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10 May 2017

CSR announces 11%[1] rise in full-year net profit (before significant items)[2], to $183.8 million

Full-year net profit (after significant items) up 25% to $177.9 million

CSR Limited (CSR) reported an 11% increase in net profit after tax (before significant items) to $183.8 million for the year ended 31 March 2017. After significant items, net profit after tax was $177.9 million, up 25%.

CSR has continued its track record of growth in earnings which improved for the fourth consecutive year resulting in full year earnings reaching a five year high.

The lift in net profit was driven by a significant increase in earnings from Building Products, which delivered a record EBIT of $202.8 million, up 21%.

The growth in earnings led to a 5% increase in operating cash flow to $264.8 million and an 11% increase in the full-year dividend to 26.0 cents per share with franking resuming on the final dividend to be paid on 4 July 2017 at 50%.

“The successful execution of our strategy has helped us capitalise on the strength of the construction markets in Australia,” said CSR Managing Director Rob Sindel. “This has led to strong growth in our Building Products’ earnings, which have more than doubled over the past five years.”

“Today CSR has a more balanced and resilient business driven by improved performance in its core operations while investing in new products and market segments. While residential construction markets appear to have peaked from recent record levels of activity, construction currently underway will support demand for CSR’s products in the year ahead,” Mr Sindel said.

All businesses in **Building Products** grew earnings, supported by the robust market for residential housing on the east coast of Australia.

Gyprock delivered another strong result, with investment in three new Gyprock Trade Centres helping to maintain its market-leading brand position. **Bradford** continued to grow its alliances with major builders, supplying a suite of insulation and energy efficiency services for new housing.

Hebel autoclaved aerated concrete and **AFS** permanent formwork walling solutions also grew, as these businesses offer unique solutions for builders in the multi-residential market, where the pipeline of activity remains strong.

Viridian’s revenues grew 5% on an adjusted basis[3] with EBIT of $7.0 million, down $1.1 million compared to the previous year. While good progress is being made to grow revenue and earnings in many parts of the business, these improvements were offset by disappointing performances in Western Australia and New Zealand.

Aluminium EBIT of $93.1 million was driven by increased production and improved operational performance at the Tomago smelter which partly offset the lower realised aluminium price experienced during the year.

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1 *All comparisons are to the year ended 31 March 2016 (YEM16) unless otherwise stated.*
2 *EBIT and net profit are before significant items. They are non-IFRS measures used internally by management to assess the performance of the business and have been extracted or derived from CSR’s financial statements for the year ended 31 March 2017 (YEM17).*
3 *Excludes nine months of revenue (1 July 2016 to 31 March 2017) from the NZ Viridian Glass Limited Partnership (VGLP) following CSR’s acquisition of the remaining 42% stake on 30 June 2016.*

Property delivered EBIT of $15.0 million. The timing of additional sales from Stage 4 of Chirnside Park expected in the second half of the year were delayed due to significant wet weather in the Melbourne region. These sales were completed in May 2017 and will be recorded in the year ending 31 March 2018.

"CSR ended the year to 31 March 2017 with net debt of $11.4 million, giving us significant capacity to invest in additional growth options and property projects as well as capital management options to improve shareholder returns," Mr Sindel added.

OUTLOOK

Looking at the outlook for the year ending 31 March 2018 (YEM18), CSR confirmed:

- **Building Products** – Earnings will be supported by reasonably steady demand from detached housing and high-rise construction on the east coast.

- **Viridian** – Following a number of restructuring initiatives to reduce costs in certain regions combined with a growing position in higher-margin commercial projects, Viridian's earnings are expected to improve.

- **Aluminium** – Pricing has improved significantly in the past six months, which has provided an opportunity for Gove Aluminium Finance (70% CSR) to lock in returns with 81% of the net aluminium exposure for YEM18 hedged at an average price of A$2,373 per tonne (excluding ingot premiums).

  As previously highlighted, the Tomago smelter's new power supply contract with Macquarie Generation takes effect from November 2017. Based on this contract, power costs will increase by approximately A$250 per tonne of production.

