

The CSR logo is a red square with the letters 'CSR' in white, bold, sans-serif font. It is positioned in the upper center of the image, overlaid on a background of an industrial factory floor with various equipment and pipes.

**CSR**

**Acquisition of  
Pilkington Australasia  
*Pilkington Group's Australian and New Zealand businesses***

**29 June 2007**

A small red square with the letters 'CSR' in white, bold, sans-serif font, located in the bottom right corner of the image.

**CSR**

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## *Agenda*

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1. Overview
2. Acquisition Rationale
3. Overview of Pilkington Australasia
4. Future Strategy
5. Impact and Funding
6. Conclusion

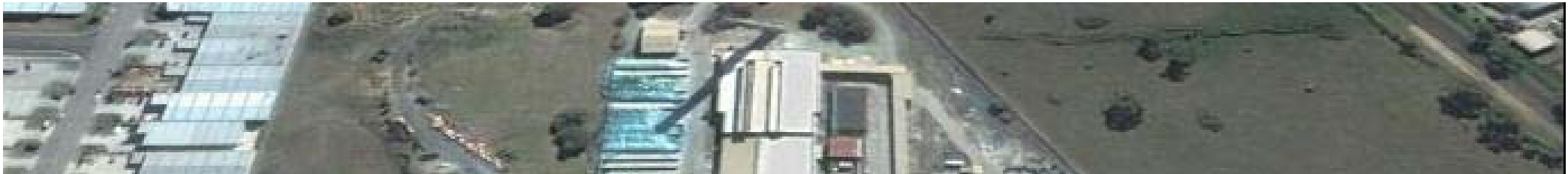


# 1. Overview

## Transaction Overview

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- Pilkington is the leading manufacturer and value added distributor of architectural glass in Australasia
- Acquisition price of \$690 million
  - Expected to generate maintainable synergies of at least \$20 million per annum by FY2010, with approximately 50% achieved in FY2008
  - Represents 7.9x FY2008 maintainable EBITDA<sup>1</sup>
  - Expected to be earnings per share neutral in the first year of CSR ownership (FY2008) and accretive thereafter<sup>2</sup>
  - Benefits of the Dandenong manufacturing plant refurbishment will significantly enhance earnings from FY2010
- Acquisition represents a significant step in growing CSR Building Products
  - Complements CSR Building Products' existing portfolio of environmentally friendly and energy efficient building products
- Business is ideally positioned to capitalise on the increased use of architectural glass in residential and non-residential construction and the increasing focus on energy efficiency
- Acquisition will initially be 100% debt funded
  - CSR will reintroduce a DRP with FY2008 and FY2009 interim and FY2008 final dividends underwritten to raise \$180 million in equity



## 2. Acquisition Rationale



## Acquisition Rationale

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- Consistent with CSR's strategy of growth in its core businesses, by acquisition and through extending CSR's product range
- CSR is a natural owner of the business
- Complements CSR's existing portfolio of environmentally friendly and energy efficient building products
- Attractive growth outlook
  - Strong growth in demand for architectural glass forecast
  - Probability of further regulatory-driven growth of higher margin energy efficient glass in Australia
  - The value added glass distribution market in Australia is fragmented and CSR believes there are further growth opportunities
- Pilkington is the leading manufacturer and value added processor of architectural glass in Australasia
  - Strong market share in glass manufacturing and value added distribution in Australia and New Zealand
  - Only value added distributor in Australia with a national footprint

