

# Refining – Australia / New Zealand

Tim Hart – Chief Executive Officer



## AGENDA

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- Australia / New Zealand Market Overview
- Refining – a unique business
- Strong core business performance
- Investment in our Future
  - People / Safety
  - Assets
  - Brands / Innovation
- New Growth Platforms

## CSR HAS EXTENSIVE EXPERIENCE IN SUGAR REFINING WITH LEADING MARKET POSITIONS

- CSR has 153 years in refining
- JV established in March 1998
- 75% CSR Limited
- 25% Mackay Sugar Cooperative



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## INTEGRATED, NATIONAL COVERAGE THROUGH SUPPLY CHAIN



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## MULTIPLE ASSETS PROVIDE SUPPLY SECURITY TO CLIENTS

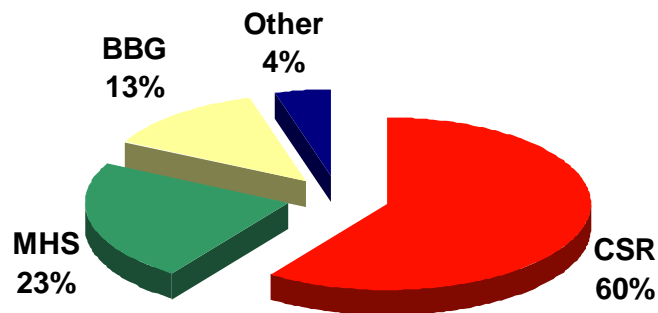


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## LEADING MARKET SHARE IN AUSTRALIA/NZ

Domestic Australia/New Zealand Refined Tonnes = 1,150kt



\*CSR export ~240kt to take-up refining capacity

# Source : Sugar Australia & New Zealand Sugar Co. Market Analysis

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## AUSTRALIA / NEW ZEALAND REFINING HOLDS #1 POSITIONS WITH DIVERSIFIED INCOME STREAMS

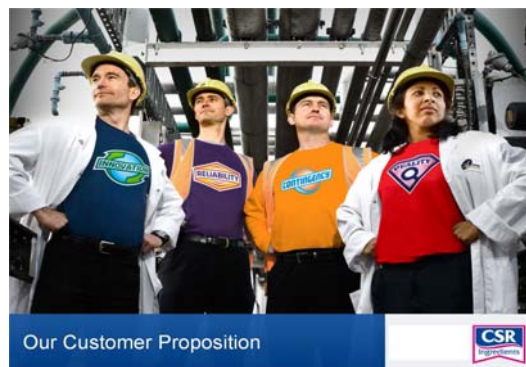


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## CORE BUSINESS GROWTH

- Sugar Australia has significantly improved margins through its core businesses:
  - Food & Beverage - strong commitment to quality product
  - Retail – product innovation and customer focus
- Delivering our 'Customer Proposition' is becoming a way of life
- Business performance is largely independent of sugar price volatility



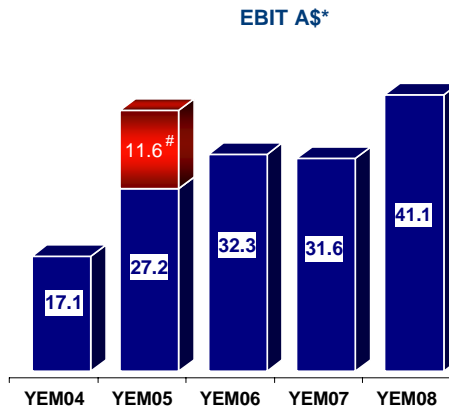
Increased Customer Value reflected in improved returns

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## STRONG & SUSTAINABLE EBIT GROWTH IN REFINING

- 140% EBIT improvement in 4 years
- All channels in Australia and New Zealand contributing to growth
- Margin improvements vs cost reductions have been the key driver



\* EBIT Before Minorities  
# One-off 'unsustainable' volume drive

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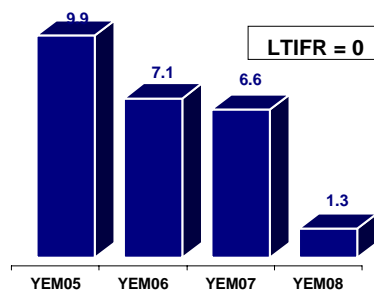
## INVESTMENT IN FUTURE

