

18 MAY 2005



# Building on 150 years



CSR 1855-2005 CELEBRATING 150 YEARS

## CSR Limited Results Presentation

Year ended 31 March 2005

**CSR**

### Highlights

**Net profit up 25%**

**Significant improvement in earnings - net profit<sup>1</sup> up 25%**

**Growth projects continue**

**\$400+ million of growth projects underway over last two years**

**Proposed capital return**

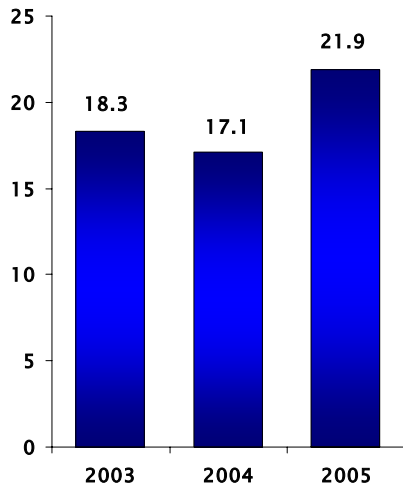
**\$182 million or 20 cents per share – gearing to lift to around 30%**

1. Net profit excluding significant items

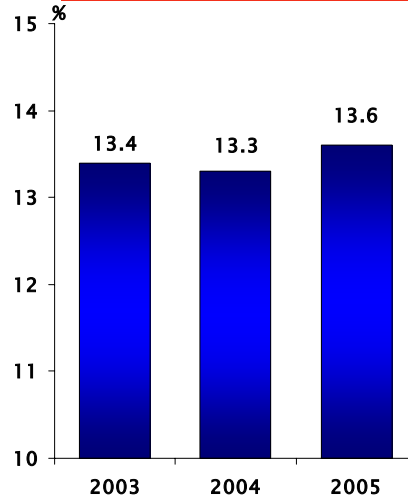
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## Returns and margins improving

Earnings per share <sup>(1)</sup>



EBIT Margin



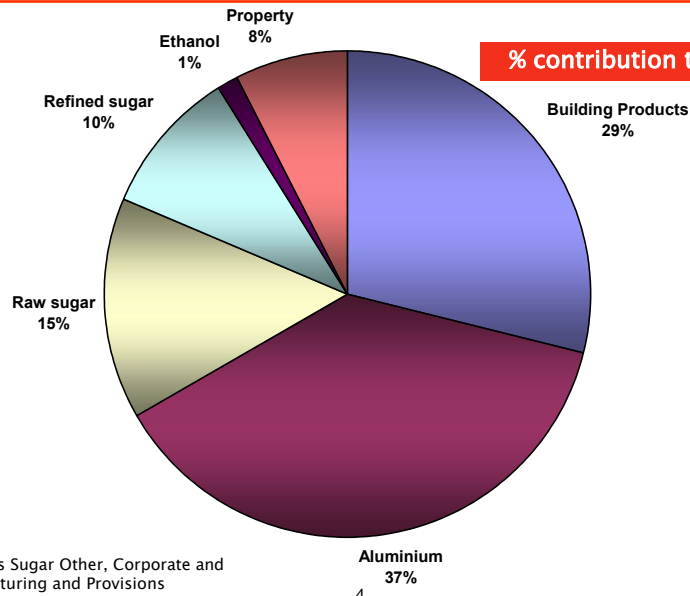
1. EPS excluding significant items

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## Diversity of portfolio helped increase returns

% contribution to EBIT



Note: Excludes Sugar Other, Corporate and Restructuring and Provisions

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## Proposed capital return of \$182 million

- ❑ Proposed return of capital to achieve a one-off structural alteration to CSR's gearing and share capital
- ❑ Provides a more efficient capital structure and provides adequate flexibility for future growth
- ❑ CSR understands that the ATO will issue a class ruling confirming that the return of capital will not be subject to tax
  - Cost base for shares will be reduced by \$0.20 for capital gains tax calculations
- ❑ Shareholders will vote on capital return at the AGM on 14 July 2005

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## Strategy to maximise shareholder returns