- **Property** – Two transactions were recorded in the first six weeks of YEM18. These were the previously announced sale of the Monier roofing site at Rosehill, NSW, and completion of Stage 4 at Chirnside Park, VIC. As a result, Property EBIT in YEM18 will substantially exceed long-term targets with $48 million locked in from already completed projects.

"In summary, CSR continues its strategy to invest in customer service and digital solutions while growing its position in lightweight building and façade systems," Mr Sindel said. "By strengthening our core businesses and investing in new market segments, we are more resilient to changes in the building cycle. Overall earnings for the CSR Group will be bolstered by higher Property profits and a significant increase in hedging in Aluminium reducing future earnings volatility."

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10 May 2017

CSR Limited – review of results for the year ended 31 March 2017

Trading revenue of $2.5 billion up 7%

EBITDA[1] of $386.5 million up 7%

EBIT[1] of $298.0 million up 8%

- **Building Products** EBIT of $202.8 million, up 21% with higher volumes across all products with increased margins reflecting improved pricing and market activity
- **Viridian** EBIT of $7.0 million, down $1.1 million with growth in revenue offset by impacts from WA and NZ operations
- **Aluminium** EBIT of $93.1 million, down 11% due to a lower realised aluminium price (including premiums) partly offset by increased production and improved operational performance
- **Property** EBIT of $15.0 million which included a number of smaller transactions completed in the first half of the year

Net profit after tax (before significant items)[1] of $183.8 million up 11%

Statutory net profit of $177.9 million, up 25% which included $5.9 million (after tax) of significant items

Earnings per share[1] of 36.5 cents, up 11% from 32.9 cents

Final dividend (franked at 50%) of 13.0 cents per share bringing the full year dividend to 26.0 cents, up 11%

A$m (unless stated)	YEM17	YEM16	change
Trading revenue	**2,468.3**	2,298.8	7%
EBITDA [1]	386.5	360.0	7%
EBIT [1]	**298.0**	276.8	8%
Net finance costs [1]	(0.4)	(5.3)	
Tax expense [1]	(85.0)	(73.4)	
Non-controlling interests [1]	(28.8)	(32.1)	
Net profit after tax [1]	**183.8**	166.0	11%
Significant items after tax	(5.9)	(23.7)	
Statutory net profit after tax	177.9	142.3	25%
Earnings per share[1] [cents]	**36.5**	32.9	11%
EPS (after significant items) [cents]	35.3	28.2	25%
Dividends per share [cents]	**26.0**	23.5	11%

[1] *All references are 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 year ended 31 March 2017 (YEM17). All comparisons are to the year ended 31 March 2016 (YEM16) unless otherwise stated.*

CSR FINANCIAL OVERVIEW

Higher earnings driven by strong performance from Building Products

CSR Limited ("CSR") reported today an 11% increase in net profit after tax (before significant items) to $183.8 million for the year ended 31 March 2017.

Earnings before interest and tax (EBIT before significant items) of $298.0 million were up 8%.

Statutory net profit after tax was $177.9 million, which included $5.9 million (after tax) in significant items, including a tax refund related to the divestment of Sucrogen in December 2010. This was offset by restructuring costs, asset impairments and the 'discount unwind' expense to record the asbestos-related provision in present value terms. This compares to statutory net profit of $142.3 million for the year ended 31 March 2016.

Tax expense of $85.0 million (before significant items) was up from $73.4 million due to the increase in pre-tax profits. CSR's effective tax rate for the year was 28.6% compared to 27.0% in the prior year.

Net debt of $11.4 million was down from a net cash position of $70.9 million as at 31 March 2016 following the $126.4 million acquisition of the 40% stake in the PGH Bricks joint venture in October 2016.

Capital expenditure (excluding Property and acquisitions) was $63.8 million during the year. Of this total, $37.2 million was for stay-in-business projects and $26.6 million was development related capital expenditure including investment in the AFS Rediwall® manufacturing facility located at Minto, NSW and Viridian's commercial double glazing plant at Ingleburn, NSW.

Dividends

The Company has resolved to pay a final dividend of 13.0 cents per share on 4 July 2017. There are sufficient franking credits at 31 March 2017 to resume franking and, as a result, the final dividend will be franked at 50%.

