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ADDRESS TO SHAREHOLDERS
Chairman, Dr Ian Blackburne
CSR LIMITED AGM 2011
7 July 2011

Ladies and Gentlemen,

This is my final address to shareholders as Chairman of CSR. I retire at the conclusion of today's meeting.

It has been an absolute privilege to have served initially as an independent Director for four years, and subsequently as Chairman of the board for the past eight years. It has been a challenging and interesting time.

I believe the past 18 months, including our last financial year, has been among the most intense and transformational periods for CSR – certainly in my time.

So today, I would like to provide you an overview of the past year, the challenges we faced, the background to the decisions we made and ultimately the successful outcome we reached in concluding our separation strategy.

I will then invite our recently appointed CEO, Rob Sindel, to outline his plans and overall strategy for CSR.

Year in Review

As I said in my Chairman's Report in this year's Shareholder Review, the year ending 31 March 2011 was a milestone in the 155-year history of CSR.

The sale of our sugar business, Sucrogen, to Wilmar International for $1.75 billion, together with the sale of the Asian business to Rockwool group for $128 million, represents a successful conclusion to our strategy of simplifying our conglomerate business structure.

It has been a focus of the Board for some time, and I want to spend just a couple of moments explaining the rationale and background to this strategy.

For a number of years, we received consistent feedback from investment markets that our conglomerate structure (which since 2003 included the very different businesses of Sugar, Building Products, and Aluminium) was overly complex.

Quite simply, the market was consistent in their view that CSR would have greater investor appeal as a simplified and more focused entity. Ultimately this should deliver long-term shareholder value.

Our strategy was to separate and create two more focused businesses – each with the flexibility to pursue their own distinct strategies.

We did this successfully with the demerger of Rinker in 2003.

However, before another major separation could occur we needed to invest further in our companies – in their assets and in their management - to ensure they were appropriately positioned to compete in their relevant markets as separate companies.

From 2003 to 2010 we invested substantially in the sugar mills, ethanol, renewable electricity generation from cane waste, in bricks, insulation, plasterboard, and in a new building products business, Viridian. Total expenditure, including the Viridian acquisition, was over $1.7 billion. We also recruited new management for development, who in time could take over the separated Sugar and Building Products businesses.

The Global Financial Crisis intervened but by June 2009 we announced our plan to split CSR.

Shareholders might recall we initially planned a demerger of the Sucrogen business. However, we were successful in attracting a trade buyer of Sucrogen which offered greater shareholder value, and ultimately meant the demerger was not required.

So in December last year, after a lengthy regulatory approvals process, we successfully sold Sucrogen for an enterprise value of A$1.75 billion.

For shareholders, and for CSR more broadly, I believe this transaction, together with the sale of the Asian business, delivers a number of benefits.

Let me summarise these.

Price – we achieved a very attractive price for these businesses. For Sucrogen in particular, the sale price of A$1.75 billion equates to about 23 times ten-year historical Earnings Before Interest and Tax – a very good price for a cyclical business which is subject to a range of external factors such as weather, currency and commodity prices.

Ten years earlier, the board could not attract any credible buyer for Sugar, let alone at the value we ultimately realised. It is a credit to the major performance turnaround in Sugar that CSR has achieved over that time.

Value for shareholders – At the prices we attained for these businesses, we were able to return $800 million to our shareholders in a timely and tax effective manner through a special dividend and capital return. These funds were paid in February and March this year.

Strong balance sheet – From the remaining proceeds, we were able to repay all of CSR's outstanding debt. That means CSR is now in a very strong capital position – we are rated BBB+ by Standard and Poor's. It also means that shareholders benefit from the resulting saving in interest related costs. Our very strong financial position also means that CSR can continue to meet its asbestos related liabilities in the responsible manner that we always have.

Simplified structure – The sale means CSR now has a more simplified structure. We have a strong platform for growth as a focused building products company with an investment in a globally cost competitive aluminium smelter.

Focus – CSR has a much clearer focus on what is now our core business – building products. We are already starting to see the benefits of a more focused structure on our smaller businesses such as Hebel and Cemintel which are improving their earnings above market trend.

For all these reasons, we believe the separation represented a very good outcome for CSR shareholders, our company and also our employees.

I think this last point is particularly relevant. Our former colleagues at Sucrogen are now part of a leading regional, agricultural company, Wilmar, which has specific plans to invest in and grow the business in Australia. They will have opportunities, such as that evidenced by Wilmar's recent announcement to acquire the Proserpine sugar assets.

And our CSR Building Products employees are now part of a focused business which is investing in innovative new products and targeting a specific growth agenda which provides greater opportunities for them right across Australia and New Zealand.

The separation strategy was about creating longer term and sustainable value for shareholders.

Its success can't be measured in a matter of months. Indeed in the short term, markets are challenging.

CSR, like virtually all other Australian manufacturing companies, faces the challenges posed by the record high Australian dollar, and high relative interest rates. It faces competition from mining in securing the best people, and naturally we must pay accordingly. Consumers are reserved in their investment decisions, driving continued weakness in residential and commercial construction. We also face uncertain costs in the introduction of new national carbon policies.