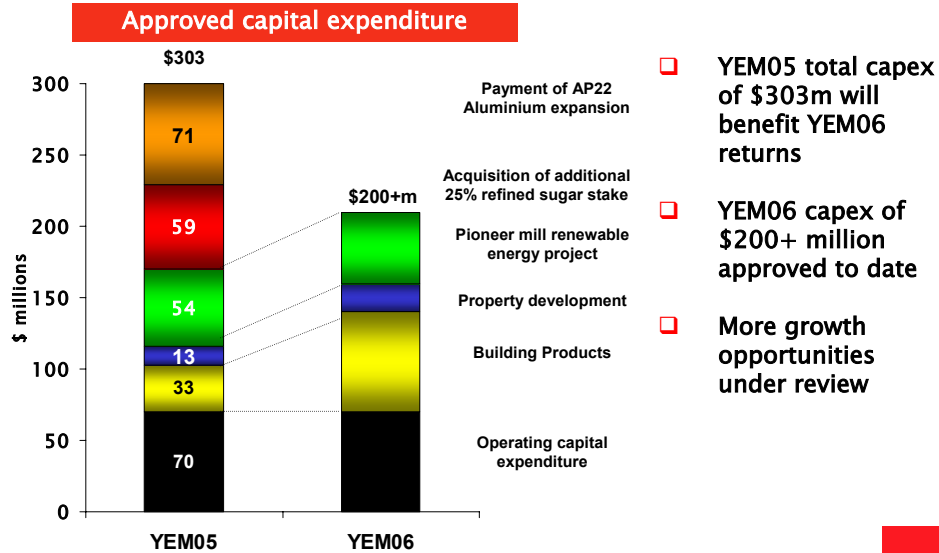
### Lifting operational performance and seeking opportunities for value creating growth

- ❑ **Building Products:**
  - Aggressively pursue operational performance improvement and pursue sensible growth
  - Leverage off China insulation and Australian market position to build value creating growth options
- ❑ Build **Sugar** into self-sustaining business through growth in stable, higher value businesses (refining, renewable energy, ethanol)
- ❑ Increasing value of **Aluminium** by improving Tomago operational performance, creeping capacity and lifting value added production
  - Take advantage of hedging opportunities to lock in returns
- ❑ Establish **Property** as a sustainable earnings source

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## Significant capex to continue in YEM06



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## \$100m of Building Products growth projects underway

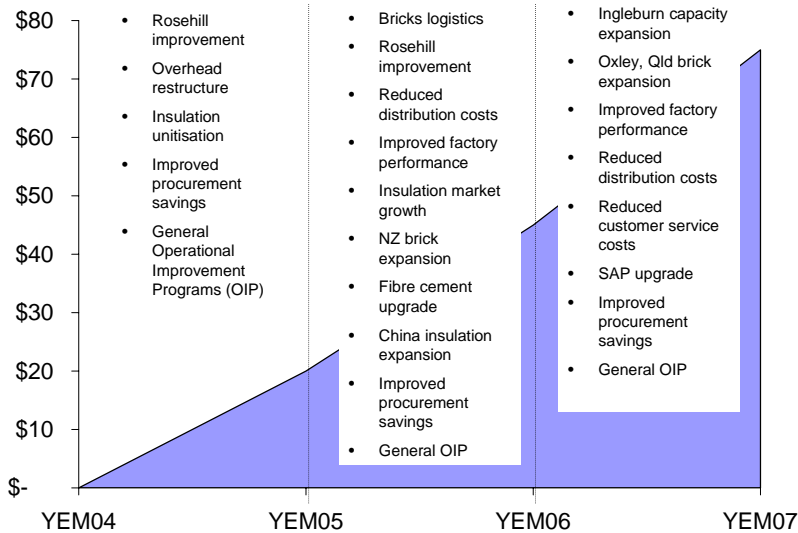
- \$100+m of growth projects in Building Products launched or completed in YEM05

	Project	Capital
Roofing	Karreman acquisition in SE Qld – high growth market. Includes dev capex, working capital	\$12.5m
Roofing	Guardrail hire acquisition	\$2m
Insulation	10,000 tonne expansion of Ingleburn – brings total production to 28,000 tonnes per year	\$28m
Insulation	Asia expansion – Nanning – 6k tonnes glasswool; Dongguan – 24k tonnes rockwool	\$2m
Insulation	Compression and unitisation program	\$4m
Bricks	Expansion of Oxley – 35m units, New Lynn, NZ – 15m units	\$40m
Bricks	New fleet of trucks for Sydney metro market	\$4m
Fibre Cement	Process enhancements at Wetherill Park	\$4m
All units	SAP upgrade	\$8m

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## Three year plan to generate \$75m in savings in Building Products



