

CSR LIMITED PRESENTATION 2016

# RESULTS PRESENTATION

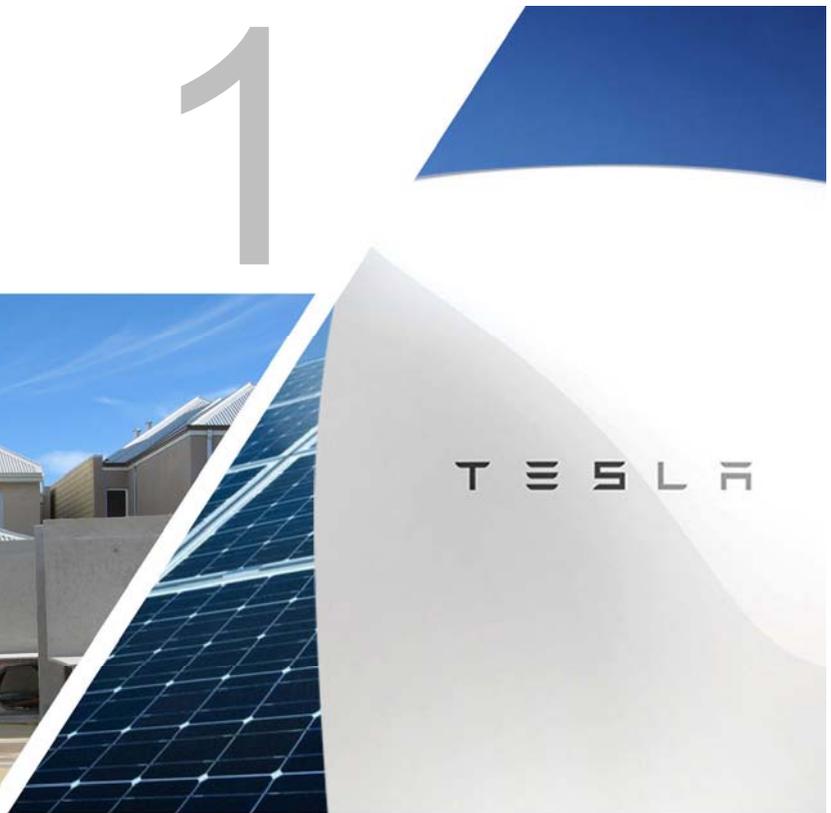
HALF YEAR ENDED 30 SEPTEMBER 2016



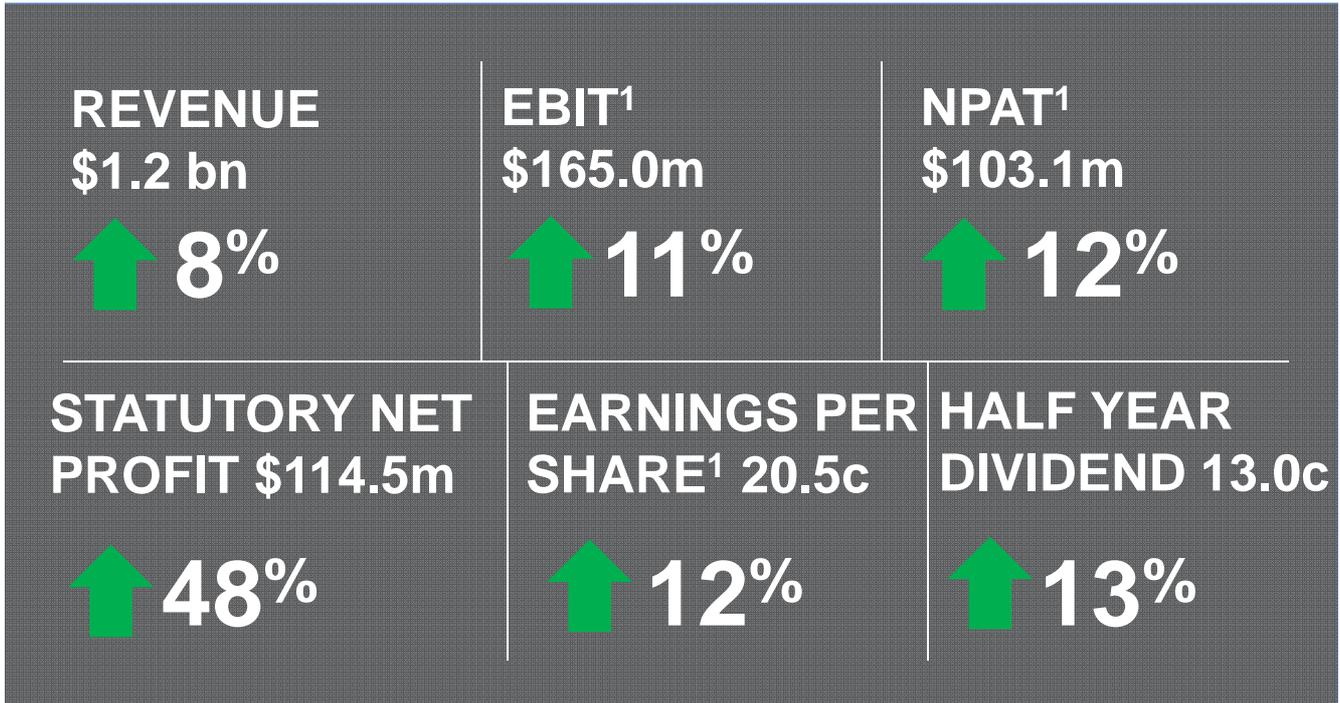
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# OVERVIEW

# 1



# CSR Group - Building Products drives higher earnings



<sup>1</sup> EBIT, net profit and earnings per share are all before significant items. They are non-IFRS measures and are used internally by management to assess the performance of the business and have been extracted or derived from CSR's financial statements for the half year ended 30 September 2016 (HY17). All comparisons are to the half year ended 30 September 2015 (HY16) unless otherwise stated.

