 

CSR ANNUAL GENERAL MEETING

27 June 2018

CHAIRMAN'S ADDRESS

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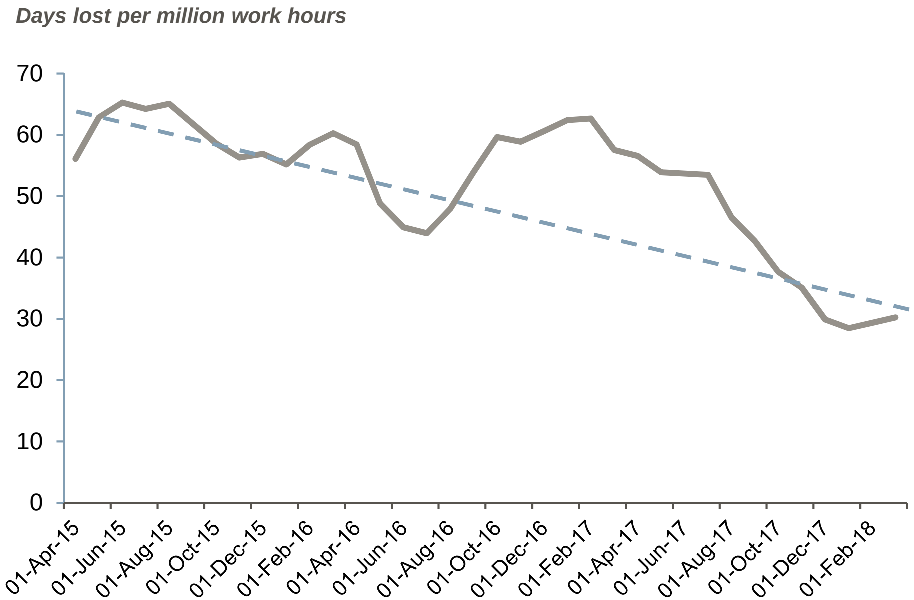
MANAGING DIRECTOR'S REPORT

Safety initiatives to reduce risk and harm

Injury severity



Safety performance

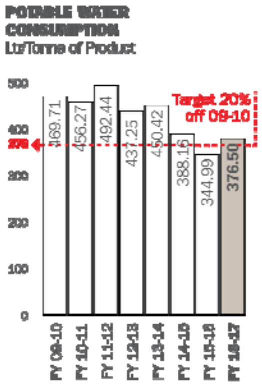
- Lost time injury frequency rate (LTIFR) improved by 9%
- Achieved 98% against a target of 90% for the Injury Prevention Indicator
- 45% improvement in severity measured by days lost as a result of work-related injuries

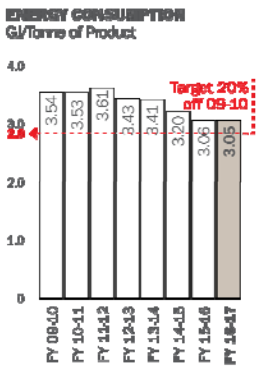
Key focus areas

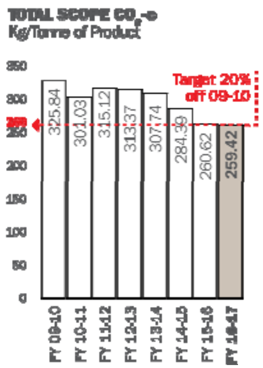
- Chain of responsibility system
- Sub-contractor safety management
- New Workplace, Health and Safety system to improve efficiency and insights on incidents and hazards

Our safety strategy has led to a series of significant initiatives to improve our safety performance

Progress towards our 2020 environment goals







Environmental performance

- Exceeded 2020 targets for waste and CO_2–e emissions
- Further work underway on energy and water targets in the year ahead
- Four major energy reduction projects completed at CSR sites

Key focus areas

- Post 2020 sustainability targets under review
- Assessment of climate-related risks and opportunities
- Review of disclosure in line with Task Force on Climate-Related Financial Disclosures (TCFD)

