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
Managing Director, Mr Jeremy Sutcliffe
CSR LIMITED AGM 2010
8 July 2010

Thanks Ian.

Ladies and Gentlemen, as the Chairman said, this has truly been a momentous week for CSR, perhaps one of the most important in CSR's 155 year history.

We have undertaken a company transforming transaction with the sale of our sugar business, Sucrogen, to Wilmar International for $A1.75 billion.

As we all know, CSR is one of Australia's oldest companies – founded in Sydney in 1855 as the Colonial Sugar Refining Company.

Throughout its history, CSR has acquired and sold many businesses across different industries and geographies, but possibly none as significant as this.

It may be a time to be a little nostalgic, but it is most certainly a time to be very excited.

It means that CSR will now become a very focused and strongly capitalised Building Products company throughout Australia and New Zealand, with a strategic investment in Aluminium.

But it also means that the Sucrogen business can continue to grow as part of one of Asia's leading agribusiness groups.

I will now talk further about the proposed sale and then give you an update on our businesses.

BUSINESS SEPARATION

This time last year I stood before you seeking re-election as a non executive director – little did I know that I would be addressing you at this year's AGM as managing director.

But I was delighted to accept the challenge to progress the company's separation strategy.

So if all goes to plan, this will in fact be both the *first* and *last* time you will hear an address from me as managing director of CSR.

It will have been more of a 1,500 metre race for me rather than the epic marathon endured by the Board and management of CSR. I would like to thank my Board colleagues for their patience and resilience, fellow executive director, Shane Gannon and particularly Chris Bertuch, who has played a crucial role in bringing about the separation.

Over the past 12 months our company secretary, Kevin Kalinko, Group Financial Controller, Renee Van Vugt and her team, and Martin Cole, General Manager of Investor Relations, to name but a few, have worked tirelessly and I thank them also.

Back to the sale itself.

From talking to many investors in recent months, I firmly believe that the vast majority of our shareholders will support the Board's decision that the sale of Sucrogen to Wilmar International for an enterprise value of A$1.75 billion was in the best interests of CSR shareholders.

The Board believes that:

- Firstly, the sale price is extremely attractive and delivers significant value to shareholders;
- Secondly, the sale provides the Sucrogen business with the opportunity to develop its already strong operations in raw sugar, refining and renewable energy as part of a leading agribusiness in the Asian region; and
- Thirdly, it enables CSR to focus on our building products business, which will be a strongly capitalised company across Australia/New Zealand, and to grow and develop it successfully and sustainably for the longer term

In reaching its decision, the Board carefully weighed up the alternatives and was particularly mindful of CSR's ongoing responsibilities with respect to its asbestos liabilities.

We expect to complete the sale during, or before, the last quarter of 2010, subject, of course, to conditions such as Foreign Investment Review Board approval in Australia, the equivalent approval in New Zealand, and other customary conditions .

So who is Wilmar?

Wilmar is the largest Asian agribusiness and one of the largest listed companies on the Singapore Stock Exchange. It has a market capitalisation of approximately A$31 billion and extensive global operations located in over 20 countries across four continents, primarily focused on Indonesia, Malaysia, China, India and Europe.

Wilmar employs over 80,000 people and operates over 300 processing plants. They have an extensive distribution network and sell their products to more than 50 countries globally.

The acquisition of Sucrogen represents the first step in Wilmar's ambition to develop a major integrated sugar business comprising cane plantations, milling, trading, refining and distribution in Australia and Asia.

CAPITAL MANAGEMENT

The net proceeds from the sale will depend on CSR's capital gains tax liability from the sale, transaction costs and other sale adjustments. Indicatively, we expect the proceeds to be approximately $A1.6 billion.

The Board will now evaluate a range of capital management options to use these proceeds efficiently, including debt repayment and a return of funds to shareholders.

This will be in conjunction with a review of the strategic opportunities available to New CSR and the capital required to fund that strategy.

As I said earlier, CSR continues to accept its responsibilities with respect to its asbestos liabilities and we will maintain a responsible capital structure to support our future obligations.

Ladies and Gentlemen, the separation of our businesses has taken a long time and like Ian, I would like to acknowledge your patience and understanding as we worked through this process.

MANAGING OUR BUSINESSES

It is important to note that during this process we did not lose sight of managing our businesses effectively and sustainably.

Ultimately, this is what creates shareholder value.

As part of our separation strategy, we deliberately moved towards separating our businesses in an operational sense to enable the management of CSR Building Products and Sucrogen to focus exclusively on running their businesses.

I'd now like to introduce you to Rob Sindel, CEO, CSR Building Products who will succeed me as CEO of CSR Ltd after the sale to Wilmar is complete. I would also like to introduce you to Ian Glasson, CEO, Sucrogen.

Ian and his management team have done a tremendous job balancing the need to assist the corporate team on the separation process with keeping the Sucrogen business in such good shape. The value that the team brings has been recognised in the sale price and I wish them all well once Sucrogen joins the Wilmar family of companies.

One specific area I do want to comment on is safety – because it is fundamental to everything we do.

Our safety performance across CSR last year as measured by the Lost Time Injury Frequency Rate improved by 23% while the Total Recordable Injury Frequency Rate improved just slightly, by 2%.

So while our safety performance is improving, we are not yet at the level we should be. I am not yet satisfied and will not be satisfied until we deliver "best practice" safety performance. Our managers know this.