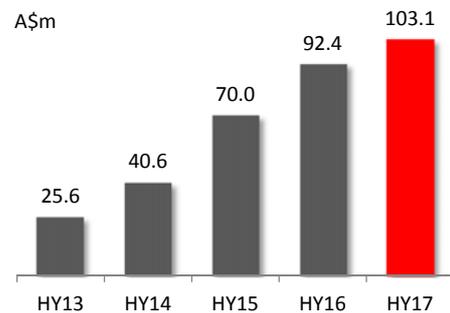


## Net profit after tax<sup>1</sup> up 12%

### Results summary

A\$m (unless stated)	HY17	HY16	change
<b>Trading revenue</b>	<b>1,236.1</b>	1,144.5	8%
EBITDA <sup>1</sup>	208.2	190.6	9%
<b>EBIT<sup>1</sup></b>	<b>165.0</b>	149.3	11%
Net finance income (cost) <sup>1</sup>	2.4	(2.5)	
Tax expense <sup>1</sup>	(48.1)	(37.7)	
Non-controlling interests <sup>1</sup>	(16.2)	(16.7)	
<b>Net profit after tax<sup>1</sup></b>	<b>103.1</b>	92.4	12%
Significant items after tax	11.4	(14.8)	
Statutory net profit after tax	114.5	77.6	48%
<b>Earnings per share<sup>1</sup> [cents]</b>	<b>20.5</b>	18.3	12%
EPS (after significant items) [cents]	22.7	15.4	47%
<b>Dividends per share [cents]</b>	<b>13.0</b>	11.5	13%

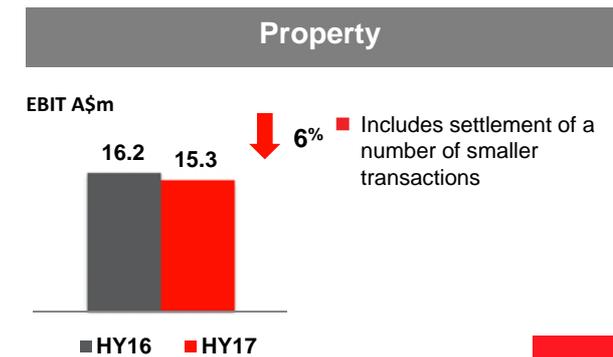
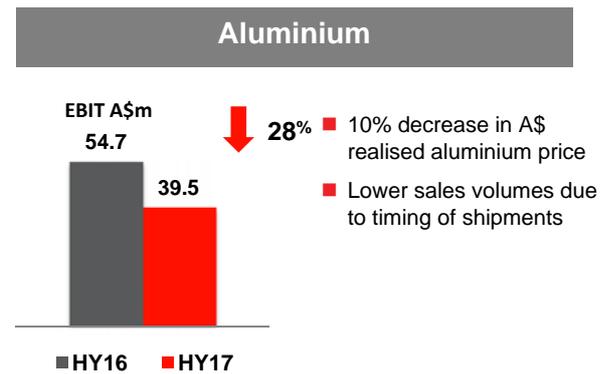
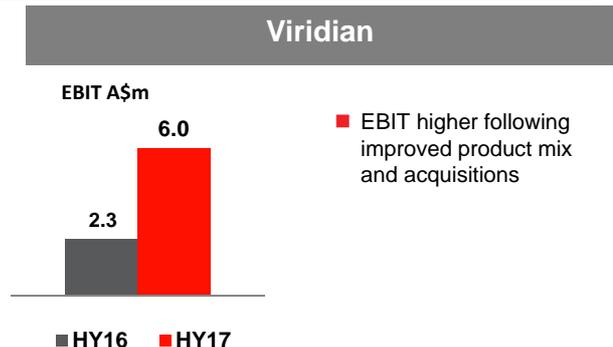
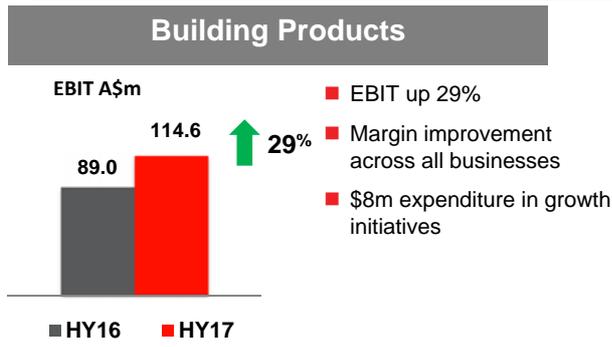
### Half year net profit after tax<sup>1</sup>



Note: HY13-14 adjusted for change in accounting treatment for the classification of the discount unwind for the asbestos liability as a significant item.