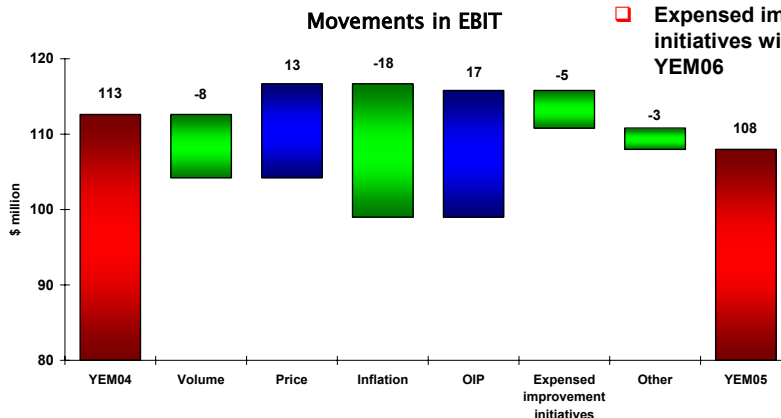
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## Building Products – returns lower as housing market slowed

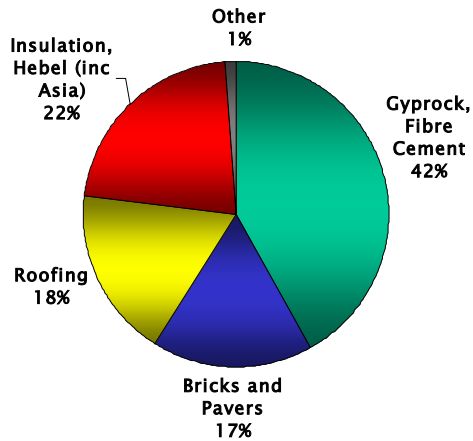
\$m YEM	2005	2004	%
Trading revenue	932	918	2
EBIT	108	113	-4
EBIT Margin	11.6%	12.3%	
ROFE (12 mths)	16.5%	19.4%	

- Returns impacted by additional costs to improve operations and customer service
- Volumes lower as demand slowed in core regions
- Expensed improvement initiatives will deliver benefits in YEM06



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## All Building Products businesses targeting new products and markets



YEM05 Trading Revenue – \$932 million

- **Gyprock™** – improved performance with sales and marketing restructured on specific market segments and higher value products
- **CSR Fibre Cement** – volumes steady despite slowdown in some markets. Continued success with compressed sheet products
- **Monier™ and Wunderlich™ Roofing** – Prices increased with volumes lower. Rosehill production fully meeting demand
- **PGH™ Bricks & Pavers** – good increase in pricing (from a low base) offset by volume reduction as NSW market softened
- **Bradford Insulation™** – strong increase in profits with 15% volume expansion
  - Asia – China performing well with Malaysia impacted by price competition
- **Paroc Panel™** – Sales increasing with leading builders and architects

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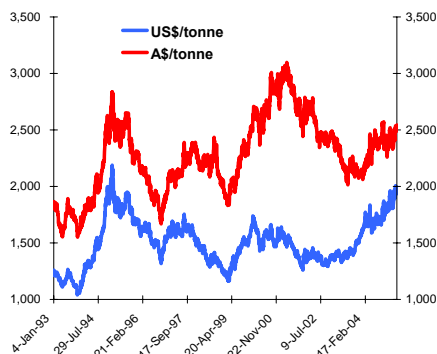


## Aluminium EBIT down slightly with higher exchange rates and lower prices from hedged sales

\$m YEM	2005	2004	%
Trading Revenue	474	449	5
EBIT	142	144	-2
EBIT Margin	30.0%	32.1%	
ROFE (12 mths)	51.0%	67.9%	

- Trading revenue up 5% to \$474m as tonnage sold increased due to ramp-up of AP22 expansion project
- EBIT was down slightly to \$142m due to higher A\$/US\$ exchange rate and lower prices from hedged sales

### 10 year aluminium price



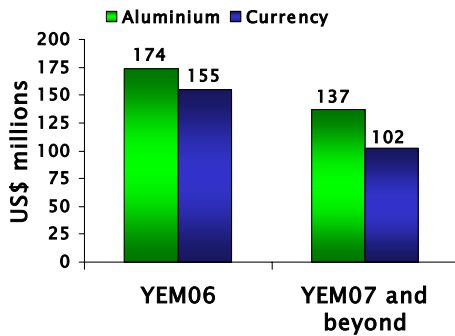
YEM	2005	2004	2003
GAF sales in tonnes	173,060	166,723	165,690
LME US\$ price per tonne	\$1,776	\$1,497	\$1,364
US\$/A\$ average rate	0.740	0.695	0.559
A\$ ave spot price per tonne	A\$2,402	A\$2,154	A\$2,440