These external challenges have been reflected in the share prices of many Australian manufacturing companies and unfortunately CSR is not immune from this impact.

As you can see from this chart, which illustrates the relative share price performance of the various sectors of the Australian economy, those sectors with exposure to the high Australian dollar such as manufacturing have been impacted more than others.

For example, over the past three months, the broader share market has fallen by about 6 per cent, but the building materials sector has fallen further. Indeed this sector has been the second worst performing sector on the ASX this year – down about 12 per cent.

I know this is a concern for shareholders, particularly for those on fixed incomes. The board will do its best to maintain and grow dividends and has adopted a dividend payout ratio at this time of between 60 – 80 per cent of net profit after tax (before significant items) to assist.

However, the simple fact is that the market will determine the price of a company's shares.

In these challenging markets, we remain focused on what we <u>can</u> control.

So we are focused on generating operational efficiencies, ensuring our businesses are equipped to respond to current market conditions and that they are positioned to capitalise on market conditions when they improve.

While the current environment is challenging, I believe CSR is in very good shape to respond.

We are in a very strong financial position.

We are still generating good cashflows at the bottom of the construction cycle – for example our EBITDA last year was over $300 million.

We have strong operating leverage to the cyclical recovery, capacity to invest in our businesses to make them more efficient and opportunities for strategic acquisitions which might become available.

And we have a clear strategy to how we want to grow our businesses.

Rob will provide an outline of this strategy in his address shortly.

Financial Results

While it was a very challenging and busy year on a number of fronts, it was pleasing to see CSR improve its underlying earnings last year.

For the year ended 31 March 2011, CSR's reported total group net profit after tax was $503.4 million. This amount includes the part-year contribution and also the profit on sales of the Sucrogen and Asian insulation businesses which we sold in December 2010.

Our group net profit after tax (pre significant items) for our continuing operations (which do not include Sucrogen and Asian insulation) was $90.2 million, an increase of 13 per cent on the previous year.

Earnings Before Interest and Tax (before significant items) from continuing operations of $212 million were slightly below last year's result of $218 million.

The Board resolved to pay a final dividend of 5.3 cents per share, fully-franked which brings the full year dividend to 14.3 cents per share (adjusted for the 3:1 share consolidation).

The final dividend payment, which shareholders received earlier this week, is in addition to the special dividend and capital return payment made to shareholders, bringing the total amount distributed to shareholders during the year to $1.72 per share (adjusted for the 3:1 share consolidation).

We also re-introduced the dividend reinvestment plan for this dividend which a number of our shareholders asked us to do.

As I said earlier, we used the proceeds of the sale of Sucrogen and the Asian business to return $800 million to our shareholders and repay all outstanding debt. As a result, we ended the year in a very strong financial position with net cash of around $140 million. This strong position is reflected in a BBB+ credit rating from Standard & Poor's.

Board and Management

As a result of the sale of Sucrogen, there were some changes to CSR's Board and management during the year. I would like to discuss these briefly.

Rob Sindel was appointed as Chief Executive Officer of CSR on 1 January this year.

We were delighted to make this internal appointment as part of our succession planning.

Rob is a highly experienced executive in the building and construction industry, both in Australia and overseas and brings significant expertise to CSR.

Having led our Building Products business since September 2009, Rob has been addressing the challenges and opportunities we have right across our portfolio and he has already made a successful transition to his new role as CEO.

Rob succeeds Jeremy Sutcliffe, my fellow director, who was appointed as interim CEO in April last year, with the primary responsibility of completing our separation strategy.

Having successfully completed that transaction, Jeremy returned to his former role as an independent non-executive director with effect from 1 January.

And as we announced earlier this year, Jeremy will become the new chairman of CSR at the conclusion of today's meeting.

Jeremy was formerly a director of Sims Metal Management Limited and was group CEO at Sims from 2002 to 2008. He is currently also a director of Amcor Ltd.

Both Rob's and Jeremy's appointments demonstrate the depth of talent within the Board and senior management at CSR and I wish them both every success in their respective roles.

Rick Lee and Nick Burton Taylor retired from the Board on 11 May 2011.

Rick and Nick made important contributions to CSR during their time on the Board and I would like to acknowledge their efforts throughout 2009 and 2010 in particular, working with the Board through the complex business separation process.

More recently, we announced the appointment of Mike Ihlein to the Board. Mike has significant executive experience across a range of relevant industries and joins the Board at the conclusion of today's meeting – Welcome Mike.

Conclusion

Ladies and Gentlemen, as I said at the start of my address, the past year has been a particularly challenging but ultimately successful period for CSR.

Having completed the sale of Sucrogen and using the proceeds to return funds to our shareholders and repay debt, CSR now emerges as a focused company which is in a very strong financial position.

I want to thank my colleagues on the Board and CSR management for their hard work and determination over the past year.

I also want to acknowledge and thank the 4,000 people across CSR for their contribution in what was a very challenging year.

