

# Analyst Presentation

CSR Sugar - July 2008



## AGENDA

### Thursday 31 July 2008

- Welcome & Introduction Jerry Maycock, Managing Director, CSR
- Sugar Overview Ian Glasson, CEO CSR Sugar
- Cogeneration Shayne Rutherford, (Acting) CFO and GM New Business Development, CSR Sugar

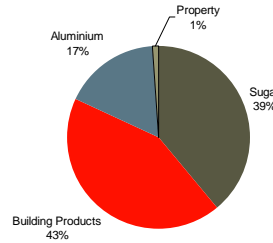
### Friday 1 August 2008

- Refining Australia/NZ Tim Hart – CEO Sugar Australia
- Ethanol Garry Mulvay, Marketing Manager, CSR Ethanol

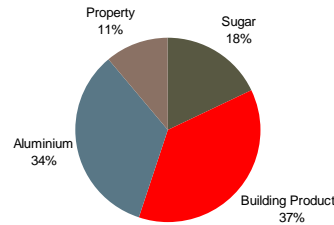
## SUGAR – PART OF CSR’S DIVERSIFIED PORTFOLIO

- CSR is Australia's leading sugar business and a significant player in world terms
- Sugar is part of CSR's diversified portfolio of businesses which reduces overall earnings volatility for shareholders
- CSR participates right across the value chain in Sugar:
  - Raw Sugar Milling
  - Refining
  - Renewables (Ethanol & Cogeneration)
- CSR has strong, market leading positions in these segments to leverage for growth

Revenue by business \$3.2bn YEM 08



EBIT by business \$386m YEM 08



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## CSR - POSITIONING FOR GROWTH IN SUGAR

- |   |   |  |
|---|---|--|
| <ul style="list-style-type: none"> <li>▪ <b>Maintain leading market positions</b> <ul style="list-style-type: none"> <li>- Capital upgrade of mills to improve reliability and sugar recovery</li> <li>- Upgrade of refining assets to enhance customer proposition</li> </ul> </li> </ul>  | } | <b>Strong market position</b>              |
| +   |   |  |
| <ul style="list-style-type: none"> <li>▪ <b>Continue to build more reliable earnings base</b> <ul style="list-style-type: none"> <li>- Continued growth in earnings from refining and renewables</li> <li>- Support initiatives to promote industry restructuring</li> <li>- Hedging activities to lock in higher prices and reduce volatility</li> </ul> </li> </ul> | } | <b>Increased recurring earnings</b>        |
| +   |   |  |
| <ul style="list-style-type: none"> <li>▪ <b>Market fundamentals are positive for sugar</b> <ul style="list-style-type: none"> <li>- Positive trend for long term sugar price based on rising marginal cost of production in Brazil</li> <li>- Carbon constrained economy provides further opportunities for renewable energy</li> </ul> </li> </ul>                   | } | <b>Positive industry trends</b>            |
| +   |   |  |
| <ul style="list-style-type: none"> <li>▪ <b>Significant opportunities to expand across sugar portfolio</b> <ul style="list-style-type: none"> <li>- Additional scope to expand fuel ethanol production</li> <li>- Significant opportunity to expand cogeneration business</li> <li>- Maintain option for international expansion</li> </ul> </li> </ul>               | } | <b>Significant expansion opportunities</b> |
| =   |   |  |

**CSR well positioned to create additional value from Sugar**



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# Sugar Overview

Ian Glasson



## CSR – ONE OF THE WORLD’S LEADING SUGAR PRODUCERS

- **6<sup>th</sup> largest sugar producer in the world**

- YEM08 revenue, \$1.3 billion
- YEM08 EBIT, \$72 million

- **Sugar milling**

- 7 mills in Northern Queensland
- Produce 40% of all Australian raw sugar (~2.1m tonnes pa)