### Our people, their safety

- Sugar Australia has made excellent safety progress in recent years
- Industry-leading performance
- Significant cultural shift – 'safety first'
- Implementation of robust policies and procedures
- Capital investment to underpin people & process changes



### Sugar Australia Total Injury Frequency Rate



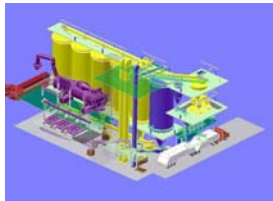
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## INVESTMENT IN FUTURE

### ▪ \$56m Yarraville Upgrade

- Strengthen 'Customer Proposition' in Southern markets
  - Better reliability
  - More consistent Quality
  - Improved storage supports Contingency Planning
- Complements current & future food manufacturing standards
- On target for early 2009 commissioning
- Consolidates the competitive advantage of our 3 refinery footprint for Australia and New Zealand markets



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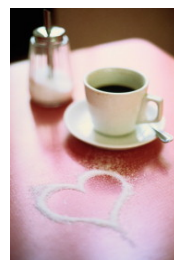
## INVESTMENT IN FUTURE

### ▪ Brands

- CSR (153 years) and Chelsea NZ (124 years) are brand icons

### ▪ Innovation

- More than just sugar
- Innovation culture emerging
- Leadership in high value offers



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## EXCITING NEW PLATFORMS

- Expand to 'sweet solutions' business model
- First step-out to Equal Distributorship highly successful in Retail & Foodservice Channels
- Infrastructure and capabilities to deliver
- Further growth opportunities exist



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## REFINING – LEVERAGE STRONG MARKET POSITION FOR FURTHER GROWTH

- Strong safety performance and plans
- Profit creation through customer value
- Low Risk
  - Multiple channels to generate earnings
  - Earnings largely independent of raw sugar price volatility
- A unique and sustainable supply footprint
- Well placed to service Asian growth opportunities



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# Ethanol

Garry Mulvay



## ETHANOL'S SUSTAINABLE CYCLE

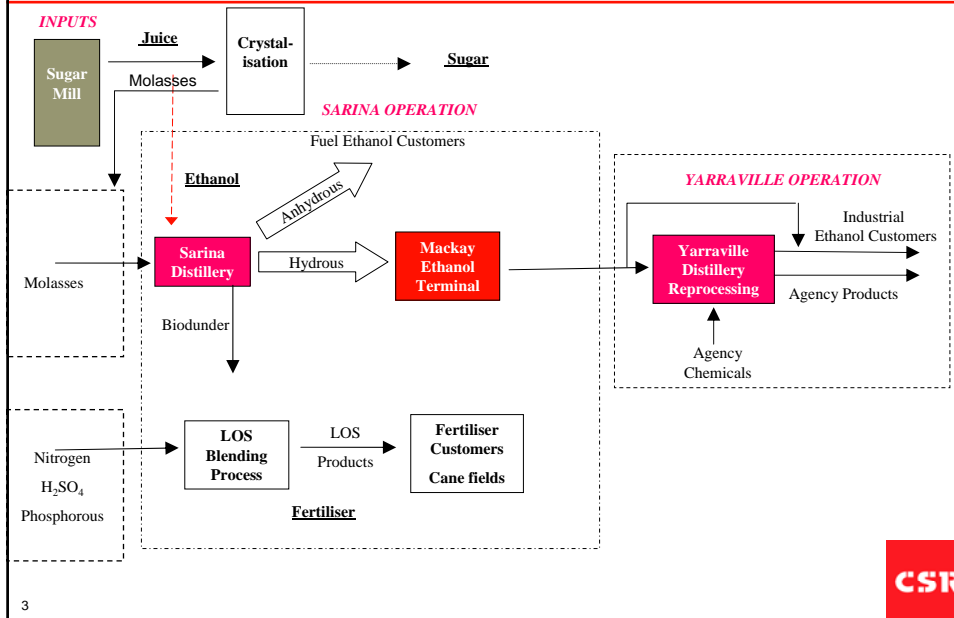
- CSR Ethanol is a renewable energy business with two main product streams:
- **Ethanol products** - supplying the industrial and fuel markets
- **Fertiliser products** - BioDunder™ a process co-product which is value added into a complete Liquid fertiliser

