



**THE MARYBOROUGH  
SUGAR FACTORY LIMITED**

# EQUITY RAISING PRESENTATION

13 December 2010

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A photograph of a sugarcane field under a cloudy sky. A harvester is visible in the middle ground, with its large white blade cutting through the cane. The ground is covered in cut cane stalks. The text 'MARYBOROUGH SUGAR FACTORY LIMITED' is overlaid in the top left corner.

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## **SECTION 1: EQUITY RAISING DETAILS AND NMJV ACQUISITION**

# Equity raising summary

## Details

- Unconditional Placement to raise approximately \$25 million at a fixed price of \$3.15 per share (“Placement Price”)
  - represents 15% of current issued capital
  - offer price represents a 9.5% discount to the closing price on 10 December 2010
- Conditional Placement to raise approximately \$13 million at the Placement Price
  - settlement subject to shareholder approval (by ordinary resolution) at a general meeting scheduled to take place on 17 January 2011
- Both the Unconditional Placement and Conditional Placement (together the “Placement”) are fully underwritten
- Share Purchase Plan (“SPP”) of up to \$15,000 per eligible shareholder at a fixed price of \$3.15 per share (equivalent to the Placement Price) to shareholders with a registered address in Australia or New Zealand

## Purpose

- Proceeds from the Placement will be used to facilitate entry into the Northern Milling Joint Venture (“NMJV”) and to fund part of the \$50 million exercise price of MSF’s call option to acquire the assets contributed by Bundaberg Sugar (“BSL”) to the NMJV
  - MSF intends to exercise this call option in the period 1 January to 28 February 2011
  - remaining consideration and transaction and integration costs of approximately \$24 million to be funded by either a drawdown of a committed bridge debt facility or a new bank club facility currently being finalised
- Proceeds from the SPP will be used to reduce debt and for general corporate purposes



# Transaction sources and uses

## Sources

	\$m
Unconditional Placement	25
Conditional Placement	13
Debt drawdown	24
<b>Total sources</b>	<b>62</b>

## Uses

	\$m
Exercise of option	50
Transaction & integration costs <sup>1</sup>	12
<b>Total uses</b>	<b>62</b>

Note:

1. Includes stamp duty and other transaction costs associated with exercising the call option, operational restructuring costs (together \$7 million) and debt and equity raising-related transaction expenses

- MSF management is currently in advanced negotiations with a number of banks in relation to the club debt facility which is intended to be utilised to either fund the required \$24 million directly or refinance the bridge facility by early 2011 if this bridge facility is utilised
- MSF will continue to assess opportunities to unlock value from its substantial land assets
  - timing of monetisation process not suitable for near term funding requirements of the NMJV transaction
- Pro forma net debt as at 30 June 2010 post equity raising and exercise of call option of approximately \$55 million<sup>1</sup>
- Proceeds from non-underwritten SPP will be used to reduce debt and for general corporate purposes

Note:

1. Pro forma net debt based on 30 June 2010 reported net debt of \$11 million, adjusted for \$20 million NMJV entry consideration and \$24 million bridge drawdown. Excludes any SPP proceeds



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# Acquisition benefits

- Acquisition is the next step in MSF's consolidation of Australian milling businesses to create a low cost, sustainable milling operation
  - Step 1—Merged with Mulgrave Mill
  - Step 2—Creation of NMJV
  - Step 3—Purchase BSL share of NMJV
- Increases raw sugar production capability from proforma 325,000 tonnes per annum to approximately 540,000 tonnes per annum and results in reduction in unit costs
  - creates the 3rd largest Australian raw sugar producer, with exports comprising 6% of the East Asian raw sugar trade
- Significant benefit from NMJV's unhedged production for 2011 season being able to be sold at relatively high current futures prices
  - incremental 50% interest expected to contribute approximately \$12 to 14 million of normalised EBITDA in the year ending December 2011 ("YED11")
- Attractive implied acquisition multiple of approximately 4x YED11 EV/EBITDA
- Enables synergies to be extracted from contiguous growing regions
- Further transitions company from capital growth assets to higher free cash flow generating assets
- Elevates the role of MSF in supplying the growing Asian sugar market where the supply deficit is forecast to increase
- Provides further growth opportunities in renewable energy