- **Sugar refining**

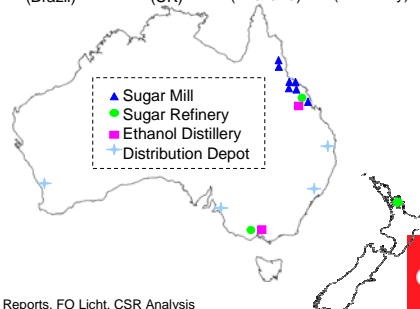
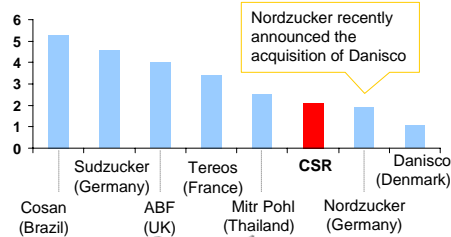
- Sugar Australia (CSR = 75%), 2 refineries, ~750 kt pa
- New Zealand Sugar Company (CSR = 75%), 1 refinery, ~200kt pa

- **Renewables**

- Second largest ethanol supplier in Australia with total capacity 60 million litres per year - 38 million litres of fuel grade ethanol capacity
- Australia’s largest renewable energy generator from biomass

World sugar producers 2006/07

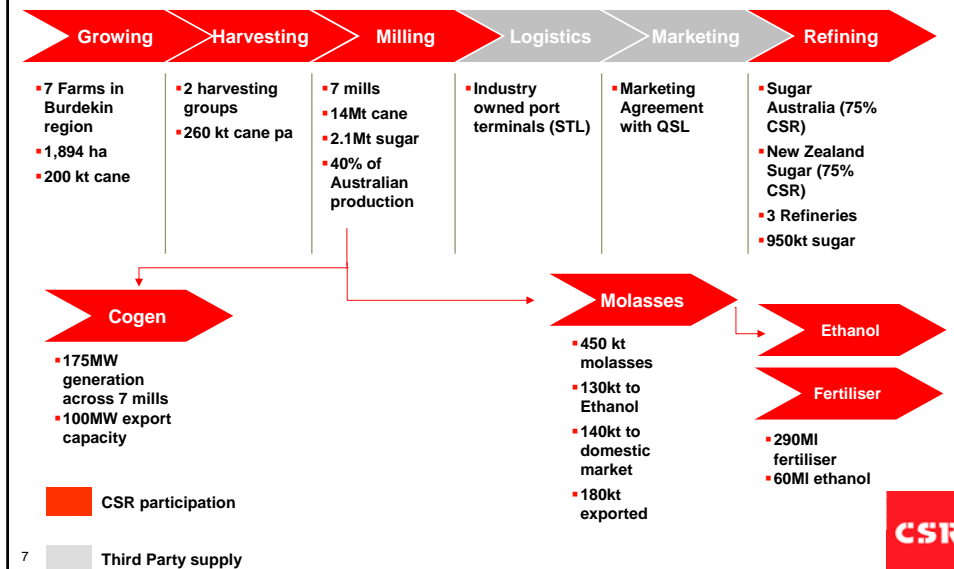
millions tonnes raw sugar equivalent (incl. Ethanol from cane)



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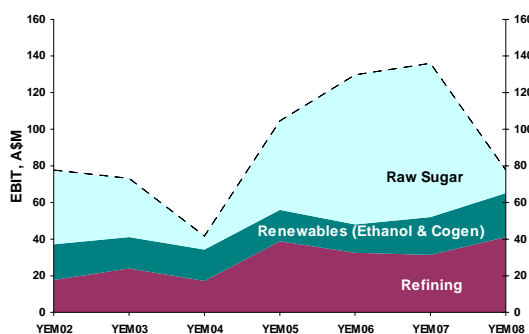
Source: Annual Reports, FO Licht, CSR Analysis

## CSR PARTICIPATES RIGHT ACROSS THE SUGAR VALUE CHAIN



## CSR IS CREATING A MORE STABLE EARNINGS BASE THROUGH REFINING AND RENEWABLES

- Underlying trend in raw sugar price is positive, based on world sugar and ethanol demand, and increasing marginal cost of production in Brazil
- CSR continues to upgrade mills and refining assets to sustain competitive market position
- CSR supports initiatives enabling growers to manage their own price risk, and a 'single export desk' to minimise cost to market



