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ADDRESS TO SHAREHOLDERS

Chairman Ian Blackburne
CSR LIMITED AGM 2006
13 July 2006

Ladies and Gentlemen,

I am pleased to report that we are making very good progress in growing CSR's businesses, rewarding shareholders and building relationships with the community.

Financial goals

In the financial year ending March, net operating profit before significant items was up 17% to \$250 million. Profits were driven by better world prices for sugar and aluminium, higher property returns and across-the-board cost savings, which more than compensated for the slowdown in residential housing markets.

Total profit, including significant items, was \$305 million after tax. This result included another partial settlement of long-standing litigation with insurers.

Return on shareholders' funds increased from 19% to almost 22%.

We made use of the company's strong financial position to pursue over \$219 million in growth initiatives. In addition the increase in commodity prices provided an opportunity for the company to hedge a portion of future earnings so that we should have a higher level of sustainable earnings over the next few years.

In line with the strong improvement in profits over the past two years we raised the total dividend by 25% to a fully franked 15 cents a share, which is a payout of 55% of net profit before significant items.

Including the dividend, CSR has returned \$331 million to shareholders for the year, by way of

- A return of capital approved last year by shareholders of \$182 million or 20 cents per share, and
- An on-market buyback that ended in June 2005, and resulted in 5.2 million shares being purchased at an average price of \$2.37 a share.

Both are important value-creating initiatives in line with our financial goal to maximise returns to our shareholders while retaining flexibility for growth. The capital return gives CSR a capital structure more appropriate to our range of businesses and liabilities, while the buyback has been a good investment that has helped lift our earnings per share and return on equity, by reducing the number of shares available on the market. Just this week, CSR has announced its intention to commence another on-market buyback program up to 5% of capital.



The company's share price continues to reflect our stronger performance. Over three years from 1st April 2003 to 30th June 2006, CSR's average return to shareholders has been 36% per annum. This result has outperformed the benchmark of the Australian share market, the S&P/ASX 200 accumulation index, which returned 24% per annum over the same period.

So in summary the company's diversified combination of businesses produced another year of good overall performance.

In a few moments, our Managing Director Alec Brennan will speak to you in a little more detail about that performance and the plans for further growing shareholder value.

Sustainability goals

As well as reporting on financial goals, I would like to update you briefly on our progress in pursuit of sustainability goals.

A prime goal of the board is to protect the safety and health of our people, our contractors and the public as well as to minimise the impact of the company's operations on the environment. The board's Safety, Health and Environment Committee keeps a close and active overview on the management of the company's responsibilities.

We want everyone to return home safely from work every day. Intensified efforts to improve safety over the past three years have reduced the severity rate of injuries by nearly 50% and the rate of recordable injuries and lost time injuries by 33%. Our goal remains zero injuries.

We have similarly stepped up efforts aimed at minimising our environmental impact, including usage of water and raw materials, and reducing the amount of waste and emissions we produce. Each business has initiatives in place and I encourage you to read more about them in the Annual report. I have been personally impressed by some of the recycling initiatives and the significant reductions in water usage achieved in manufacturing and sugar milling this year.

As well as minimising our environmental footprint, CSR is taking a leading role in Australia supplying products which positively improve the environment, such as insulation products which enhance the energy efficiency of buildings — and supplying renewable energy such as electricity and ethanol.

Community support

It is our policy for the company to act responsibly always, ensuring that our people deal effectively and appropriately with the communities in which we operate, to encourage and earn their support.

One very important long term commitment arises from the fact that the CSR group was involved in asbestos production many years ago. Each year we continue to compensate people who were injured as a result of their exposure.

I'm sure you are aware that Cyclone Larry had a devastating impact last summer on the Innisfail region in North Queensland. I am happy to tell you that CSR people donated generously to the cyclone disaster relief appeal, and the company donated \$3 for every \$1 contributed by employees, providing a total cash donation of \$150,000.

As a company, CSR was more fortunate in that the cyclone did not affect our own operations which are a little further south. So we have been helping our neighbours affected in Innisfail in other ways also, such as our provision of people and equipment to repair sugar mills before the harvesting season began.

We have a Community Support Program in which CSR people may donate a portion of their salary to 14 Australian charities selected by them. Usually the company matches donations dollar for dollar.

In the 2005 calendar year, because it was the company's 150th anniversary we matched every \$1.00 donation from employees with a higher \$1.50 donation. Employees and the company

raised a total of \$385,000 for charities via this program.