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## Significant hedging program continues in YEM6 and beyond

Hedge Book in US\$ millions



0.558	0.605	Average forward currency rate in US cents
1,541	1,607	Average forward aluminium price in US\$ per tonne

- YEM06 hedging approximately 80% of net exposure to aluminium and currency
- Active hedging program continued in YEM05 with over 100,000 tonnes of aluminium hedged for YEM06 and beyond

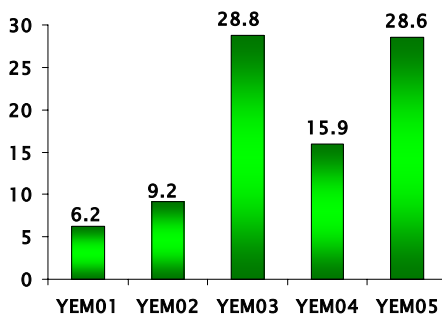
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## Property activities continue to grow

\$m YEM	2005	2004	%
Total revenue	45.8	17.6	160
EBIT	28.6	15.9	79.9
Capital investment	14.0	15.3	

Property EBIT - \$m

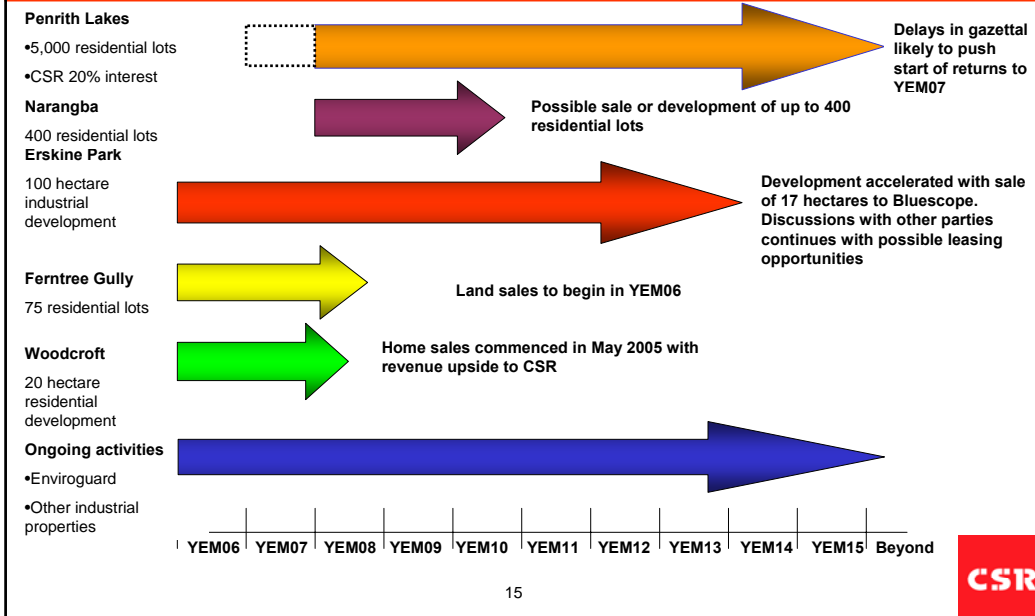


- Handover of land to Mirvac generated most of this year's profit. Marketing of new home and land packages now adding returns
- Erskine Park development accelerated with sale of 17h to BlueScope Steel due for completion by December 2005
- Property Trusts for industrial properties established to improve structuring and financing flexibility

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## Property returns sustainable over long-term



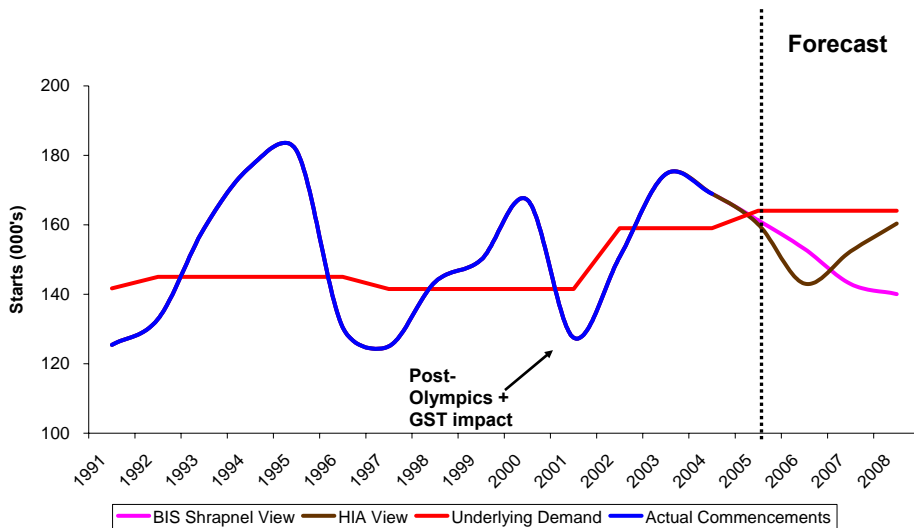
# Market Outlook

## John Hodgkinson

### EGM Insulation Systems and Business Development



## Diverse views on housing market outlook



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## New brand marketing initiative

