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ADDRESS TO SHAREHOLDERS
Chairman, Jeremy Sutcliffe
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Ladies and Gentlemen, you do not need me to tell you that it's been a tough year. A tough year for the construction sector, a tough year for the aluminium industry and, because these are the two businesses we're in, a tough year for CSR.

Nonetheless, despite these challenges, I believe CSR delivered a credible result and our businesses competed aggressively and successfully with their peers.

When I became Chairman I made a significant personal investment in CSR shares. I did this for three reasons - firstly because I believe in the quality of our brands - Gyprock, Bradford and Monier to name a few.

Secondly because I have great confidence in our CEO, Rob Sindel and his team and their ability to deliver a strategy for long term growth.

Thirdly because I wanted my interests to be completely aligned with yours, the shareholders.

It's no surprise therefore that the decline in CSR's share price over the year, and particularly recently, has been of great concern to me, as it has to my colleagues on the Board.

So, coming here today, I asked myself what are the key questions, as a shareholder, I would ask the Chairman of CSR. You all deserve some answers.

1. **My first question is: why is our share price so low, and why has it declined more than some of our construction material peers?**

There are many factors which determine a company's share price, but I would like to point to a few in particular.

Essentially, our core Australian residential and commercial construction markets are under extreme pressure, despite strong underlying demand for housing. And, while we see reasons for optimism in the medium term when sentiment improves, both sectors are likely to remain challenging in the short term.

The most significant impact on our share price, is probably the downward pressure on the Australian dollar price for aluminium. Analysts have scaled back their estimate for aluminium prices recently and this is almost certainly the single biggest contributor to our recent share price decline. Shareholders must understand that it is a series of macro global factors that influences the price of aluminium, not CSR’s performance or its adoption of particular strategic initiatives.

Thirdly, concerns also remain around the performance of Viridian glass, which bears the brunt of both construction and currency pressures.

I'll talk more about these last two issues in a moment.

2. My next question is: looking back, did CSR make the right decision in selling Sucrogen 18 months ago?

The answer is “absolutely”. The sale price of $1.75 billion was a fantastic price for this business, equating to about 23 times ten year average Earnings Before Interest and Tax – the sale enabled us to return $800 million to shareholders and, critically, to repay all outstanding debt of the company. Largely as a result of this, we ended this year with a net cash position of $56 million. At a time of tight liquidity in debt markets and with pressure on earnings in our two operating businesses, it is great to have a balance sheet in such good shape.

3. My third question: why did our Aluminium division see earnings decline by 28% last year?

Earnings from our investment in the Tomago smelter fell primarily because the benchmark LME aluminium price declined almost 20% during the financial year in both US dollar and Australian dollar terms while input costs, including petroleum coke, increased.

As I’ve said, these are factors completely outside of our control. Our local and global industry peers have suffered similarly and we have seen the announced closure of the Kurri Kurri smelter and the federal government's assistance package at Port Henry. The share prices of aluminium companies around the world are also under pressure with Alcoa in the US, for example, down over 50% in the last year.

This might be an appropriate point to mention the carbon price introduced earlier this month. CSR recognises the impact of climate change but has constantly said that we do not support taxing Australian manufacturing industry, particularly where international competitiveness is impacted, as it simply drives jobs offshore.

If the government is serious about carbon reduction in our sector, then the approach must be broader and also address energy efficiency in the built environment, which Rob will discuss further a bit later.

CSR's view is that, at a minimum, the price of $23 per tonne introduced on 1 July should be urgently revisited to reflect the challenges our economy faces and to bring it more in line with the price of carbon in other parts of the world where trading schemes exist.

In the meantime, Tomago Aluminium is undertaking a restructure of its operations including the reduction of about 100 roles and changes to maintenance budgets as we endeavour to compete globally at current market prices.

On a more positive note, Tomago has one of the lowest production costs of any aluminium producer in Australia and last year we still achieved an attractive return on our funds employed in this business.

Finally on Aluminium, you may be aware that in October last year, Rio Tinto announced the formation of a new business unit to be called Pacific Aluminium, which will include its 51% share in Tomago. Rio also announced its intention to divest this new division at some point in the future.

CSR's strategy remains focused primarily on building products. We are assessing a number of options which may emerge from Rio Tinto's stated intentions, with the principle objective of ensuring that shareholder value is maximised, as a result of any change in the ownership structure of Tomago.

4. My fourth question: why is Viridian glass still losing money and can you fix it?

The performance of Viridian continues to be extremely disappointing. Neither I nor your CEO are hiding behind the fact that we were not party to the decision to acquire Viridian in 2007. Far from it – we want to fix it, even in the face of some very strong headwinds. Turning around Viridian can deliver as much upside as a major acquisition, without the associated investment.

Although we reported an EBIT loss of $19 million, Viridian's EBITDA, which excludes non-cash depreciation charges and therefore - I think - better reflects Viridian's underlying trading results, was positive at $5.3 million, and enabled a positive operating cash result to be achieved for the year.