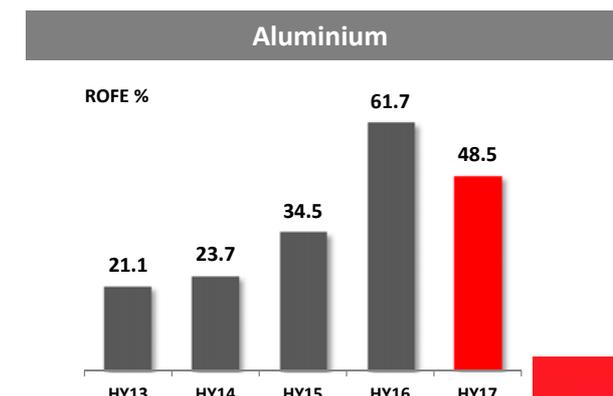
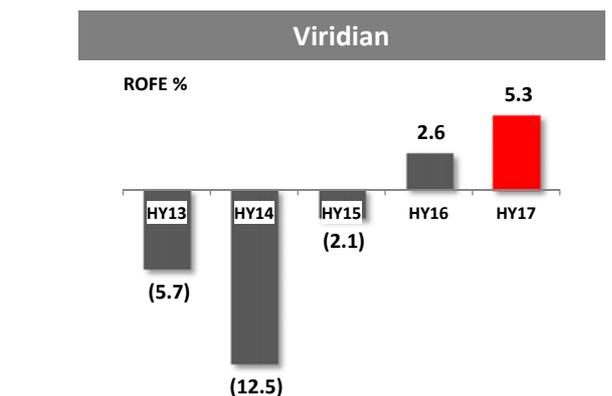
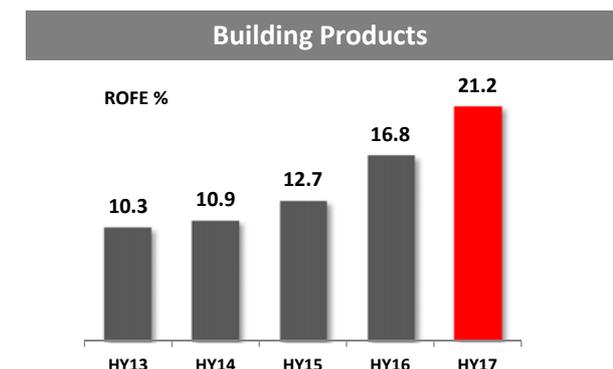
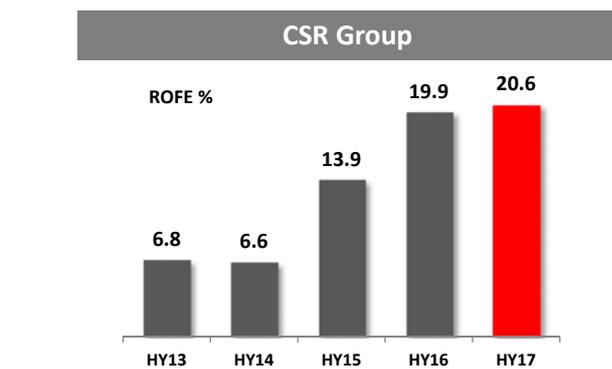
# Strong performance from Building Products



1. EBIT before significant items.



# Further ROFE improvement across the CSR group



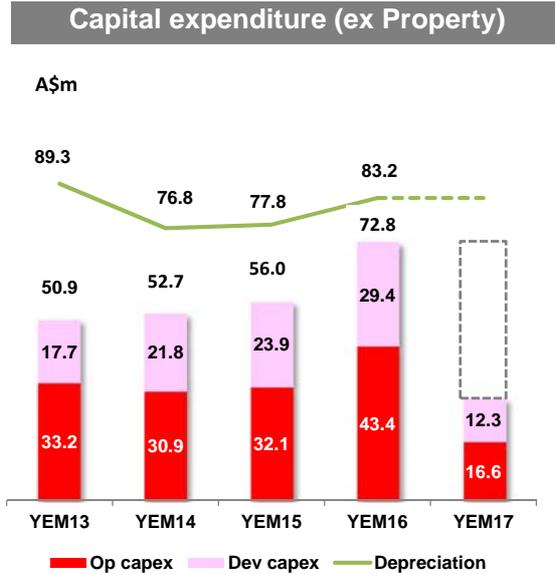
All ROFE calculations based on EBIT (before significant items) for the 12 months to 30 September divided by average funds employed which excludes cash and tax balances and certain other non-trading assets and liabilities as at 30 September.



# Continued strong cash flow generation

Operating cash flow			
A\$m	HY17	HY16	change
<b>EBITDA</b>	<b>208.2</b>	190.6	9%
Net movement in working capital	(33.1)	(36.2)	
Net profit on asset disposals	(16.9)	(17.8)	
Movement in provisions/other	(11.0)	(9.1)	
<b>Operating cashflows (pre tax, asbestos &amp; sig. items)</b>	<b>147.2</b>	127.5	15%
Asbestos payments	(15.4)	(12.5)	
Tax paid	(34.7)	(30.0)	
Significant items	(6.5)	(9.3)	
<b>Operating cashflows (post tax &amp; sig. items)</b>	<b>90.6</b>	75.7	20%

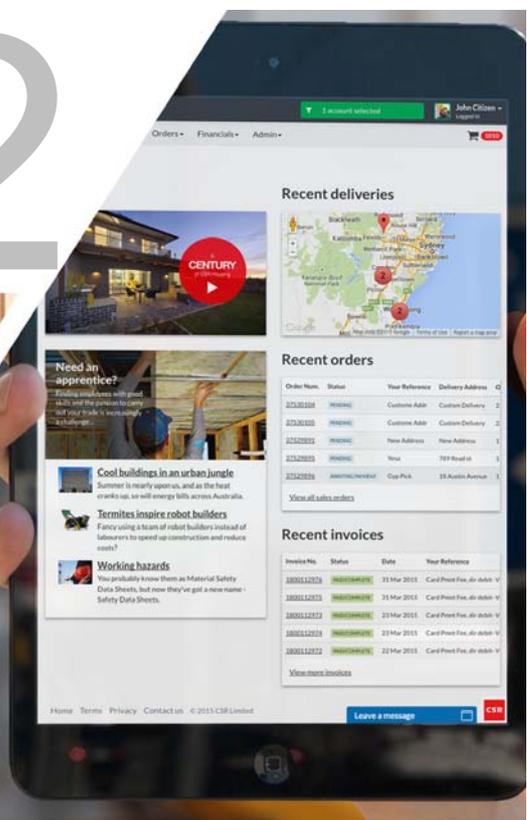
- 20% growth in operating cash flow
- Net Property cash inflow of \$23.6 million
- YEM17 capex (ex Property and M&A) expected to remain broadly in line with YEM16
- \$150 million share buyback will continue



