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CSR Limited – review of results for the year ended 31 March 2015

- **Trading revenue**[1] of $2.0 billion up 16% for the year ended 31 March 2015
- **EBITDA**[1] of $313.2 million up 55% reflecting higher earnings across all businesses
- **EBIT**[1] of $235.4 million up 87%
    - **Building Products** EBIT of $120.9 million up 31% with strong volume growth across all products reflecting increasing construction activity, strong performances from recent acquisitions and cost containment
    - **Viridian** EBIT of $3.1 million, significantly up on the loss of $14.9 million last year with higher volumes and pricing improving margins across smaller operating base
    - **Aluminium** EBIT of $104.3 million up 101% due to higher realised A$ aluminium prices and improved smelter performance
    - **Property** EBIT of $30.2 million up from $17.3 million following settlement of three major transactions
- **Net profit after tax (pre significant items)**[1] of $146.5 million up 82%
- **Statutory net profit** of $125.5 million up 43%, with the prior year benefiting from a $33.0 million (pre tax) reduction in asbestos liabilities
- **Earnings per share**[1] 29.1 cents up from 16.0 cents
- **Final dividend** of 11.5 cents per share bringing the full year dividend to 20.0 cents, up 100%

A$m (unless stated)	**YEM15**	**YEM14**	**change**
Trading revenue	2,023.4	1,746.6	16%
EBITDA [1]	313.2	202.5	55%
EBIT [1]	**235.4**	**125.7**	**87%**
Net finance cost [1]	(4.6)	(6.5)	
Tax expense [1]	(63.1)	(27.7)	
Non-controlling interests	(21.2)	(11.0)	
Net profit after tax [1]	**146.5**	**80.5**	**82%**
Significant items after tax	(21.0)	7.6	
Statutory net profit after tax attributable to shareholders	125.5	88.1	43%
Earnings per share[1] [cents]	**29.1**	**16.0**	**82%**
EPS (after significant items) [cents]	24.9	17.5	42%
Dividends per share [cents]	20.0	10.0	100%

[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 2015 (YEM15). All comparisons are to the year ended 31 March 2014 unless otherwise stated.*

FINANCIAL OVERVIEW

Operational improvements and favourable market activity drive earnings higher

CSR Limited ("CSR") reported today an 82% increase in net profit after tax (pre significant items) to $146.5 million for the year ended 31 March 2015, the highest level in five years.

Earnings before interest and tax (EBIT pre significant items) of $235.4 million were up 87% reflecting higher earnings across all businesses.

Statutory net profit after tax was $125.5 million, which included a significant items charge of $21.0 million after tax. Significant items include the 'discount unwind' expense to record the asbestos-related provision in present value terms and restructuring costs. This compares to statutory net profit of $88.1 million for the year ended 31 March 2014, which included the benefit of a $33.0 million (pre tax) reduction in the asbestos provision.

Tax expense of $63.1 million (pre significant items) was up from $27.7 million due to the increase in pre tax profits. CSR's effective tax rate for the full year was 27.3%, an increase from 23.2% in the previous year. The increase in the effective tax rate mainly reflects improved profitability of controlled businesses relative to associates which are reported on an after tax basis.

Net cash position of $68.4 million improved by $96.9 million since 31 March 2014, despite funding $38.1 million in acquisitions including AFS, during the period. This improvement reflects increased underlying operating cash flows as a result of higher earnings and working capital management, further year-on-year reductions in asbestos liability payments, as well as an increase in net Property cash flows.

Capital expenditure (excluding Property) was $56.0 million during the period, up from $52.7 million last year. Of this total, $32.1 million was for stay-in-business projects and $23.9 million was development related capital expenditure including factory upgrades in bricks and investment in warehouse automation. Capital expenditure represented 72% of depreciation.

CSR continued to invest in its Property business, including the development of the Brendale and Chirnside Park sites. Despite these ongoing investments, Property generated positive net cash flow of $40.5 million following completion of a number of transactions.

Dividends

CSR reaffirms its policy to pay out 60-80% of full year net profit after tax (pre significant items) as dividends. Accordingly, the Company has resolved to pay an unfranked final dividend of 11.5 cents per share on 7 July 2015. As a result, the full year dividend has doubled to 20.0 cents and represents a payout ratio of 69% of 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 7 July 2015. 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 2015, the asbestos provision fell to $350.7 million, the lowest level in ten years, due to a decrease in future estimated claims in the United States. This provision includes a prudential margin of $56.5 million or 19.2% above the combined estimate of the independent experts in Australia and the United States. CSR paid asbestos related claims of $31.1 million (including legal costs) down 8% from $33.8 million last year.