The stark reality is that with the high fixed costs associated with glass production we need a significant pick up in construction markets, and hence glass volumes, preferably combined with a lower Australian dollar to make imported glass more expensive, before we can start delivering the sort of returns that shareholders expect from Viridian.

We are not resting on our laurels waiting for this to happen - we are working hard to reduce our cost base and improve operational efficiency and service to our customers. We have restructured our Primary Products line to stop production of low margin products and merged two laminating lines into one more efficient line in Victoria.

In New Zealand we established a joint venture with Euroglass which will enable us to rationalise our respective glass processing sites and generate cost savings across the two businesses.

5. My next question is: how is CSR's management performing and is their remuneration appropriate?

These are pretty challenging times for our management team. The board remains impressed with the commitment and determination of our CEO, Rob Sindel, the executive team and all of our employees across the company. Rob has shown strong leadership and continues to put the interests of CSR first, in everything he does.

It is, however, a fair question to ask whether our remuneration practices are appropriate in a year when EBIT was down 26% and the share price fell 46%. I will review this in more detail when we are preparing to vote on the remuneration report.

However, it will not have escaped shareholders notice that there are a few "Positions Vacant" signs over the doors of our competitors at the moment, and we must ensure that we retain our talent and position the business for the longer term.

6. My sixth question: how is CSR managing its asbestos liability?

I should say from the outset, that our liability is largely stable and well managed and it is good to see favourable movements in our Australian asbestos liability.

However, shareholders may have noticed that, CSR's liability in the United States has increased in recent years.

This has been brought about, in large part, by an increase in settlement values, rather than the number of cases, attributable to the unique and sometimes inequitable nature of, the US legal system. Large amounts of money finds its way to plaintiff lawyers, rather than claimants, in cases which, in many instances would fail under Australian law.

CSR's primary commitment is to its shareholders and to meeting valid claims brought against it, as we do in Australia. As Chairman, I will be monitoring all claims in the United States very carefully and have requested that the management team thoroughly review our strategy and obligations in the United States to ensure we are fully utilising all avenues and rights available to us.

7. Last question: so what is CSR's strategy?

Rob will talk more about this in his address. Following the sale of Sucrogen, we are focusing on growing our building products business. In doing so, we are recognising the changes in housing patterns in Australia and the switch from the traditional quarter acre block to a greater focus on multi-dwelling residential developments. We have to adapt our product offering to reflect this change.

Over the last 12 months, our Board has resisted the urge to grow through major acquisitions, preferring to concentrate on smaller opportunities while improving our existing businesses. This is undoubtedly the correct strategy in these challenging economic times, when the need to have a strong balance sheet has never been greater.

Despite the very tough conditions facing CSR at the moment, it is the decisions we make now that will best position CSR as markets recover, and I am confident we have the appropriate strategy, focus and management team to grow this business for shareholders in the long term.

Finally I would like to talk about the changes to the Board. Board renewal is important, particularly so for CSR over the last 18 months.

John retires from the board today after serving CSR shareholders for nine years, he is our longest serving current director and chairs the Risk and Audit Committee. His counsel and experience have been invaluable to the company during a period of significant change following the demerger of Rinker in 2003 and, more recently, with the sale of Sucrogen. John, thank you very much indeed on behalf of your colleagues on the Board, management and shareholders.

We are very pleased to have appointed two new directors to the board in the last year, Mike Ihlein and Rebecca McGrath. You will recall that Mike joined the board at last year's AGM (I bet it feels like a lifetime) and brings extensive experience with him having held executive director positions with Coca-Cola Amatil as chief financial officer, and with Brambles as chief financial officer and CEO.

Mike will replace John as Chair of the Risk and Audit Committee. Rebecca joined the board in February and brings extensive industry experience to CSR across several disciplines including finance, operations and marketing during her career with BP Australia.

In conclusion, and as I said earlier, it has been a particularly tough year for CSR which, ultimately, reflects the state for manufacturing in Australia today. We have all elected to invest in a company which has two divisions – building products and aluminium. This is a choice we've made. Construction activity and the aluminium price are the main contributors to our base profitability. Management, and management strategy, should and does make a difference but it is only part of a much bigger equation.

We have worked hard to reduce costs and align our production to the current market environment and we are competing very successfully. We must maintain our business to be well positioned for when markets improve. I believe we have the people and the strategy to do this.

So, once again, on behalf of the board, I would like to thank our managing director Rob Sindel, his executive team and our 3,600 employees across Australia and New Zealand for their commitment to your company.

Lastly, I want to thank you my fellow shareholders for your continued support of CSR.

We know that you are not happy but I can assure you that CSR's employees are busting their guts to perform in a truly difficult operating environment, working for you, the shareholders.

I now ask Rob to the microphone.