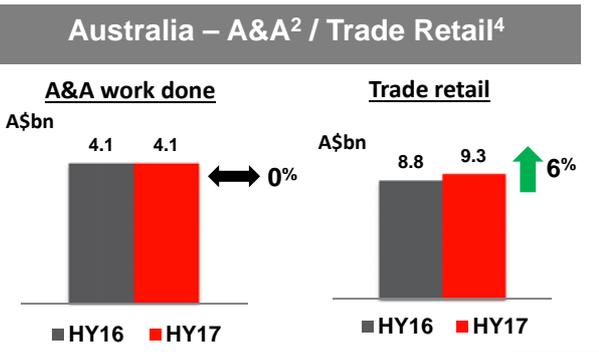
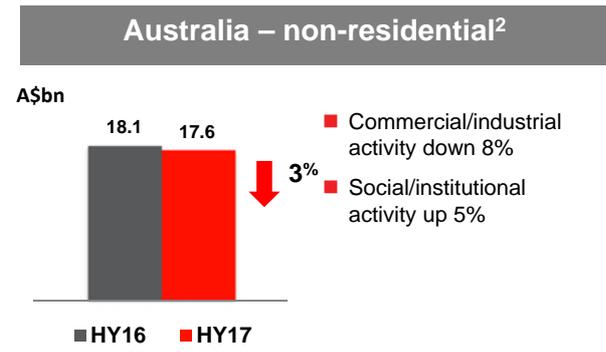
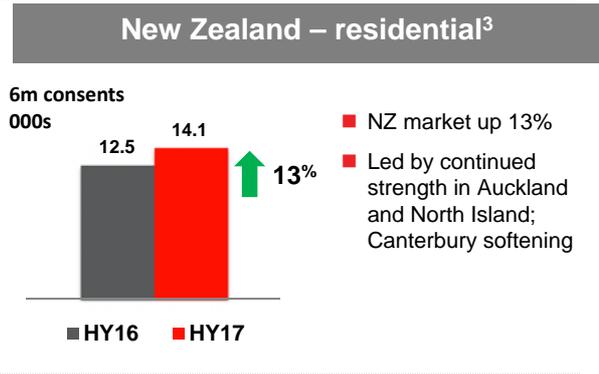
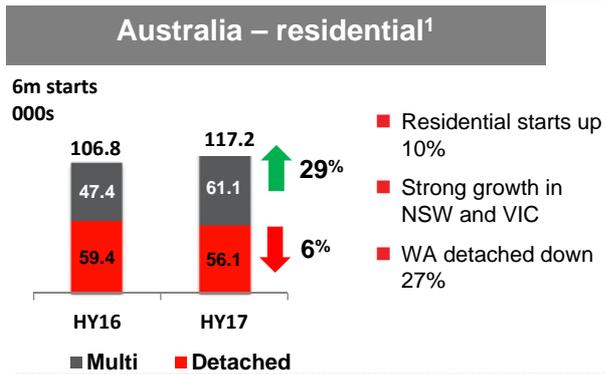
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# BUSINESS UNIT PERFORMANCE

# 2



# Residential construction activity remains strong



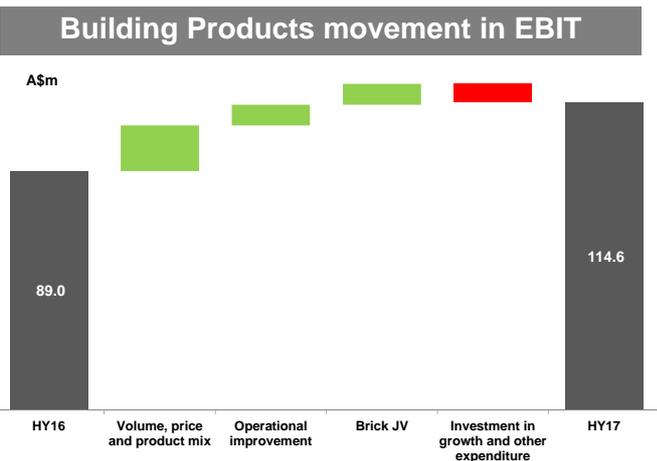
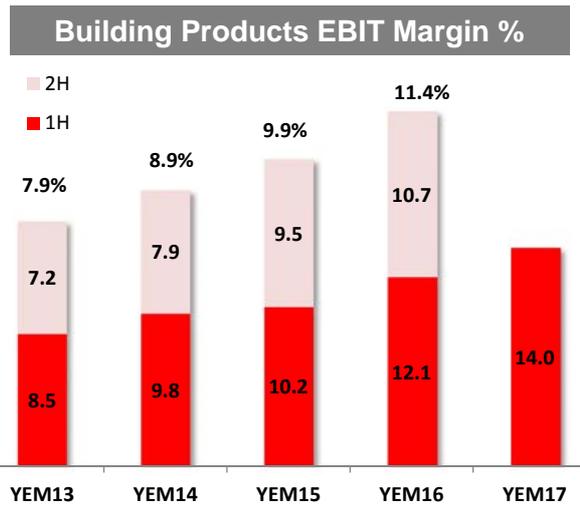
1. Source ABS data – (two quarter lag – actual 6 months to March)  
 2. Source ABS, BIS Shrapnel forecast (value of work done – 6 months to September)  
 3. Source Statistics New Zealand - (residential consents 2 quarter lag – 6 months to March)  
 4. Source ABS – Hardware retailing code 8501 – 6 months to August 2016 compared to 6 months to August 2015



# Building Products margin growth continues

A\$bn unless stated <sup>1</sup>	HY17	HY16	change
Revenue	817.2	733.6	11%
EBITDA	138.6	111.6	24%
EBIT	114.6	89.0	29%
Funds employed <sup>2</sup>	917.2	904.7	1%
EBIT/revenue	14.0%	12.1%	
Return on funds employed <sup>3</sup>	21.2%	16.8%	

1 EBITDA and EBIT (before significant items).  
 2 Excludes cash and tax balances and certain other non-trading assets and liabilities (including asbestos liabilities) as at 30 September.  
 3 Refer footnote on slide 6.