While the Annual Report must fully inform you on the business, it also needs to meet the growing statutory and social demands placed on companies. We are pleased that our Annual Report has consistently been recognized through the Australasian Reporting Awards. This year we have devoted a greater proportion of our current annual report to a CSR Sustainability Report, in which we share with you the progress made on safety issues, protection of the environment and relations with the communities in which we operate.

Corporate governance

I would now like to turn to corporate governance, the principles by which the company and your investment in it are managed. This is the framework within which:

- the board is accountable to shareholders for the operations, profit performance and growth of the company;
- the financial risks of business are identified and mitigated; and
- CSR's values and behaviour underpin the way we do business.

Good corporate governance is critically important to the continuing trust of everyone with a stake in CSR, whether they are shareholders, customers, employees, the community or government. So a strong corporate governance culture, including transparency and accountability, and strict adherence to CSR's code of business conduct and ethics, will continue to be very important to your board.

The updated details of our corporate governance structure and processes are described in detail in our annual report, starting on page 28.

Remuneration is an important part of the governance responsibility of the board and later we will discuss in more detail the Remuneration Report which forms part of the Directors' Statutory Report to shareholders.

Because corporate governance including remuneration are of particular public interest, we value feedback from our shareholders. I will invite you to ask questions about these aspects of the annual report and any other issues you would like to raise a little later in the meeting.

Outlook and Strategy for Growth

Let me turn to the way ahead.

CSR's people have been working hard to improve the company's operations to get full value from our assets, and we have been investing also for growth in areas that enhance our operations. Last year, we drew upon the company's strong financial position to invest over \$219 million in growth. These investments should provide the base for further profit improvement in the years ahead.

We'll hear in a few moments some detail on the outlook, but the bottom line is that we expect this coming year to achieve an overall EBIT around 10% ahead of last year, excluding any significant items.

I would like to restate our overall strategy, which is to optimise the performance of our businesses and invest in growth to maximise value and therefore, returns for you as a shareholder, consistently with CSR's values.

Managing Director Alec Brennan

In just a moment it will be my pleasure to call on Alec Brennan. But before doing so, on behalf of you and the board I would like to thank all of CSR's management and employees for their considerable efforts. I want to acknowledge also my colleagues on the board for their important contribution.

I am confident that CSR's diversified range of businesses and team of skilled and competent people will continue to provide you the shareholders, with strong returns.

This morning especially I want to acknowledge very gratefully our CEO and report to you on his succession. As you know Alec has elected to retire at the end of his current contract in March 2007. He will be making a well-earned career change from management life.

The Board has a successor search under way to find a suitable replacement, and currently we are assessing possible candidates who are both internal and external to CSR. We are working towards a smooth handover by March.

Alec Brennan has worked tirelessly for CSR in a wide range of capacities for 37 years and in that time there is hardly a business or senior function of the company in which he hasn't served. He has held senior management roles in raw sugar marketing, sugar refining, aluminium, building products and construction materials. Alec has been a director of the Board since 1996, and Managing Director since March 2003.

Prior to his appointment as chief executive, Alec had been Deputy Managing Director and head of strategy responsible for developing and implementing the company's restructure which led to the demerger of CSR and Rinker. This is undoubtedly one of the great milestones in CSR's long history.

It's far too early for everyone to say their goodbyes to Alec – we have many months yet in which to benefit from his contributions. But as there is no scheduled meeting of shareholders in that period, this may be his last CSR general meeting as the company's managing director.

Therefore at this time, I would like thank you, Alec, on behalf of the board and all present for your enormous contribution to the shareholders, including a powerful commitment at all times to gaining the best longer term strategic results for the company.

Under your leadership we have developed strong, experienced teams leading each of CSR's businesses, and I know you are working hard with them to ensure that your final year continues the growth achieved during your tenure, just as you are working with the board to ensure for the company a smooth and successful hand over.

We have greatly appreciated your considerable efforts.

It is now my pleasure to invite our Managing Director Alec Brennan to tell you about the strong platform that he has created for CSR's future.

Ladies and gentlemen, I thank you for your support of CSR.

ADDRESS TO SHAREHOLDERS
Managing Director Alec Brennan
CSR LIMITED AGM 2006
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Thank you Ian

Fellow shareholders,

As Ian has noted, our company performed well last year, helped by stronger aluminium and sugar prices, which more than offset the difficult trading conditions for our building products businesses. Our overall performance was also helped by solid returns from our property activities and a significant settlement in our long running insurance litigation.