# Strategic update

## Strategic funding evaluation

- As detailed in previous ASX announcements, MSF has been and continues to evaluate options for the funding of future growth beyond internal resources
- Discussions have been undertaken with numerous strategic parties in relation to a range of transaction structures
- At present, no proposals have been received that are of sufficient certainty or completeness to indicate to MSF that a binding agreement will be reached

## Major shareholder—Mitr Phol

- Last month global sugar participant Mitr Phol advised MSF it had acquired a 19.9% interest in MSF from Guinness Peat Group for \$4.00 per share
- Mitr Phol has indicated to MSF that it supports the proposed NMJV acquisition and equity raising and intends to subscribe for its full pro-rata share of the Placement

## Land monetisation process

- MSF continues to assess opportunities to unlock the value of MSF's substantial cane farm land in the Maryborough region and the proposed Mary Harbour residential project in the city of Maryborough



# Financial reporting matters

- As disclosed at this year's AGM, MSF intends to change its year end from 30 June to 31 December, commencing from 31 December 2010
  - aligns financial year profits and cash flow with underlying harvest season
- As a result of this change, MSF will report as follows:
  - half year results for 6 months to 31 December 2010 ("HYED10") to be reported in February 2011
  - half year results for 6 months to 30 June 2011 to be reported in August 2011
  - full year results for 12 months to 31 December 2011 ("YED11") to be reported in February 2012





## Profit guidance ... significant uplift in EBITDA after exercise of NMJV call option

- Exercising the NMJV call option will provide an uplift in normalised EBITDA for MSF in YED11 of approximately \$12-14 million
- The expected sugar cane crop for YED11 has been negatively impacted by higher than average rainfall in the 2nd half of 2010 – this is reflected in the YED11 forecast EBITDA
- HYED10 forecast EBITDA range reflects late finish to crushing at Maryborough Mill
- Sugar price forecasts are based on the current sugar futures market and MSF's current pricing achieved
- EBITDA sensitivities for YED11
  - \$10 per tonne movement in the average sugar price achieved will have an approximate \$2.0 million EBITDA impact
  - 0.1 m movement in the crop will have an approximate \$1.8 million EBITDA impact

	HYED10	YED11
Crop crushed	1.7 m tonnes	4.0 m tonnes
Sugar Price <sup>1</sup>	\$460 per t IPS <sup>2</sup>	\$465 per t IPS <sup>2</sup>
Normalised EBITDA	\$13 to 15 million	\$27 to 33 million

Note:

1. Average of current hedge book and unhedged production at current prices
2. International Pol Scale (standardised quality sugar). As a guide, NY#11 equivalent sugar price is approximately \$15/t higher than IPS price

### Non recurring costs excluded from normalised EBITDA

	HYED10	YED11
Stamp duty and other transaction costs	\$4.0 million	\$3.6 million
Operational restructuring costs	-	\$3.4 million
Total	\$4.0 million	\$7.0 million



# MSF's current raw sugar price hedge position

- Hedging levels will be increased upon the NMJV option being exercised—aim is to protect revenue
- Some of the hedge position has upside participation if the raw sugar price increases above current levels
- Current sugar market fundamentals are supportive of sugar prices in the medium term
- Hedging positions have been partially restructured to provide flexibility to achieve better pricing outcomes

## MSF current hedge position

\$ per tonne IPS	YED11	YED12	YED13
Current Mark to Market Price <sup>1</sup>	\$465	\$445	\$420
% Hedged after exercise NMJV option <sup>2</sup>	30%	2%	0%
Current Average Sugar Price <sup>3</sup>	\$498	\$445	\$420

Notes:

1. Average of current hedge book and unhedged production at current prices
2. % hedged assumes that the NMJV call option is exercised
3. Refers to IPS price. As a guide, NY#11 equivalent price is approximately \$15/t higher than IPS price (i.e. YED11 NY#11 equivalent price is approximately \$513/t)