- Building Products EBIT up 29%
- Strong growth across all product groups
- Includes consolidation of PGH Bricks JV earnings



# Acquisition of 40% interest in PGH Bricks

- Effective 1 November 2016
- EPS accretive in YEM17
- Supported by strong pipeline in detached housing
- Flexibility to invest in network operating efficiencies
- Rebuilds property pipeline over the next 10-15 years

PGH Bricks Site Network	Operating Capacity (m SBE)	Mothball (m SBE)	Land Size (hectares)
<b>New South Wales</b>			
Bringelly	65	--	92
Badgery's Creek	--	63	200
Cecil Park	90	--	42
Schofields	47	--	87
Horsley Park	15	--	72
Bathurst	--	25	9
<b>Queensland</b>			
Darra	56	--	19
Oxley	90	--	17
Brendale	Quarry	--	42
Dinmore	Quarry	--	37
Swanbank	Quarry	--	30
<b>Victoria</b>			
Scoresby <sup>1</sup>	30	--	Leased
Thomastown	55	--	43
Albury	29	--	120
<b>South Australia</b>			
Golden Grove	40	--	36
Golden Grove	Quarry	--	30

<sup>1</sup> Leased by Boral to PGH Bricks until 2025 with option to terminate lease by providing three years notice.



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## Viridian EBIT improvement following pricing initiatives

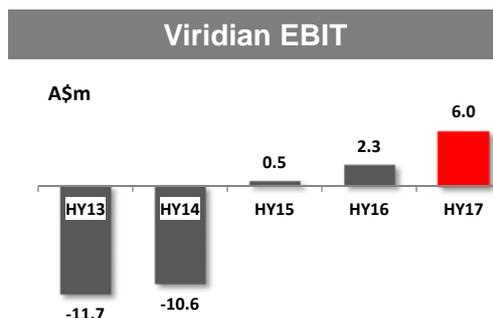
A\$m unless stated <sup>1</sup>	HY17	HY16	change
Revenue	189.3	151.8	25%
<b>Revenue (adjusted for NZ JV acq)<sup>2</sup></b>	<b>167.1</b>	151.8	10%
EBITDA	11.7	7.2	63%
<b>EBIT</b>	<b>6.0</b>	2.3	161%
Funds employed <sup>3</sup>	250.8	191.1	31%
EBIT/revenue	3.2%	1.5%	
Return on funds employed <sup>4</sup>	5.3%	2.6%	

<sup>1</sup> EBITDA and EBIT (before significant items).

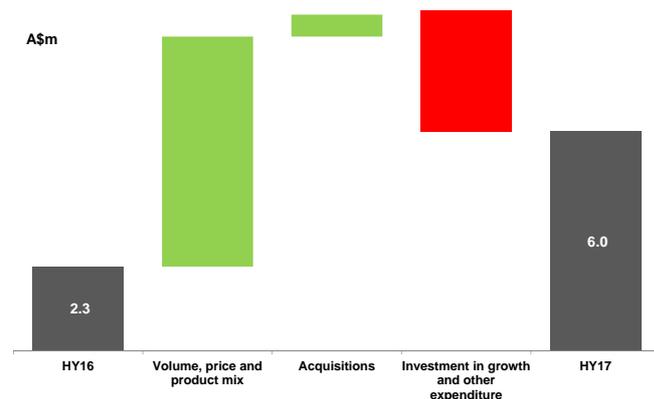
<sup>2</sup> Excludes three months revenue from the NZ Viridian Glass Partnership (VGLP) following CSR's acquisition of the remaining 42% stake on 30 June 2016.

<sup>3</sup> Excludes cash and tax balances and certain other non-trading assets and liabilities (including asbestos liabilities) as at 30 September.

<sup>4</sup> Refer footnote on slide 6.



### Viridian movement in EBIT



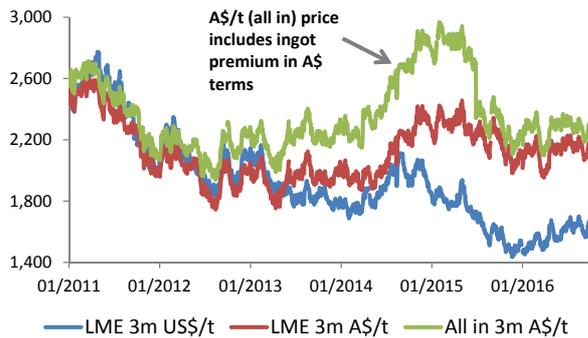
- 10% revenue growth (adjusted)
- Completed three bolt-on acquisitions to strengthen offer in key markets
- Invested in strategy roll-out and commercial capability



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# Aluminium market – lower pricing and premiums