- New campaigns to reach a broader base of customers
- Brand strategies to promote the key strengths of each product

**GYPROCK™**

**PGH BRICKS & PAVERS**

**cemintel™**  
fibre cement systems

**Hebel**  
for future living

**PAROC**  
FIRE PROOF PANELS

**MONIER™**  
Living in style.

**WUNDERLICH™**  
The lasting beauty of terrazzo

Bradford  
for smarter  
environments

Bradford  
enviroseal

Bradford  
soundscreen

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## Insulation expansion continues

- ❑ Insulation market in Australia is expanding
- ❑ Launched “Bradford for smarter environments”
- ❑ Market growth evident in 7% increase in volume sold in YEM05
- ❑ \$28 million expansion of glasswool production at Ingleburn lifting production by 50% to 28,000 tonnes – to be completed in mid 2006



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## Accelerating operational improvement in Bradford Australia

**Completed  
unitisation project**

- ❑ Large compressed packs to reduce manual handling
- ❑ Better utilisation of transport, warehouse and people

**Freight, logistics  
and raw materials**

- ❑ Improved freight and logistics
- ❑ Lowering raw material costs with better systems

**Increasing  
productivity**

- ❑ National call centre
- ❑ Further \$2 million in capital invested to increase automation and reduce headcount



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## Growth in Asian insulation

- ❑ 6,000 tonne expansion of glasswool plant in Nanning completed in August 2004
- ❑ 4,000 tonne expansion of rockwool plant in Dongguan completed in March 2005 which increased capacity to 24,000 tonnes
- ❑ Reviewing additional opportunities for low cost insulation expansion in Asia

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## Sales of Paroc Panels continue to increase

- ❑ Significant growth in the last year
- ❑ Projects underway with leading architects and builders
- ❑ Sales capability established in Australia, NZ and China
- ❑ Reviewing manufacturing opportunities in China

Paroc Panels installed at Parkwood Homes head office in Gosford, NSW



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# Sugar Performance

**Ian McMaster**  
**CEO CSR Sugar**

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## CSR Sugar strategy

- ❑ **Playing a leading role in industry restructuring and deregulation**
- ❑ **Performance improvement through the whole raw sugar value chain**
- ❑ **Spread risk away from the volatile Australian raw sugar milling business by seeking growth in refining, cogeneration, ethanol**
- ❑ **Longer term, capitalise on biotechnology research to increase sugarcane yield and create new product opportunities**

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## Opportunities in Sugar Refining following increased ownership

- ❑ CSR holding 75% ownership since 1 April 2004 – full consolidation of results began on 1 October 2004
- ❑ Streamlined management structure
- ❑ Renewed focus on key strategies for improvement
  - New product initiatives (CSR Smart packs)
  - Improving safety performance
  - Major asset review
  - Cost reduction in logistics
  - Focus on margin improvement

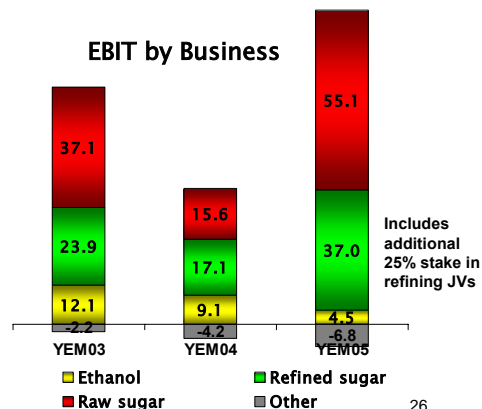


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## Improvement in sugar returns

\$m YEM	2005	2004	%
Trading Revenue	961	600	60
EBIT	90	38	139
EBIT Margin	9.3%	6.3%	
ROFE (12 mths)	10.2%	5.7%	