## Placement timetable

Event	Date
Trading halt on ASX begins	10:00am Monday, 13 December 2010 (AEDT)
Bookbuild opens	10:00am Monday, 13 December 2010 (AEDT)
Bookbuild closes	4:00pm Monday, 13 December 2010 (AEDT)
Outcome of capital raising announced/Trading halt lifted	Tuesday, 14 December 2010
Settlement of Placement	Friday, 17 December 2010
Allotment of ordinary shares issued under Placement	Monday, 20 December 2010
General meeting to approve Conditional Placement	Monday, 17 January 2011
Settlement of Conditional Placement	Wednesday, 19 January 2011
Allotment of ordinary shares issued under Conditional Placement	Thursday, 20 January 2011

These dates are indicative only and subject to change. All dates and times refer to Australian Eastern Daylight Savings Time



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## SECTION 2: MSF BACKGROUND

# Business overview

MSF's business model is focused on optimising its capabilities along the whole value chain



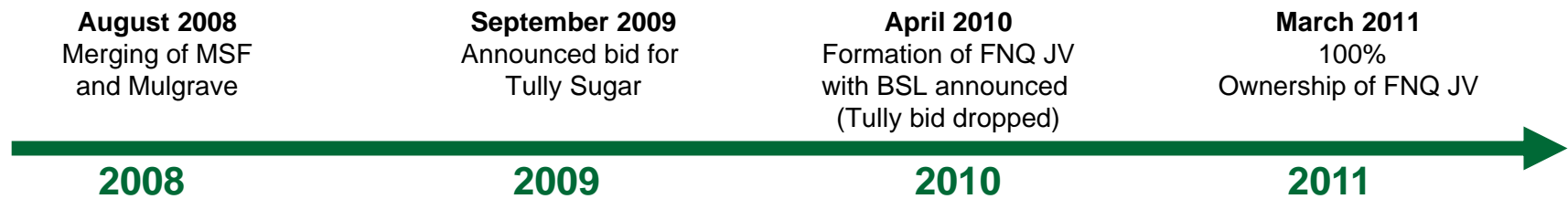
## Business overview

- Large sugar cane grower in the Maryborough region
  - Land portfolio over 5,800 ha; 7,650 ML water rights
  - 212,761 tonnes of cane harvested from our plantations in 2009/10
- 
- One sugar mill in Maryborough
  - 100% owner of four sugar mills post exercise of the call option over the Northern Milling Joint Venture (commencing 1 January 2011)
  - Expected to produce approximately 0.54 million tonne IPS of raw sugar from 4.0 million tonnes of cane in YED11
- 
- STL is the sugar industry owned storage and handling company
  - 6 storage and port facilities located on the Queensland coast
  - Second largest shareholder of STL shares—over 13% holding
- 
- The only Australian milling company which export markets their own raw sugar
  - Supply raw sugar into the rapidly growing Asian market



