

**CSR LIMITED**

9 Help Street Chatswood  
NSW 2067 Australia  
T +612 9235 8000  
F +612 9235 8055  
E-mail [investorrelations@csr.com.au](mailto:investorrelations@csr.com.au)  
[www.csr.com.au](http://www.csr.com.au)  
ABN 90 000 001 276

7 September 2006

Manager Companies  
Company Announcements Office  
Australian Stock Exchange Ltd  
Level 6, Stock Exchange Centre  
20 Bridge Street  
Sydney NSW 2000

Dear Sir

Information is released to the market as follows:

**Outlook**

At its Annual General Meeting in July CSR advised that as long as sugar prices remained reasonably strong, it expected group earnings before interest and tax for the year ending March 2007 to be around 10% ahead of last year.

Since July sugar prices have fallen by around 25% and there has been a continuation of the unseasonable wet weather that delayed the start of crushing and has depressed sugar content. In the past few days widespread rain across growing areas has disrupted harvesting. The Herbert region in particular has experienced rainfall in excess of 500mm (20 inches) in some areas and harvesting continues to be disrupted.

Given these circumstances it now looks unlikely that CSR will achieve the improved profit outcome previously expected. Around one third of CSR's 2006 sugar exposure remains to be priced and the final profit outcome remains dependent on weather conditions for the balance of the crushing season through to mid December and on world sugar prices over the coming six months.

**Analysts' presentations**

Attached is a copy of a presentation to be made to analysts today on CSR's sugar business.

Today's presentation on the world sugar market by John Barneby, Chairman C. Czarnikow Sugar Limited is being lodged as a separate filing.

Yours sincerely



G J Hughes  
Company Secretary





## CSR Sugar is a large sugar player in world terms ...

### § 5<sup>th</sup> largest raw sugar producer in the world

- YEM06 revenue, ~\$1.4 billion
- YEM06 EBIT, ~\$125 million

### § Sugar milling business

- 7 mills in Northern Queensland
- Produce 40% of all Australian raw sugar (~2.4m tonnes pa)

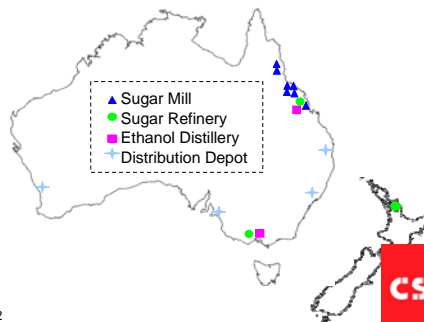
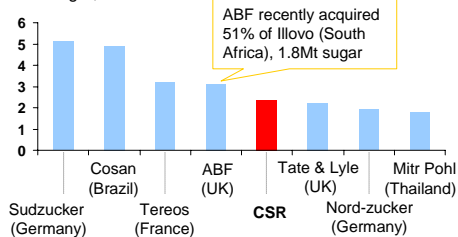
### § Sugar refining

- Sugar Australia (CSR = 75%), 2 refineries, ~ 750 kt pa
- New Zealand Sugar Company (CSR = 75%), 1 refinery, ~200kt pa

### § Emerging ethanol business

- Total capacity 60 million litres per year, up to 50 million litres of fuel grade ethanol

World sugar producers 2005/06  
Raw sugar, million tonnes

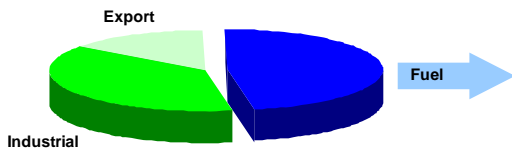


## ... with an emerging fuel ethanol business

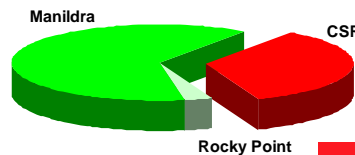
- § CSR's experience in ethanol spans more than 100 years. We first distilled ethanol from molasses in 1901
- § Today, CSR is a leading player in the emerging fuel ethanol market
  - CSR's total production capacity of 60 million litres; up to 50\* million litres of fuel grade ethanol capacity
- § CSR is assessing opportunities for expanding its fuel grade ethanol capacity...