## LME 3m US\$ and A\$ and A\$ (all-in) price

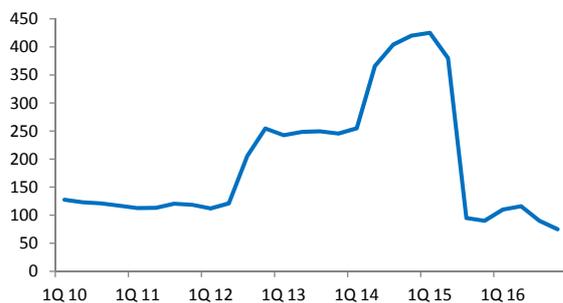


Source: FastMarkets, ACI Australia, Platts Metals week

## GAF aluminium hedge book (as of 31 October 2016)

	Six months to 31 March 2017	YEM18
Average hedged aluminium price A\$ per tonne (excludes premiums)	\$ 2,310	\$ 2,278
% of net aluminium exposure hedged	78%	33%

## Platts – ingot premium (MJP) US\$ p/t



Source: Platts Metals week

- Realised aluminium price down 10%
- Average ingot premium down 56%
- Ingot premiums appear to have found a floor trading at the US\$75 per tonne level



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# Aluminium impacted by lower realised price

A\$m unless stated <sup>1</sup>	HY17	HY16	change
<b>Sales (tonnes)</b>	97,007	98,634	-2%
A\$ realised price <sup>2</sup>	2,367	2,627	-10%
<b>Revenue</b>	<b>229.6</b>	259.1	-11%
EBITDA	52.6	68.2	-23%
<b>EBIT</b>	<b>39.5</b>	54.7	-28%
Funds employed <sup>3</sup>	170.0	196.4	-13%
EBIT/revenue	17.2%	21.1%	
Return on funds employed <sup>4</sup>	48.5%	61.7%	

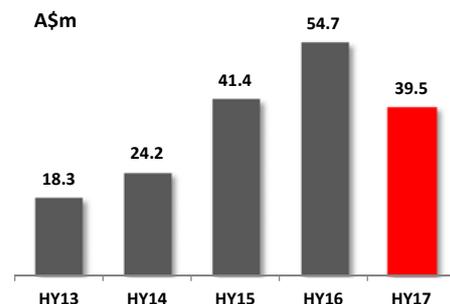
<sup>1</sup> EBITDA and EBIT (before significant items).

<sup>2</sup> Includes hedging and premiums.

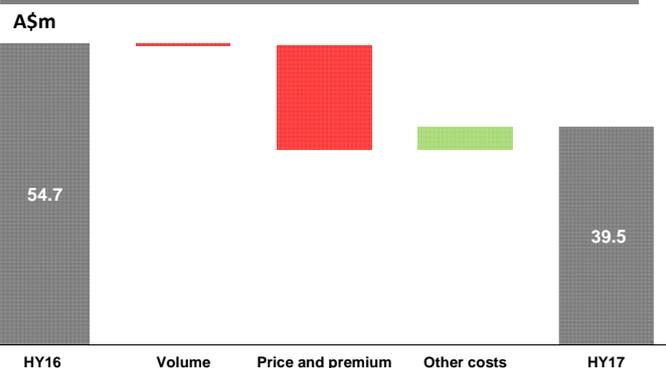
<sup>3</sup> Excludes cash and tax balances and certain other non-trading assets and liabilities as at 30 September.

<sup>4</sup> Refer footnote on slide 6.

## Aluminium EBIT



## Aluminium movement in EBIT



- Sales volumes slightly down due to timing of shipments
- Improved Tomago performance as well as:
  - Lower alumina, coke and pot relining costs

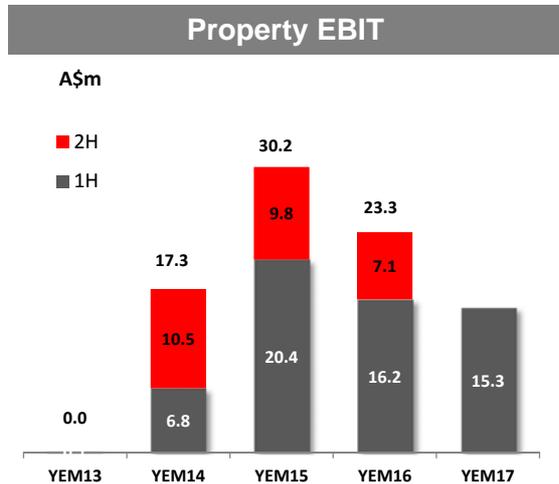


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# Property continues to deliver earnings

A\$m unless stated <sup>1</sup>	HY17	HY16	change
<b>EBIT</b>	<b>15.3</b>	16.2	-6%
Funds employed <sup>2</sup>	125.5	140.0	-10%
Return on funds employed <sup>3</sup>	16.9%	19.6%	

- 1 EBIT (before significant items).
- 2 Excludes cash and tax balances and certain other non-trading assets and liabilities (including asbestos liabilities) as at 30 September.
- 3 Refer footnote on slide 6. ROFE varies due to timing of projects.



## Current Projects

<b>Chirnside Park, Vic</b>	<ul style="list-style-type: none"> <li>533 lot residential development</li> <li>Progress to date: 263 lots settled, 161 contracts exchanged with 109 lots remaining to be sold</li> </ul>
<b>Schofields, NSW</b>	<ul style="list-style-type: none"> <li>87ha – future residential</li> <li>Between 1,000 to 1,200 lots</li> <li>Quarry rehabilitation underway</li> <li>Rezoning application lodged in 2015</li> </ul>
<b>Horsley Park, NSW</b>	<ul style="list-style-type: none"> <li>72ha includes 30ha surplus land – future industrial</li> <li>Subdivision of surplus land approved</li> </ul>
<b>Brendale, Qld</b>	<ul style="list-style-type: none"> <li>Marketing continues of ~42 ha industrial development</li> </ul>