BUILDING PRODUCTS

Continued strength in residential housing

	YEM15	YEM14	change
Australia			
Detached (12 month starts - 000s) [1]	108.5	95.0	14%
Other residential (12 month starts - 000s) [1]	86.2	69.1	25%
Total Residential Commencements	**194.7**	**164.1**	**19%**
Non-residential (A$B) [2]	35.3	34.9	1%
A&A (A$B) [2]	7.10	7.14	(1%)
NZ consents (6 month - 000s) [3]	**24.1**	**19.8**	**22%**

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

Residential construction commencements continued to grow strongly across both detached and multi-residential sectors. All state activity increased in the period, with New South Wales and Queensland experiencing sustained growth and Victoria continuing its steady recovery. Multi-residential activity continues to increase as a percentage of total dwellings and now represents over 40% of housing activity.

Non-residential and renovations activity remains largely subdued. A contraction in social projects has been offset by some recovery in commercial activity.

Higher volumes and improved pricing lift Building Product earnings

A$m unless stated [1]	YEM15	YEM14	change
Lightweight Systems	898.4	745.1	21%
Bricks and Roofing	312.8	284.1	10%
Trading revenue	**1,211.2**	**1,029.2**	**18%**
EBITDA	161.0	130.6	23%
EBIT	**120.9**	**92.6**	**31%**
Funds employed[2]	823.6	791.5	4%
EBIT/trading revenue	10.0%	9.0%	
Return on funds employed[3]	**15.0%**	**12.0%**	

1 Pre-significant items.
2 Excludes cash and tax balances and certain other non-trading assets and liabilities as at 31 March.
3 Based on EBIT (before significant items) for the 12 months to 31 March divided by average funds employed.

Trading revenue from Lightweight Systems[1] and Bricks and Roofing[2] was $1.2 billion, up 18% with higher volumes across all products and improved margins in most product categories. Excluding acquisitions, revenues were up 13%.

EBIT was up 31% with earnings growth across all businesses, reflecting the benefit of higher sales volumes, improved factory performance and recent acquisitions.

EBIT was also impacted by planned shutdowns at the Schofields and Horsley Park brick facilities to deliver efficiency improvements, as well as further investment in new brick products.

EBIT margin increased by one percentage point to 10.0%. Profitability also improved in the second half of the year with EBIT margins increasing 1.6 percentage points to 9.6% year on year as improved volume, pricing and product mix took effect.

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[1] Lightweight Systems includes Gyprock™ plasterboard, Cemintel™ fibre cement, Ceilector™ ceilings, Potter™ interior systems, Hebel® lightweight concrete products, AFS® walling systems, Bradford™ and Martini insulation and the Edmonds™ ventilation systems.

[2] Bricks and Roofing includes the PGH™ bricks, Monier™, MonierPrime™ and NZ Brick Distributors.

Lightweight Systems – higher volumes reflect improved residential market

Lightweight Systems trading revenue was $898.4 million, up 21%. Excluding acquisitions, Lightweight Systems revenue was up 14%.

Gyprock plasterboard increased earnings with higher volumes reflecting the improved housing market while average selling prices increased across all states. Gyprock maintained its market-leading brand position with product and system development including the roll-out of the Optimised Core Technology for Supaceil™ ceiling board. New products using this technology are under development.

Cemintel fibre cement earnings were higher with increased volumes across the east coast. Growth continues for new external cladding products in residential and commercial construction.

Hebel lightweight concrete products continued to increase earnings with volumes higher in the detached housing and multi-residential markets. Margins improved as the construction services offering expands for major builders in Victoria and NSW and a growing presence in New Zealand.

Bradford insulation earnings increased with higher volumes and improved pricing including strong demand in the retrofit housing market for special application products including acoustic and underfloor insulation. Earnings from polyester manufacturer Martini also grew following demand from major commercial projects in Australia.

AFS walling systems increased sales volumes following growing demand from the multi-residential market. The business, acquired on 2 April 2014, is performing slightly ahead of expectations in terms of both Logicwall® (fibre cement) and Rediwall® (polymer) permanent formwork solutions.

