CSR Limited
Triniti 3 39 Delhi Road
North Ryde NSW 2113 Australia
T +612 9235 8000
E-mail investorrelations@csr.com.au
www.csr.com.au
ABN 90 000 001 276

CSR Limited Annual General Meeting
30 June 2022

Chair's Address
by John Gillam

Good morning everyone

I am pleased to be with you today to report on the strong performance and position of your company.

SLIDE – Group results

Reflecting on the period from April 2021 to now, the CSR team deserve great credit for working through all manner of significant business-wide challenges – including the worst of COVID restrictions and lockdowns - to maintain excellent product flow to customers, whilst also well advancing the longer-term strategic agenda.

The health and safety of our employees, contractors and customers is an overarching priority and, in a very disrupted environment, we saw a pleasing improvement in our safety performance with more improvement actions planned.

Before commenting on CSR's performance and direction, I want to acknowledge how difficult current operating conditions are for many builder customers due to scarcity of skilled labour, and materials such as timber combined with inflationary pressures. The one shining light for the housing construction sector is the underlying strength of demand and I'll talk more to that point shortly.

For the financial year ended 31 March 2022, CSR delivered a strong operational and financial performance, increasing group earnings for the second consecutive year with a 20% lift in net profit after tax (before significant items). The growth in net profit was driven by a 24% increase in Building Products earnings to a record $228 million reflecting our ability to drive higher output to meet strong market activity and backing this up with good production performances and sensible cost discipline.

Our property business delivered earnings of $47 million as it continues to successfully manage complex long-term development projects. Aluminium earnings were up 70% to $40 million following improved pricing. We have hedging in place over the next five years that reduces volatility and provides greater visibility of future aluminium earnings.

While we are very pleased with both the results for the year and the overall advances made in implementing CSR's strategic agenda, since the results were announced in mid May, CSR's share price has been under pressure to a greater extent than the recent market-wide decline.

While there may be differing views on the outlook for the construction market as well as the broader Australian economy, we remain very positive about CSR's prospects for three key reasons. Firstly, the strength of underlying demand for building products. Secondly, the strong progress made within the business to increase earnings diversification, and, thirdly, the strength of contracted earnings from CSR's property business. I'll provide some more detail on each of these.

SLIDE – Detached housing pipeline

There is strong underlying demand for building products, and this is expected to extend through our current financial year and well into CSR's next financial year.

The significant housing construction demand linked to Homebuilder approvals is well documented and we have been working through this pipeline with our customers over the past two years. Concerns that the completion of this activity would create a gap in the market are misplaced and we are seeing the pipeline of house building activity continuing to be filled by current approvals.

For example, the size of the current pipeline for detached housing is 50% higher today than the pre-COVID average and represents a full year of housing activity before considering any future fresh approvals. Approvals recorded in each month will extend the activity pipeline further into the future.

And today's identifiable pipeline for housing construction – be that detached, semi-detached or high-rise - does not reflect any material activity associated with a likely recommencement of immigration to pre-COVID levels, nor any new state government ambitions for social housing and possible fresh "affordable housing" government initiatives. Any of this activity that materialises will strengthen and lengthen the housing construction pipeline.

In addition to housing construction demand, recently announced state government budgets contained considerable expenditure plans with programs for new and refurbished facilities in healthcare and education. This will heighten building products demand in the wider commercial markets.

SLIDE: CSR strategy

We are also pleased with how well the business is progressing its strategy to increase the diversification of earnings and grow market share in new segments.

A key part of our strategic agenda is to build on our strong position in the detached housing market and diversify into other construction sectors. This is a critical activity that ensures real growth and also enhances our resilience, with an ability to maximise opportunities through changing construction cycles.

At present, over 45% of our earnings are from non-detached housing segments and we are actively building our presence in the wider housing and construction segments.

The outlook for these markets is positive, with growth in multi-res approvals and in the levels of forecast starts, work done and completions. Non-residential markets are also improving with approvals still growing and running well ahead of work done. And as I noted earlier, there are substantial state programs in broad social infrastructure areas. We expect strength in these wider markets to continue supported by the re-opening of international borders and a return to normal commercial activity.

By leveraging the breadth and quality of our product range we can serve customers through key phases of the build process from external cladding and roofing to interior linings and energy efficiency systems. This increases the diversity of our business and builds market share across more sectors such as aged care, healthcare, education and infrastructure.

A good example of this work is at the new Sydney Football Stadium which I visited recently and which includes a range of our products and systems across Gyprock, Cemintel, Martini, Himmel and Rondo.

A key point of difference for CSR is that we can bring an integrated solution to customers. A stronger focus on doing that better than ever underpins our ambition to grow share in new segments.

