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1 November 2017

CSR announces 32%[1] rise in half year net profit (before significant items)[2] to $136.6 million

Half year net profit (after significant items) up 4% to $118.7 million

CSR Limited (CSR) reported a 32% increase in net profit after tax (before significant items) to $136.6 million for the half year ended 30 September 2017. After significant items, net profit after tax was $118.7 million, up 4%.

Building Products delivered strong gains, with earnings before interest and tax (EBIT) up 5% on the previous half year to a record $120.3 million. Higher prices and volumes were supported by the solid market for residential housing on the east coast of Australia. Aluminium was also higher with EBIT up 27% to $50.1 million due to higher realised prices.

The lift in half year net profit after tax was also driven by increased Property earnings following the settlement of two transactions which delivered $46.5 million in EBIT, up from $15.3 million.

Cash generation also improved with cash flow from operations increasing 28% on the previous half year to $115.6 million. This has enabled the company to declare an interim dividend of 13.5 cents per share, franked at 50%, 4% higher than the previous half year unfranked dividend.

"CSR's Building Products business has continued its track record of growth in earnings which improved for the fifth consecutive year," said CSR Managing Director Rob Sindel.

"This strong performance follows our strategy to capitalise on the strength in the residential construction market following investment in our operations and bolt-on acquisitions over the last few years.

"The detached housing market in Australia, which accounts for almost 50% of CSR's Building Products' revenue, remains stable, underpinned by record low interest rates and steady population growth. Whilst the high-rise apartment market, which represents only 12% of revenue, has slowed during the last year, the pipeline of projects underway will continue to support demand for CSR's products.

"Our Building Products businesses performed well, with higher volumes and pricing in Gyprock, Bradford, PGH and Hebel contributing to the record result. Improved operational efficiencies across our businesses delivered an EBIT margin of 14%.

"Viridian earnings of $2.2 million were down from $6.0 million in the previous half year due to operational issues and lower volumes. A number of restructuring initiatives are progressing to improve earnings which may include further asset sales, following on from the recent sale of our glass processing businesses in Cairns, Darwin and Perth.

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1 *All comparisons are to the half year ended 30 September 2016 (HY17) 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 half year ended 30 September 2017 (HY18).*

"In Aluminium, prices continued to improve over the last six months as US$ prices reached five year highs. As prices increased, we have hedged a significant portion of our earnings over the next four years. This will reduce future earnings' volatility in Aluminium ahead of the significant increase in electricity prices beginning this month.

"CSR ended the half year to 30 September 2017 with net cash of $0.5 million, giving us significant capacity to invest in additional growth options and property projects 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 solid demand from the east coast detached housing market and multi-residential projects currently under construction.

- **Viridian** – Further work is underway over the next six months to drive operational efficiencies and deliver growth from higher-margin products in the residential and commercial market. Due to the extended time required to implement these initiatives, it is expected the full benefit will not be realised until the year ending 31 March 2019.

- **Aluminium** – Currently 80% of the net aluminium exposure for YEM18 is hedged at an average price of A$2,373 per tonne (excluding ingot premiums) as of 31 October 2017. However, earnings will be offset by higher raw material and power costs. The Tomago smelter's new power supply contract takes effect from November 2017. As previously advised, power costs will increase by approximately A$250 per tonne of production.

- **Property** – Earnings in the second half will be largely derived from Stage 5 settlements at Chirnside Park, VIC. This will increase the expected Property EBIT for the full year to around $55 million, subject to the timing of transactions.

CSR expects that group net profit after tax (before significant items) for YEM18 will be within the current range of analysts' forecasts of $187 million to $223 million (before significant items).

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1 November 2017

CSR Limited – review of results for the half year ended 30 September 2017

Trading revenue of $1.3 billion up 7%

EBITDA[1] of $253.0 million up 22%

EBIT[1] of $208.8 million up 27%

- **Building Products** EBIT of $120.3 million, up 5% reflecting improved pricing and volumes in major businesses including Gyprock, Bradford, PGH and Hebel
- **Viridian** EBIT of $2.2 million, down from $6.0 million with lower volumes (primarily due to a reduction in the sale of low margin products) and higher costs arising from operational issues in the Commercial and Design business
- **Aluminium** EBIT of $50.1 million, up 27% due to a higher realised aluminium price (including premiums) and increased volumes due to the timing of shipments
- **Property** EBIT of $46.5 million which included the Rosehill, NSW land sale and Stage 4 of Chirnside Park, VIC

Net profit after tax (before significant items)[1] of $136.6 million, up 32%

Statutory net profit of $118.7 million, up 4% which included the expense of $17.9 million (after tax) of significant items

