

Wednesday 10<sup>th</sup> November 2010

## **AWB 2010 Full Year Results**

AWB Limited today reported an unaudited profit before tax and significant items for continuing businesses of \$79.3 million for the full year to 30<sup>th</sup> September 2010, with solid performances from Rural Services, International Commodity Management and the Pool and Logistics businesses of Australian Commodity Management (ACM).

The company reported an unaudited net loss after tax and significant items of \$54.9 million for the full year to 30<sup>th</sup> September 2010 on revenue of \$5,609.3 million. AWB expects to release its full audited financial results on 17<sup>th</sup> November 2010, however does not expect there to be any material difference from the unaudited results.

This result takes into account major significant items – settlement of the Watson shareholder class action for \$39.5 million (pre tax) and the loss on sale and restructuring costs associated with the sale of the Landmark Financial Services (LFS) loan and deposit books of \$69.8 million (pre tax) as well as the performance of discontinuing businesses (AWB Brazil and Hi-Fert).

AWB Managing Director Gordon Davis said while the overall performance of the continuing businesses was solid the underperformance of ACM was a result of significantly reduced margins within the Grain Marketing business.

“During the year significant progress was achieved in strengthening the company’s balance sheet through the \$439 million capital raising finalised in November 2009, which was utilised to repay corporate debt as well as the sale of the LFS loan book which released \$149 million of capital,” Mr Davis said.

### **Continuing Businesses**

#### **Landmark**

Landmark Rural Services (excluding Hi-Fert) recorded a strong result with earnings before interest and tax of \$61.4 million, a 53% improvement on the previous corresponding period (pcp) of \$40.2 million. This result reflected margin improvement, driven by better category and price management, and the benefit of the ongoing cost reduction program.

“A strong performance from both the insurance and wool businesses also contributed to the results and while Rural Services benefited from an uplift in volumes following improved conditions, this was more than offset by a reduction in chemical and fertiliser prices,” Mr Davis said.

The 2011 outlook for Rural Services remains positive with the successful deployment of SAP expected to assist in improving margins and inventory control.

“In addition, good rains across eastern Australia should lead to increased sales during the first half of FY11, including additional sprays to control weeds and fertiliser for pastures,” Mr Davis said.

#### **Commodities**

Mr Davis said ACM continued to maintain significant market share across the Australian grain belt, accumulating in excess of 20% of the 2009/10 wheat harvest.

“The underperformance within ACM was a result of significantly reduced margins within the Grain Marketing business,” Mr Davis said.

"However, all other areas of the business performed well, with Pool Management Services benefiting from improved pricing structures and Logistics outperforming the previous year due to improved volumes from a larger eastern Australia harvest and increased rail capacity. GrainFlow benefited from a larger crop in eastern Australia receiving 1.3 million tonnes compared to 1.2 million in the prior year.

"While International Commodities Management (ICM) performance was down on the pcp the result was in line with management's expectations and more consistent with the underlying trend of the performance of ICM. Overall a solid performance across the diversified portfolio in ICM in FY10, with only oilseeds performing below expectations.

"This business is well positioned to take advantage of increased demand for Ukraine grains via its Black Sea origination capability and during the year ICM continued to make significant improvement in its risk management, corporate governance and business operations.

"Going forward the Grain Marketing business will participate in the long term growth in global demand for soft commodities from Australia and has strengthened its grain acquisition capability," Mr Davis said.

For the FY11 harvest AWB is expanding its "ex-farm" offering including transport, finance and warehousing, and will be developing new containerisation options for farmers over the next 12 months to cater for rapidly expanding demand in the Asia-Pacific region.

### **Discontinuing Businesses**

Management continues to finalise the wind down of AWB Brazil. It is expected that the office in Brazil will be closed by the end of the calendar year, with a residual capability retained for future realisation of remaining receivables.

Hi-Fert is currently classified as 'held for sale' and management continues to work through a process with key stakeholders to assess the options for restructuring and strengthening Hi-Fert. The 2010 operational performance and activity levels have improved for Hi-Fert, with costs reduced and the higher priced inventory largely sold.

### **Dividend**

The Board of Directors has declared that no ordinary dividend will be paid in respect of the 2010 financial year. However the Scheme Implementation Agreement with Agrium allows AWB to pay a special dividend of up to 20 cents per share, fully franked, subject to obtaining a favourable ATO ruling and final Board approval. This matter continues to be progressed with the ATO and an announcement regarding a special dividend is not expected to be made before the Scheme Meeting.

### **Agrium Inc**

On 20<sup>th</sup> August 2010, AWB Limited announced that it had entered into a Scheme Implementation Agreement with Agrium Inc., under which Agrium would acquire all of the issued capital of AWB at a price of A\$1.50 per share, subject to a number of conditions, including foreign investment and shareholder approval. Full details of the Scheme are contained in the Scheme booklet which was mailed to shareholders on 8<sup>th</sup> October 2010.

Agrium has advised AWB that it has obtained all approvals to the implementation of the Scheme required in countries in which AWB operates in satisfaction of the conditions precedent contained in sub-clause 3.1(a) (1), (2) and (3) of the Scheme Implementation Deed.

The Scheme Meeting is to be held at 10am on Tuesday 16<sup>th</sup> November at Sofitel Melbourne on Collins, Melbourne.

For further detail on AWB Limited's Full Year Results visit AWB website, [www.awb.com.au](http://www.awb.com.au).

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