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9 May 2018

CSR announces 16%[1] rise in full-year net profit (before significant items)[2], to $212.7 million

Full-year net profit (after significant items) up 6% to $188.8 million

CSR Limited (CSR) reported a 16% increase in net profit after tax (before significant items) to $212.7 million for the year ended 31 March 2018 (YEM18). After significant items, net profit after tax was $188.8 million, up 6%.

CSR has continued its track record of growth in earnings which improved for the fifth consecutive year. Earnings before interest, tax and significant items (EBIT) of $323.8 million was up 9%. This lift in earnings was driven by growth from **Building Products**, which delivered a record EBIT of $214.1 million and increased **Property** earnings of $47.8 million, up from $15.0 million.

The growth in earnings led to operating cash flows of $249.2 million and a 4% increase in the full-year dividend to 27.0 cents per share.

"CSR's Building Products business continues to grow as we capitalise on the strength of the residential construction market in Australia. We have also increased our exposure to commercial markets which are forecast to grow over the next few years. Our strategy to improve operational performance has ensured our EBIT margins remained stable, despite a 12% increase in energy costs this year," said CSR Managing Director Rob Sindel.

"Gyprock delivered another strong result, with investment in four new Gyprock Trade Centres helping to maintain its market-leading position. **Bradford** continued to grow earnings across its range of insulation and energy efficiency products while **PGH Bricks** also increased earnings despite significantly higher gas costs. **Hebel** autoclaved aerated concrete increased earnings with market share growth in both the detached and multi-residential market.

"Viridian's EBIT of $3.5 million was down from $7.0 million in the previous year due to operational issues at the new commercial factory at Ingleburn, NSW, while energy costs increased by $4 million. This was partly offset by improvement across the other Viridian businesses as it took advantage of demand for higher margin insulated glass products.

"Aluminium EBIT of $79.5 million was down from $93.1 million as the higher realised aluminium price and increased production at the Tomago smelter was offset by increased raw material costs and the significant step-up in energy costs experienced during the last five months of year. We have also increased our hedging position following the recent increase in aluminium prices with 74% of our net exposure hedged for YEM19 and 70% in YEM20.

"CSR ended the year to 31 March 2018 with net debt of $14.3 million, giving us capacity to continue to invest in additional growth opportunities and property projects to improve shareholder returns.

"The $75 million expansion of the Hebel factory is due for completion in March 2019. Additional property investment is expected this year as we accelerate the development of major projects in western Sydney as the market for industrial sites and residential property remains strong," Mr Sindel added.

1 *All comparisons are to the year ended 31 March 2017 (YEM17) 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 2018 (YEM18).*

OUTLOOK

Looking at the outlook for the year ending 31 March 2019 (YEM19), CSR confirmed:

- **Building Products and Viridian –** Recent building approvals remain strong with detached housing at its highest level in two years. This supports the current level of activity for the year ahead. Viridian's operational performance in Australia and New Zealand has improved in recent months with the business on track to improve earnings in the year ahead.

- Currently 74% of net **Aluminium** exposure for YEM19 is hedged at an average price of A$2,590 per tonne (excluding ingot premiums) as of 30 April 2018. Earnings will be impacted by the full year effect of higher power related costs.

- Two **Property** 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.

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9 May 2018

CSR Limited – review of results for the year ended 31 March 2018

Trading revenue of $2.6 billion up 6%

EBITDA[1] of $408.2 million up 6%

EBIT[1] of $323.8 million up 9%

- **Building Products** EBIT of $214.1 million, up 6% with higher volumes and steady margins across most products reflecting improved pricing and market activity, partly offset by higher energy costs.

- **Viridian** EBIT of $3.5 million was down from $7.0 million due to operational issues at the new commercial factory at Ingleburn, NSW, while energy costs increased by $4 million.

- **Aluminium** EBIT of $79.5 million was down from $93.1 million with the higher realised aluminium price and increased production at the Tomago smelter offset by the significant increase in energy and raw material costs.

- **Property** EBIT of $47.8 million included the Rosehill, NSW land sale and settlements from Stage 4 and 5 of Chirnside Park, VIC.

