CSR Limited
Triniti 3 39 Delhi Road
North Ryde NSW 2113
Australia
T +612 9235 8000
F +612 8362 9013
E-mail investorrelations@csr.com.au
www.csr.com.au
ABN 90 000 001 276

ADDRESS TO SHAREHOLDERS
Chairman, Jeremy Sutcliffe
CSR LIMITED AGM 2013
11 July 2013

Well ladies and gentleman, we've had a year which has seen both highs and lows. In fact it reminds me of Clint Eastwood's classic movie - "The Good, the Bad and the Ugly". And, simply stated, that just about sums up CSR's twelve months, ending on 31 March 2013.

I'll deal with each bit in reverse order, as I want to end by highlighting the many good things that are happening at CSR today.

You won't need many guesses when it comes to "the Ugly". Regrettably the Board reached the conclusion that the challenges facing our Viridian glass operations were not solely due to the depressed construction market and the strength of the Australian dollar but were fundamentally structural and permanent in nature.

As a consequence CSR has recognised non-cash write-downs and impairment charges of $196 million for Viridian this year.

Nobody wants to see write offs. The Board never loses sight of the fact that it's shareholders money and we don't try to play it down by saying "it's non cash" because it was once - yours. But we are required to reflect reality in our books, and that's what we've done.

Operationally, Viridian's performance also produced an "ugly" outcome with an EBIT loss of $39 million due to the decline in market activity, continued pricing pressure and the growth in imports.

You might ask "well why didn't you act sooner"? And the answer is that we had to be absolutely sure that our existing footprint was unsustainable, because the restructure we were contemplating was irreversible and would permanently change Viridian's business model. A bit like the changes we've seen made to the Australian steel industry.

The plan we've developed will deliver significant improvements to Viridian's operating performance over time, from the smaller, lower cost operating base which Rob Sindel will talk more about shortly. Importantly, this is a plan for which the current management, and this Board, can be held accountable.

Turning to "the Bad"…the year did not see the uplift in construction activity which some commentators had predicted and CSR had hoped for. Dwelling commencements were down another 5% this year and commercial construction was flat.

Although we controlled costs wherever possible, we needed to maintain an operating platform capable of responding to an eventual increase in demand, as volume remains the central driver to our longer term profitability.

Add to this, an Aluminium price which was down 14% in US dollar terms which, combined with the high Australian dollar, resulted in an EBIT contribution from our investment in the Tomago smelter of $50 million, down 38% on the previous year.

This result serves to reinforce the Board's conviction that, in the longer term, we should not have such a significant part of our overall business exposed to drivers (namely currency and aluminium LME spot pricing) over which we have no control.

Accordingly, the focus of our future investment strategy will be on our core Building Products business, where we have competitive advantages and real competences. If the right opportunity presents itself, and we can maximize value for shareholders, we may review the merits of continuing to hold our investment at Tomago.

Lastly, the best bit - "the Good" - of which, as I said earlier, there was plenty. Let's start with you, the shareholders. Over the fiscal year CSR's Total Shareholder Return (which is share price appreciation plus dividends) was 27% compared to the return of the ASX200 of 20% and in the twelve months since our last AGM, our TSR was, as of last Friday, up 101%. You'll see from this chart that not only have we significantly outperformed the market, but also our Building Products competitors.

Now while I accept that this was on the back of a poor share price performance during the previous year, it is still encouraging - especially for shareholders new to our Register.

Operationally there were a series of highlights. Firstly, and importantly, the improvement in our safety performance and culture. Over the last four years, we have seen a 70% reduction in the number of recordable injuries, which includes a 39% improvement in the last year alone.

Workplace safety is, and should be, central to everything we do - safer and more engaged employees deliver better performance at all levels. But there's always more to do as part of our ongoing drive to ensure that no one is injured at CSR.

Secondly, many of our Building Products businesses generated good results and outperformed our competitors. This was very encouraging, and worthy of particular mention are the performances of Gyprock Plasterboard, PGH Bricks and Monier Roofing, as well as Hebel, our aerated concrete business, which recorded its seventh consecutive year of earnings growth with revenues up 25%. To all those involved - good work and keep it up.

Although I've talked about weak Aluminium prices, it wasn't all bad - our Aluminium division still delivered a 23% return on funds employed for the year. This was, in part, attributable to the prudent application of our currency and aluminium hedging policy by the management team, locking in profits at the appropriate times during the year. Congratulations to them.

Last year I talked about the need to reassess our approach to our long term asbestos related obligations to ensure equality of treatment for all legitimate claimants, wherever they are - in Australia or the United States. Our primary commitment remains to meet all valid claims brought against the company, as we do in Australia. We have made progress in moderating the quantum of unrealistic and inequitable claims in the United States, but more work is required there to achieve a completely level playing field. This will remain an area of key focus for management and the Board over the coming twelve months.

Now, the best of "the Good" - our people. The Board takes its hat off to the continued focus by the management team, and all of our employees, on things they can control - costs and improving efficiency, innovation and adapting to the ever changing construction markets.

I'd like to particularly thank Rob Sindel, your CEO, for his leadership throughout the year and for yet once more, putting shareholder interests ahead of personal gain.

Rob, I hope that next year shareholders will be applauding you for a well deserved short term incentive bonus, in the same way as they will this year in showing your leadership by supporting the Board's decision not to award one this year, despite your considerable personal efforts. So, thank you Rob and also to Greg Barnes, Debbie Schroeder and all of the senior management team.

Lastly, a sad farewell. Although you'll be asked to re-elect Ray Horsburgh to the CSR Board today, Ray has signalled his intention to retire, once a suitable replacement can be found.

I've known Ray for a long time as a customer, a competitor and, since 2008 as a colleague on the CSR Board. His tough, no nonsense approach has added colour and wisdom to our debates and will be missed. Many thanks Ray - I'm saving up a few more anecdotes for our dinner tonight.

Rob will now talk to you in more detail about the results and what's in store for CSR in the coming twelve months. We've seen a significant correction in the value of the Australian dollar recently and that's a positive for CSR as it is for Australian manufacturing as a whole.

Thank you ladies and gentlemen - over to you Rob.