### 3. Overview of Pilkington Australasia

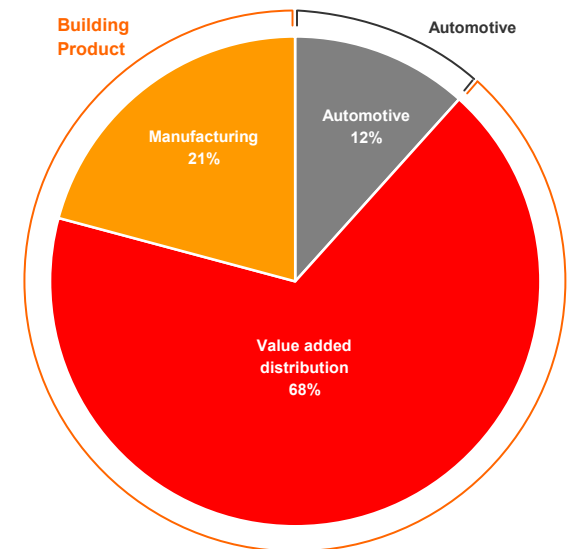




## Pilkington Australasia Overview

- Headquartered in Dandenong, Victoria
- FY2007 revenue of approximately \$400 million<sup>1</sup>
- Employs approximately 1,700 people across Australia and New Zealand
- Architectural glass manufacturing and value added distribution for the Australian and New Zealand building products markets
  - Three glass manufacturing facilities in Australia
  - 32 value added distribution sites (23 in Australia, nine in New Zealand) converting glass into finished product
- End markets include glass distributors, window fabricators, shower screen and furniture manufacturers, solar panel manufacturers and glaziers
- Ideally positioned to capitalise on the increasing use of architectural glass in residential and non-residential construction and the increasing focus on energy efficiency
- Also operates a small automotive glass processing business which is expected to contribute ~12% of revenue

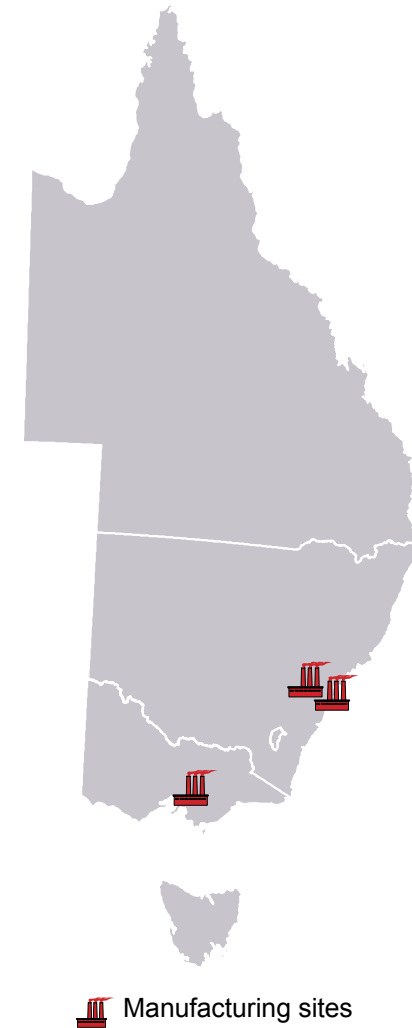
### FY2007 Revenue Mix<sup>1</sup>



## Manufacturing

- A leading manufacturer of architectural glass in Australia and New Zealand
  - ~60% market share in Australia<sup>1</sup>
  - ~30% market share in New Zealand<sup>1</sup>
- Manufactures ~215,000 tonnes of float and rolled glass from three furnaces
  - Dandenong (Vic) – Float line with 120,000t capacity
  - Ingleburn (NSW) – Float line with 105,000t capacity
  - Alexandria (NSW) – Rolled line with 27,000t capacity
- Also provides some bulk processing including laminating, toughening and mirroring
- End markets include the internal value added distribution business, and third party glass distributors and customers
- Introduction of more efficient Floatliner glass transport vehicles underway
- Exclusive access in Australasia to Pilkington product technology and manufacturing support