The full year dividend has increased by 11% to 26.0 cents and represents a dividend payout ratio of 71% of net profit after tax (pre significant items) in line with CSR's dividend policy to pay out 60-80% of full year net profit after tax (pre significant items). For Australian tax purposes, 100% of the dividend will be conduit foreign income.

The Company's dividend reinvestment plan (DRP) will operate for the final dividend payable on 4 July 2017. Shares will be acquired on-market and transferred to participants to satisfy any shares to be issued under the DRP. Further details of the DRP are available from the DRP Terms and Conditions on CSR's website (www.csr.com.au).

Product Liability

As at 31 March 2017, the asbestos provision fell to $312.4 million from $334.5 million in the prior year. This provision included a prudential margin of $60.0 million or 23.8% above the combined estimate of the independent experts in Australia and the United States. CSR paid asbestos related claims of $29.4 million (including legal costs) during the year.

BUILDING PRODUCTS

Multi-residential housing continues to drive growth

	YEM17	YEM16	change
Australia			
Detached [1]	116.3	117.2	-1%
Medium density [1]	43.9	39.3	12%
High density [1]	68.6	62.2	10%
Total Residential Commencements (000s)	**228.8**	218.7	5%
Non-residential (A$B) [2]	34.8	35.3	-1%
A&A (A$B) [2]	8.0	8.1	-1%
NZ consents (000s) [3]	**30.0**	26.2	15%

1. *Source ABS data – (two quarter lag – i.e. 12 months to September).*
2. *Source ABS, BIS Oxford Economic forecast (value of work done – 12 months to March).*
3. *Source Statistics New Zealand - (residential consents 2 quarter lag – 12 months to September).*

Total residential commencements on a two quarter lag basis for the 12 months to 31 March 2017 of 228,814 were up 5% over the previous 12 month period. Detached housing continues its steady growth across key markets in New South Wales, Victoria and Queensland offset by declines in Western Australia. The multi-residential market remains robust with year on year growth of 11% driven by both the medium and high density segments.

The non-residential market remains benign. Recent increases in non-residential approvals in Australia point to more supportive medium term activity in this segment. The alterations and additions market is marginally down with some activity being transferred to the "knockdown rebuild" market. The New Zealand market remains strong across all segments.

While lead indicators including building approvals are pointing to a softening in activity in residential markets, the pipeline of projects underway is expected to underpin reasonably steady demand for CSR's products in the year ahead.

Higher volumes and improved pricing lift Building Products earnings

A$m unless stated [1]	YEM17	YEM16	change
Revenue	**1,576.9**	1,466.8	8%
EBITDA	252.2	213.4	18%
EBIT	**202.8**	167.6	21%
Funds employed[2]	877.4	903.1	-3%
EBIT/revenue	12.9%	11.4%	
Return on funds employed[3]	22.8%	19.4%	

1. *Before significant items. From 1 April 2016, there was a change in internal reporting which resulted in a transfer of operating expenditure from Corporate to Building Products. As a result, YEM16 has been updated to reflect this change.*
2. *Excludes cash and tax balances and certain other non-trading assets and liabilities as at 31 March. A reconciliation of funds employed is included in Note 2 in the full year report.*
3. *Based on EBIT (before significant items) for the 12 months to 31 March divided by average funds employed.*

Trading revenue from Building Products was $1.6 billion, up 8%, with higher volumes and improved margins across all products.

EBIT was up 21% to $202.8 million with earnings growth across all divisions, reflecting the benefit of price increases, improved factory performance and cost management. The result includes investment of approximately $12 million in a number of growth initiatives including CSR's digital customer platform and off-site construction development projects.

EBIT margin increased to 12.9%, up from 11.4% as improved volume, pricing and product mix flowed through to earnings.

SUMMARY OF BUILDING PRODUCTS BUSINESS UNIT PERFORMANCE

Gyprock increased earnings with higher volumes reflecting the strong east coast activity in the residential construction market, while average selling prices increased in all states. Gyprock continues to expand its customer service experience including new delivery tracking services, relaunched the Gyprock Red Book design guide with technical support across all states and investment in three new Gyprock Trade Centre locations in Queensland and in New South Wales.