Net profit after tax (before significant items)[1] of $212.7 million up 16%

Statutory net profit after tax of $188.8 million, up 6% which included $23.9 million (after tax) of significant items

Earnings per share[1] of 42.3 cents, up 16% from 36.5 cents

Final dividend (franked at 75%) of 13.5 cents per share bringing the full year dividend to 27.0 cents, up 4%

A$m (unless stated)	YEM18	YEM17	change
Trading revenue	**2,606.2**	2,468.3	6%
EBITDA [1]	408.2	386.5	6%
EBIT [1]	**323.8**	298.0	9%
Net finance costs [1]	(1.6)	(0.4)	
Tax expense [1]	(91.5)	(85.0)	
Non-controlling interests [1]	(18.0)	(28.8)	
Net profit after tax [1]	**212.7**	183.8	16%
Significant items after tax	(23.9)	(5.9)	
Statutory net profit after tax	188.8	177.9	6%
Earnings per share[1] (cents)	**42.3**	36.5	16%
EPS (after significant items) (cents)	37.5	35.3	6%
Dividends per share (cents)	**27.0**	26.0	4%

[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 2018 (YEM18). All comparisons are to the year ended 31 March 2017 (YEM17) unless otherwise stated.*

CSR FINANCIAL OVERVIEW

Higher earnings driven by growth from Building Products and Property

CSR Limited ("CSR") reported a 16% increase in net profit after tax (before significant items) to $212.7 million for the year ended 31 March 2018.

Earnings before interest, tax and significant items (EBIT) of $323.8 million was up 9%.

Statutory net profit after tax was $188.8 million, including $23.9 million (after tax) in significant items from restructuring costs related to the sale of three glass processing sites, a one-off raw material supply disruption in Gyprock and the 'discount unwind' expense to record the asbestos-related provision in present value terms. This compares to statutory net profit of $177.9 million for the year ended 31 March 2017.

Tax expense of $91.5 million (before significant items) was up from $85.0 million due to the increase in pre-tax profits. CSR's effective tax rate for the year was 28.4% compared to 28.6% in the prior year. As at 31 March 2018, the CSR Limited tax consolidated group[1] has utilised its carried forward tax losses and moved into a tax payable position.

Net debt of $14.3 million was steady following strong operational cash flow which offset higher capital investment. Cash proceeds from the previously announced Rosehill and Horsley Park property sales are expected in the year ending 31 March 2020.

Capital expenditure (excluding Property and acquisitions) was $82.7 million during the year. Of this total, $39.1 million was for stay-in-business projects and $43.6 million was development related capital expenditure including investment in the AFS Rediwall manufacturing facility located at Minto, NSW and Hebel's new factory in Somersby, NSW.

Dividends

The Company has resolved to pay a final dividend of 13.5 cents per share, franked at 75%. The full year dividend has increased by 4% to 27 cents per share and represents a dividend payout ratio of 64% of net profit after tax (before significant items) in line with CSR's dividend policy to pay out 60-80% of full year net profit after tax (before significant items). For Australian tax purposes, 100% of the unfranked amount of the final dividend will be Conduit Foreign Income.

The Company's dividend reinvestment plan (DRP) will operate for the final dividend payable on 3 July 2018. 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 2018, the asbestos provision fell to $289.0 million from $312.4 million in the prior year. This provision included a prudential margin of $55.7 million or 23.9% above the combined estimate of the independent experts in Australia and the United States. CSR paid asbestos related claims of $31.7 million (including legal costs) compared to $29.4 million in the previous year.

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[1] *Includes CSR Limited and its wholly-owned Australian companies.*

BUILDING PRODUCTS AND VIRIDIAN

MARKET OVERVIEW

East coast detached housing remains relatively stable

	YEM18	YEM17	change
Australia (12 month – 000s)			
Detached[1]	114.1	117.0	-2%
Medium density[1]	44.3	46.6	-5%
High density[1]	61.5	69.7	-12%
Total Residential Commencements	**219.9**	**233.3**	-6%
Non-residential (A$B) [2]	40.2	37.0	9%
A&A (A$B) [2]	8.3	8.4	-1%
NZ consents (12 month - 000s) [3]	30.9	30.0	3%

1. *Source ABS data – (original basis 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 2018 of 220k were down 6% compared to the previous 12 month period. Detached housing on the east coast remained relatively stable, down 1%, while Western Australia was down 13%. The multi-residential market has slowed, particularly in the high-rise segment which was down 12%.