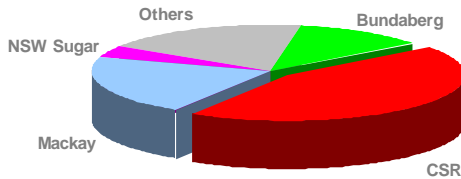
- Overall, CSR is building a more stable earnings base in Sugar, maintaining options for international growth at right time

## CSR HAS A STRONG MARKET POSITION IN AUSTRALIAN RAW SUGAR MILLING

- CSR is Australia's largest sugar milling group producing 40% of national raw sugar production
- CSR milling assets are located in the prime cane growing agricultural areas of Australia (Burdekin and Herbert)



Sugar Millers in Australia, % raw sugar produced

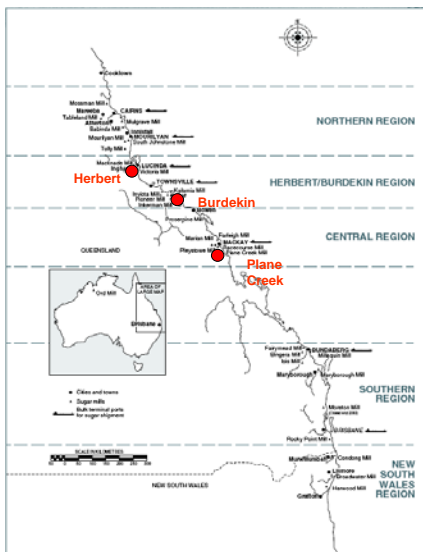


CSR estimates, 2007 season

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## CSR SUGAR MILLS IDEALLY LOCATED BY CLIMATE AND CLOSE TO PORTS



### Herbert Region, 2 Mills:

- Victoria ~ (3.1 million tonnes crushed per annum)
- Macknade ~ (1.5m/t pa)

### Burdekin Region, 4 Mills

- Invicta ~ (3.1 m/t pa)
- Pioneer ~ (1.7m/t pa)
- Inkerman ~ (1.8 m/t pa)
- Kalamia ~ (1.5 m/t pa)

### Plane Creek Region, 1 Mill

- Plane Creek ~ (1.3 m/t pa)

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## CSR HAS A STRONG TECHNICAL CAPABILITY IN RAW SUGAR

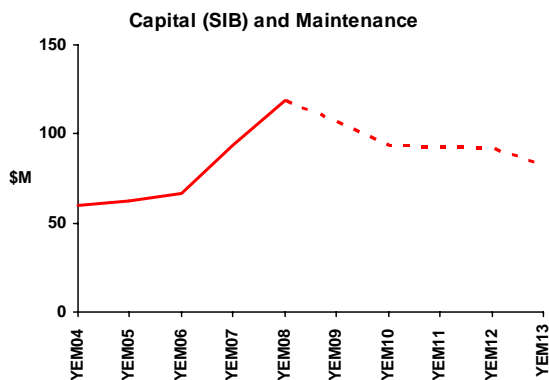
Raw Sugar production at competitive cost levels

- **Agriculture and Varieties**
  - BKN region - 15.0% CCS (commercial cane sugar) and 115 tonnes of cane per hectare
- **High labour productivity**
  - 100% mechanised farming
  - High levels of automation – for example for a 25,500 TCD sugar mill:
    - 215 employees including management, maintenance, operations and cane transport
    - 15 personnel per shift for mill operations including all plant operators trades, laboratory, cane payment and cleaners, 16 personnel per shift for cane transport
- **High technology in cogeneration**
  - 68MW generation from a 13,000 TCD plant
- **Excellent sugar and cane transport logistics**
  - Extensive (1,250 km track length) cane railway network
  - Proximity to port facilities

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## MILLS CAPITAL UPGRADE PROGRAM TO SUSTAIN COMPETITIVE MARKET POSITION