Earnings per share[1] of 27.1 cents, up 32% from 20.5 cents

Interim dividend (franked at 50%) of 13.5 cents per share, up 4% on the previous unfranked interim dividend

A$m (unless stated)	HY18	HY17	change
Trading revenue	**1,324.2**	1,236.1	7%
EBITDA [1]	253.0	208.2	22%
EBIT [1]	**208.8**	165.0	27%
Net finance (cost) income [1]	(2.2)	2.4	
Tax expense [1]	(59.0)	(48.1)	
Non-controlling interests [1]	(11.0)	(16.2)	
Net profit after tax [1]	**136.6**	103.1	32%
Significant items after tax	(17.9)	11.4	
Statutory net profit after tax	118.7	114.5	4%
Earnings per share[1] (cents)	**27.1**	20.5	32%
EPS (after significant items) (cents)	23.6	22.7	4%
Dividends per share (cents)	**13.5**	13.0	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 half year ended 30 September 2017 (HY18). All comparisons are to the half year ended 30 September 2016 (HY17) unless otherwise stated.*

CSR FINANCIAL OVERVIEW

Higher earnings driven by growth from Building Products, Aluminium and Property

CSR Limited ("CSR") reported today a 32% increase in net profit after tax (before significant items) to $136.6 million for the half year ended 30 September 2017.

Earnings before interest and tax (EBIT before significant items) of $208.8 million were up 27%.

Statutory net profit after tax was $118.7 million, which included the expense of $17.9 million in significant items (after tax). Significant items included 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 $114.5 million for the half year ended 30 September 2016.

Tax expense of $59.0 million (before significant items) was up from $48.1 million due to the increase in pre-tax profits. CSR's effective tax rate for the half year was 28.6% compared to 28.7% in the previous half year.

Net cash of $0.5 million improved from a net debt position of $11.4 million as at 31 March 2017 following strong operational cash flow. Cash proceeds from the Rosehill property sale announced in April 2017 will be received by December 2019.

Capital expenditure (excluding Property and acquisitions) was $35.5 million during the half year. Of this total, $17.0 million was for stay-in-business projects and $18.5 million was development related capital expenditure including investment in the AFS Rediwall® manufacturing facility located at Minto, NSW and Hebel's expansion of the Somersby, NSW factory.

Dividends

The Company has resolved to pay an interim dividend of 13.5 cents per share on 12 December 2017, franked at 50%. For Australian tax purposes, 100% of this dividend will be conduit foreign income.

This represents a dividend payout ratio for the half year of 50% of net profit after tax (before significant items). While this payout ratio is lower than the previous half year, it is expected that the full year dividend will be in line with CSR's stated policy to pay out 60-80% of net profit after tax (before significant items). The Company's dividend reinvestment plan (DRP) will operate for the interim dividend payable on 12 December 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 30 September 2017, the product liability provision related to asbestos fell to $300.4 million from $312.4 million as of 31 March 2017. This provision included a prudential margin of $54.0 million or 22% above the combined estimate of the independent experts in Australia and the United States. CSR paid asbestos related claims of $16.3 million (including legal costs) compared to $15.4 million in the previous half year.

BUILDING PRODUCTS

East coast detached market remains stable

	HY18	HY17	change
Australia (6 month – 000s)			
Detached[1]	53.8	54.8	-2%
Medium density[1]	21.0	24.3	-14%
High density[1]	33.4	38.5	-13%
Total Residential Commencements	**108.2**	**117.6**	-8%
Non-residential (A$B) [2]	19.0	18.6	2%
A&A (A$B) [2]	4.3	4.2	2%
NZ consents (6 month - 000s) [3]	**14.7**	**14.1**	4%

1. *Source ABS data (two quarter lag – i.e. 6 months to March – original basis).*
2. *Source ABS, BIS Oxford Economic forecast (value of work done – 6 months to September).*
3. *Source Statistics New Zealand (residential consents 2 quarter lag – 6 months to March).*

Despite an overall decline of 2% in the detached market, the east coast detached market remains relatively stable with commencements up 1% during the period which was offset by declines in Western Australia. The multi-residential market is slowing with commencements down 13% on a two-quarter lag basis for the six months to 31 March 2017. However, the NSW/ACT market continues to grow with three consecutive months of over 4,000 new multi-residential approvals lodged.

The non-residential market is strengthening with commercial approvals reaching over $26 billion – up 27% on a moving annual total (MAT) basis which surpasses the 2008 peak. The office, hotel and retail markets are particularly robust with social projects steady. The New Zealand market remains solid across all segments.

