and consolidated its position in the premium flour blend market. SSGI is now looking toward further expansion opportunities in the rapidly growing southern China market.

Vietnam Flour Mills (VFM)

AWB holds a 17.5% stake in Vietnam Flour Mills (VFM). In 2004, ownership of VFM changed, with the major shareholder, Glowland Limited, increasing its stake to 82.5% of the business. The business is seeking to increase its market share in the

Vietnamese market, which remains fiercely competitive and cost focused. The cost focus nature of the market has prevented AWB from leveraging its quality model and generating sales of Australian wheat from the AWB National Pool. Following a strategic review of this business, AWB has determined to divest its interest. The transaction is expected to be completed in early 2005.

Outlook

While national grain volumes will be down from 2004, AWB GrainFlow is targeting an increased share of the market again in 2005, building on its provision of efficient and cost effective service for growers and grain acquirers. With the recovery in Egyptian economic conditions, signs of strong demand and the continued economic growth being forecast for China, AWB is anticipating good growth in those areas of its offshore investments.

The Hon. Lynne Kosky,
Minister for Education and Training, Victoria
Andrew Lindberg,
Managing Director AWB
Dr Stephen Henningham,
Australian Consul General, Ho Chi Minh City
Brendan Carter,
Lecturer at William Angliss Institute of TAFE
at the launch of the AWB Centre of Excellence
in Vietnam.