- ❑ Crop increased 4.6% with improved weather and farm productivity
- ❑ Raw sugar price of \$255 per tonne (11% increase from previous year)
- ❑ Refining result improved with better food and beverage demand.
- ❑ Ethanol result down as domestic and export prices fell due to increased competition
- ❑ Investing in the future of the sugar industry

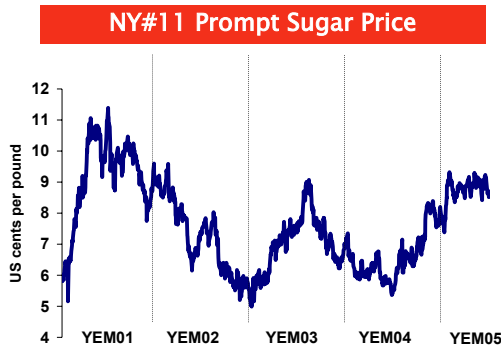
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## Sugar price recovered in YEM05

- ❑ Crop size increasing with better weather and productivity improvements
- ❑ Sugar price recovered to the A\$255 per tonne range during the year

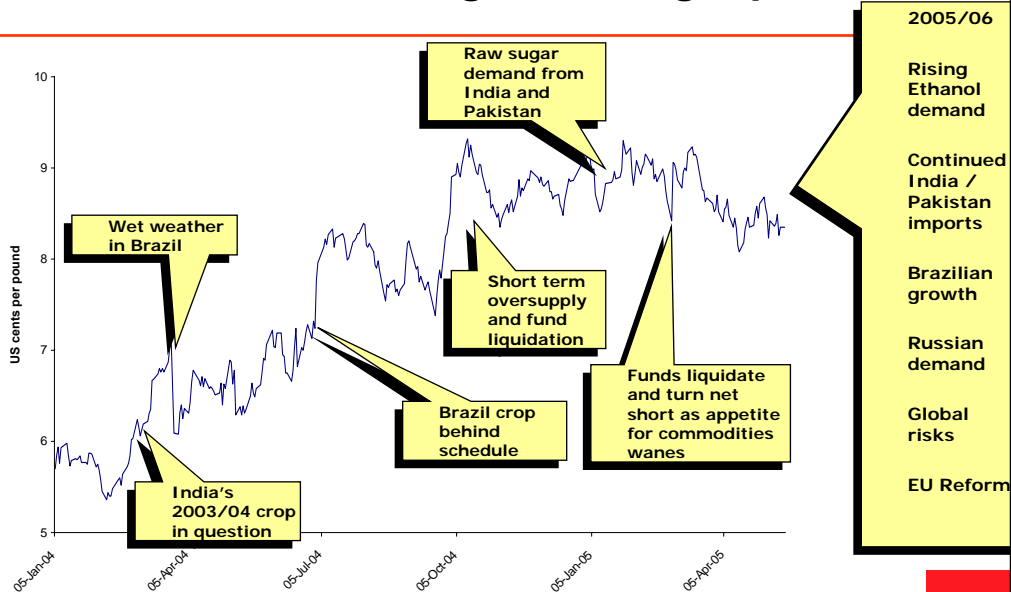
YEM	2005	2004	2003
Cane crushed (mt)	14.95	14.21	14.07
Raw Sugar Production (mt)	2.23	2.14	2.14
CCS% of Sugarcane	14.46%	14.65%	14.86%
NY11 Average US cents per lb	8.10	6.76	5.86
CSR Final Pool Price (YEM)	255	229	274



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## Factors influencing world sugar prices



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# Financial Results

## Warren Saxelby CFO

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### Strong improvement in profits

<u>Year ended 31 March</u>	<u>2005</u>	<u>2004</u>	<u>% Change</u>
(\$ million unless stated)			
Trading revenue	2,368	1,971	20
EBITDA	438	370	19
EBIT	322	263	23
Net finance expense	(19)	(13)	
Tax expense	(69)	(61)	
Outside equity interest	(33)	(29)	
Net profit <sup>1</sup>	201	160	25
Earnings per share (cents) <sup>1</sup>	21.9	17.1	28
EBIT/trading revenue	13.6%	13.3%	
Return on shareholders' funds	16.2%	14.9%	

<sup>1</sup> Excluding significant items

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## Significant items contributed to higher cash flow

<u>Year ended 31 March</u>	<u>2005</u>	<u>2004</u>	<u>% Change</u>
(\$ million unless stated)			
<b>Net profit before significant items</b>	201	160	25
<b>Significant items</b>	86	-	-
<b>Net profit after significant items</b>	287	160	79
<b><u>Breakdown of significant items</u></b>			
Settlement with Alcan	21		
Write-back of settlement provisions	4		
Settlement with certain insurers	45		
Write-off of legal costs	(39)		
Tax consolidation	<u>55</u>		
<b>Total significant items after tax</b>	<b>86</b>		

