

CSR Limited

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CSR announces 12%¹ rise in half year net profit (before significant items)², to \$103.1 million
Half year net profit (after significant items) up 48% to \$114.5 million

CSR Limited (CSR) reported a 12% increase in net profit after tax (before significant items) to \$103.1 million for the half year ended 30 September 2016. After significant items, net profit after tax was \$114.5 million, up 48%.

The lift in half year net profit was driven by a significant increase in earnings from Building Products, which delivered a record half year EBIT of \$114.6 million, up 29% (including the consolidated earnings of the PGH Bricks JV). This has enabled the company to declare an unfranked interim dividend of 13.0 cents per share, an increase of 13%.

Cash generation was strong with cash flow from operations increasing 20% on the prior half year to \$90.6 million.

"The overall strength in the residential construction market across the east coast has supported the growth in Building Products' earnings and margins," said CSR Managing Director Rob Sindel.

"While detached housing construction remains robust, high-rise apartment approvals are showing signs of slowing across Australia. CSR is now more resilient to these changes in the building cycle as a result of our strategy over the past few years to strengthen our core businesses and invest in new market segments."

CSR has consolidated its position in PGH Bricks following the acquisition of Boral's 40% stake in the Boral CSR Bricks joint venture announced on 31 October 2016.

"PGH Bricks has exceeded expectations over the last 18 months. By taking full ownership, we will benefit from new opportunities to drive operational efficiencies as well as accelerate future property development projects."

CSR has also grown its business in the multi-residential market following recent expansions of its manufacturing capacity in AFS Logicwall, Rediwall and Hebel.

"Gyprock delivered an excellent result with new delivery services and further investment in the Gyprock Trade Centre network as it maintains its market leading brand position.

"Our Bradford business is expanding, following a number of new product launches and alliances with major builders to improve the energy efficiency of new housing.

"Viridian's EBIT of \$6 million is improving with increased volumes from higher margin products and the contribution of a number of bolt-on acquisitions."

In CSR's other businesses, Aluminium EBIT of \$39.5 million was impacted by lower aluminium prices partly offset by improved operational performance at the Tomago smelter and hedging.

Property delivered EBIT of \$15.3 million following good demand for residential and industrial sites in Melbourne and Sydney.

"CSR ended the half year to 30 September 2016 with net cash of \$77.6 million. Our strong cash flow provides capacity to invest in additional growth options as well as fund the \$150 million share buyback over the next 18 months," Mr Sindel said.

¹ All comparisons are to the year ended 30 September 2015 (HY16) 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 2016 (HY17).



OUTLOOK

Looking at the outlook for the year ending 31 March 2017 (YEM17), CSR confirmed:

- **Building Products** expected to deliver year-on-year earnings growth bolstered by continued solid activity in residential construction on the east coast of Australia. Given current construction indicators and longer lead times from approval to construction, CSR expects demand for its building products to remain at current levels over the near term.
- **Viridian** is expected to increase earnings following the benefit of recent acquisitions combined with improvements in its commercial market position.
- **Aluminium** currently has 78% of the net aluminium exposure for the second half of YEM17 hedged at an average price of A\$2,310 per tonne (excluding ingot premiums) as of 31 October 2016. Ingot premiums, which are paid to producers above the LME aluminium price, appear to have reached a floor at US\$75 per tonne (Main Japanese Port ingot premium).
- **Property** earnings in the second half will be largely derived from settlements at the Chirnside Park, VIC residential development in addition to other transactions under negotiation. As a result, Property EBIT is expected to be \$20-25 million, subject to the timing of transactions.

CSR expects that group net profit after tax (before significant items) for YEM17 will be at the top end of the current range of analysts' forecasts of \$154 million to \$184 million (before significant items).

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