Cemintel fibre cement earnings were higher due to strong east coast building activity along with growth from new façade systems and prefinished panels.

Hebel continued to increase earnings with market share growth in all major segments. The $65 million expansion of the Somersby, NSW factory is underway to meet growing demand.

AFS walling systems including Logicwall® fibre cement and Rediwall® PVC continued to increase earnings reflecting increased demand from the multi-residential market. Expansion of the Rediwall® manufacturing facility located at Minto, NSW is underway to double the site's capacity. AFS also expanded its network in the Brisbane and Melbourne markets with new distribution and warehouse facilities opened during the year.

Bradford earnings increased with higher volumes across all product groups underpinned by strong market activity and improved pricing. CSR Martini has expanded its range of thermal and acoustic polyester insulation products with growth from major commercial projects. Bradford Energy Solutions is also growing its alliances with a number of major builders to provide solar PV and battery storage.

Monier roofing earnings grew during the year reflecting strong demand from the detached housing market in NSW and Victoria. Product development continues with the launch of the Elemental lightweight roofing range and Colour Lock Technology.

PGH Bricks' earnings were higher with improved margins following strong market activity and the full year benefit of the synergies following integration of the joint venture. PGH is expanding its digital services and delivery tracking for customers in addition to further investment in its product ranges and brick façade solutions.

Viridian

Revenue higher with WA and NZ impacting performance

A$m unless stated [1]	YEM17	YEM16	change
Revenue	379.9	301.3	26%
Revenue (adjusted for NZ JV acq)[2]	315.1	301.3	5%
EBITDA	20.3	17.9	13%
EBIT	**7.0**	8.1	-14%
Funds employed[3]	247.4	208.4	19%
EBIT/revenue	1.8%	2.7%	
Return on funds employed[4]	3.1%	4.1%	

1. *Before significant items.*
2. *Excludes nine months of revenue (1 July 2016 to 31 March 2017) from the NZ Viridian Glass Limited Partnership (VGLP) following CSR's acquisition of the remaining 42% stake on 30 June 2016.*
3. *Excludes cash and tax balances and certain other non-trading assets and liabilities as at 31 March. A reconciliation of funds employed is included in Note 2 in the full year report.*
4. *Based on EBIT (before significant items) for the 12 months to 31 March divided by average funds employed.*

Trading revenue of $315.1 million was up 5% on an adjusted basis, with increased volumes from higher margin products and improved performance in the commercial market. This was partly offset by pressure on float glass pricing due to ongoing import competition. The adjusted revenue excludes nine months of revenue from NZ Viridian Glass Limited Partnership (VGLP) following CSR's acquisition of the remaining 42% stake in the JV completed on 30 June 2016.

Improved performance in Home Comfort, Commercial & Design and Local businesses was offset by an approximately $4 million impact from Viridian's exposure to the market slowdown in Western Australia and higher costs from the commissioning of the new consolidated processing plant in Auckland, New Zealand which opened in September 2016. An operational review is underway for both regions.

Commercial market exposure is increasing with an expanded product and service offering for larger commercial projects. A number of operational changes have now been completed that are forecast to deliver efficiencies and improve service during the next year. This includes the commercial double glazing plant in Ingleburn, NSW and the recently commissioned commercial glass processing plant in Canberra.

ALUMINIUM

Improved operational performance helped to offset lower realised aluminium prices

A$m unless stated [1]	YEM17	YEM16	change
Sales (tonnes)	**211,230**	210,158	1%
A$ realised price[2]	2,422	2,525	-4%
Revenue	**511.5**	530.7	-4%
EBITDA	118.0	131.0	-10%
EBIT	**93.1**	104.1	-11%
Funds employed[3]	137.3	167.2	-18%
EBIT/revenue	18.2%	19.6%	
Return on funds employed[4]	61.1%	60.5%	

1. *Before significant items.*
2. *Realised price in A$ per tonne (including hedging and premiums).*
3. *Excludes cash and tax balances and certain other non-trading assets and liabilities as at 31 March. A reconciliation of funds employed is included in Note 2 in the full year report.*
4. *Based on EBIT (before significant items) for the 12 months to 31 March divided by average funds employed.*

The realised aluminium price in Australian dollars (including hedging and premiums) was down 4% to A$2,422 per tonne with increased production and improved operational performance offset by lower premiums.