# Consolidating the Australian sugar industry....

MSF has been leading the recent consolidation of the Australian sugar industry



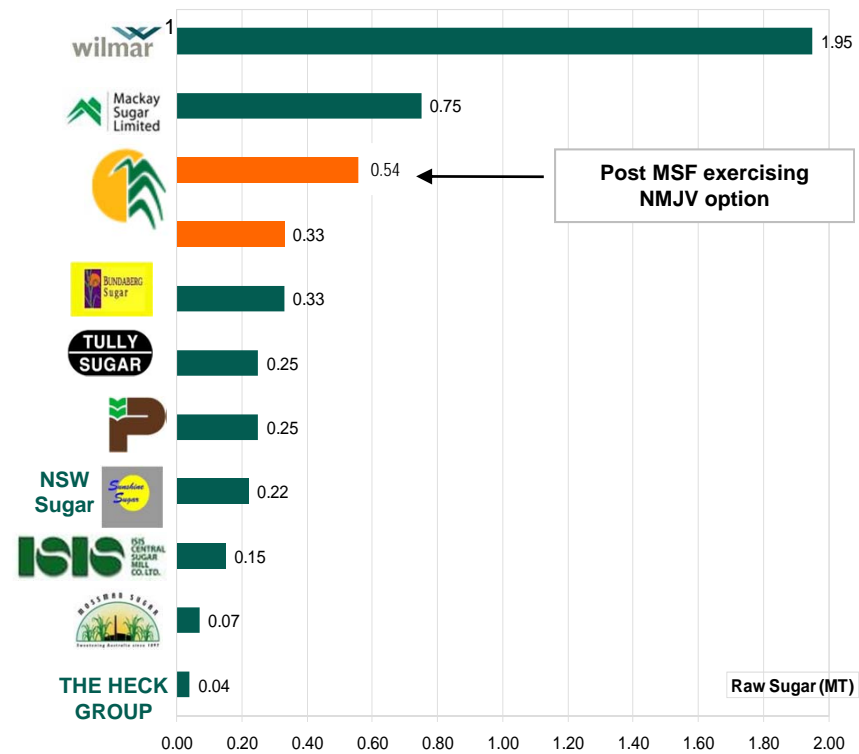
'000 t sugar



# Exercising the NMJV call option will transform MSF into Australia's 3rd largest sugar miller

- Third largest producer and second largest exporter of raw sugar in Australia
- Only Australian sugar miller with direct export customer relationships
- In FY10, ceased sugar sales to Sugar Australia. Focused on Asian expansion
- 6% of East Asian trade of raw sugar

## Australian Sugar Producers



Source: MSF management

1. Wilmar entered into an agreement to acquire Sucrogen from CSR on 5 July 2010



# Overview of Milling Operations

## Background

- NMJV between MSF and BSL announced on 19 April 2010
- NMJV assets include Mulgrave Mill (MSF) and Babinda, Tableland and South Johnstone Mills (BSL)
- MSF has a call option to acquire remaining 50% interest in the NMJV, exercisable from 1 January 2011 for \$50 million
- MSF intends to exercise its call option within the initial call exercise period of 1 January 2011 to 28 February 2011
- Transaction expected to be completed 60 days after call option exercised
- NMJV financials to be fully consolidated within MSF from 1 January 2011

Tableland	
Capacity	0.7mt
Current	0.6mt
Utilisation	85.7%

Babinda	
Capacity	1.2mt
Current	0.7mt
Utilisation	58.3%

South Johnstone	
Capacity	1.5mt
Current	1.2mt
Utilisation	73.3%

Mulgrave	
Capacity	1.5mt
Current	1.1mt
Utilisation	73.3%

Maryborough	
Capacity	1.1mt
Current	0.7mt
Utilisation	63.6%





## NMJV acquisition adds significant raw sugar, molasses and cogeneration capacity to MSF's business

Mill	Capacity - Cane crushed	Current Utilisation - Cane crushed
Mulgrave	1.5 m tonnes	1.1 m tonnes
Tableland	0.7 m tonnes	0.6 m tonnes
Babinda	1.2 m tonnes	0.7 m tonnes
South Johnstone	1.5 m tonnes	1.2 m tonnes
<b>Total</b>	<b>4.9 m tonnes</b>	<b>3.6 m tonnes</b>

<b>Raw Sugar Production</b>	450,000 tonnes
<b>Molasses</b>	110,000 tonnes
<b>Electricity Sold</b>	40 GW per year
<b>Cane Railway</b>	600 km of rail line
<b>Number of Employees</b>	About 590 employees

Source: MSF Management



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# MSF holds a strategically important stake in Sugar Terminals Limited

## STL

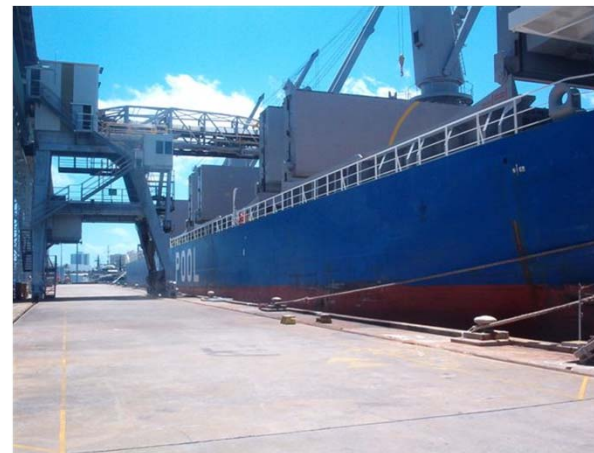
- Owns 6 bulk sugar terminals along the Queensland coastline
- Currently operated by QSL under a long term lease
- Shares listed on Australia's second securities exchange, the NSX
- Two classes of shares 'M' (Miller) and 'G' (Grower). Need to be a defined Miller or Grower to hold shares
- STL has no long term debt

