



# **MEDIA RELEASE** from ABB Grain Ltd

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## **ABB forecasts better full-year profit after strong first half**

- 2008 half-year NPAT \$33.6 million
  - 79% increase on first half 2007
- Full year NPAT forecast lifted to \$33m-\$38m (previously \$30-35m)
- Fully franked interim dividend of 7.0 cents per share

**Leading Australian agribusiness ABB Grain has raised its full-year profit forecast after reporting a net profit after tax of \$33.6 million for the six months ending 31 March 2008.**

The strong half-year result is ahead of expectations and is a 79% improvement on the first half result from last year.

ABB Grain has announced an **interim fully-franked dividend of 7.0 cents per share**, to be **paid on 30 June 2008 with a record date of 16 June 2008**. ABB's dividend payout ratio is 65% of NPAT, with a total interim dividend payout of \$10.5 million.

ABB Grain managing director, Michael Iwaniw, said today's strong result was ahead of expectations and enabled the company to lift its full-year net profit after tax forecast to \$33m-\$38m (previously \$30m-\$35m).

"I'm extremely pleased we've been able to upgrade our original full-year forecast," Mr Iwaniw said.

"ABB Grain's main business units – national supply chain, malt and grain marketing – all played a vital part in the company's strong results, despite a difficult season, high commodity prices and soaring transport costs.

"Compared to 2006, there has been a significant increase in the volume of grain through our silo network and marketing division and we're also experiencing rising margins for our grain and malt.

"However, I should point out that the majority of our earnings are derived during the first half of the financial year.

### **Business segment performance**

"Another robust contribution from our malt division, Joe White Maltings (JWM), saw it record a \$20m half-year profit before tax. The world malt price remains buoyant and we've taken advantage of this with a full sales book.

"Although we could sell more malt, we are constrained by our eight plants' capacity. That's why we're pressing ahead with a new malt house at Minto, near Sydney, by 2010 which will increase our national malt production by 20%, further cementing our position as Australia's largest maltster.

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“Our national supply chain division continues to contain costs and improve efficiencies. We’ll see the benefits of these gains when we return to a normal or above-average year.

“On average, 80% of grain received into ABB’s system is exported. So, commercial reality dictates we want to get maximum volume through our terminals and receival facilities and with the completion of our new Outer Harbor facilities we’ll be strongly encouraging other grain industry participants to access and use ABB’s network to push maximum volume through our system.”

ABB’s grain marketing division, operating in a volatile market, had a solid half, earning a \$17.6m profit before tax. This included a strong contribution from ABB Grain’s New Zealand division.

“Significant volatility persists in world grain markets and many commodities are trading at historic highs,” Mr Iwaniw said. “As with other parts of our business we’re using our strong customer relationships to best advantage and strengthening our risk management practises.

“ABB’s rural services division maintains its activities, with positive results in our wool business and strong results are expected in our farm inputs for the second half.

“But this division is still in its infancy and we remain alert to new opportunities in this area.

“Going forward, we have some really exciting developments and initiatives nearing fruition, including a new Prograin container packing facility at Port Adelaide, new feed storage facilities in New Zealand, while later there will be a new feed mill in South Auckland as part of our National Milling joint venture, and a new container facility alongside our proposed malt house at Minto.

“With the change in wheat legislation, we are already exporting approximately 15,000 tonnes of wheat per month in containers and, in the past six months, have handled 19,000 TEUs (twenty foot equivalent units) making ABB Grain one of the biggest container exporters in Australia.

“We are expecting profit return in the second half from our New World Grain joint venture in Ukraine, following the government’s decision on May 21 to lift all restrictions on wheat and other grain exports, and the Ukrainian Ministry of Agrarian Policy’s forecast that grain exports will be 13.5m tonnes for the 2008/9 season.

“In looking to the future, ABB Grain has also agreed with its bankers to extend its core debt facilities from 2010 to 2011.

“This all demonstrates that ABB is actively pursuing its strategy of becoming Australia’s premier agribusiness with an enhanced international presence.”

### **Interim dividend**

ABB’s dividend reinvestment plan (DRP) will operate for the June dividend at a 2.5% discount to the weighted average price of ABB shares sold on the ASX in the five business days immediately before and after the record date.

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