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CSR LIMITED ANNUAL GENERAL MEETING
10 July 2014

Chairman's Address

By Jeremy Sutcliffe

Good afternoon everyone. Welcome back to our 'regulars' and welcome too, to those attending a CSR AGM for the first time.

At last year's meeting we explained our plans for the 12 months ending in March this year, and acknowledged the responsibilities of the Board and management in achieving our objectives. We also detailed the external factors which would have an impact on our results - housing starts, the aluminium price and the exchange rate.

By and large the year progressed as we expected. The improvements in the construction sector, combined with the implementation of our strategic and operational plans delivered a Building Products result slightly ahead of our budget, while our investment in aluminium again delivered a satisfactory result, despite depressed global aluminium prices.

Total shareholder return slide

All of this resulted in a better outcome for shareholders. TSR, that is total shareholder return over the financial year was 75% compared to 13% for the ASX200 and 28% for our Building Products competitors. Over a two year period, the TSR figures were 115% for CSR (albeit from an unacceptably low base), 36% for the ASX200 and 66% for our competitors. The Board feels that we continue to head in the right direction, while acknowledging that more work remains to be done.

What we have done over the last three years is to align production to demand, upgrade our systems, improve customer service and invest in new products. These endeavours ensured that we were well positioned for the eventual upturn in the market and will continue to serve us well in the year ahead.

For those of you who follow the company's activities closely, you'll know that it's also been a very exciting time for CSR. In April we made two major announcements, one to expand our position in the growing multi-residential market and a second, to restructure our high-fixed cost bricks business via a joint venture with Boral. Rob Sindel will talk about both of these in more detail a bit later. Meanwhile I'll make some observations on a few other key areas.

Viridian - last year I outlined our plan to deliver significant improvements in Viridian's performance from a smaller, lower cost operating base. It was this Board and this management team's plan to deal with what had been a problematic, costly and challenging investment. I am pleased to report that we are making good progress and meeting key milestones. The team has taken out $18 million in costs and the business has made a smooth transition to a new structure, following the closure of two major facilities. The 'upstream' or glass manufacturing division is doing well.

The restructuring of the 'downstream' business has created four business units with greater customer focus. We still need to improve, however, particularly in our Commercial and Design segment.

While, we are in a highly competitive market exposed to import pressures, we know there is demand for Australian manufactured glass, and for our local knowledge and service. So, we remain cautiously optimistic that our new structure and strategy will deliver progressively acceptable returns in the future.

The Tomago aluminium smelter is performing very well operationally and, as I mentioned, delivered a satisfactory result, up 3% on last year. While prices continue to be under pressure, we did get some relief in the year from a lower Australian dollar which was assisted by our hedging strategy designed to lock in budgeted profits.

Like many manufacturing companies in Australia, Tomago's input costs are increasing, including a significant step-up in Tomago's electricity contract with Macquarie Generation due to commence in November 2017. We are continuing discussions with Macquarie Generation’s likely new owner to ensure this contract reflects changes in the global aluminium market which have occurred since the contract was signed in 2010. Any change in power pricing is over 3 years away and we will continue to keep shareholders updated, as our negotiations progress.

Turning to our ongoing work to manage our long-term asbestos obligations, we've made real progress in moderating the level of unrealistic and inequitable claims in the United States. This is reflected by the $55 million reduction in CSR's asbestos provision this year. Our primary commitment remains to deal with all valid claims fairly, as we continue to do in Australia.

Safety slide

Next, a word on safety. Today the number of recordable injuries is down 64% from five years ago, and we've made a step change in reducing the number and severity of injuries. That said, our performance in the past year did not continue this trend of improvement. While we're not going backward, we need to move forward. To do so, we must work harder with all of our employees to deliver better safety performance at all levels.

People slide

To close I would like to talk about our people. Our teams have spent the past few years working incredibly hard to ensure that our businesses were ready for the upturn in the construction market. We had to make some tough decisions but everyone's efforts are now being rewarded.

A special thanks must go to CSR's CEO Rob Sindel for his leadership throughout the year.

Rob, your leadership has been a significant factor in the turnaround in CSR's results with net profit up 143% and the dividend doubled. So congratulations to you Rob, to Greg Barnes, the senior management team and all employees across CSR for a job well done.