Higher volumes and improved pricing lift Building Products earnings

A$m unless stated [1]	HY18	HY17	change
Revenue	**862.5**	817.2	6%
EBITDA	145.8	138.6	5%
EBIT	**120.3**	114.6	5%
Funds employed[2]	922.8	917.2	1%
EBIT/revenue	13.9%	14.0%	
Return on funds employed[3]	22.7%	21.2%	

1. *Before significant items.*
2. *Excludes cash and tax balances and certain other non-trading assets and liabilities as at 30 September. A reconciliation of funds employed is included in Note 2 in the half year report.*
3. *Based on EBIT (before significant items) for the 12 months to 30 September divided by average funds employed.*

Trading revenue from Building Products was $862.5 million, up 6%, with higher volumes and improved margins across key products including Gyprock, Bradford, PGH and Hebel.

EBIT was up 5% to $120.3 million with earnings' growth reflecting the benefit of price increases, improved factory performance and cost management. The result includes investment of approximately $6 million in growth initiatives including CSR's digital customer platform and off-site construction systems.

EBIT margin of 13.9% was down slightly from 14.0% as improved volume, pricing and product mix flowed through to earnings offset by higher energy costs.

SUMMARY OF BUILDING PRODUCTS BUSINESS UNIT PERFORMANCE

GYPROCK™	**Gyprock** increased earnings with higher volumes reflecting the strong east coast activity in the residential construction market, with average selling prices increasing in most states. Gyprock continues to expand its customer service offer including delivery tracking services across all major markets and investment in three Gyprock Trade Centres located in Whittlesea, VIC, Pyrmont, NSW and Narangba, QLD in the last six months.
cemintel™ CREATE AND CONSTRUCT	**Cemintel** fibre cement earnings were lower with softer demand for wallboard products partly offset by growth from new façade systems and prefinished panels.
hebel® The better way to build	**Hebel** continued to increase earnings with market share growth in all major segments. The $65 million expansion of the Somersby, NSW factory is underway with completion targeted for March 2019.
PGH BRICKS & PAVERS™	**PGH** earnings were higher despite increased energy costs with improved margins following strong activity in the detached market on the east coast. PGH is continuing the roll-out of new digital services and delivery tracking for customers, while growth continues for contemporary-look product ranges.
Bradford™ more than insulation	**Bradford** earnings increased with higher glasswool volumes across the east coast markets underpinned by strong market activity and improved pricing. CSR Martini also increased volumes with its range of thermal and acoustic polyester insulation products. Bradford Energy Solutions is growing its alliances with major builders with marketing campaigns targeting the benefits of solar PV and battery storage to reduce energy costs.
afs	**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 was completed in August 2017 which doubled the site's capacity. Expansion in the Brisbane and Melbourne markets continues following new distribution and warehouse facilities opened earlier in the year.
MONIER™	**Monier** roofing earnings were lower reflecting softer market activity in Queensland which was partly offset by demand from the detached housing market in NSW and Victoria.

Viridian

Earnings down due to lower volumes and operational performance issues

A$m unless stated [1]	HY18	HY17	change
Total Revenue[2]	**192.1**	189.3	1%
EBITDA	9.7	11.7	-17%
EBIT	**2.2**	6.0	-63%
Funds employed[3]	236.2	250.8	-6%
EBIT/revenue	1.1%	3.2%	
Return on funds employed[4]	1.3%	5.3%	

1. *Before significant items.*
2. *Includes the benefit of an additional three months revenue 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 30 September. A reconciliation of funds employed is included in Note 2 in the half year report.*
4. *Based on EBIT (before significant items) for the 12 months to 30 September divided by average funds employed.*

Total revenue of $192.1 million was up 1%, which includes the benefit of an additional three months trading from the New Zealand operations following CSR's acquisition of the remaining 42% stake in the NZ Viridian Glass Limited Partnership (VGLP) completed on 30 June 2016.

Australian trading revenue of $146.1 million was down 11% as Viridian progresses its strategy to reduce exposure to low margin products. While pricing has improved, ongoing import competition in float glass has impacted the ability to fully mitigate higher energy costs.

The impact of lower volumes flowed through to earnings with EBITDA of $9.7 million down from $11.7 million in the previous half year. The EBIT result of $2.2 million, was down from $6.0 million due to higher levels of depreciation following investment in new commercial facilities.

Viridian has expanded its operations in the commercial market including completion of a new commercial double glazing plant in Ingleburn, NSW and a commercial glass processing plant in Canberra. Additional sales in this market were slower than expected in the last six months due to operational issues at these sites with an improvement plan underway. These changes are forecast to deliver efficiencies and improve service over the next 18 months to build Viridian's position in higher margin commercial projects which remains an attractive opportunity for growth.

Results from Viridian's New Zealand operations are steadily improving following completion of an operational review of the glass processing plant at Highbrook in Auckland which opened in September 2016.