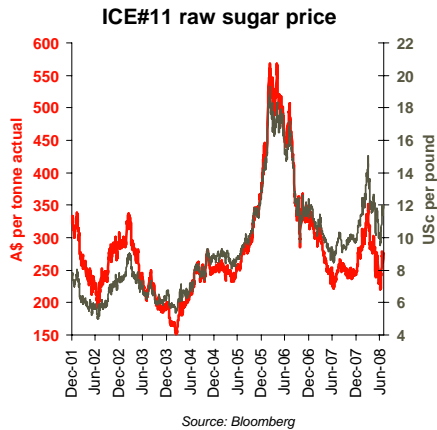
- Now in second year of three-year program to upgrade critical equipment, improve cost position and increase sugar recovery
- YEM 09 expenditure is targeted on further improving critical plant (boilers, cane transport etc)
- Program will ensure CSR maintains its competitive position in the global raw sugar market
- Capital program returns to 'average' level from YEM10

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## FUNDAMENTALS SUPPORT SUGAR PRICE RECOVERY

- Significant surplus still overhangs market short term, but moving back towards balance in 08/09
- High oil price encourages demand for Brazilian fuel ethanol which tightens sugar supply
- Significant increases in Brazilian cost of production since last year due to increase in fertiliser/labour costs supports medium term price growth - prices were below Brazilian cash cost of production estimated at US 12-13c/lb at current exchange rates
- Short term price driven by speculative investment on top of the fundamentals



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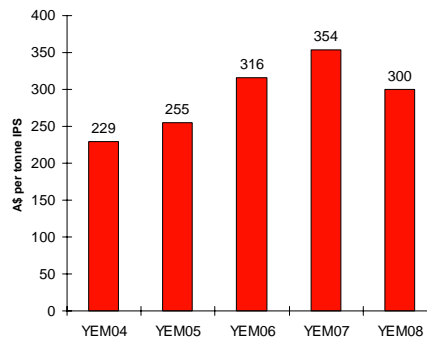
## AVERAGE REALISED SUGAR PRICE

The average realised A\$ sugar price is based on the following components:

	ICE#11 sugar price (US c/lb <sup>1</sup> )
PLUS	Far east premiums <sup>2</sup> (US c/lb)
LESS	Queensland Sugar Limited (QSL) marketing, storage and shipping costs (A\$/t)
EQUALS	Average realised price to CSR (A\$ per tonne IPS <sup>3</sup> )

Currently the differential between the ICE#11 price and CSR's realised price is -\$A20p/t<sup>4</sup>

**Realised raw sugar price**  
A\$ per tonne IPS



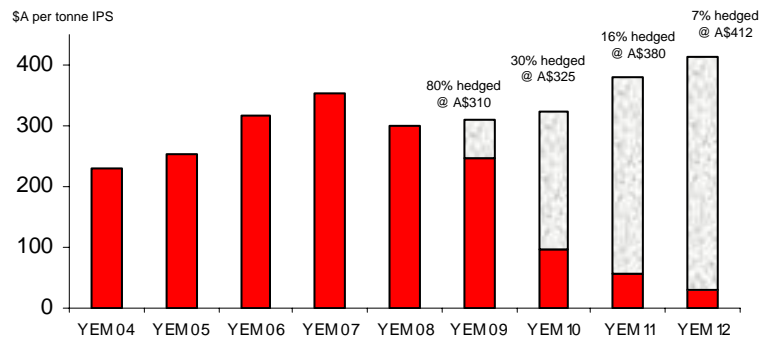
- 1: ICE#11 contract is based on raw sugar of 96 degrees pol
- 2: Far east premium is affected by freight rates and currency movements
- 3: Tonne IPS = equivalent tonnes of sugar at 96 pol, converted using standardised procedures incorporating the International Pol Scale (IPS)
- 4: Dependant on freight, foreign exchange and regional competition

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## HEDGING PROFILE

Realised raw sugar price A\$ per tonne IPS



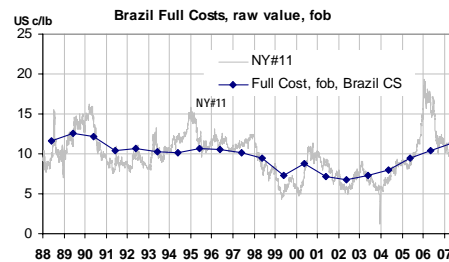
- Hedging has been undertaken to lock in attractive prices on market rallies.
- CSR hedges part of its sugar price exposure. Due to cane payment being linked to sugar price, CSR's total economic exposure to sugar price is ~35% of sugar sold.