## Manufacturing Sites



## ***Dandenong Manufacturing Plant Refurbishment***

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- \$110m refurbishment will commence in FY2008, be completed in FY2009, and will include:
  - New raw material batch plant with increased capacity
  - Furnace upgrade increasing plant capacity from ~120,000t to ~165,000t
  - High performance Chemical Vapour Deposition (“CVD”) Coater to produce energy efficient “low-e” glass
- Refurbishment will lower fixed cost base and increase utilisation and efficiency
- Installation of the CVD coater is supported by grant from the Victorian Government
- CSR will be the sole manufacturer of high performance CVD coated float glass in the southern hemisphere and have one of only five Pilkington CVD coated float glass facilities in the world
- Majority of refurbishment cost will be covered by fixed lump sum contract in conjunction with Pilkington UK
- Both float glass lines operate below import parity cost, and the planned investments further improve competitiveness

## Value Added Distribution


- A leading value added distributor of architectural glass in Australia and New Zealand
  - ~30% market share in Australia<sup>1</sup>
  - ~25% market share in New Zealand<sup>1</sup>
- Leading national footprint in Australia with 23 sites across all states, except South Australia
- Nine sites across New Zealand's North and South Islands
- Value added processing includes cutting, toughening and laminating
- The value added glass distribution market in Australia is fragmented and CSR believes there are further growth opportunities

### Geographic Footprint – Australia



### Geographic Footprint – New Zealand



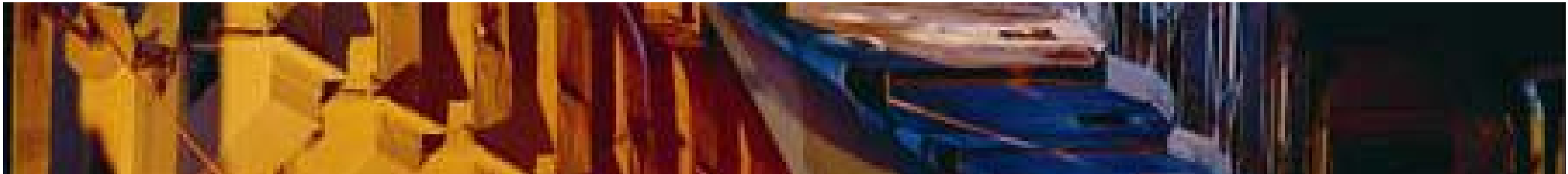
 Value-added distribution sites



## Growth Drivers

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- ✓ Residential and non-residential construction
- ✓ Increased use of architectural glass in residential and non-residential construction due to its aesthetic, safety and noise control qualities
- ✓ Increased use of energy efficient glass in residential and non-residential construction as governments increase their focus on sustainable energy and the environment
  - Market for energy efficient “low-e” glass and double glazing is currently growing at an estimated ~30% per annum<sup>1</sup>
  - New Zealand has recently introduced regulations mandating higher thermal ratings in new house construction, which will lead to increased usage of energy efficient glass
  - Potential for similar regulatory change in Australia in the near future
- ✓ Increased productivity, utilisation and efficiency as a result of re-investment in Pilkington Australasia’s underlying assets