Restructuring initiatives and operational improvement programs are also progressing across other parts of the business to improve earnings which may include further asset sales, following on from the sale of Viridian's glass processing businesses in Cairns, Darwin and Perth completed in July 2017.

ALUMINIUM

Higher realised aluminium prices following increase in US$ pricing and premiums

A$m unless stated [1]	HY18	HY17	change
Sales (tonnes)	103,391	97,007	7%
A$ realised price[2]	2,607	2,367	10%
Revenue	**269.6**	229.6	17%
EBITDA	60.8	52.6	16%
EBIT	**50.1**	39.5	27%
Funds employed[3]	128.2	170.0	-25%
EBIT/revenue	18.6%	17.2%	
Return on funds employed[4]	69.6%	48.5%	

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 30 September. A reconciliation of funds employed is included in Note 2 in the half year report.*
4. *Based on EBIT (before significant items) for the 12 months to 30 September divided by average funds employed.*

The realised aluminium price in Australian dollars (including hedging and premiums) was up 10% to A$2,607 per tonne following an increase in the LME aluminium price and premiums. Gove Aluminium Finance (GAF) sales volumes of 103,391 tonnes were up 7% due to the timing of shipments compared to the previous half year. Trading revenue of $269.6 million was up 17% reflecting the improvement in the realised aluminium price and higher volumes.

There has been significant price momentum in US$ aluminium prices over the last six months with prices increasing 23% compared to the previous half year.

The Australian dollar averaged US77.0 cents compared to US75.2 cents in the previous half year while the average ingot premium for the half year was US$123.25 per tonne, up 19% (Platts Metals Week – Main Japanese Port ingot premium). The pricing of premiums continues to fluctuate with changes in regional supply and demand with the premium for the October to December 2017 quarter set at US$94.5 per tonne.

EBIT of $50.1 million was up 27% due to the higher realised aluminium price and improved operational performance at the Tomago smelter. The increase in earnings was partly offset by higher production costs due to a step-up in pot relining activity and higher coke raw material costs.

The improvement in US$ aluminium prices provided an opportunity for Gove Aluminium Finance (GAF – 70% CSR) to secure a significant portion of earnings with hedging in place over the next 3.5 years through to March 2021. This reduces future earnings volatility in Aluminium ahead of the increase in electricity prices which takes effect from November 2017.

PROPERTY

Property transactions continue to deliver earnings

A$m unless stated [1]	HY18	HY17	change
EBIT	**46.5**	15.3	204%
Funds employed[2]	176.6	125.5	41%
Return on funds employed[3]	30.6%	16.9%	

1. *Before significant items.*
2. *Excludes cash and tax balances and certain other non-trading assets and liabilities as at 30 September. A reconciliation of funds employed is included in Note 2 in the half year report.*
3. *Based on EBIT (before significant items) for the 12 months to 30 September divided by average funds employed.*

CSR's Property division recorded EBIT of $46.5 million, up from $15.3 million in the prior half year. The result includes the sale of the 8-hectare site at Rosehill, NSW and sales from Stage 4 of the 584-lot residential development at Chirnside Park, VIC.

Chirnside Park development has settled 371 lots with 104 contracts exchanged and 109 lots remaining as construction of Stage 5 continues. To date, this project has delivered earnings of $27.2 million.

Other Property projects are also progressing well. Rezoning approvals are expected in the first half of 2018 for the 70-hectare site at Schofields, NSW, while marketing is underway for 10-hectares of the 30-hectare surplus industrial site at Horsley Park, NSW.

OUTLOOK

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

- **Building Products** – Earnings will be supported by solid demand from the east coast detached housing market and multi-residential projects currently under construction.

- **Viridian** – Further work is underway over the next six months to drive operational efficiencies and deliver growth from higher-margin products in the residential and commercial market. Due to the extended time required to implement these initiatives, it is expected the full benefit will not be realised until the year ending 31 March 2019.

- **Aluminium** – Currently 80% of the net aluminium exposure for YEM18 is hedged at an average price of A$2,373 per tonne (excluding ingot premiums) as of 31 October 2017. However, earnings will be offset by higher raw material and power costs. The Tomago smelter's new power supply contract takes effect from November 2017. As previously advised, power costs will increase by approximately A$250 per tonne of production.

- **Property** – Earnings in the second half will be largely derived from Stage 5 settlements at Chirnside Park, VIC. This will increase the expected Property EBIT for the full year to around $55 million, subject to the timing of transactions.

CSR expects that group net profit after tax (before significant items) for YEM18 will be within the current range of analysts' forecasts of $187 million to $223 million (before significant items).

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