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# STRATEGY AND OUTLOOK

# 3



# Further progress in delivering on our strategy



## Strengthen and invest

- Acquisition of 40% stake in PGH Bricks
- Viridian earnings improvement on track



## Smarter, faster, easier

- Gyprock expansion of trade network and new delivery services
- Velocity off-site construction project underway in NSW



## Adapting to changing lifestyles

- AFS Rediwall production facility completed
- Hebel new product launches gaining market share



## Comfort and energy efficiency

- Launch of Bradford Black – soft touch, easy installation
- Alliances with major builders to launch Tesla solar battery offering



## Customers

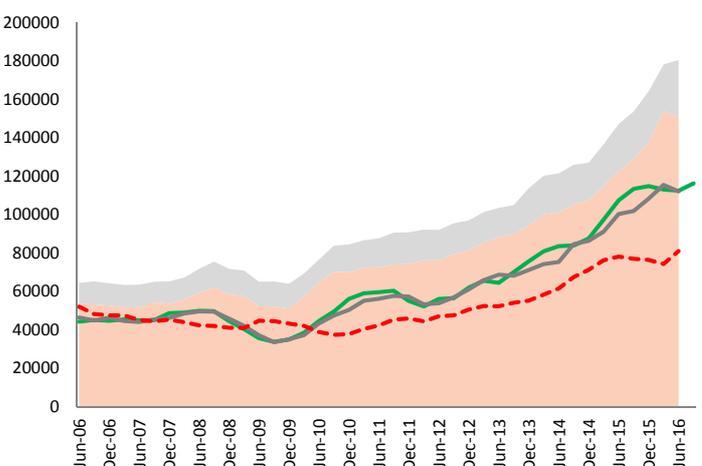
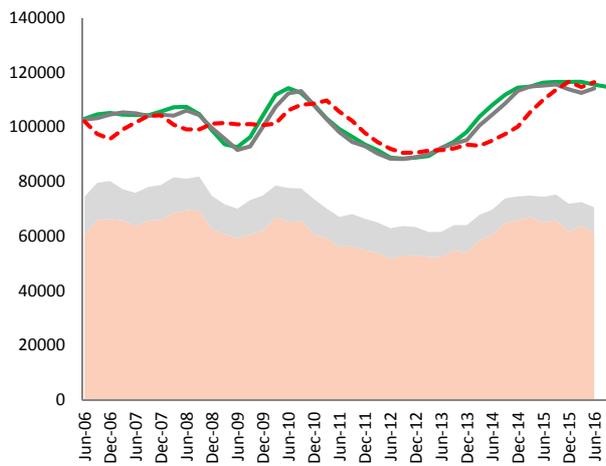
- CSR Connect online portal upgrade continues
- Accelerated investment in digital services for customers



# Steady demand in detached housing

## Detached

## Multi-residential



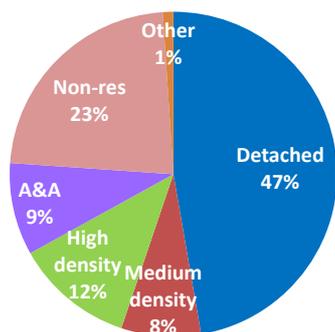
■ Dwellings under construction  
— Approvals  
- - - Completions  
■ Dwellings approved not yet commenced  
— Commencements

Source: ABS – moving annual total (MAT). Pipeline includes dwellings approved and not yet commenced, and under construction, but not yet completed (ABS cat 8752)

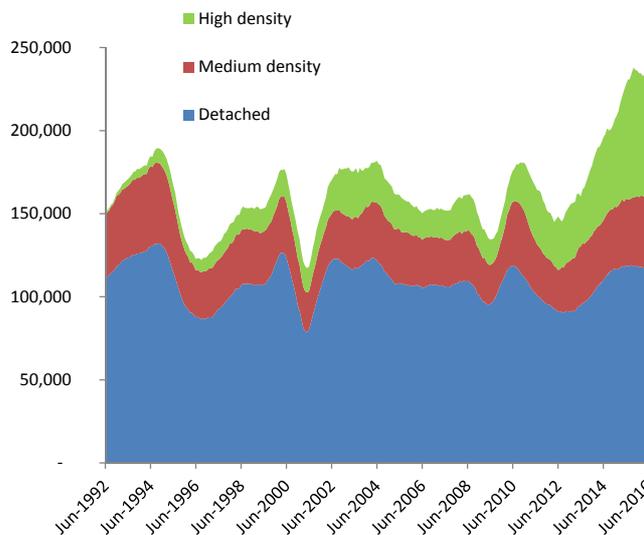


# Well positioned state and market exposure

## End Market Exposure

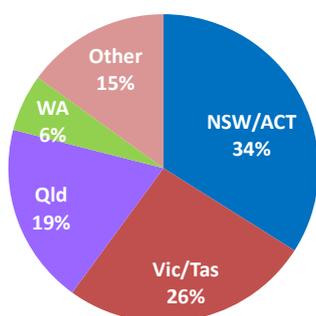


## Dwelling mix approvals



Source: ABS – moving annual total (MAT). Medium density includes townhouses and apartments up to 3 storeys. High density includes apartments 4+ storey