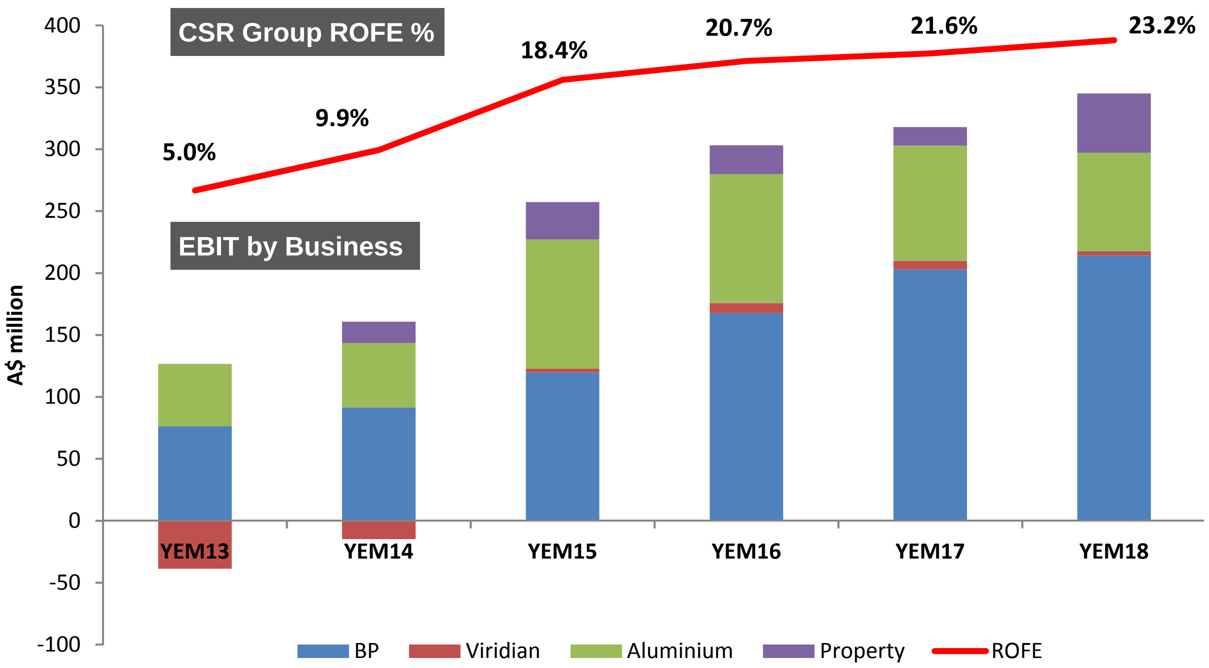
CSR has exceeded its 2020 targets for waste production and carbon emissions

PGH Bricks – 1MW Solar Project at Golden Grove, SA

Project Overview

- 1 megawatt solar project installed at PGH Bricks in Golden Grove, SA
- Includes over 3000 solar panels which cover 6,000 square metres of land at the site
- The $2 million project will provide over 20% of annual electricity consumption at the site
- First major project completed with CSR’s Energy Improvement Fund dedicated to energy saving projects at CSR’s sites

Increased earnings and ROFE across the CSR group

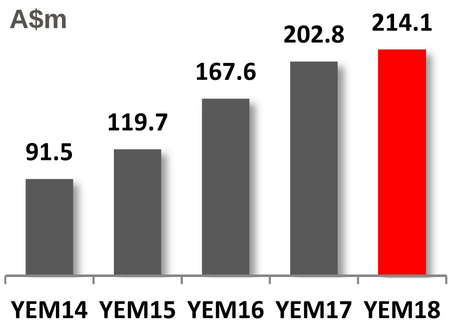


All ROFE calculations are based on EBIT (before significant items) for the 12 months to 31 March divided by average funds employed which excludes cash and tax balances and certain other non-trading assets and liabilities as at 31 March.

Improved performance in core operations creating a more balanced and resilient CSR

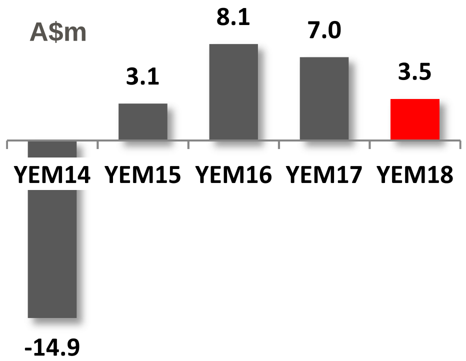
Strong EBIT growth for the CSR group

Building Products



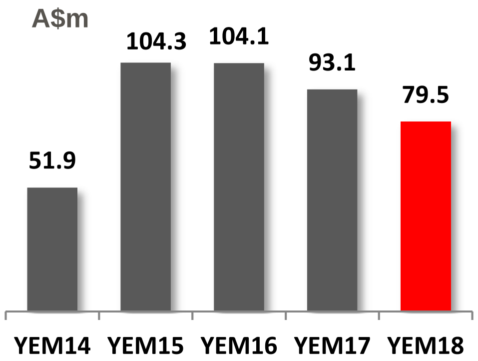
- Strong earnings growth in Gyprock, Hebel, Bradford and PGH
- Includes $9m of additional energy costs
- $10m in long-term growth investment including digital and off-site construction