CSR's business mix is unusual. They are businesses which have come together as a result of history rather than from any strategic planning dictate — and they are largely in manufacturing which has a shrinking role in the Australian economy. Nevertheless they have been and will continue to be a strong and sustainable source of earnings for shareholders.

We have pursued a three pronged approach to deliver value to shareholders from this portfolio:

Firstly we have worked to build on the strengths of the CSR businesses.

CSR businesses have good cost positions against imports and our commodity manufacturing businesses have positions at the most competitive end of the global cost curve.

Our businesses also have leading market positions and strong brands that are well known and respected in the market place. We have been around a long time and people know that we make products they can trust and rely on.

Over the past three years we have worked hard to build on these core strengths. The focus has been very much on getting the basics right.

- Better safety and environmental performance
- Better factory reliability and distribution efficiency
- A better cost position and better capability to respond to market demand
- More deliveries on time and in full
- New products and services to better meet customer needs

The achievement of these goals has taken sustained effort by a large number of CSR people and we are proud of the progress we have made and the results we have been able to deliver, especially given the sometimes difficult market circumstances we've faced.

Secondly we have pursued a range of growth initiatives

Our growth and development agenda is closely allied to our existing business base. Over the past three years we have spent more than \$500 million on a range of value adding growth projects such as the expansion at the Tomago Aluminium smelter, a major renewable electricity plant at one of our sugar mills, and a range of projects across our building products operations in both Australia and in China.

Thirdly we have pursued and continue to pursue active capital management

We prefer to return surplus cash to shareholders, either through dividends, by capital return or through share buybacks. As Ian has mentioned, in the last 12 months we returned \$330 million to shareholders, mainly by way of dividend and capital return. We remain confident of our capacity to fund future projects either from our strong internal cash flows or from debt or, in an appropriate case, with further capital from our shareholders.

Together these three elements have helped us to deliver significant value to shareholders.

BUSINESS REVIEW

I would now like to say a little about our performance last year and what this year is expected to bring.

Overall earnings

Overall earnings before interest, tax and significant items rose 16% to \$417 million. Our operating activities continued to generate strong cash flows of \$317 million.

CSR's gearing – the ratio of debt to debt plus equity – increased to 30% as a result of the capital return. However our gearing remains at modest levels and strong cash flows support our flexibility for growth.

Building Products

Building Products' revenue rose 5% to \$974 million helped by increased sales volumes in the Asian insulation business and contributions from new products.

However, due to the sharp downturn in residential building in our main markets of east coast Australia – especially New South Wales and south-east Queensland – earnings before tax was down 9% to \$102 million, excluding \$21 million of one-off costs for closing two plants. We completed a major expansion of the Bradford insulation factory at Ingleburn in NSW and we have nearly completed a new low cost brick line at Oxley in south-east Queensland both of which place us well for the expected upturn in residential building.

Turning to the outlook for this year, all east coast markets remain weak with the NSW market in particular being even weaker than we expected a few months ago. There are differing views as to the likely timing of a recovery in the market as you can see from this slide. We expect the recovery some time in calendar year 2007. Given this outlook we expect earnings before tax to fall short of last year (excluding one-off costs).

However, in the medium term we remain positive about the outlook for residential building. High levels of migration continue to drive the demand for new dwellings and we expect to see a solid rebound in east coast markets. We are in good shape to take advantage of the eventual turn around in the building materials market, and we will continue to work on aggressively improving operational performance and growing sensibly to ensure we take full advantage of the next up-cycle.

Aluminium

CSR has a 70% share of Gove Aluminium Finance Limited which owns 36% of the Tomago smelter in the Hunter Valley.

Last year, our share of Gove Aluminium's earnings before tax rose 10% to \$156.1 million and the average realised aluminium price rose marginally to A\$2,820 a tonne. The smelter increased its output with the progressive ramping up of production that has followed the 15% expansion project in 2004.

For the current year ending March 2007, more than 90% of our exposure to aluminium sales

volume and currency has already been hedged and with production levelling off, we expect our earnings this year will be lower than last year.

Given the cyclical nature of CSR's businesses, we have over many years used long term hedging to stabilise the returns from our aluminium business and in turn stabilise CSR's earnings. Over the last five years, the impact of hedging on the performance of this business is shown in this slide. While our overall returns for the period are well ahead of where they would be if we had not hedged, we will give some of this benefit back this year given the high spot prices.

