MARYBOROUGH SUGAR FACTORY

SUGAR MILLERS & GROWERS

NEWS RELEASE

26 February 2010

ANNOUNCEMENT OF RESULTS FOR THE HALF YEAR ENDED 31 DECEMBER 2009

(This news release should be read in conjunction with the attached Appendix 4D)

Overview

Net Profit after Tax for the half year ended 31 December 2009 of $10.8m is an increase of $9.8m over the previous corresponding period half year ended 31 December 2008.

The main contributing factors to this result are;

- improved forecasted sugar prices from $331 IPS per tonne to $423 IPS per tonne
- total cane crushed of 1,766,171 tonnes has increased by 68,406 tonnes resulting in improved capacity utilisation
- sugar production increase by 16,599 tonnes to 257,736 tonnes
- special dividend from Sugar Terminals Limited
- costs (excluding cost of cane) are similar to the previous corresponding period

Results

	2009 $'000	2008 $'000	Change %
Revenue	116,168	80,907	44
EBITDA	18,405	1,850	895
EBIT	16,253	(389)	4,278
Net interest	(1,715)	(2,643)	(35)
Profit (loss) before tax	14,538	(3,032)	579
Net Profit after tax	10,829	984	1,001
Net cash flow from operating activities	13,259	(21,409)	162
Gross assets	240,683	215,242	12
Liabilities	(123,395)	(107,470)	15
Net Debt	(16,540)	(47,431)	(65)
Term debt	(34,632)	(35,810)	(3)
Working Capital net debt	18,092	(11,621)	256
Growth acquisition capital expenditure	(1,002)	(5,126)	(80)
Stay-in-business capital expenditure	(1,485)	(1,060)	40
Depreciation	(2,152)	(2,239)	(4)
NTA	$2.14	$2.22	(4)
NTA (ex DFI net of tax)	$2.61	$2.42	8
Number of Employees	233	238	
Safety performance (per million work hours)			
Lost time injury frequency rate	18	29	
Recordable injury frequency rate	34	47	

Income Statement – NPAT $11.5m (up $10.5m from HYED08)

Net Profit after tax of $10.8m is an increase of $9.8m over the $1m net profit after tax reported for the half year ended 31 December 2008 (HYED08).

Milling, farming and investments contributed improved earnings;

	2009 $'000	2008 $'000	Variance
Milling	13,721	5	13,716
Farming	(261)	(1,844)	1,583
Investments	3,688	1,075	2,613
Other	(2,610)	(2,268)	(342)
Profit (loss) before tax	14,538	(3,032)	17,570
Tax (Expense) / Benefit	(3,709)	4,016	(7,725)
Net Profit after tax	10,829	984	9,845

Milling $13.7m (up $13.7m from HYED08)

Forecast sugar prices have increased from $331 IPS per tonne at HYED08 to $423 IPS per tonne for HYED09.

Cane crushed from cane contracted to MSF for the 2009 season was 1,766,171 tonnes, an increase of 68,406 tonnes from the previous year, a pleasing result considering many parts of the Queensland sugar industry experienced reductions in cane crushed in the 2009 season compared to the 2008 season.

Sugar production also increased by 16,599 tonnes to 257,736 tonnes of raw sugar. This increase in sugar production was a result of improved factory efficiency, higher grower sugar content (CCS) and the improved crop.

205k tonnes of sugar production had been sold at HYED09, this compares 167k tonnes as at HYED08.

The improved earnings for Milling are primarily a function of the higher sugar price but also the higher production. The other contributing factor of note was the higher export molasses price achieved for the 2009 season.

Farming ($0.3m) (up $1.5m from HYED08)

The farm result was a small loss. The improved sugar price outlook has contributed to a better result for the farms, offset by the biological valuation (impacted by the December timing of the growing and harvesting cycle) and the continuation of the increased planting program where the initial cost of planting sugar cane is high compared to the cost of rationing sugar cane in future years.

Investments $3.7m (up $2.6m from HYED08)

This improved result is due to the special dividend paid by STL of 5.8 cents per share during the period.

Other ($2.6m) (up $0.3m from HYED08)

Corporate costs have increased and this reflects expenditure related to the Tully Sugar Limited bid process.

Tax Expense ($3.7m) (down $7.7m from HYED08)

This tax expense of $3.7m represents an effective tax rate of 26% of profit before tax, this lower effective tax rate is due to the fully franked normal dividend and partially franked special dividend paid by STL. The HYED08 tax expense was favourably impacted by the decision to tax consolidate the MSF group effective from 1st July 2008.

Balance Sheet (Net assets 117m up 22m from YEJ09)

Following is a simplified balance sheet summary which tracks the balance sheet showing movements from Year End June 2009 to Half Year End December 2009 and demonstrates the impact of the seasonal nature of the business (e.g. Sugar inventory, trade payables and working capital debt) on the MSF balance sheet.

BALANCE SHEET SUMMARY	HYED09 $'000	YEJ09 $'000
Assets		
Cash	$ 31,299	$ 4,690
Sugar and molasses inventory	$ 38,032	$ 12,267
Derivative financial instruments	$ 6,246	$ 5,503
Other current assets	$ 7,922	$ 10,356
STL shares	$ 36,292	$ 36,292
Cane farms	$ 59,676	$ 59,739
Mills and other PP&E	$ 53,400	$ 53,627
Other non-current assets	$ 7,816	$ 8,614
Total Assets	$ 240,683	$ 191,088
Liabilities		
Trade payables	$ 31,185	$ 13,695
Derivative financial instruments	$ 41,961	$ 31,699
Working capital debt	$ 13,206	$ 12,400
Other current liabilities	$ 2,137	$ 2,023
Term debt	$ 34,633	$ 35,653
Other non-current liabilities	$ 273	$ 280
Total Liabilities	$ 123,395	$ 95,750
Net Assets	$ 117,288	$ 95,338

The company's net debt position is $16.5m (down from $47.4m as at HYED08), term debt is $34.6m. The company's cash in bank of $31.3m exceeds working capital debt of $13.2m by $18.1m.