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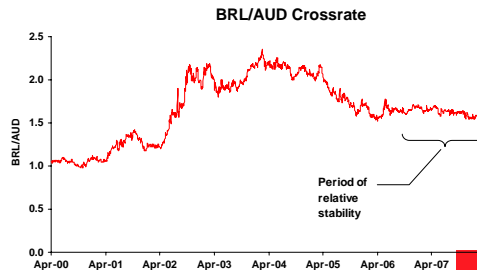
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## BRL/AUD CROSS RATE A KEY FACTOR FOR AUSTRALIAN PRODUCERS

- Brazil cost of production sets world sugar price - BRL/AUD cross rate therefore is a key factor for Australian producers
- BRL has strengthened by 25% against AUD since 2005 and been relatively stable over the past two years
- Strong BRL has led to higher Brazilian cost of production in AUD terms signalling higher sugar price in AUD.
- Australia's competitiveness now depends more on relative changes in production cost fundamentals between Australia and Brazil.



Source: LMC, ICE

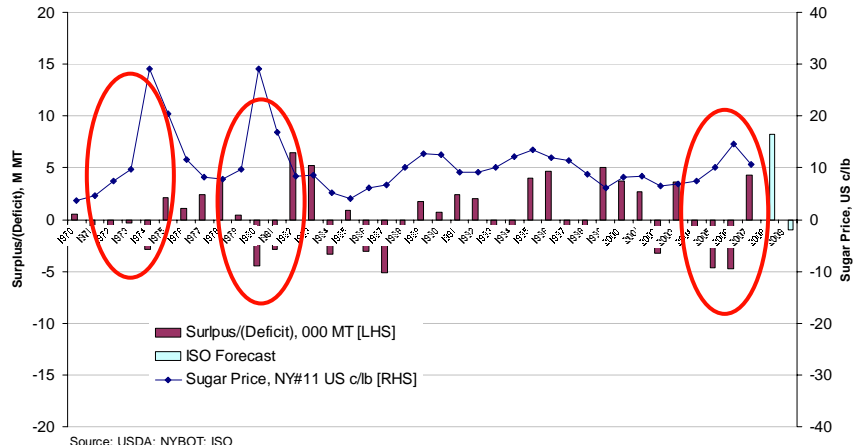


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## World Supply/Demand Balance



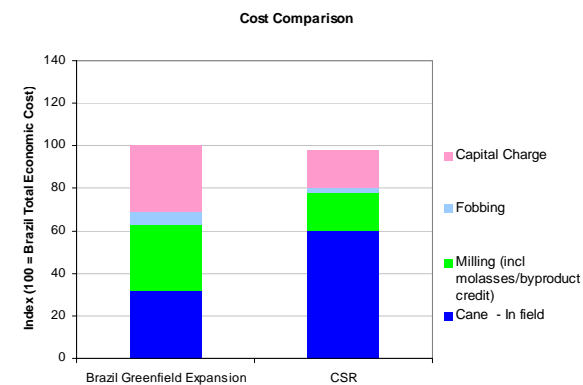
- Current surplus forecast to reduce in 2009 – Brazil production switching from sugar to ethanol production
- Supports longer term sugar price increase

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## CSR IS COST COMPETITIVE BY WORLD STANDARDS

- Despite higher in-field cane costs, CSR is competitive with Brazil due to lower cost cane and sugar logistics and comparable milling costs
- We are achieving further cost efficiencies through volume gains, asset restoration and operational improvement programmes across mills



BRL/AUD = 1.60  
CSR Cane Costs based on sugar price of A\$300/t

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## CONCLUSION – SUSTAIN LEADING MARKET POSITION, DEVELOP GROWTH OPPORTUNITIES

- CSR's participation across the value chain in Sugar provides various opportunities to add value to the sugar business
- CSR has a globally cost competitive position in raw sugar which we are supporting through a capital upgrade of the mills
- Despite short term sugar price volatility, longer term trend is positive based on increasing marginal cost of production in Brazil and ethanol substitution
- CSR is building a more stable earnings base through refining and renewables and hedging programme
- Significant expansion opportunities exist, particularly in cogeneration...