Viridian



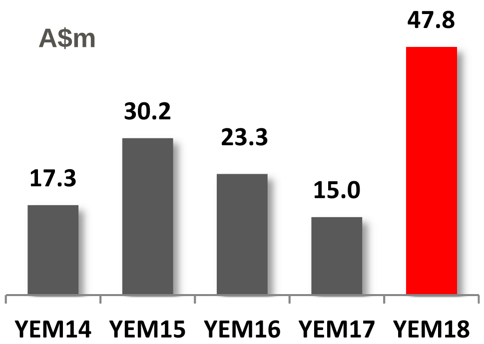
- Volumes down following exit from low margin products and sale of sites in Cairns, Darwin and Perth
- Operational issues at the commercial factory in Ingleburn, NSW increased costs
- Includes $4m of additional energy costs

Aluminium



- Higher volumes and A$ realised aluminium price
- Total power related costs increased by $34m for five months since the new electricity contract started in November 2017

Property



- Earnings included Rosehill land sale and Chirnside Park Stage 4 and 5
- Five year average EBIT of $26.7m

Consistent strategy delivering results for CSR

	Brand	Strategic rationale	Long-term growth
Strengthen and invest`	PGH Bricks & Pavers	▪ Increased exposure to stable detached market	▪ Operational flexibility ▪ Land release
Smarter, faster, easier	afs	▪ Greater share of multi-res market ▪ Speed of construction	▪ Doubled Rediwall capacity ▪ New market segment offering (aged care, townhouse and student accommodation)
Changing the way we live and work	hebel – The better way to build	▪ Growth and increased share in all market segments	▪ $75m capacity expansion ▪ New product development ▪ Inclose Facades System
Comfort and energy efficiency	Bradford – more than insulation	▪ Market expansion from glasswool to polyester, solar, battery storage and ventilation	▪ Leading energy solutions provider to new build market
Customer	Gyprock – Everything else is just plasterboard	▪ Maintain market leading position ▪ Invest in digital capability	▪ Investment in trade centres and retail capabilities ▪ Data analytics to provide customer preferences and trends

Faster façades with the new Inclose system

Overview

- Innovation team targeted a market opportunity in commercial façades in 2015
- In March 2017, project received a $3 million grant from the Federal Government
- CSR launched the new Inclose system in late 2017 and opened a manufacturing facility in Port Kembla, NSW
- First contract awarded to a student accommodation project at the Australian National University in Canberra

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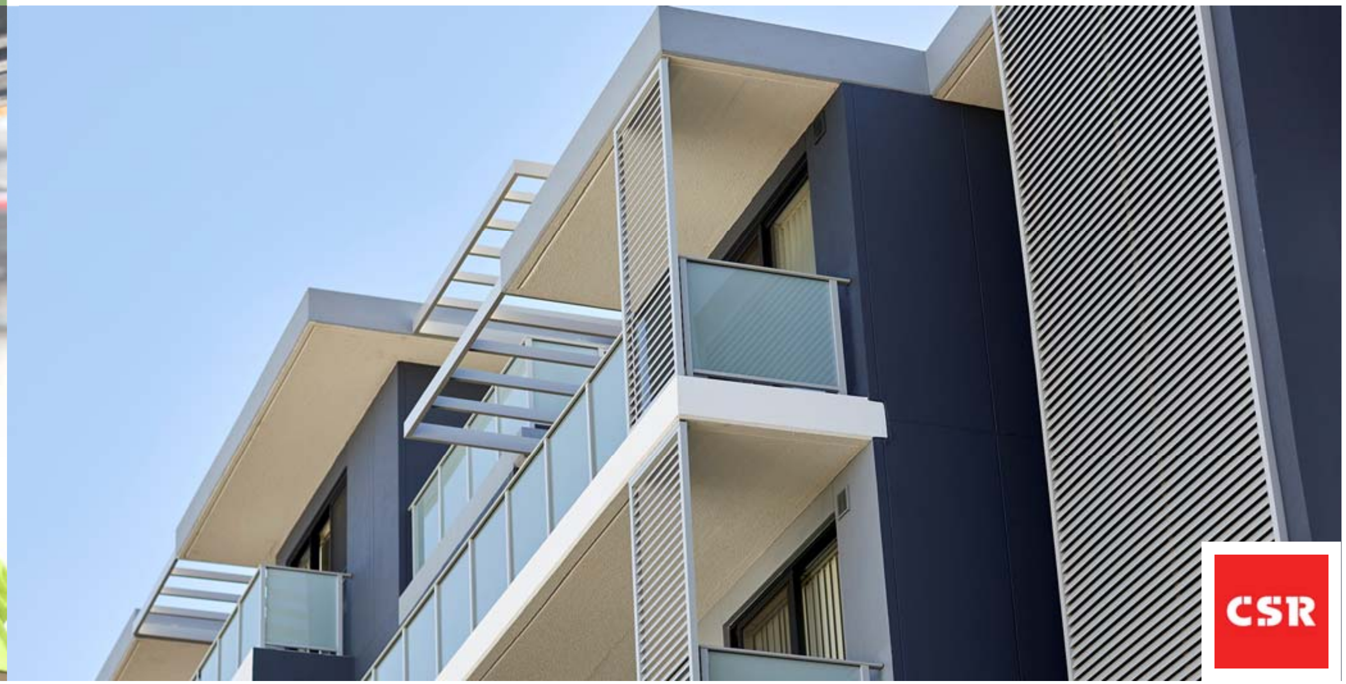
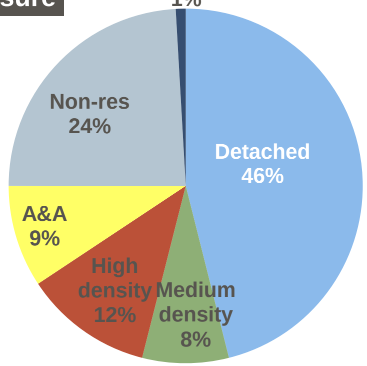
MARKET & OUTLOOK