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## Portfolio of businesses underpinned earnings growth

<u>Year ended 31 March</u>	<u>\$m EBIT</u>		
	<u>2005</u>	<u>2004</u>	<u>% Change</u>
Building Products	108.0	112.6	-4.1
Aluminium	141.9	144.2	-1.6
Sugar <sup>1</sup>	89.8	37.6	138.8
Property	28.6	15.9	79.9
Corporate costs	(16.9)	(18.6)	
<b>Subtotal</b>	<b>351.4</b>	<b>291.7</b>	<b>20.5</b>
Restructure and provisions <sup>3</sup>	(29.4)	(29.0)	
<b>Total EBIT</b>	<b>322.0</b>	<b>262.7</b>	<b>22.6</b>

1. Assumes raw sugar price of A\$255 per tonne for YEM05 and \$229 for YEM04
2. Includes product liability provision and superannuation top-up payment.

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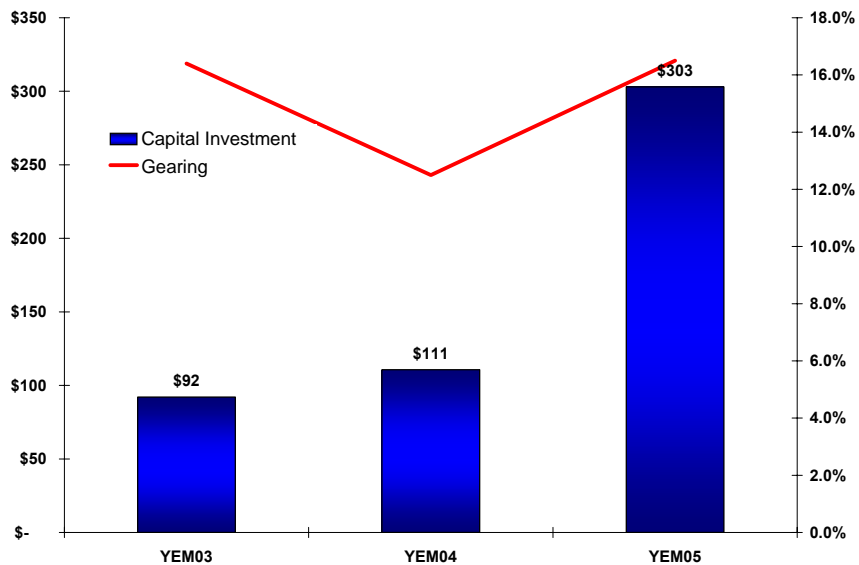
## Breakdown of corporate costs and provisions

<u>Year ended 31 March</u>	<u>\$m EBIT</u>	
	<u>2005</u>	<u>2004</u>
Corporate costs	(11.7)	(15.7)
Incentives	(5.2)	(2.9)
<b>Total corporate costs</b>	<b>(16.9)</b>	<b>(18.6)</b>
Product liability	(22.3)	(16.4)
Superannuation top-up	(3.6)	(12.6)
Restructure costs	(0.7)	(10.8)
Provision write-backs	–	11.1
Other	(2.8)	(0.3)
<b>Total restructure and provisions</b>	<b>(29.4)</b>	<b>(29.0)</b>

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## Gearing remains low despite increased capital spending



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## Gearing (pro forma for capital return) to increase to approximately 30%

- ❑ Gearing to increase to approximately 30%
- ❑ Interest expense after tax to increase by approximately \$8 million per year (\$5 million in YEM06)
- ❑ Interest cover (EBITDA / net interest expense) is expected to remain at conservative levels

As at 31 March 2005 – \$ million	As reported	Return of capital transaction	After return of capital
Total equity	1,367.9	(182.1)	1,185.8
Net debt	270.1	182.1	452.2
Funds employed	1,638.0		1,638.0
Gearing (Debt/Debt + Equity)	16.5%		27.6%

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## A-IFRS impact

- ❑ CSR to prepare financial statements that comply with Australian equivalents to International Reporting Standards (A-IFRS) for the half year ending 30 September 2005
- ❑ Balance sheet as at 31 March 2005 to be re-stated to apply A-IFRS
- ❑ Interpretation of new accounting standards is ongoing
- ❑ Key accounting policy differences and current estimates have not been subject to audit
  - Shareholders' funds to reduce by 5%
  - EBIT to increase by approximately 10%
  - NPAT to increase by 3 - 5%
- ❑ Detailed review of A-IFRS impacts included in appendix slides