Finally on the board. I would like to welcome formally Matthew Quinn who joined us last August and who will be standing for election a bit later. After 12 years at Stockland as CEO, one of Australia's largest property development companies, he is already making a significant contribution. You will also note that while Kathleen Conlon is up for re-election this year, she has signalled her intention to retire from the board following next year's AGM after having served CSR for ten years. We are very pleased she will be with us, subject to her re-election of course, for another year.

Rob will now talk to you in more detail about the results, recent developments and our strategy.

Thank you ladies and gentlemen - your support is much appreciated. Over to you Rob.

CSR LIMITED ANNUAL GENERAL MEETING
10 July 2014

Managing Director's Report

By Rob Sindel

Good afternoon ladies and gentlemen. And thank you, once again, to our many shareholders who have joined us here today.

As Jeremy has just highlighted, it has been a busy year. And while we are pleased with our results, we know there is more work to do as we build on the strategy we have put in place at CSR.

Today I would like to cover three main areas: I will review the performance of our four business units. Outline the progress we have made on our business plans. And conclude with our outlook for the year ahead.

Safety and environmental performance slide

As we do in all our internal meetings at CSR, I would like to start with our safety and environmental performance. The improvements we've seen in the last few years have continued, with a 9% reduction in recordable injuries during the last 12 months.

Although the number of recordable injuries is declining, the rate measured by million work hours remained steady at 17.7, due primarily to a 9% decline in the number of hours worked. So there is no doubt that we have made significant progress, but the ultimate goal is to ensure no one is injured when they come to work at CSR.

That's why we've launched a number of new initiatives: we are targeting safety leadership at all levels of the company, we are developing programs to address unsafe behaviour and we're promoting campaigns to boost overall employee health and well being.

These programs are part of an ongoing investment in developing our people. Last year, we invested $2 million in training and leadership development programs across the company.

As to minimising our environmental impact, our 2020 target of a 20% reduction in greenhouse gas emissions, waste production, energy and water consumption is on track. This is due to the commitment of our employees and the more than 100 energy reduction initiatives we've implemented across our sites.

For example, installing new overhead lighting at a number of our key factories and warehouses has reduced lighting costs by up to 50% at these facilities. Last year the implementation of energy initiatives delivered a 3% reduction in greenhouse gas emissions across the company.

Financial performance slide

Turning now to our financial results. We are pleased to have delivered significant earnings improvement with net profit after tax, pre significant items, up 143% to $72 million and earnings per share up 145% to 14.2 cents per share.

For the year ending March 2014, we began to see the early stages of a sustained market recovery in housing, with second half revenues in Building Products on average 9% higher, than the corresponding half last year. We expect to see further year on year growth in volumes.

While some of the margin improvement we've achieved is a consequence of an increase in volumes; the biggest contributor has been the work we've done on reducing our cost base across Building Products and particularly in Viridian.

Very pleasingly operating cash flows, pre tax and significant items, were up 40% to $190 million.

Higher earnings and strong cash generation enabled CSR to lift the annual dividend to 10 cents per share, an increase of 96%.

Financial results by division slide

Our Building Products division earnings before interest and tax, were up 20%. This is a pleasing result, given that it was delivered across the majority of business units; most pronounced in Gyprock, Hebel, Bradford and PGH bricks.

At a headline level, Viridian improved by $24 million, although this did include a $13.9 million reduction in depreciation.

You may recall, when we announced the restructure of Viridian last year, we committed to finishing the year with a positive EBITDA run rate. Viridian performed ahead of expectations being EBITDA positive for the second half of the year.

There's no denying we still have a long way to go to achieve satisfactory returns. But this is a significant step forward and is the result of a substantial reduction in fixed costs, without materially impacting the revenue line.

Aluminium EBIT was up 3% on the previous year. Largely because realised prices were up 2% on higher ingot premiums and continued favourable hedging.

In Property, profits of $17.3 million were back to levels we have seen over the last few years.

Strategy slide

Now let's turn to our strategy and how we are growing our company.

Over the past 18 months our employees have consistently given me feedback that they would like more insight and involvement in the development of CSR's strategy. As a result during the past year we've been engaging with our people to develop and better articulate CSR's strategy. This is an essential step. Our markets are changing rapidly and we must rethink how we do business, ensure we are ahead of the competition and importantly involving our people in building our future.