Current ethanol market segments



Australian fuel ethanol capacity



\* To go from 32 million litres to 50 million litres we would need to exit other ethanol markets

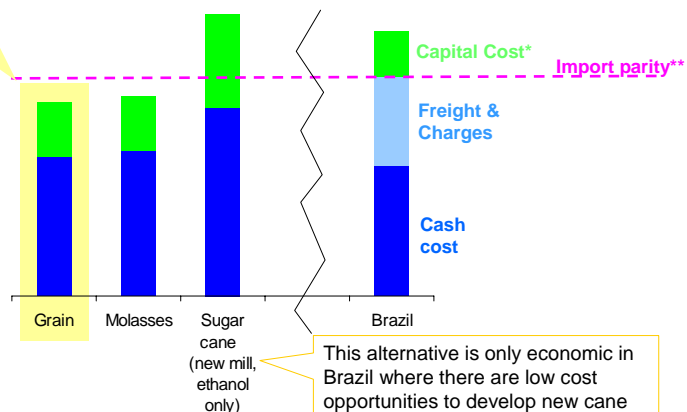


## CSR is assessing ethanol expansion opportunities in large scale distilleries using grain

Comparative economics of alternative Australian ethanol expansion opportunities

To be internationally competitive CSR is investigating a large scale operation

- § To be internationally competitive the operation would need to be >200 mega litres
- § We are investigating selected sites in Northern and Southern markets of east coast Australia



\* Includes: capital charge and economic depreciation

\*\* Post 2011 excise regime: assumes imported ethanol is on a 'equal footing' with domestic ethanol



## Current market conditions are shaping to support such an investment in fuel ethanol

- § **High Oil Price has raised interest in fuel ethanol**
  - Oil price may remain high for some time
- § **Ethanol is establishing itself in its own right**
  - It is renewable
  - It has environmental credentials
- § **The current excise regime in Australia is attractive**
- § **Brazil's industry has structural differences**
  - High gasoline taxes, prices
  - Mandated use of ethanol
  - Natural endowments for economic supply of biofuels

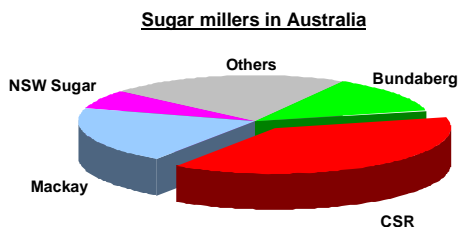


CSR

5

## CSR has a strong market position in Australian raw sugar milling, but there is limited scope to grow within Australia

- § **CSR produces 40% of all Australia's raw sugar**
- § **Limited opportunities for growth within Australia**
  - Industry growth constrained by land suitable for sugarcane
  - No growth in milling capacity is required



CSR

6

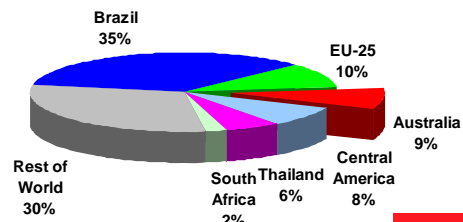
## Brazil dominates the global sugar market and provides opportunities for growth ...

- § Australia is a major player in the freely traded world sugar market
- § EU exports will decrease significantly going forward
- § Brazil is continuing to grow
  - Brazil dominates the global sugar market and provides opportunities for growth

**World production of raw sugar 05/06**  
145 million tonnes



**World traded raw sugar 05/06**  
49 million tonnes  
40 Countries



Source: US Department of Agriculture

7

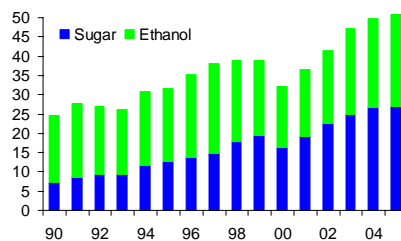
CSR

## The Brazilian industry is expanding annually by 4-5 million tonnes of raw sugar equivalents per annum

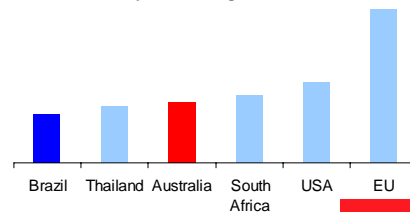
### The Brazilian sugar industry has many attractive features