CSR's ethanol production is a renewable and sustainable process





## CSR Ethanol Process



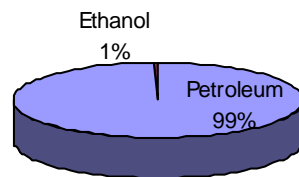
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## RENEWABLE FUEL GROWTH

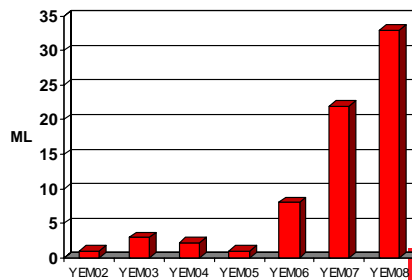
- A large market opportunity exists for liquid fuels that can use existing infrastructure and reduce greenhouse emissions
- CSR Ethanol is the second largest Australian producer of fuel ethanol with volumes growing 500% the last 3 years
- CSR Sugar which produces about 40% of Australia's sugar has the potential to make up to:
  - 100 ML of ethanol using molasses
  - 1 billion litres of ethanol using cane

### Australian Fuel Ethanol Market Share 130 ML

Total fuel market ~20 billion litres



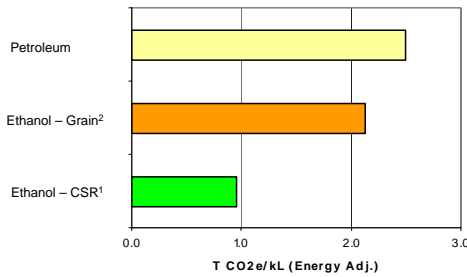
### CSR Fuel Ethanol Sales



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## CSR ETHANOL – CO2 ABATEMENT FROM A NON FOOD SOURCE

Embodied Emissions Adjusted for Fuel Energy Content



- Every litre of CSR Ethanol produces **less than half** the CO<sub>2</sub> emissions of petrol.
- CSR Ethanol produced ethanol via molasses which is a by product of sugar production and is not a food staple

	Embodied CO <sub>2</sub> emissions T CO <sub>2</sub> e/kL	Energy content GJ/kL	Energy Adjustment factor	Energy Adjusted Embodied Emissions T CO <sub>2</sub> e/kL (Energy)	CO <sub>2</sub> e Emissions relative to Petroleum %
Ethanol - CSR <sup>1</sup>	0.653	23.4	0.684	0.95	38%
Ethanol - Grain <sup>2</sup>	1.45	23.4	0.684	2.12	85%
Petroleum	2.5	34.2	1	2.50	100%

Data Notes:

<sup>1</sup> Energetics LCA (2007) peer reviewed by CSIRO (2008)

<sup>2</sup> AgriEnergy LCA 2007

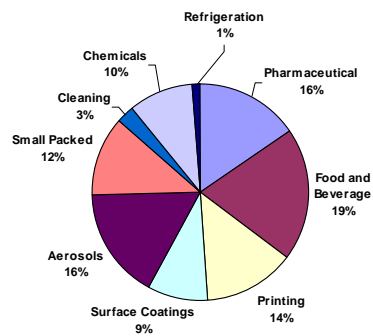
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## STRONG POSITION IN THE AUSTRALIAN INDUSTRIAL MARKET

- CSR Ethanol has been supplying ethanol into this market for over 100 years and currently has the leading market share
- CSR supplies the following key market sectors
  - Food and Beverage
  - Pharmaceutical
  - Cosmetics
  - Paints
  - Inks
  - Cleaning
  - Manufacturing

Australian Industrial Ethanol Market By Sector



Source: CSR Estimates

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## BIO-DUNDER™ – A POTASSIUM FERTILISER SOURCE