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## Cogeneration

Shayne Rutherford



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## CSR IS A SIGNIFICANT PRODUCER OF RENEWABLE ENERGY

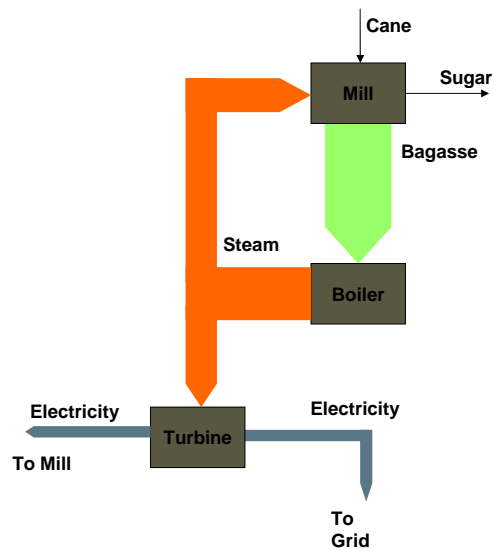
- CSR already produces enough renewable energy to operate each of its 7 mills, and has two sites where a significant surplus is produced - Invicta and Pioneer
- Cogeneration capacity of 175 MW with 100 MW available for export
- Total electricity generation is 545GWh p.a.
- 300 GWh exported to national grid annually (similar quantity of RECs) (enough to support ~ 80,000 households)



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## HOW DOES COGENERATION WORK?



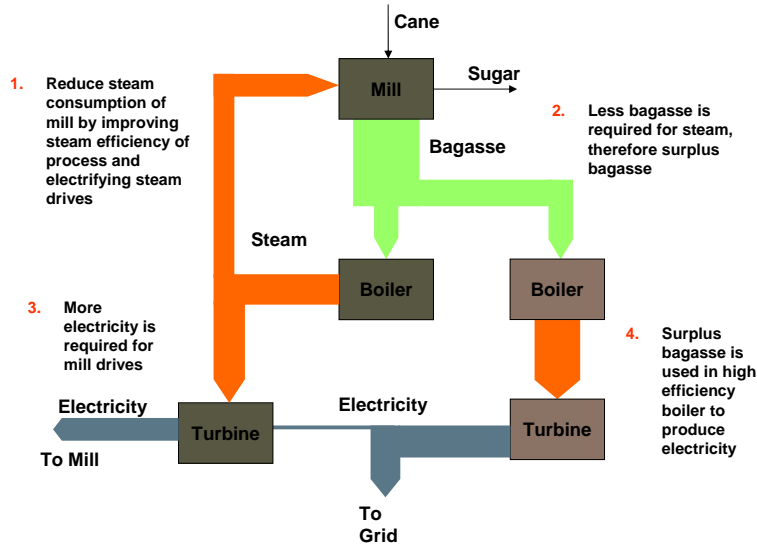
### Existing Sugar Mill Operation

- All bagasse is used to produce steam and electricity for mill requirements
- A small quantity of electricity is exported.

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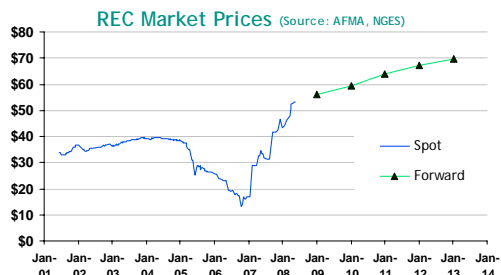
## HOW DOES COGENERATION WORK?