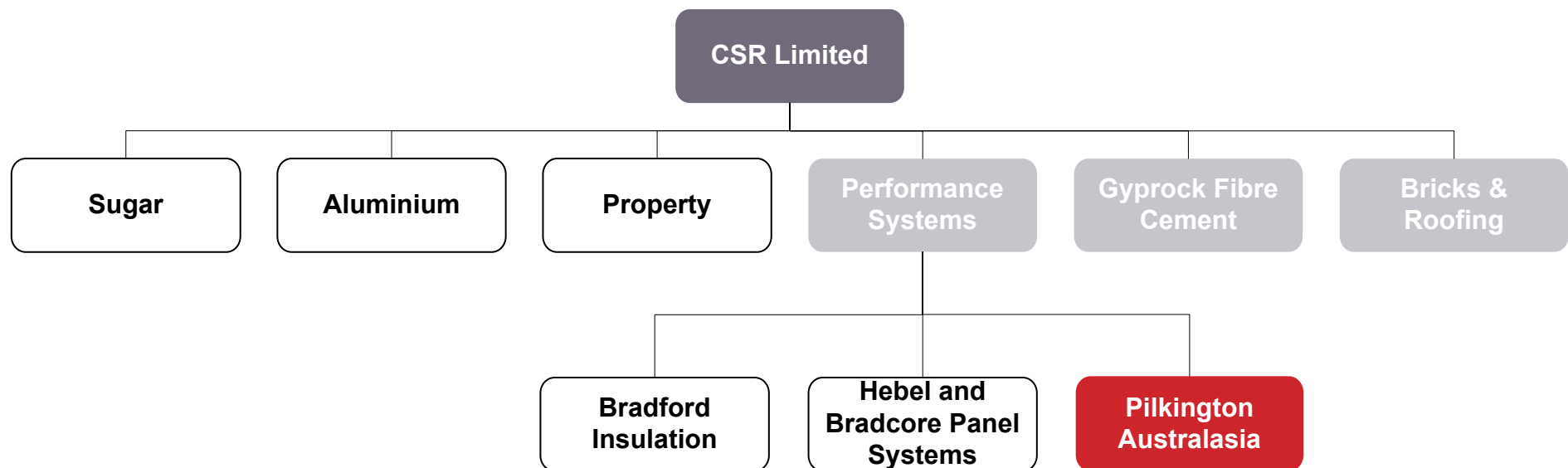


## 4. Future Strategy



## Where Pilkington Australasia fits in CSR

- Pilkington Australasia will be re-branded under the CSR master brand over the next 9 months
- The business will be managed within CSR Building Products' Performance Systems Group, which focuses on energy efficient products
  - The existing Pilkington Australasia management team will be retained, reporting to CSR's Performance Systems EGM
- Acquisition will strengthen CSR Building Products' position as one of Australasia's leading building products businesses, and take Building Products from ~31% to ~39% of CSR's revenue
- CSR Building Products division will have almost 5,000 employees and revenue of over \$1,400 million



# CSR Building Products – Residential Portfolio



1. Note: To be re-branded



## Future Strategy

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- CSR and Pilkington Australasia management are committed to driving growth in the architectural glass market
  
- Manufacturing
  - Maintain and grow Pilkington Australasia's market leading position in architectural glass manufacturing through re-investment in underlying assets
  - Drive regulatory change in Australia to increase use of energy efficient glass
  - Maintain and grow Pilkington Australasia's leading position in CVD coated float glass
  
- Value added distribution
  - Maintain and grow Pilkington Australasia's leading position in value added glass processing through re-investment in underlying assets, improved production efficiencies and an enhanced service offering
  - Explore further growth opportunities



## 5. Impact and Funding



## Acquisition Funding and Impact

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### Acquisition Funding

- Acquisition will initially be 100% debt funded
- Dividend reinvestment plan will be reintroduced from November 2007
  - FY2008 and FY2009 interim and FY2008 final dividends will be underwritten by Goldman Sachs JBWere raising approximately \$180 million

### Acquisition Impact

- Expected to generate maintainable synergies of at least \$20m per annum by FY2010, with approximately 50% achieved in FY2008
- Represents 7.9x FY2008 maintainable EBITDA after maintainable synergies and before one-off costs
- One-off costs of approximately \$15 million in FY2008 will be expensed as significant items
- Expected to be earnings per share neutral in the first year of CSR ownership (FY2008) and accretive thereafter (excluding one-off costs)
- Benefits of the Dandenong manufacturing plant refurbishment will significantly enhance earnings from FY2010



## Conclusion

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- Consistent with CSR's growth strategy and an excellent fit with CSR Building Products
- Complements CSR Building Products' existing portfolio of environmentally friendly and energy efficient building products
- Consolidates CSR's position as a leading provider of building products in Australasia
- Attractive growth outlook
  - Business is ideally positioned to capitalise on the increasing use of architectural glass in residential and non-residential construction and the increasing focus on energy efficiency
- Dandenong manufacturing plant refurbishment will lower the fixed cost base and will significantly enhance earnings from FY2010