SLIDE: Property pipeline

The third area to highlight is the strength of CSR's property portfolio which will deliver significant value for CSR over many years. The immediate three-year outlook from our property business includes contracted earnings of over $150 million

The most significant contribution to earnings this year will be the industrial development at Horsley Park in western Sydney. This former bricks site operated for over 50 years before becoming surplus to our requirements. Our Property team led a very complex rehabilitation process to regenerate the site for industrial use and deliver an amazing result for CSR.

In addition to the disclosed three-year contracted earnings outlook, we are also working on a number of new projects such as the development of a 20 hectare site at Darra in Queensland which, subject to development approvals, is well positioned to add earnings to the near-term Property pipeline.

Our Property portfolio also extends well beyond a 10 year horizon which includes the 200-hectare site at Badgerys Creek adjacent to the new Western Sydney Airport. This site is of significant strategic importance in this region and we are actively progressing rehabilitation works, while also assessing structuring opportunities.

The strength of our development capability, rehabilitation expertise coupled with strong demand for industrial sites in western Sydney has significantly increased the valuation of our Property portfolio which is well positioned to deliver strong returns over the next ten years and beyond as shown on the slide.

SLIDE: Capital management slide

From an overall group perspective, CSR continues to maintain a very strong financial position which is supported by the pleasing operational performance and cash flows. This has enabled the company to pay dividends at the top end of our range of 60-80% of net profit after tax (before significant items). Total dividends for the financial year of $153 million with full franking were declared. This compares to total dividends of $177 million in the previous year which included the payment of two special dividends.

CSR has a strong balance sheet, which supports continued investment in the growth and performance strategy for our Building Products business. We are also progressing major property development projects that will deliver short and long-term earnings alongside the hedged Aluminium position.

We are really excited about the opportunities to invest for growth in Building Products and Julie will outline our investment plans to you in more detail. We also look to increase shareholder returns through capital management initiatives where appropriate, in addition to dividends.

Today we are pleased to announce that we will commence an on-market share buyback of CSR's shares of up to $100 million. Shareholders will recall that we previously had an on-market share buyback in place in the 2019 and 2020 financial years.

The work over the last few years to improve our operations and optimise performance has delivered increased returns to CSR. This has positioned us well to maintain a strong balance sheet while investing in our strategy and improving shareholder returns.

It is also worth noting that despite the operational challenges faced over the last two years, we have also been active in continuing to progress better environmental outcomes and Julie will talk in more depth on this important work.

In closing, I want to return to the performance of the CSR team led by our CEO Julie Coates in what has been a very busy and challenging year. Each day our teams are working diligently with our customers to help support their needs.

We also have our eyes firmly fixed on the future, with more opportunities to grow CSR's portfolio of products and systems across new construction markets. Our business is more resilient today with operational and cost discipline an ongoing focus and we are confident about the company's ability to perform very well into the future.

On behalf of the board, I want to sincerely thank all of CSR's 2,500 employees for the tremendous efforts this year, for supporting each other and for looking after our customers.

And finally, I want to also thank all shareholders for your continued support of CSR.

CSR Limited Annual General Meeting
30 June 2022

CEO and Managing Director's Address
by Julie Coates

Good morning everyone. And thank you to our shareholders who are joining us here as well as others who are with us online for the meeting today.

Slide: Workplace health and safety

I want to echo John's comments about the performance of the team this year. If we look back to the first half of the year, we were managing changing restrictions across all of our markets while keeping our people and customers safe. While in the second half of the year, the pace of activity picked up and we continued to face supply chain challenges and disruptions while we have moved into managing a COVID safe workplace as part as business as usual.

This has been supported by our operations and safety teams who have been working together to build safety capability at every site. I see this in action at the sites I visit where our teams have a clear understanding of their priorities developed through a consistent approach on risk reduction. We are really pleased to see our recordable injury rate reduced this year, with over 80% of our sites injury free over the last twelve months. There is more work to do but we have a lot of confidence in what is possible across the business.

Slide: Sustainability

Now turning to our sustainability agenda which is a key foundation for our strategy. This slide highlights our progress across several key areas. Importantly we have invested in improving our systems so we have real time visibility of all our projects which are mapped to our 2030 Sustainability Targets. These targets cover a range of metrics to improve performance and reduce our environmental impact.

Reducing our emissions is a key focus area where we have made significant progress. Since 2010 our emissions are now 34% lower per tonne of saleable product with a target to reduce emissions by a further 30% on this basis to 2030. We are now two years in on achieving this target with further work underway on our decarbonisation pathway.