## MSF owns

- 13.3 million M class shares (10% of class)
- 34.7 million G class shares (15% of class)
- 48.0 million STL shares in total (13% of total)
- MSF's carrying value is 78.5 cents per share, total carrying value of \$37.6 million

## STL paid in YEJ10

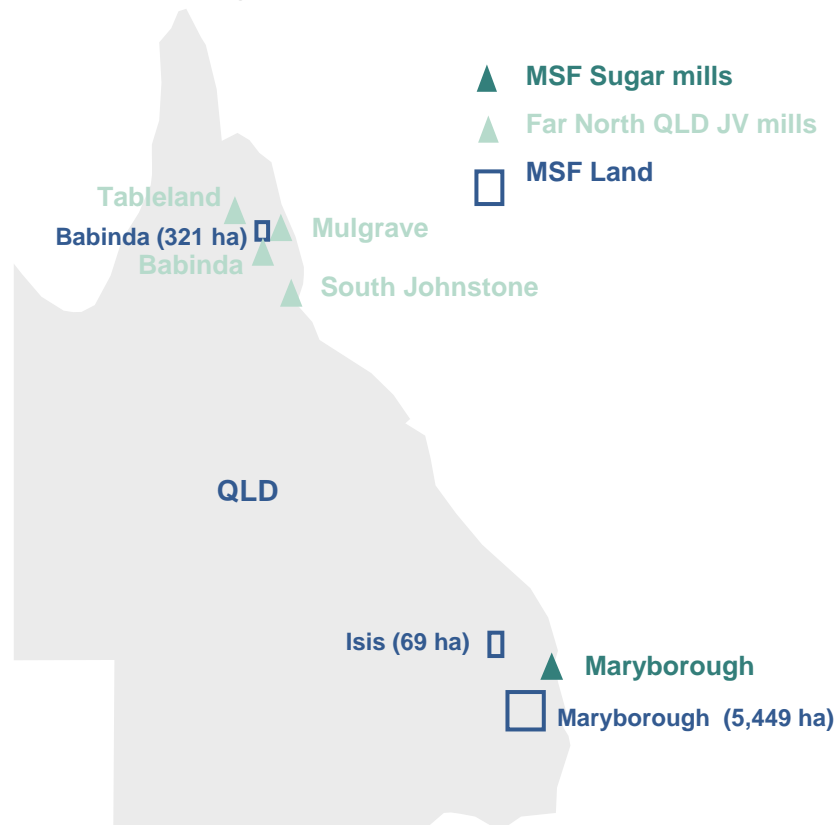
- 5.9 cents per share ordinary dividend (85% franked)
- 5.8 cents per share special dividend (50% franked) and
- 3.5 cents per share return of capital



# MSF land holdings—overview

MSF is the largest private land owner in the Maryborough region. MSF's land portfolio includes over 5,800ha of land and was independently valued for current use at \$61.5m (June 2010).

## Land Holdings



# Mary Harbour Residential Project

The development of the Mary Harbour Residential Project is a key initiative in unlocking value from MSF's land holdings.