There was significant price momentum in US$ aluminium prices in the second half of the financial year with prices increasing 18% since 3 October 2016 to US$1,954 per tonne by the end of March 2017. This provided an opportunity for Gove Aluminium Finance (GAF – 70% CSR) to lock in hedge book returns to reduce volatility in future earnings.

The Australian dollar averaged US75.3 cents during the year compared to US73.6 cents in the prior year.

The average ingot premium for the year was US$94 per tonne, down 44% (Platts Metals Week – Main Japanese Port ingot premium) as premiums found a floor at US$75 per tonne (Q4 CY16) before increasing to US$95 per tonne (Q1 CY17).

GAF's sales volumes of 211,230 tonnes were up 1% due to operational improvements at Tomago. Trading revenue of $511.5 million was down 4% reflecting the 4% reduction in the realised aluminium price.

EBIT of $93.1 million was down 11% due to the lower realised aluminium price, partly offset by increased production and improved operational performance at the Tomago smelter.

PROPERTY

Property transactions continue to deliver earnings

A$m unless stated [1]	YEM17	YEM16	change
EBIT	**15.0**	23.3	-36%
Funds employed[2]	142.0	133.0	7%
Return on funds employed[3]	10.9%	18.1%	

1. *Before significant items.*
2. *Excludes cash and tax balances and certain other non-trading assets and liabilities as at 31 March. A reconciliation of funds employed is included in Note 2 in the full year report.*
3. *Based on EBIT (before significant items) for the 12 months to 31 March divided by average funds employed.*

CSR's Property division recorded EBIT of $15.0 million, down from $23.3 million in the prior year. The result includes a number of smaller transactions completed in the first half of the year including the option fee for Rosehill, NSW and the sale of industrial land at Erskine Park, NSW and Clayton, VIC.

Sales from Stage 4 of the 584 lot residential development at Chirnside Park, VIC were delayed due to significant wet weather in the Melbourne region. The Stage 4 sales were completed and settled in May 2017, following the end of CSR's financial year.

Chirnside Park development has settled 363 lots with 112 contracts exchanged and 109 lots remaining as construction of Stage 5 continues. To date, this project has delivered earnings of $22.9 million.

Full development approval of the 70 hectare site at Schofields, NSW is expected to be completed by the end of 2018 with quarry rehabilitation underway.

OUTLOOK

Looking at the outlook for the year ending 31 March 2018 (YEM18), CSR confirmed:

- **Building Products** – Earnings will be supported by reasonably steady demand from detached housing and high-rise construction on the east coast.

- **Viridian** – Following a number of restructuring initiatives to reduce costs in certain regions combined with a growing position in higher-margin commercial projects, Viridian's earnings are expected to improve.

- **Aluminium** – Pricing has improved significantly in the past six months, which has provided an opportunity for Gove Aluminium Finance (70% CSR) to lock in returns with 81% of the net aluminium exposure for YEM18 hedged at an average price of A$2,373 per tonne (excluding ingot premiums).

  As previously highlighted, the Tomago smelter's new power supply contract with Macquarie Generation takes effect from November 2017. Based on this contract, power costs will increase by approximately A$250 per tonne of production.

- **Property** – Two transactions were recorded in the first six weeks of YEM18. These were the previously announced sale of the Monier roofing site at Rosehill, NSW, and completion of Stage 4 at Chirnside Park, VIC. As a result, Property EBIT in YEM18 will substantially exceed long-term targets with $48 million locked in from already completed projects.

"In summary, CSR continues its strategy to invest in customer service and digital solutions while growing its position in lightweight building and façade systems," Mr Sindel said. "By strengthening our core businesses and investing in new market segments, we are more resilient to changes in the building cycle. Overall earnings for the CSR Group will be bolstered by higher Property profits and a significant increase in hedging in Aluminium reducing future earnings volatility."

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