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## POSITIVE OUTLOOK FOR REC PRICES

- Current MRET target of 9,500GWh by 2010. Early project development and banking of Renewable Energy Certificates (RECs) means adequate supply of RECs for existing targets
- REC prices have increased over last 18 months due to expectations of increased renewable targets and extended scheme duration
- Federal Government policy to increase the RET to 45,000GWh by 2020 and extend scheme until 2030/2035
- Meeting this target means that 60% of projected increase in electricity demand will be met by renewables
- Approximately 75% of CSR's REC production is exposed to market price, with the balance contracted at fixed prices until 2015

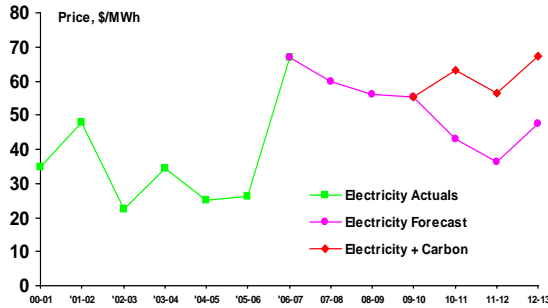


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## POSITIVE OUTLOOK FOR ELECTRICITY PRICES

- Electricity prices have recently moved higher due to rising input and capital costs
- Future prices will be supported by some carbon price as a result of emissions trading
- The timing and magnitude of the carbon price are uncertain
- Approximately 25% of CSR's electricity production is exposed to market price, with the balance contracted at fixed prices until 2015.



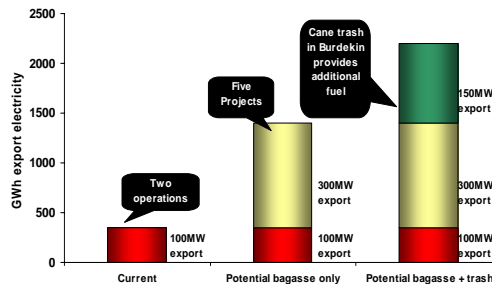
Electricity price forecast (Qld Average Pool) based on Roam Insight Issue 11 - Increased renewable case. Forecast is shown as 2008\$ Assumed A\$20/t CO2

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## CSR HAS SIGNIFICANT POTENTIAL TO EXPAND COGENERATION

- The availability of large amounts of bagasse and cane trash provides the potential for significant additional generation capacity, using existing technology similar to that employed at Pioneer mill
- An additional 1100GWh of renewable electricity (enough to support ~170,000 households) could be provided from bagasse fuelled projects
- A further 800GWh of renewable electricity (enough to support ~120,000 households) could be provided from cane trash fuelled projects

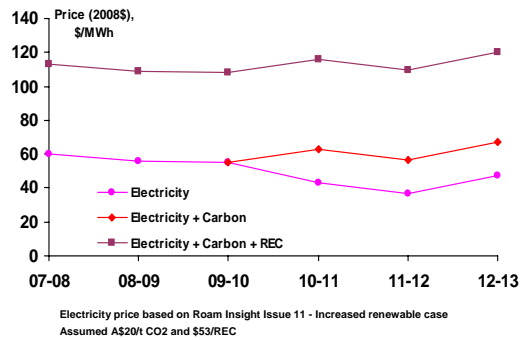


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## FUTURE COGENERATION INVESTMENT

- The outlook for higher REC and electricity prices and the extension of the REC scheme are all directionally positive and approaching thresholds to support further cogeneration investment
- However, offsetting probable revenue improvement, significant escalation of capital costs has continued
- The legislative framework is still very fluid making forecasting future REC and electricity prices challenging
- Project viability is currently being assessed in light of possible future developments



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## SUGARBOOSTER™ - BIOTECH INNOVATION INITIATIVE

- **CSR's SugarBooster™ is a biotech (GM) R&D Project with the University of Queensland**
  - Team of 45 scientists, technicians and field staff
  - 7ha current field trial site on a CSR farm
  - 4<sup>th</sup> year of the program
  - \$10 million of Federal Govt grants
- **Aim is to develop and commercialise sugarcane varieties with significantly higher sugar content**
  - Global commercialisation potential
  - Local development of commercialisation to ensure future competitiveness of CSR's Australian raw sugar milling assets
- **CSR has strong commercial and IP rights**
  - Exclusive worldwide license to the technology
  - Includes sugarcane, beet and sweet sorghum
  - IP protection in all viable sugar-producing regions worldwide (includes cane & beet producers)
- **Long Term Project dependant on R&D outcomes**
  - Early results have been very encouraging
  - Commercial release at least 5 years away



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