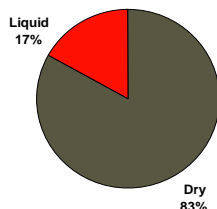
- Bio-dunder™ is the end product from molasses fermentation for ethanol production
- Bio-dunder™ comprises of vegetable matter containing Potassium and traces of sodium, nitrogen, calcium, magnesium and phosphorus
- Bio-dunder™ is certified as organic and has been granted “Beneficial Use” status by the EPA
- Liquid One Shot – (LOS)™ formed by topping up nutrients with urea and phosphate

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## SIGNIFICANT OPPORTUNITIES FOR VOLUME GROWTH IN LIQUID FERTILISERS

Regional Market Share  
by area fertilised - North QLD



Source: CSR Estimates

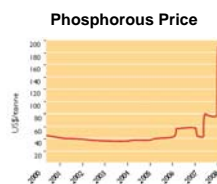
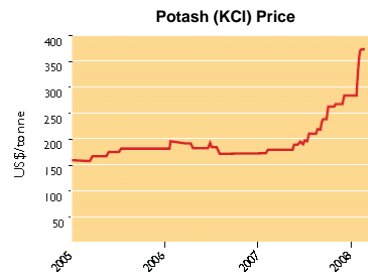
- The key advantages of Liquid Bio-dunder™ are:
  - Recycling nutrients back into soils
  - Nitrogen volatilisation is reduced in LOS™ products
  - Rapid uptake by plants
  - Cost competitive - includes delivery & application
- Significant opportunities for growth in market share exist for liquid fertilisers – currently comprises ~ 17% of local market
- Farmer demographic and labour shortages make CSR's complete service offering more attractive
- Bio-dunder™ fertiliser is now precision applied using Variable rate application technology delivering cost savings to our customers

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## IMPROVED PRICING OPPORTUNITIES IN AGRICULTURAL SERVICES

- Fertiliser commodity prices have strengthened, underpinning improved returns from fertilisers in the medium term
- CSR captures revenue and earnings uplift through:
  - Potassium price increases which are passed through to customers
  - Improved margin on Phosphorous and Urea



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## UPGRADE OF FUEL ETHANOL CAPACITY

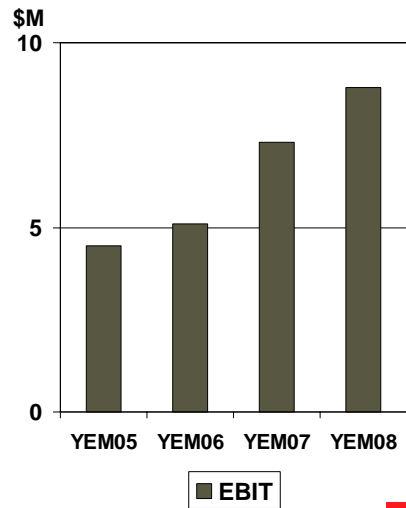
- CSR has announced a \$17.8 million project to significantly increase fuel ethanol production capacity at Sarina distillery to 60 million litres per annum
- CSR's Sarina distillery currently has total capacity for up to 60ML comprising:
  - 38ML of Fuel Grade ethanol (limited by de-hydration capacity)
  - 22ML of Industrial Ethanol
- Project will install dehydration unit to convert all production to fuel grade ethanol
- This additional volume is already in strong demand by Australian fuel companies for blending into fuel across Australia
- Project is similar to CSR's previous successful step into the fuel market following its first major installation of fuel capability completed in mid 2006.
- Part of overall CSR Sugar strategy to increase recurring earnings and further develop renewable energy capacity
- Construction expected to commence in November 2008 with scheduled completion by June 2009

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## SOLID FUNDAMENTALS FOR GROWTH

- CSR Ethanol continues to have strong growth opportunities in Fuel ethanol
- CSR Fertiliser returns are positively supported by forecast agricultural commodity outlook
- Solid reputation for quality and service underpins industrial market performance
- Sugar Juice to Ethanol growth potential exists should government policy and a market develop for CO2 abatement in the liquid fuels market



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