Looking further forward, we have used the current period of high prices to lock in returns at a level significantly above what we have seen over the past five years.

Sugar

Now let's turn to our Sugar operations.

Last year, returns were boosted by a strong lift in raw sugar prices as global sugar demand outstripped supply, following poor crops in competitor countries and a shift to ethanol production from sugar in Brazil.

Trading revenue rose 42% to \$1,368 million and earnings before interest and tax lifted 27% to \$124 million. This was despite 2005 being a difficult season for growing and milling sugarcane.

We are working with others in the Australian sugar industry to improve its long term sustainability and viability in a deregulated environment. Both the Australian and Queensland Governments have played important roles in helping the industry to adjust and we certainly appreciate their assistance. Good progress has been made on lifting productivity in some areas, but it is important that the current period of high prices does not stall the many improvement initiatives.

On the marketing side, the final stage of deregulation of the sugar industry was completed in January 2006, with the establishment of a voluntary marketing organisation for Queensland's raw sugar exports. CSR is continuing to work with the voluntary single desk marketer, Queensland Sugar Limited to ensure smooth marketing of Australia's raw sugar exports.

The renewable electricity plant at Pioneer raw sugar mill, North Queensland, started generating power in August 2005. This season it will generate enough power to supply 81,000 homes and save 165,000 tonnes of greenhouse gases. We have capability to produce a lot more renewable electricity but this will not happen until the current 'Mandatory Renewable Energy Target' scheme that supports it, gets an overhaul.

We are investing \$15 million at our Sarina distillery, in Queensland, to produce 32 million litres of fuel grade ethanol — which is due to come on stream in the next few weeks. There is now a much stronger interest in ethanol for fuel and in March this year we contracted to supply BP with ethanol in Queensland to blend into its fuel.

With 80% of Australia's raw sugar exported, the success of our sugar business continues to depend very much on world sugar prices. Having watched the extreme volatility of world sugar prices for the last 40 years it is a brave person that makes a forecast. However, the fundamentals for the market are probably in their best state for many years. Sharp cuts in European production, a strengthening Brazilian currency, and the continuing strong interest in fuel ethanol should all help to underpin a better long term price than we have seen over the past few years.

We have taken the opportunity for the next few years to lock in about one third of our future pricing at levels well above what we have seen over the past three years but the balance remains subject to future movements in the world sugar price.

Turning to the outlook for this season, growing conditions in Queensland have been wet and overcast in some areas and we expect the sugarcane crop to be down on last season's record, with the quantity of raw sugar produced also down marginally. While the start of crushing has been delayed we are now underway.

With the improved world price outlook we are looking more actively for growth opportunities in order to capitalise on CSR's strong position in the global sugar industry. This could include future investment in Brazil, given its dominance as a global producer.

The profit outlook for this year remains dependent on prices over the next six months or so. As is usual by this time of year, about 60% of the crop is now priced and the continuing strong prices since our results announcement in May should ensure that an average price in excess of \$400 per tonne is achieved. Accordingly, we expect a significant improvement in Sugar EBIT this year.

Property

Our property business, involves maximising returns from the development or sale of former industrial sites. We have a number of properties in various stages of development which will deliver significant returns over the longer term.

Last year, EBIT grew very strongly to \$76 million, up from \$27 million. Major sales of industrially zoned land at CSR's Erskine Park site significantly contributed to the increase, helped by two property related settlements.

This year, marketing of the Peregrine Heights residential estate, a restored quarry in Ferntree Gully near Melbourne's Dandenong National Park is now getting under way and we are testing the market for a further major sale at Erskine Park.

Year on year property returns are difficult to predict as they are always dependent on specific transactions. Our current view is that property returns for this year are likely to be lower than last year's exceptional level.

OUTLOOK

Now, let's look at the overall outlook for the current year.

When we released our results for the year ending March 2006 back in May, we said that if sugar prices remained strong, we expected to achieve overall earnings before interest and tax for the group around 10% above last year, excluding one-off items. As discussed earlier a number of things have changed since that time, particularly the level of weakness in some building products markets. However as long as sugar prices remain reasonably strong, we see no reason to change our guidance.

CSR has a portfolio of solid businesses, each of which is a strong cash generator. We have an excellent team of people managing and working in our businesses, most of whom are also shareholders in the company.

Every business has performance enhancement goals and we are working together to strengthen and grow the CSR group for the longer term.