## Highlights

- 174ha of prime land close to Maryborough City
- Adjacent to residential zoned land
- Ideally suited for mixed use residential development
- 1,315 residential dwellings to house 3,500 people
- Current book value of \$2.2 million
- Significant upside expected after DA approval



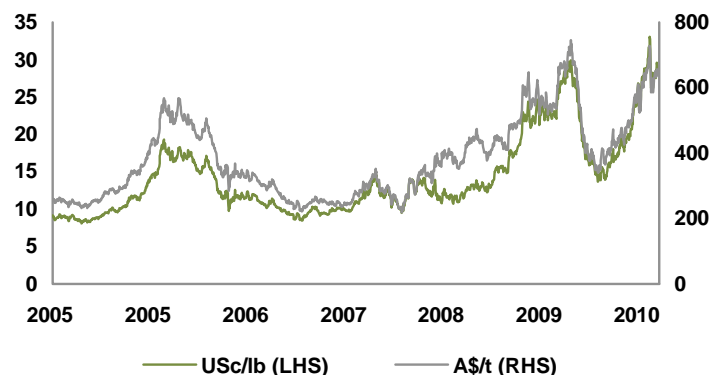


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## SECTION 3: SUGAR MARKET OVERVIEW

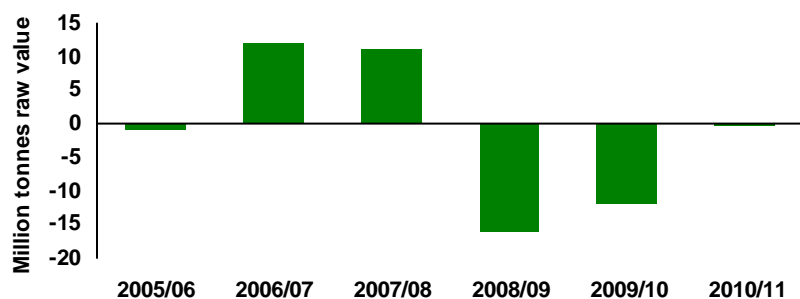
# Strong global sugar market conditions ... tight global supply

## NY #11 sugar price



Source: IRESS

## Global sugar supply/demand balance



Source: Kingsman (March year end)

- Large world sugar deficit for the last two years
  - India importing sugar
  - lower production than expected out of Brazil due to wet harvest period
- Small global deficit for the current year
  - recovery in production in India...but
  - lower production in key producers of Thailand, Russia, USA, EU, Australia, Indonesia and Pakistan
  - good harvest conditions in Brazil...but lower production than initial expectation
- However shortages of sugar still in many countries as stocks were run down in 2009/10
  - large shipping delays from Brazil
  - large sugar price premiums being paid for sugar in Asia



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## The world trade of sugar is concentrated into a few hands

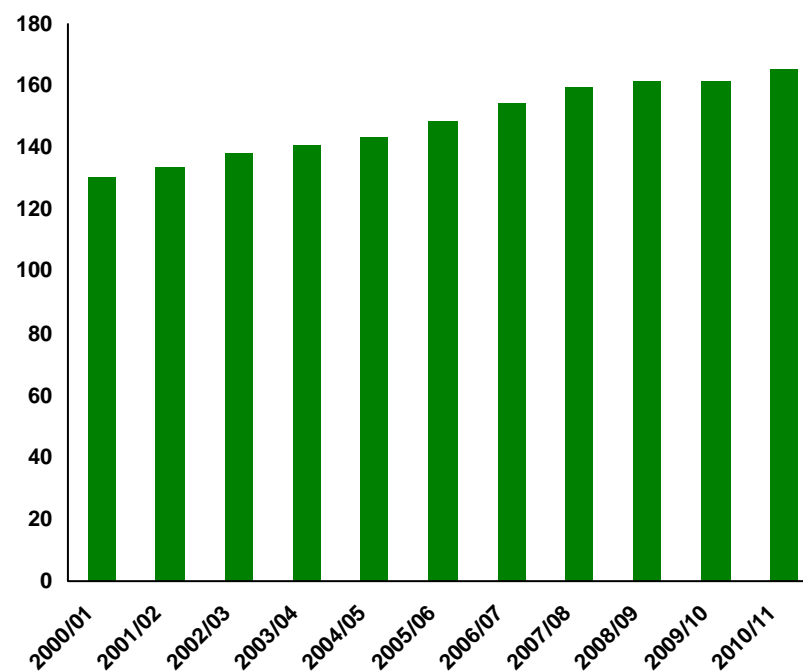
- The price of raw sugar is mainly influenced by the view of production in Brazil and India—provides volatility and opportunity for MSF to hedge at higher prices
- India oscillates between being an importer and exporter