The non-residential market increased strongly with the value of work done up an estimated 9% following solid growth in approvals data over the last three years. The alterations and additions market is marginally down with some activity being transferred to the "knockdown rebuild" market. The New Zealand market remains reasonably strong across all segments.

Detached building approvals remain strong and while lead indicators are pointing to a softening in activity in the multi-residential market, the pipeline of projects underway is expected to underpin steady demand for CSR's products in the year ahead.

Higher volumes and improved pricing lift Building Products earnings

A$m unless stated [1]	YEM18	YEM17	change
Revenue	**1,672.2**	1,576.9	6%
EBITDA	265.4	252.2	5%
EBIT	**214.1**	202.8	6%
Funds employed[2]	919.1	877.4	5%
EBIT/revenue	12.8%	12.9%	
Return on funds employed[3]	23.8%	22.8%	

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.*

Trading revenue from Building Products was $1.7 billion, up 6%, with higher volumes and improved pricing across most products and segments.

EBIT was up 6% to $214.1 million with earnings reflecting the benefit of improved factory performance, price increases and cost management. Approximately $10 million was invested in several growth initiatives including CSR's digital customer platform and development of the Inclose offsite façade system. CSR Inclose is based in a new manufacturing facility in Port Kembla, NSW and was recently awarded its first contract to supply a student accommodation project at the Australian National University in Canberra.

EBIT margin of 12.8% was down slightly from 12.9% as improved volume, pricing and product mix offset $9 million in higher energy costs.

SUMMARY OF BUILDING PRODUCTS BUSINESS UNIT PERFORMANCE

GYPROCK Everything else is just plasterboard	**Gyprock** increased earnings across all states with higher volumes and pricing reflecting strong east coast activity in the residential construction market. Gyprock continues to expand its customer service experience including store upgrades across its 60 Gyprock Trade Centres, including the opening of four new stores.
CEMINTEL	**Cemintel** fibre cement earnings were lower following increased competition and pricing pressure. Cemintel continues to expand into new markets with growth in fibre cement façade systems and prefinished panels.
hebel The better way to build	**Hebel** continued its track record of increased earnings with market share growth in all major segments. The $75 million expansion of capacity at Somersby, NSW is on track for completion in March 2019.
PGH BRICKS & PAVERS	**PGH Bricks** earnings were higher following strong activity on the east coast, supported by concerted efforts to mitigate increased energy costs. A number of energy reduction projects are underway to reduce future energy requirements including a 1MW solar project at Golden Grove, SA. Investment in new products and customer service continues with the launch of the Corium brick cladding solution and the opening of a new PGH selection centre in Melton, VIC.
Bradford more than insulation	**Bradford** earnings increased due to higher volumes and improved pricing, despite a significant step-up in energy costs. CSR Martini's range of thermal and acoustic polyester insulation products continue to perform well in the commercial market. Energy Solutions is also growing its alliances with a number of major builders to provide solar PV and battery storage as a standard inclusion in the new home market.
afs	**AFS** walling systems including Logicwall fibre cement and Rediwall PVC increased earnings reflecting increased penetration and demand from the multi-residential market. Launch of the new Rediwall product range is underway following expansion of the manufacturing facility at Minto, NSW.
MONIER	**Monier** roofing earnings were down following softer market demand in Queensland and investment in innovation and product development. This was largely offset by improved performance in VIC and NSW.