- § Lowest cost position on global cost curve
- § Excellent natural resources for cane growing
- § Abundant, suitable land for expansion of cane growing activities
  - In Brazil, the industry is expanding annually at one Australian industry per annum (4-5 million tonnes per annum)
- § Low capital costs for green field expansion
- § The sugar industry is completely deregulated and vertically integrated
- § Industry ownership is fragmented
  - Opportunities exist for value creation through consolidation

**Rapid growth in production**  
Raw sugar equivalents, million tonnes



**Lowest cost position on global cost curve**



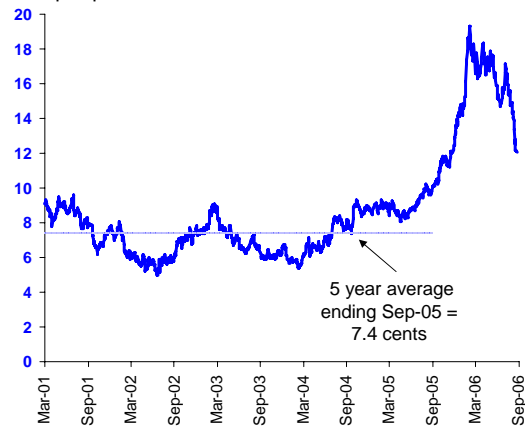
Source: UNICA

8

CSR

## Fundamentals should help to underpin a better long term price and investment in global milling capacity

**New York spot price**  
USc per pound



Source Bloomberg, NY11 sugar price

### Outlook — fundamentals

- § Reform in the EU
- § Recovery but no significant export changes outside Brazil
- § Brazilian cost of expansion and ethanol demand dynamic
- § Strengthened Brazilian currency

**CSR**

9

## CSR will continue to look at opportunities in Renewable Electricity

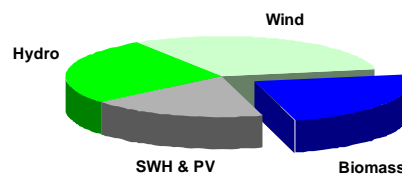
### § CSR is Australia's largest renewable energy generator from biomass

- Currently we supply ~400GWh to the grid
- Another ~1400GWh is possible by improving mill energy efficiency and collecting cane trash

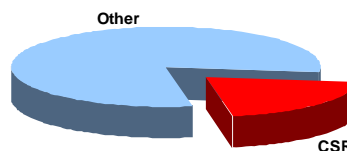
### § We have capability to produce 5 times this amount of renewable electricity in Queensland

- But such an investment would require a carbon trading scheme or some other pricing signal, for example, extending the MRET scheme

New Renewables  
Forecast share of REC's to 2020



Forecast Share of Biomass REC's to 2020



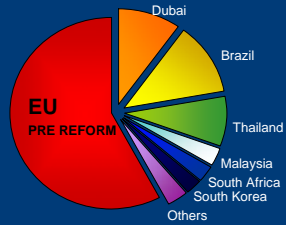
Source: BCSE; CSR Analysis

10

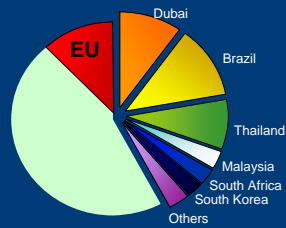
**CSR**

## We are accessing growth opportunities in refined sugar as European white sugar exports contract

Total 45s World Trade (pre EU reform):  
11m tonnes



Total 45s World Trade (post EU reform):  
11m tonnes



Source: Czarnikow Sugar

### § CSR has strong position in refined sugar in Australia & NZ

- **Sugar Australia** (CSR = 75%) leads Australia's refined sugar industry with a market share of ~80% in a highly competitive market
- **New Zealand Sugar Company** (CSR = 75%) leads NZ's refined sugar industry with market share of ~80%

### § Growth and export opportunities are expected to arise as European white sugar exports contract

**CSR**