Country	Production	Exports	Imports
Brazil	41.275	28.340	
India	25.800	0.020	1.940
EU (27)	15.595	10.295	3.450
China	13.550	0.110	1.985
Thailand	7.525	4.690	
USA	7.450	0.150	2.440
Australia	4.850	3.625	0.010
Russia	4.410	0.180	2.085
Pakistan	3.500	0.110	1.045
Indonesia	2.890		2.645
<b>World</b>	<b>170.167</b>	<b>52.000</b>	<b>52.000</b>

Source: Kingsman (March year end)

## World Sugar Consumption

Mln Tonnes



Source: Kingsman (March year end)

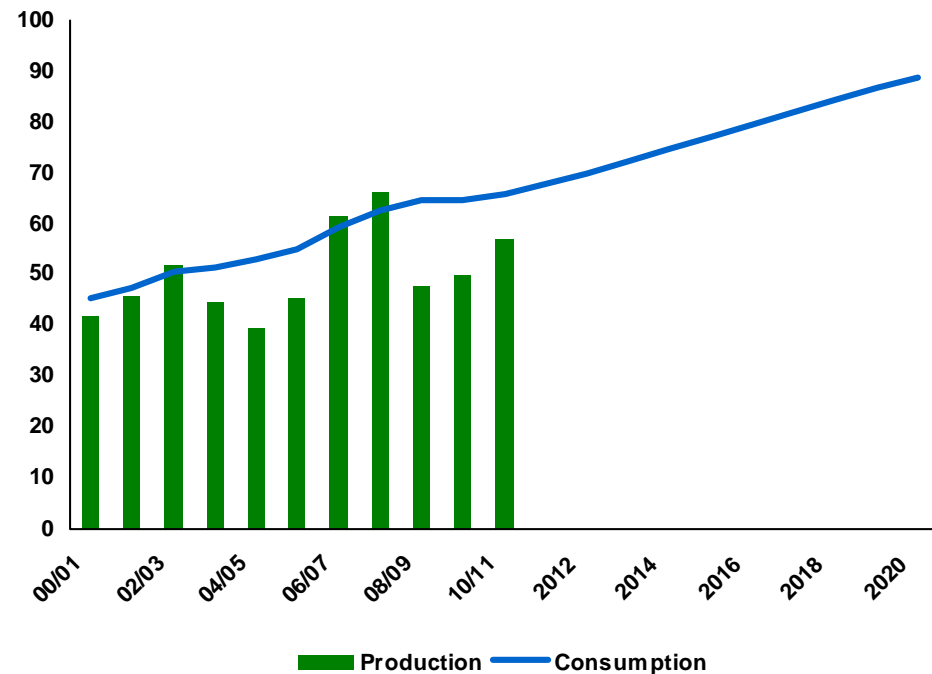


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## Demand for sugar in Asia ... expected to grow at a faster pace than Asian production

- Forecast sugar deficit of 8.8 million tonnes in Asia
  - Australia able to supply less than half the deficit
- Recovery in Indian production to 26 million tonnes in 2010/11
  - India to export up to 1 million tonnes in 1st half 2011
- The sugar deficit will be supplied from Brazil
  - MSF have a competitive advantage versus Brazil in lower freight cost and faster delivery time
- Forward consumption growth at around 3% pa—fastest growth region