Viridian

Revenue lower following the sale of three glass processing sites

A$m unless stated [1]	YEM18	YEM17	change
Revenue	368.5	379.9	-3%
EBITDA	18.1	20.3	-11%
EBIT	**3.5**	7.0	-50%
Funds employed[2]	239.3	247.4	-3%
EBIT/revenue	0.9%	1.8%	
Return on funds employed[3]	1.4%	3.1%	

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.*

Trading revenue of $368.5 million was down 3% following the sale of glass processing sites in Cairns, Darwin and Perth.

Viridian's EBIT of $3.5 million in YEM18 was impacted by further losses in its Commercial business. Higher than anticipated volumes led to operational issues and a significant increase in costs at the recently commissioned factory in Ingleburn, NSW. Operational performance has improved over the last few months following a simplification of the operating structure at Ingleburn, while demand continues to grow for higher margin insulated glass units (IGU) in the commercial market.

The balance of the Viridian businesses improved performance with increased pricing and product mix, offset by $4 million in higher energy costs. In Australia, demand for higher performing glass in the residential market is also increasing following new BASIX energy targets in New South Wales which became effective in July 2017. In Victoria, IGU sales accounted for over 60% of revenue in YEM18.

The New Zealand business is delivering improved earnings following the consolidation of three plants in Auckland.

ALUMINIUM

EBIT lower due to higher energy costs

A$m unless stated [1]	YEM18	YEM17	change
Sales (tonnes)	**212,801**	211,230	1%
A$ realised price[2]	2,657	2,422	10%
Revenue	**565.5**	511.5	11%
EBITDA	97.1	118.0	-18%
EBIT	**79.5**	93.1	-15%
Funds employed[3]	120.0	137.3	-13%
EBIT/revenue	14.1%	18.2%	
Return on funds employed[4]	61.8%	61.1%	

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 up 10% to A$2,657 per tonne. Performance was also supported by increased production and operational improvements.

There was significant price momentum in US$ aluminium prices during the year with the average cash price per tonne of US$2,045 up 21% from US$1,688 following production curtailments in China. 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 US77.4 cents during the year compared to US75.3 cents in the prior year, while the average ingot premium for the year was US$111 per tonne, up 18% on the prior year (Platts Metals Week – Main Japanese Port ingot premium).

GAF's sales volumes of 212,801 tonnes were up 1% due to operational improvements at the Tomago smelter. Trading revenue of $565.5 million was up 11% reflecting the 10% improvement in the realised aluminium price.

EBIT of $79.5 million was down 15% largely due to the new power supply contract which took effect from November 2017. This increased total power-related costs by $34.3 million for the five months of YEM18 that the new contract was in place. This included $6.8 million linked to the delivered coal costs to the electricity generator's power stations, part of the contractual arrangements in the power supply contracts at Tomago.

Production costs were also higher following a step-up in pot relining activity and higher raw material costs, up $11.8 million, including coke and pitch due to supply constraints. This was partially offset by operational improvements at Tomago.

PROPERTY

Property transactions continue to deliver earnings

A$m unless stated [1]	YEM18	YEM17	change
EBIT	**47.8**	15.0	219%
Funds employed[2]	185.7	142.0	31%
Return on funds employed[3]	29.2%	10.9%	

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 $47.8 million, up from $15.0 million in the prior year. The result includes the sale of the 8-hectare site at Rosehill, NSW and sales from Stage 4 and 5 of the 584-lot residential development at Chirnside Park, VIC.

Chirnside Park development has settled 410 lots, exchanged contracts on 105 lots with 69 lots to be released as construction of Stage 6 continues. As of 31 March 2018, this project has delivered $31.4 million in EBIT.

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

OUTLOOK

Looking at the outlook for the year ending 31 March 2019 (YEM19), CSR confirmed:

- **Building Products and Viridian –** Recent building approvals remain strong with detached housing at its highest level in two years. This supports the current level of activity for the year ahead. Viridian's operational performance in Australia and New Zealand has improved in recent months with the business on track to improve earnings in the year ahead.

- Currently 74% of net **Aluminium** exposure for YEM19 is hedged at an average price of A$2,590 per tonne (excluding ingot premiums) as of 30 April 2018. Earnings will be impacted by the full year effect of higher power related costs.

- Two **Property** 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.

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