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# Outlook

**Alec Brennan  
Managing Director**

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## Outlook

- ❑ **CSR's returns are subject to a number of influences, including movements in exchange and interest rates, aluminium and raw sugar prices and levels of building activity**
- ❑ **At this early stage in the year, we expect to achieve a result broadly in line with last year**
- ❑ **An updated outlook statement will be provided at the AGM on 14 July 2005**
- ❑ **Insurance litigation continues with a trial currently expected in October 2005**

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## Outlook by business

### Building Products

- ❑ Plans based on housing starts to fall by around 5%
- ❑ Aggressive OIP program should offset impact of softer markets
- ❑ Result should be broadly in line with last year

### Aluminium

- ❑ Lower A\$ returns to reduce EBIT by 5-10%

### Sugar

- ❑ Crop expected to be slightly below last year, but result will benefit from renewable energy revenue
- ❑ Assuming sugar price remains at current levels, result should be broadly in line with last year

### Property

- ❑ Result at least in line with last year

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# Appendix

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## A-IFRS impact on Shareholders' Funds

- ❑ A-IFRS impact still under review – details below have not been subject to audit
- ❑ Shareholders' Funds is expected to be reduced by 5%

Shareholders' funds as at 31 March 2005 – (\$ million)	\$1,368
Write down of assets (1)	(100)
Fair value of derivatives	42
Fair value of investment in Sugar Terminals Limited	4
Write-off of internal generated brand names	(6)
Write-off of start-up costs	(6)
Superannuation funds	(16)
Adjustment to tax balances	10
Shareholders' funds at 31 March 2005 – net A-IFRS impact	\$1,296

1. Some write-downs may be required of sugar milling assets following valuation review at the regional level compared to the value of the total milling assets. Other asset adjustments are expected to be minor.

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## A-IFRS impact on EBIT

- ❑ EBIT to increase by approximately 10%

EBIT for the year ended 31 March 2005 – (\$ million)	\$322
Reduced depreciation on assets	8
Reduced amortisation	3
Unwinding of discounted liabilities (1)	22
Expensing of employee shares	(2)
Other	(1)
EBIT for the year ended 31 March 2005 – net A-IFRS impact	\$352

1. Unwinding of the interest component of discounted assets and liabilities will be treated as interest (borrowing costs), rather than as general expense/income. There will be a corresponding increase in net borrowing costs. \$17 million relates to the product liability provision.

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## A-IFRS impact on NPAT

- ❑ Net profit after tax to increase by 3-5%

Net profit after tax for the year ended 31 March 2005 – (\$ million)	\$201
Increase in EBIT	30
Unwinding of discount	(22)
Tax expense related to changes above	--
Net profit after tax for the year ended 31 March 2005 – net A-IFRS impact	\$209

1. Excludes the impact of significant items. The profit from significant items for the year ended 31 March 2005 would increase under A-IFRS from \$86 million to \$105 million as \$19 million of deferred legal costs expensed in YEM05 will be taken to retained earnings on 1 April 2004 on the adoption of A-IFRS.

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## Consolidation of sugar refining joint ventures

Actual CSR results - \$m	YEM05	YEM04
Trading revenue	262	--
EBIT	37.0	17.1

Pro forma for full consolidation <sup>(1)</sup> – \$m	YEM05	YEM04
Trading revenue	501	490
EBIT	43.7	42.1

(1) Unaudited.

- ❑ YEM04 (1 April 2003 to 31 March 2004)
  - CSR group equity accounted its 50% interest
- ❑ HYES04 (2 April 2004 to 30 September 2004)
  - CSR group equity accounted its 75% interest
- ❑ HYEM05 (1 October 2004 to 31 March 2005)
  - CSR group full consolidation of sugar refining results

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## Insurance litigation

- ❑ In 1995, CSR commenced proceedings in the US against various insurers which issued policies to CSR between 1978 and 1989
- ❑ CSR has settled disputes with certain defendants for a total of A\$53 million – including Lloyds for A\$41 million
  - CSR asserts that the remaining insurers have the major liability for CSR's claims
- ❑ CSR is pursuing litigation against the remaining defendants. A trial is expected to commence on or about October 2005
- ❑ Legal costs in respect of litigation to 31 March 2005 of \$39.4 million have been written off
- ❑ The potential benefit of this litigation is not included in CSR's financial statements as the outcome is uncertain