Five key strategic themes have emerged from this process. I know these are well understood because when I visit sites our people want to talk about how the projects they're working on, fit with these key themes.

The slide shows the progress we're making and I would like to outline two key developments we announced in April.

AFS slide

As you may be aware there is much higher proportion of multi-residential housing and high rise apartments being constructed in Australia and New Zealand. We should not be surprised that as land values go up and people want to live closer to where they work, this creates more demand for multi-residential housing.

We see the move to multi-residential housing as both a threat to our existing portfolio and as an opportunity.

We have a depth of knowledge and experience in this sector and we have increased our exposure to this growth segment by acquiring the AFS group, announced on the 2nd of April this year.

AFS has 18 years' experience in the structural walling industry. It's the leading provider of fibre cement-based permanent formwork systems through its Logicwall® products manufactured in Goulburn here in New South Wales. The manufacturing operations have scalable production capable of meeting growing demand. To date, AFS have completed over 30,000 multi-residential units. CSR has a long-standing relationship with AFS as the supplier of its Cemintel™ fibre cement products.

Senior AFS management and the wider AFS team, have expertise in multi-unit project sales, engineering and technical support to compliment CSRs knowledge in these areas. It is pleasing that the team has committed to stay with the company for at least the next three years.

We've incentivised the management team to deliver the growth profile we consider the business can achieve, and to develop new adjacent permanent formwork products.

These products are clearly a good fit with our walling systems in both Gyprock and Hebel. The integration process is going well and results for the first three months of ownership are meeting expectations.

CSR/Boral proposed brick JV slide

The second major announcement in April was the proposed joint venture with Boral of our Australian east coast brick operations. This announcement follows months of negotiations between CSR and Boral to find a solution to ensure the sustainability of our brick businesses in an increasingly challenged industry.

Over the past 30 years brick production on the east coast has seen a compound annual rate of decline of between 2 and 3%. This is due to three factors: the increasing market acceptance of alternative products, the labour intensity of bricklaying and the structural shift away from detached housing to multi-dwelling construction.

This joint venture will be owned 60% by CSR and 40% by Boral. It will provide the opportunity in the short to medium term to generate cost reduction opportunities of between $7 to $10 million a year through the consolidation of sales, administration and marketing overheads.

Over time we also see the opportunity to develop more efficient distribution networks, improve service and further reduce costs. The joint venture also provides greater flexibility for both Boral and CSR to develop certain land assets over time, without impacting our product range and operational capabilities. The transaction is subject to ACCC approval so there is not much more that we can say at this stage, other than we consider that we have a very good case. Until we know the outcome of the ACCC review it remains business as usual.

Outlook slide

In closing I would like to briefly give you our view on the outlook for the remainder of the current financial year to March 2015.

Building approvals for both detached and multi-residential housing continue to grow strongly with detached housing up around 15% for the twelve months to May, compared to the previous year and multi-res up 23%. This translates into a run rate of 180,000 housing starts which is approaching record levels.

This is very encouraging news for CSR, after several years of relatively weak demand.

Within the data, multi-residential construction represents 44% of total housing approvals of which 25% are in high rise buildings. The concentration of multi-residential homes, and the nature of this type of construction, means it will take longer for this activity to convert to building product sales. This will take some of the lumpiness out of demand for our products and mean the pipeline should remain stronger for longer.

Looking beyond underlying market activity, our Building Products businesses will also benefit from expansion into new markets through recent acquisitions and the product development opportunities which should see earnings improve again this year.

Viridian remains on track to exit the financial year with a breakeven EBIT run rate. We know we have more to do, particularly in terms of growing the revenues of this business but we are increasingly confident that we will return the business to profitability in subsequent years.

In Aluminium, we continue to lock-in returns when attractive opportunities arise and we have increased our hedging position in the last few months with 72% of net exposure hedged for the current financial year. This is at an average price of A$2,136 per tonne (before premiums) as of 30 June 2014.

Property earnings will also improve in accordance with previous guidance.

So the outlook is positive for CSR. We have a favourable macro environment for our businesses and a strategy that is investing in our people, our operations and our customers to ensure we build for the future.

Finally, I would like to thank my fellow employees for their hard work and efforts in a year of significant progress.

I will now hand back to Jeremy who will take us through the remainder of the meeting.