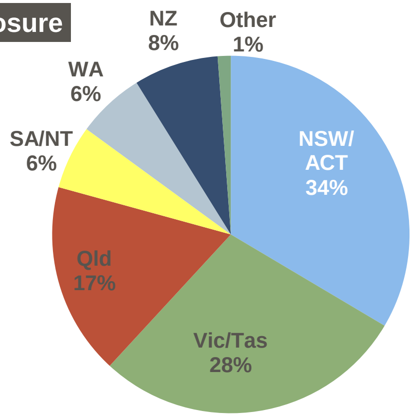


Diverse exposure across construction segments

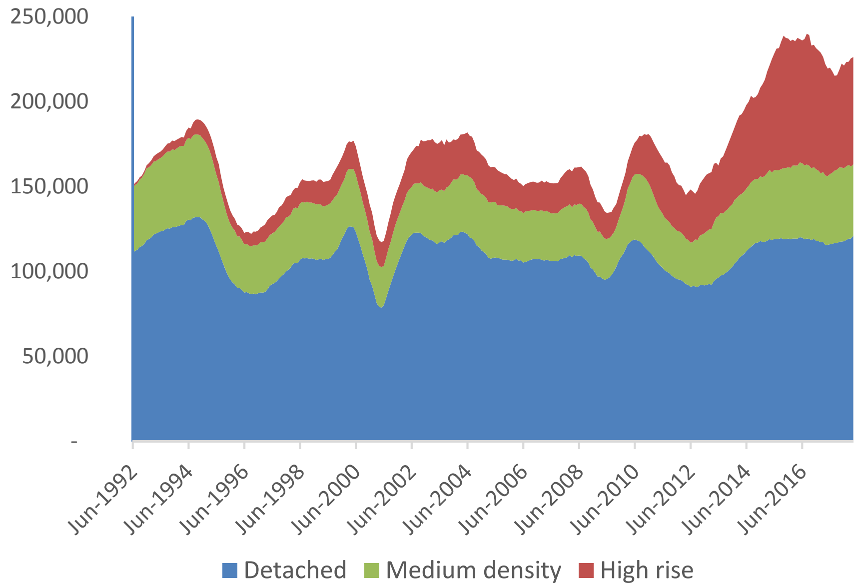
End Market Exposure



Regional Exposure



Australian residential housing approvals



Source: ABS

Outlook for year ending 31 March 2019 (YEM19)

Building Products and Viridian	▪ Recent building approvals remain strong and will support sales volumes in the year ahead. ▪ Viridian's operational performance in Australia and New Zealand has improved in recent months with the business on track to increase earnings in YEM19.
Aluminium	▪ Currently 75% of net aluminium exposure for YEM19 is hedged at an average price of A$2,598 per tonne (excluding ingot premiums). ▪ Earnings will be impacted by the full year effect of higher power related costs.
Property	▪ Two transactions were announced in the first week of YEM19 resulting in EBIT of approximately $37 million. ▪ This included the completion of Stage 5 at Chirnside Park, VIC and the sale of the 10-hectare surplus industrial site at Horsley Park, NSW which is expected to be recorded in the second half of the year.
Group	▪ At this early stage of the year, net profit pre significant items is expected to be within the current range of analyst forecasts of $176 to $204 million.

CSR