Slide: Building Products performance by business

Looking at our Building Products results for the year, there are a couple of areas to highlight.

Overall our revenue increased 5% in the year which reflects strong market activity and really good operational performance by the team. Work across the business to drive operational improvement increased our capacity for key products particularly in the detached market.

We have also managed our cost position following work completed to streamline the organisation and operational efficiencies. This has set us up well to offset pressure on some of our key input costs through improved productivity. We have also benefitted from owning some of our key raw materials located in Australia to reduce our reliance on international supply chains.

Looking at each of the business units, **Masonry & Insulation** has a very strong position in the detached housing market which has played to our strengths in the last year. The business delivered improved performance across pricing and cost discipline and optimising capacity to ensure delivery for our customers. In the year ahead, we have targeted incremental investment at two sites in Queensland to improve productivity and sustainability. A good example is the Bradford Brendale site where we can drive productivity improvements to provide a 10% increase in national capacity while reducing our potable water use by 80%.

This is a very important step for us to ensure that we provide the most efficient and cost effective product for our customers which is manufactured here in Australia. This sets up the business well ahead of the 2022 National Construction Code with insulation and other systems across our range an important part of improving the energy efficiency of homes and buildings.

Interior Systems also increased earnings led by our Gyprock business as we are seeing the benefits of improved pricing discipline and product innovation coming through as we invest in our range including new launches in compounds and ceiling tiles. We have also launched incremental investment at our Gyprock site at Wetherill Park in Sydney which will improve productivity and lower energy consumption.

In **Construction Systems**, these are some of our newer businesses and we are really starting to see the combination of these three brands gaining traction with builders. We continue to bring on new technology at the $75 million Hebel expansion completed in 2019. There are a number of product improvements coming on line this year including PowerPattern and PowerProfile. These are examples of products with simpler coating methods to improve the speed and ease of the build process.

Performance across the group has also benefited from our work to improve our supply chain capability over the last 18 months. The disruptions across supply chains worldwide have shown how critical it is for our business to have a national focus so we can optimise our logistics networks in what continues to be a challenging supply chain environment.

We will be continuing this work in the year ahead with our capital expenditure to increase back to more normal levels. In addition to the investment at Bradford and Gyprock which I have already mentioned, we are also investing in our PGH Brick site at Oxley which enables us to progress the mothballed site at Darra for our Property pipeline.

Across Building Products we will be driving growth through these incremental investments to optimise performance and support our ability to deliver for customers, reduce costs and improve efficiency.

As I noted earlier, like most companies in Australia we are experiencing some inflationary cost pressures with rising energy prices coming into recent focus in the market. CSR uses significant amounts of energy including electricity and gas. Within Building Products, we have taken a number of steps over the past few years to hedge our energy costs, so we are well placed for the year ahead.

Whilst this will be a challenge for most manufacturing businesses both now and in future years, it is also an opportunity for businesses like CSR with a diversified product portfolio with different energy requirements.

Over the last few weeks, I have travelled across Australia meeting customers in Western Australia, South Australia, Victoria and New South Wales to discuss the market and how they see the pipeline ahead. A key theme is that labour availability and rising labour costs is a critical issue impacting their businesses. This is an area where we see a major opportunity to grow CSR's Hebel business.

Hebel cladding is lightweight, thermally efficient and non-combustible with great acoustic properties and speed of installation. Importantly it has lower embodied carbon and less energy requirements to produce compared to other cladding products.

Slide: Outlook

And finally, I would like to make some comments on our outlook. In Building Products, we remain confident that the strong pipeline of detached housing projects will continue in the year ahead. With completion times continuing to lengthen in addition to new housing approvals adding to this pipeline, this extends activity well into calendar year 2023. We are also seeing growth in approvals across our segments in multi-res, alterations and additions and non-residential projects.

In Property, we previously provided guidance of earnings of around $52 million following completion of two transactions expected later this financial year.

In Aluminium, as we highlighted in May, CSR has a significant hedge position for YEM23. The company has previously provided indicative EBIT scenarios for this financial year which remain in the range of $33 to $49 million, despite significant aluminium price and cost volatility (in particular carbon based inputs) given current market conditions.

In summary, Building Products is performing well supported by high levels of demand in residential construction which is expected to continue in the year ahead. Group earnings will be supported by over $150 million in EBIT from contracted transactions in Property over the next three years and an increased hedge position in Aluminium which extends to 2027.

In closing, I want to personally thank the team across CSR for all of their efforts this year managing the challenges of COVID whilst delivering a great result for all stakeholders including our shareholders.

I look forward to working with the team again in the year ahead to continue to create value for CSR.