Bricks and Roofing – revenues up 10% following higher volumes and margins

In **PGH Bricks**, earnings increased as the business benefited from volume growth from the three major regions where PGH operates in Queensland, New South Wales and South Australia. Margins improved following a lift in volumes supported by ongoing production efficiencies, despite reduced plant availability during recent months to deliver efficiency improvements at Schofields and Horsley Park.

Earnings in **Monier Roofing** were higher with increased volumes reflecting increased demand from the detached housing market across all states and improved factory performance and margins.

Update on Boral CSR Bricks Joint Venture

On 1 May 2015, the joint venture between CSR and Boral's brick operations located on the east coast of Australia began trading under the entity Boral CSR Bricks Pty Limited. As the joint venture is owned 60% by CSR and 40% by Boral, CSR will consolidate the earnings of the business effective 1 May 2015 with the portion of after tax earnings attributable to Boral's share of the business recorded as a minority interest.

The integration process remains on track with senior management positions finalised and work underway to integrate financial systems, operations, sales, marketing and customer service to be completed over the next 6-12 months.

Initial overhead savings of $7-$10 million per annum are expected following integration of the businesses.

VIRIDIAN

Significant turnaround in profitability

A$m unless stated [1]	YEM15	YEM14	change
Trading revenue	279.3	262.0	7%
EBITDA	12.8	(4.1)	NM
EBIT	**3.1**	**(14.9)**	**NM**
Funds employed[2]	181.0	183.0	(1%)
EBIT/trading revenue	1.1%	NM	
Return on funds employed[3]	**1.7%**	**NM**	

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

Trading revenue of $279.3 million was up 7% from $262.0 million following the benefit of pricing initiatives and higher volumes driven by market demand.

Viridian recorded a positive **EBIT** of $3.1 million up from the EBIT loss of $14.9 million in the prior year. The return to profitability is ahead of schedule following restructuring initiatives launched in March 2013 which included improved utilisation of the float glass manufacturing facility at Dandenong in Victoria and the closure of some underperforming sites. New Zealand operations also improved driven by strong construction activity and operational improvement initiatives.

On 30 April 2015, Viridian acquired the Queensland glass processing business of the Australian Glass Group (AGG) which supports Viridian's strategy of strengthening its core operations and regional footprint.

Viridian is also progressing a number of initiatives to deliver future revenue growth by targeting increased volumes in the residential market for double glazing and coated products, expanding its merchandising capability and developing new product and service offerings for the Commercial glass market.

ALUMINIUM

Earnings up on higher realised prices and improved smelter performance

A$m unless stated [1]	YEM15	YEM14	change
Sales (tonnes)	202,423	195,591	3%
A$ realised price[2]	$2,633	$2,328	13%
Trading revenue	**532.9**	**455.4**	**17%**
EBITDA	131.5	78.8	67%
EBIT	**104.3**	**51.9**	**101%**
Funds employed[3]	177.1	199.2	(11%)
EBIT/trading revenue	19.6%	11.4%	
Return on funds employed[4]	**55.4%**	**24.6%**	

1 *Before significant items.*
2 *Realised price in A$ (including hedging and premiums).*
3 *Excludes cash and tax balances and certain other non-trading assets and liabilities as at 31 March.*
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 13%, to A$2,633 per tonne for year, as a result of record ingot premiums and a lower Australian dollar.

US dollar cash LME aluminium prices fell by approximately 7.5% in the second half of the financial year as market fundamentals were impacted by increased exports (particularly of semi-finished products) from China, reduced LME aluminium inventories and concerns over global economic growth. This was more than offset by the 12% fall in the Australian dollar over the same period leading to a net improvement in pricing in Australian dollar terms.

Ingot premiums, the premiums paid to producers above the LME aluminium price, rose to record levels during the financial year, with the Platts Main Japanese Port premium reaching approximately US$425 per tonne in the January to March 2015 quarter.

More recently, markets have seen increased volatility in ingot premiums. For the first quarter of the current financial year, premiums declined by approximately 11% (Platts Main Japanese Port premium) to US$380 per tonne and the spot price has declined further in recent weeks..

Conversely, during the month of April 2015, the US dollar cash LME price for aluminium has increased by US$154 per tonne.