## State Exposure



# Outlook for year ending 31 March 2017 (YEM17)

<b>Building Products</b>	<ul style="list-style-type: none"> <li>Expected to deliver year-on-year earnings growth bolstered by continued solid activity on the east coast of Australia.</li> <li>Given current construction indicators and longer lead times from approval to construction, CSR expects demand for its building products to remain at current levels over the near term.</li> </ul>
<b>Viridian</b>	<ul style="list-style-type: none"> <li>Expected to increase earnings following the benefit of recent acquisitions combined with improvements in its commercial market position.</li> </ul>
<b>Aluminium</b>	<ul style="list-style-type: none"> <li>Currently 78% of the net aluminium exposure for the second half of YEM17 is hedged at an average price of A\$2,310 per tonne (excluding ingot premiums) as of 31 October 2016.</li> <li>Ingot premiums appear to have reached a floor at US\$75 per tonne (Main Japanese Port ingot premium).</li> </ul>
<b>Property</b>	<ul style="list-style-type: none"> <li>Earnings to be largely derived from settlements at the Chirnside Park, VIC residential development in addition to other transactions under negotiation.</li> <li>EBIT is expected to be between \$20-25 million, subject to the timing of transactions</li> </ul>
<b>Group</b>	<ul style="list-style-type: none"> <li>Group net profit after tax (before significant items) is expected to be at the top end of the current range of analysts' forecasts of \$154 million to \$184 million (before significant items).</li> </ul>





## Review of significant items

\$million	HY17	HY16
Transaction and integration costs <sup>1</sup>	(3.0)	(18.5)
Gain on acquisition of controlled entity <sup>2</sup>	4.1	-
Other restructuring and remediation costs <sup>3</sup>	(3.9)	-
<b>Significant items before finance cost and income tax</b>	<b>(2.8)</b>	<b>(18.5)</b>
Discount unwind and hedge gain relating to product liability provision	(5.3)	(5.5)
Transaction costs included in finance cost	(0.2)	(0.3)
Interest income on tax refund <sup>4</sup>	2.1	-
<b>Significant items before income tax</b>	<b>(6.2)</b>	<b>(24.3)</b>
Income tax benefit on significant items	4.1	5.0
Income tax refund related to divested businesses <sup>4</sup>	12.6	-
<b>Significant items after tax</b>	<b>10.5</b>	<b>(19.3)</b>
Significant items attributable to non-controlling interests	0.9	4.5
<b>Significant items attributable to shareholders of CSR Limited</b>	<b>11.4</b>	<b>(14.8)</b>
Net profit attributable to shareholders of CSR Limited	114.5	77.6
Significant items attributable to shareholders of CSR Limited	(11.4)	14.8
<b>Net profit before significant items attributable to shareholders of CSR Limited</b>	<b>103.1</b>	<b>92.4</b>
<b>Earnings per share attributable to shareholders of CSR Limited before significant items<sup>5</sup></b>		
Basic (cents per share)	20.5	18.3
Diluted (cents per share)	20.4	18.2

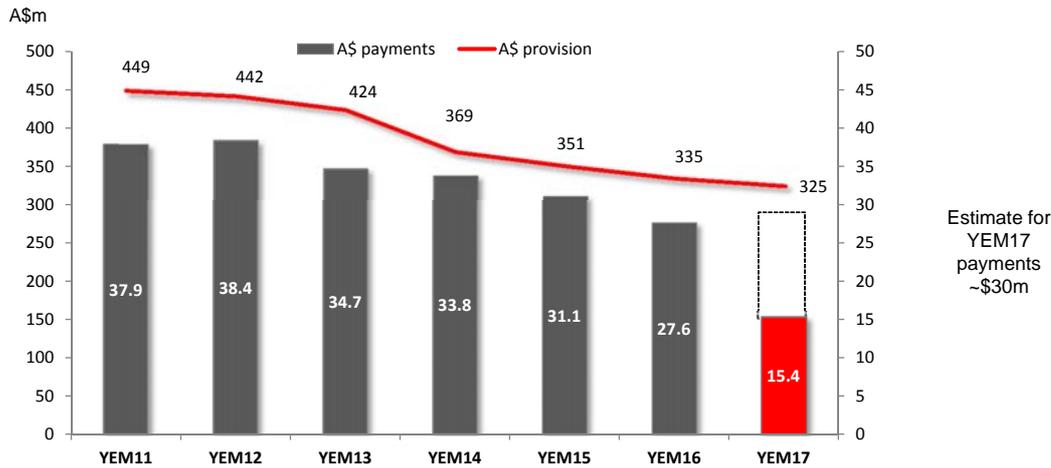
- During the half years ended 30 September 2016 and 30 September 2015, the CSR group incurred costs associated with potential and completed acquisitions, including integration costs relating to Boral CSR Bricks Pty Limited which was formed on 1 May 2015. In addition, in the half year ended 30 September 2015 adjustments were recorded as a result of the fair value re-measurement of contingent consideration on previous acquisitions.
- On 30 June 2016, the CSR group acquired the remaining 42% interest in Viridian Limited Glass Partnership (VGLP). As a result of this transaction, a gain has been recognised including the realisation of cumulative foreign exchange gains in relation to the previously held investment.
- During the half year ended 30 September 2016, restructuring and relocation programs took place across the Building Products and Glass segments to align the business cost base with current market conditions and secure ongoing efficiencies. The CSR group also recorded a charge of \$1.1 million relating to remediation obligations.
- During the half year ended 30 September 2016, a tax refund (including interest) was finalised following an amendment to the capital gains tax paid related to the divestment of the Sucrogen group in the year ended 31 March 2011.
- The basis of calculation is consistent with the earnings per share disclosure in the half year financial report.

# Further reductions in asbestos liability

A\$m	HY17	HY16	change
<b>Opening balance as of 1 April</b>	<b>334.5</b>	350.7	-5%
Cash paid	(15.4)	(12.5)	
Unwinding of discount	5.5	5.9	
<b>Closing balance as of 30 September</b>	<b>324.6</b>	344.1	-6%

- Product liability provision of A\$324.6 million
- Provision includes a prudential margin of 25% (\$63.8m)
- Cash payments A\$15.4m, up from A\$12.5 million

## Asbestos provision



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# RESULTS PRESENTATION

HALF YEAR ENDED 30 SEPTEMBER 2016