And I want to thank shareholders for their patience over the past year as we completed this major and complex transaction and also for your continued support of CSR over the years.

CSR is a great Australian company.

I am proud to have served as a Director and Chairman and I look forward to watching CSR's continuing success from the sidelines as the company's moves to the next stage of its progress.

Thank you again.

Now you will have a good opportunity to hear first-hand about our strategic plans as a more focused business.

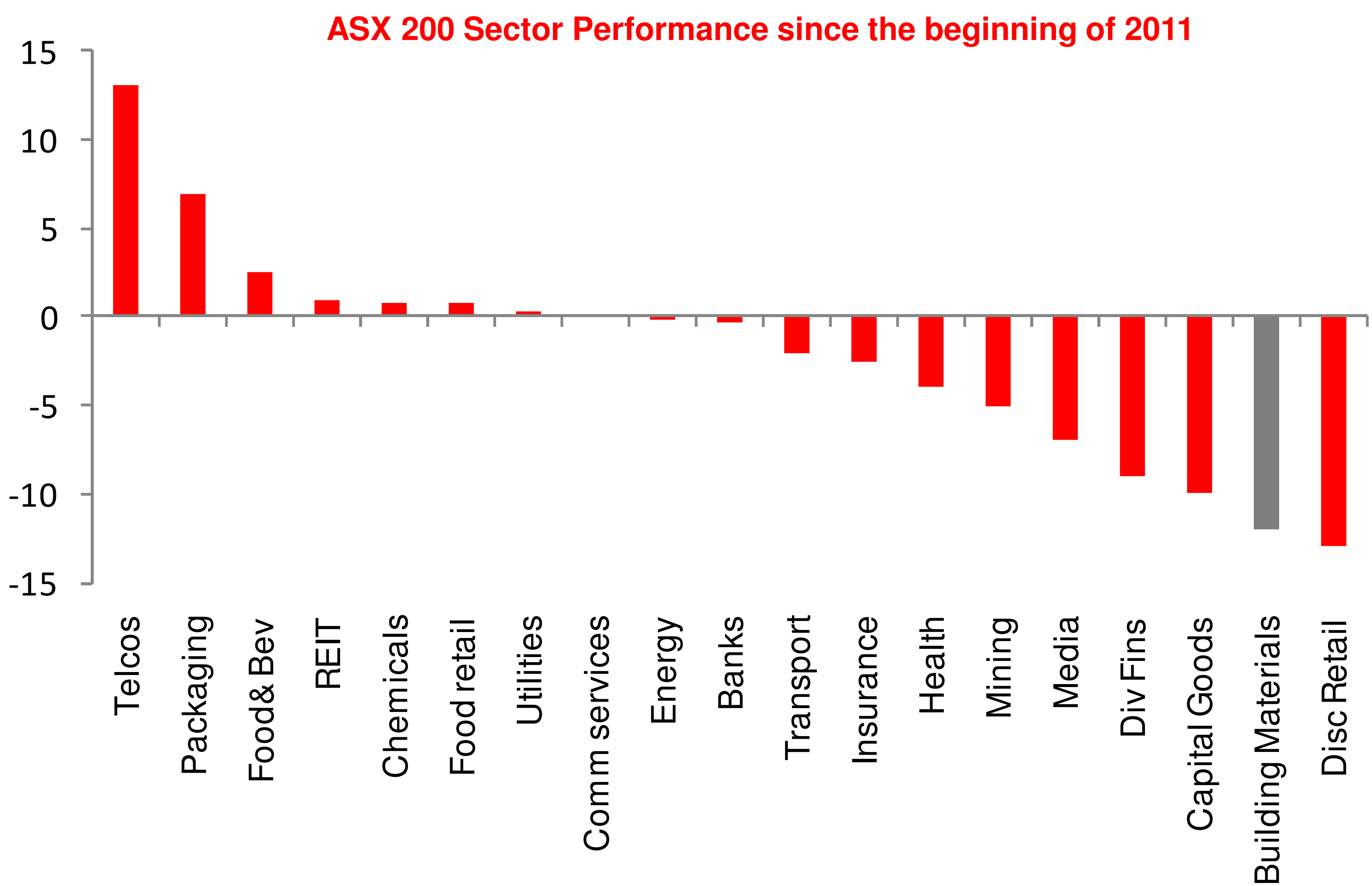
I'll ask Rob to the microphone.

CSR LIMITED ANNUAL GENERAL MEETING 7 JULY 2011

THE NEW CSR
A CLEAR FOCUS

CHAIRMAN'S ADDRESS

ASX 200 share price performance by sector - 2011



Source: Deutsche Bank

Overview of financial result – YEM11

CSR Group	31 March 2011
Reported NPAT	$503.4m
Final dividend	5.3c per share (fully-franked)
Amount distributed to shareholders[1]	$1.72 per share
Net cash position at year end	$139.1m
Long term credit rating	BBB+ outlook stable (*Standard & Poor's)*

1 Amount distributed during the year - adjusted for 3:1 share consolidation