I want to thank all of my fellow employees for their contribution to the company over the past year and their commitment to its strong future.

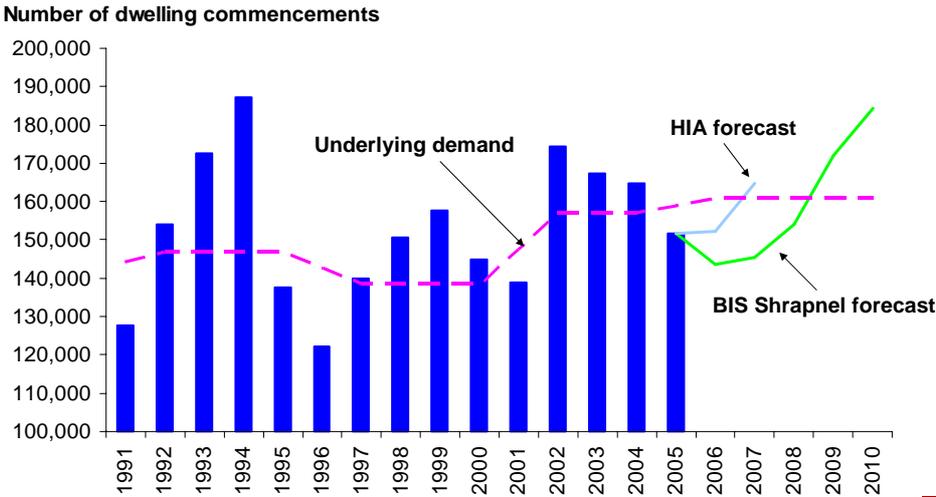
I would also like to thank you, our shareholders, for your continued support for CSR and on this occasion the support that you have given me over the past decade during my time as a director of CSR.

Thank you for your continued support of CSR.



BE SURE WITH **CSR**

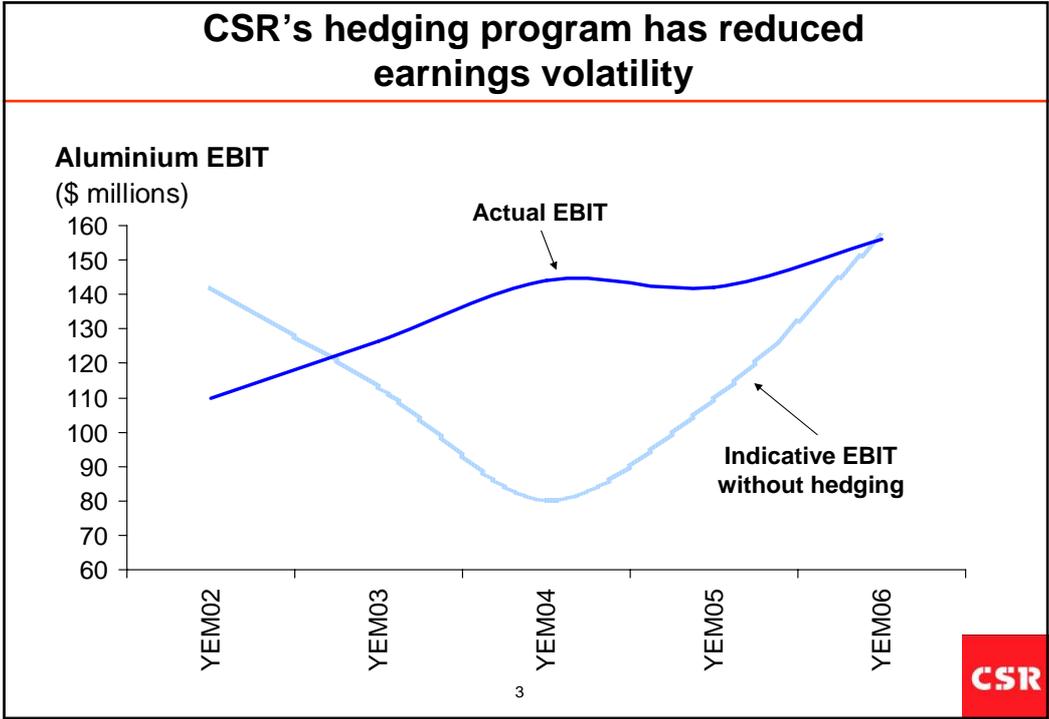
Australian building activity outlook



Source ABS, BIS Shrapnel



CSR's hedging program has reduced earnings volatility



Sugar prices