The large working capital balances of cash, inventory, trade payables and working capital debt are primarily a function of the seasonal nature of our business and vary significantly from the beginning of the crushing season (June) through until all sugar is sold and cane is paid for (typically in the second half of the financial year).

The net derivative financial instruments liability of $35.7m ($25m after tax) is a function of the marked to market positions of the company's sugar and currency hedging positions as at HYED09 and fluctuates depending on market settlement and tonnes and currency hedged. If the impact of the net liability after tax of the derivative financial instruments were removed reported net assets would be $142m representing NTA per share of $2.61.

The equity raising that occurred during this period under review has contributed $13m to the cash balance.

Cash flow (Operating cash flow $13.3m up $34.7m from HYED08)

Cash flows from operating activities.

Operating cash flow was significantly higher due to;

- improved sugar price and higher tonnages sold $23.3m
- timing of 2008 season sugar receipts, $5.5m post June 09
- timing of futures settlements
    - paid USD futures settlement pre June 09, resulting in higher customer payments received post June 09 - $2.2m
    - paid USD future settlements pre Dec 09, resulting in higher customer payments received post Dec 09 – $0.4m
    - received USD futures settlement pre June 08, resulting in lower customer payments received post June 08 - $2.2m

Cash flows from investing activities.

- $2.3m capital expenditure
- $1.6m return of capital from STL
- $0.6m mainly from sale of non core land.

Cash flows from financing activities.

- $13m from capital raising
- Large offsetting proceeds and repayment of borrowings due to the seasonal working capital requirements of the company.

Profit Guidance for YEJ10

No change to guidance.

Interim Dividend

The board has declared an interim dividend of 2.5 cents per share fully franked to be paid on the 24 March 2010.

2009 Season data

Sugar Milling

	2009 Season			2008 Season		
	Tonnes		CCS	Tonnes		CCS
	Cane	Sugar		Cane	Sugar	
Maryborough	687,468	97,055	14.03	614,549	83,109	13.47
Mulgrave	1,078,703	160,681	14.35	1,083,216	158,028	14.07
Total	1,766,171	257,736		1,697,765	241,137	

Cane Growing

	2009 Tonnes	2008 Tonnes
Company-managed	136,680	76,900
Tenanted	76,081	88,301
Total company-owned	212,761	165,201

Sugar Marketing and Pricing

Sugar Price

Sugar prices have continued to strengthen and consolidate on the back of strong fundamentals. Final average sugar price is expected to be around 25% higher than the previous year, which was 35% higher than the year before.

Our market risk policy seeks to manage its future sugar pricing activities within a framework based on target prices and production risk.

Indicative forward pricing positions for the consolidated group's notional share of production (i.e. excluding grower's notional share) as at 16th February 2010 are as follows:

Season	% Priced	ICE Price ($A) (priced)	Priced (tonnes)	Market to Market Indicative Price ($A)
2010	68	464	71,839	488
2011	55	435	58,107	454
2012	21	467	22,156	436

The company's hedging policy allows for 2013 season pricing to commence, 2013 season pricing is expected to commence when policy target levels are reached.

Marketing

Up to and including the 2009 season, sugar produced at Mulgrave Mill has been on the majority exported into the Asian region and sugar produced at Maryborough Mill has been sold domestically to Sugar Australia. In a departure from these arrangements the majority of sugar produced at Maryborough Mill will be exported into the Asian region for the 2010 season and beyond. This is a reflection of demand for the higher pol sugar capable of being produced at the Maryborough Mill.

Demand for sugar produced at both our sugar mills remains strong and the company continues to develop and maintain good commercial relationships with quality counter parties in the Asian region.

Strategic Initiatives

Crop Size

The company continues to target 1 million tonnes for the Maryborough region; we continue to invest in both our own farms and in incentives to encourage other growers to invest in increased areas of planting. This initiative will be supported by the current and expected sugar price environment coupled with the ability to hedge future production at profitable levels.

Sugar Terminals Limited (STL)

STL shares continue are valued at 78.5 cents per share in the balance sheet, this valuation is supported by NPV of the expected dividend flow.

During the year STL paid a special dividend and a return of capital totalling 9.3 cents per share which represented $4.3m in cash flow.

The company remains satisfied that this investment continues to provide both good projected dividends into the future and is of strategic benefit to the company.

Land Development

The process of gaining Mary Harbour development approval continues. This year the company has spent $64k on this process. There remains the significant potential for uplift in the value of the property which is currently carried at $2.2m in our balance sheet.

Tully Sugar Limited

As announced the company has extended the time period for its offer to the 9th April 2010. We will be writing to Tully shareholders in the near future reinforcing the benefits of this proposal and that we continue to seek engagement with the Tully board to progress this initiative.

Safety Performance

The company remains focussed on improving our overall safety performance.

A significant milestone was achieved for Maryborough Mill and the farming business with both activities experiencing in excess of one year without a Lost Time Injury.

Resources and training are being deployed and the culture is changing. We believe the safety of our employees and workplaces is fundamental to the success of our business.

Seasonal Outlook

Prospects for the 2010 season look promising with crop yield expectations at or above average at this point in time, however there still remains 3 to 4 months of the growing cycle to go before we start the 2010 season.

The crop outlook coupled with the good sugar price environment are key ingredients to continued good financial outcomes for the company.

Further information :

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