Gove Aluminium Finance (GAF – 70% CSR) sales volumes of 202,423 tonnes were 4% higher as productivity initiatives drove increased production at Tomago. Trading revenue of $532.9 million was up 17% reflecting the increased sales volumes and higher realised prices which included the effects of hedging and premiums.

EBIT of $104.3 million was up 101% with the EBIT margin improving to 19.6% from 11.4% due to the higher realised price, increased production volumes and continued operational improvements at the Tomago smelter.

PROPERTY

Earnings were higher following settlement of three major transactions

A$m unless stated [1]	YEM15	YEM14	change
EBIT	**30.2**	**17.3**	**75%**

1 *Before significant items*

CSR's Property division recorded EBIT of $30.2 million up from $17.3 million in the previous year. The result includes the first tranche of the sale of the multi-residential development site at New Lynn located southwest of Auckland completed in December 2014.

The result also includes the sale of sites at Pyrmont and surplus industrial land at Ingleburn in Sydney, both of which completed in the first half of the year.

Construction continues on stages 2 and 3 of the 533-lot residential development at Chirnside Park, Melbourne with a 186 sales contracts exchanged as of 30 April 2015.

Development continues of the of the remaining 38.5 hectare industrial site at Brendale in Brisbane.

STRATEGY

Delivering on our strategy to grow our building products businesses over the medium term

Strengthen and invest *Strengthening and investing in our businesses and our people*	• 31%[1] improvement in lost time injury frequency rate with fewer and less severe injuries in the last year • Launched Boral CSR Bricks JV on 1 May 2015 to drive efficiencies across the combined network of operations • Expanded leadership development programs to invest our people at all levels within CSR • Viridian re-organised and returned to profitability
Smarter, faster, easier *Delivering building solutions that are smarter, faster and easier to use*	• Launched Gyprock Optimised Core technology for a new ceiling board that is stronger and easier to use • Investment committed for the CSR Velocity™ pre-fabricated walling system production facility
Changing the way we live and work *Influencing design and adapting to the changing way we live and work*	• Acquired AFS in April 2014 – focused on expanding Rediwall® production capacity and continued penetration of the structural walling market. • Product development is increasing the proportion of lightweight Hebel panels utilised in walls, flooring and other structural elements of buildings
Comfort and energy *Improving comfort, quality and efficiency of buildings*	• Expansion of Bradford energy solutions offering to include polyester, specialist acoustic products, ventilation, PIR foams, and construction fabrics which enhance energy efficiency and comfort of homes and buildings
Customers *Ensuring that our customers choose to do business with CSR*	• Expanded CSR Connect 24/7 digital access to provide online access for ordering, delivery and managing account information

1 *Lost time injury frequency rate (per million work hours).*

OUTLOOK

Group outlook for year ending 31 March 2016 (YEM16)

In **Building Products**, building approval levels for detached and multi-residential housing remain strong. This is expected to lead to increased demand for CSR's products across detached and multi-residential segments. From YEM16 onwards, the results will include the consolidated earnings from the Boral CSR Bricks JV which began operations on 1 May 2015.

Having returned **Viridian** to profitability and restructured the business to focus on key market segments, management is targeting new opportunities for revenue growth – particularly in residential performance and the commercial and architectural design markets. This will require modest levels of investment in capital and customer service initiatives over the next two to three years, which should be more than offset by improved market activity and growth in higher-margin products.

In **Aluminium**, Gove Aluminium Finance (GAF) – in which CSR has a 70% stake – continues to increase its hedge book when pricing opportunities arise, with 59% of net sales for YEM16 currently hedged at an average price of A$2,311 per tonne (before premiums).

We have seen increased volatility in premiums in recent months as a result of increased exports from China and lower LME inventories. For the first quarter of CSR's current financial year (YEM16), premiums declined by approximately 11% (Platts Main Japan Port premium) for the quarter to US$380 per tonne. Spot prices for premiums have fallen further in recent weeks.

Conversely, LME pricing has strengthened recently, with the US dollar cash LME aluminium price increasing by US$154 per tonne during the month of April 2015.

Property earnings are always subject to timing of completion of transactions. The formation of the Boral CSR Bricks JV provides additional opportunities for development of selected high-value land assets over the next five to 10 years.

In summary, CSR expects to make further progress this year as we build on our strategy to invest in growth opportunities that accelerate the construction process while improving the comfort and performance of buildings.

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