**Asian Sugar Consumption and Production**  
Mln Tonnes



Source: Kingsman and FO Licht

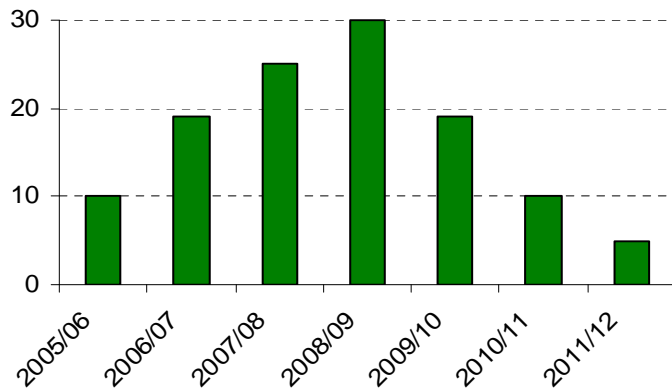




# Brazil .... Can it supply what is needed?

- Brazilian cane expansion is slowing—current forecast for 2011/12 is for no increase in cane production—620 million tonnes
- GFC has impacted the rate of new mill construction
  - lead time between decision and operation is at least 20 years
  - market commentary is that future price needs to be above US 22c/lb in the long term to make a new project viable

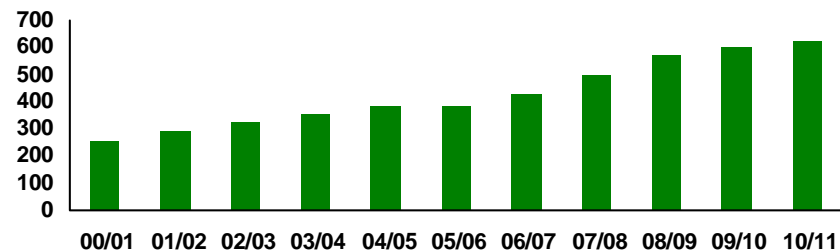
## New mills in Brazil



Source: Kingsman (March year end)

## Cane Production

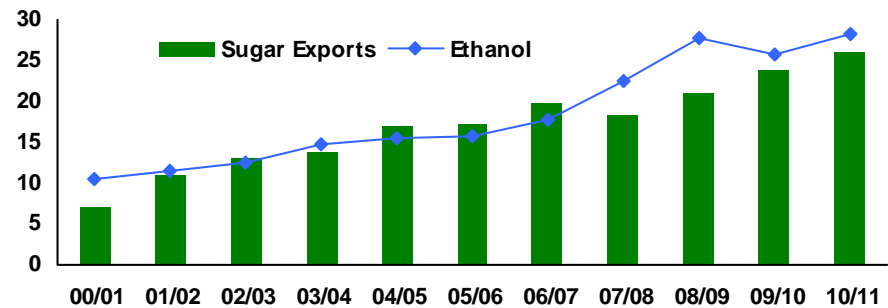
Mln Tonnes



Source: Kingsman (March year end)

## Ethanol and Sugar

Mln Tonnes (sugar) / Bln litres (ethanol)



Source: Kingsman (March year end)



## Sugar market conclusion

- World consumption is forecast to grow at around 2 percent per annum (i.e. over 3 million tonnes)
- Asia is the leading region for growth of sugar consumption, like most commodities, and is forecast to grow at approximately 3% pa
- Brazil, for the last 10 years, has expanded strongly to meet growing world consumption
- However the cost of new projects in Brazil is increasing and requires long-term prices above US 22 c/lb
- MSF is well placed to take advantage of the growing demand for sugar in Asia



# Maryborough Sugar Factory investment highlights

## Strong improvement in profit and cashflow

- Entering into and purchasing BSL's share of NMJV is expected to lead to YED11 normalised EBITDA of \$27 to 33 million
- Significant incremental value in pricing the NMJV's predominantly unhedged 2011 output at high futures prices

## Continuation of successful milling consolidation strategy

- Successful integration of Mulgrave Mill and marketing business into MSF
- Acquisition of 100% of NMJV increases raw sugar production and lowers unit costs
  - exercise of option captures significant unhedged 2011 crop volume

## Attractive market dynamics

- Strong rally in the prompt ICE No. 11 raw sugar price to US 29c/lb (AUD 650 per tonne) in recent weeks
- Asian region expected to remain in structural deficit with demand growth continuing

## Control of raw sugar marketing and pricing

- Only Australian miller with control of pricing, physical marketing and logistics
- Direct relationships with East Asian customers

## Strategic non-milling assets

- Strategic investment in Sugar Terminals Limited ("STL")—carrying value approximately \$37.6 million
- Cane land and farm plant valued at \$61.5 million (30 June 2010)