Safety must be led from the top and requires a cultural and behavioural focus on embedding safety as the absolute priority across all our businesses at all levels.

Priority is being given to this issue by both Rob at CSR Building Products and Ian at Sucrogen. I look forward to seeing a sustainable improvement across all our businesses in the coming year. The success of our business must first be measured in this context.

Turning to our individual businesses

Building Products

.
Despite housing starts being down 17% on last year, on a 2 quarter lag basis, we were able to maintain profitability with EBIT of $115 million, only down slightly from $117.9 million last year, on trading revenue of $1.51 billion.

The year on year decline in profit in our glass business was offset by the good performance in Insulation and Asia. Pleasingly, the businesses also benefited from stable gross margin percentages despite adverse market conditions - we achieved this through pricing discipline and significant underlying operating cost improvements.

We spent a lot of time realigning our overhead costs in each of the businesses and bringing all the back office administration functions on to one location at North Ryde.

Volumes for Gyprock™ were impacted by weaker market conditions, for most of the year, particularly in commercial markets, however volume declines were partially offset by price increases and continued cost control.

In Bradford™ Insulation, revenue and EBIT increased due to the Federal Government insulation rebate scheme, although that trend has now reversed following the scheme's abrupt termination. In response, we had no alternative but to reduce headcount and re-align manufacturing at each of our factories.

In Bricks and Roofing we had a good result particularly in rooftiles as residential markets started to recover in the second half. We rationalised some of our operations, including mothballing a brick plant at Cooroy and transferring production to Oxley.

The Chairman has already addressed the performance of Viridian™ and, as he indicated, it was a disappointing result with a loss of $1.6 million on revenue of $379.7 million.

We are however starting to turn that business around and I am encouraged by some of the key performance indicators, such as an increase in customer service as measured by DIFOT and an improvement in safety performance, which was very poor at the time of the acquisition.

Overall in Building Products we performed well last year.

We completed some small scale acquisitions, such as purchasing a ceiling tile business in Australia/New Zealand, to strengthen our market position in key product categories.

And just this week, we entered into an agreement to sell our Asian insulation business to the Rockwool Group for A$128 million. This is in line with shifting our strategic focus to the Australian/New Zealand building products markets where we have strong market positions, good channels to market and brand leadership.

Our remaining core businesses are now well positioned to capitalise on improving longer term market trends.

Aluminium

Our Aluminium business - Gove Aluminium Finance - achieved a strong result with EBIT of $123.5 million up 12 per cent on last year.

Revenue actually fell 6%, reflecting the lower average realised aluminium price but lower operating and input costs assisted in achieving the result.

Our share of sales volume from the Tomago aluminium smelter was a record 191,000 tonnes, compared to 186,000 tonnes in the previous year.

The Tomago smelter retains its competitive position within the third decile of the global aluminium cost curve. Gove Aluminium Finance also maintained its long established customer base and we have about 90 per cent of our sales locked in for this current year.

Property

Given the continued soft conditions for industrial property, our property business had a tough year as sales of industrial land slowed, particularly in Western Sydney and Brisbane.

As a result EBIT fell to $12.8 million compared to $25.1 million last year. CSR also reduced capital expenditure in light of the market conditions.

We are buoyed by comments by the big property players and the banks' renewed willingness to lend to this sector. We hope therefore to see the return of more traditional valuations, and increased sales over the medium term.

The two sales we did make during the year were to blue chip clients and our valuable land holdings provide many interesting opportunities for the medium term.

Sucrogen

We had a very strong result in Sugar last year.

EBIT at $135.7 million was significantly ahead of last year's result. The average realised raw sugar price increased from A$325 per tonne the previous year, to A$427 per tonne last year.

Our Return on Funds Employed improved significantly to 12.2%.

We are continuing to make improvements in mills reliability. The three year process to refurbish critical equipment, improve cost efficiencies and increase sugar recovery really paid dividends.

In another positive development, the land area under cane continues to improve, through a combination of higher sugar prices, planting incentives and the Sucrogen grower forward pricing scheme which we introduced last season.

Around 70 per cent of growers are now taking the opportunity to hedge prices for future seasons.

Earnings from our Sweeteners (or Refining) business continued to increase with EBIT up 19 per cent. The increase was due primarily to improved margins, particularly in the food and beverage sector.

Our volumes in both Australia and New Zealand were slightly lower than last year, primarily in response to higher sugar prices which have a minor impact on demand in some product categories.

EBIT in BioEthanol did fall by nearly two thirds to $4 million. Margins were impacted by the high price of molasses which is our key feedstock in producing ethanol.

We continued to invest for the long term and Sucrogen announced plans to increase its renewable energy capacity. We have now commenced construction of an expanded electricity cogeneration facility at our Victoria sugar mill in the Herbert region which will export an additional 12MW of electricity per year to the QLD grid from next year.

OUTLOOK

Having reviewed the business operations, let me now turn towards the outlook for our businesses.

In line with economic activity, conditions across CSR's businesses remain uncertain making it very difficult to predict full year earnings with accuracy.

Commodity prices, including aluminium, continue to fluctuate which CSR attempts to mitigate through hedging of the physical commodity and currency where commercially practicable.

Given this high degree of uncertainty, and at this early stage of the financial year, CSR considers it more appropriate to provide a general directional outlook for the businesses rather than specific earnings guidance.

In **Building Products** housing commencements in Australia for the December 2009 and March 2010 quarters have increased on previous corresponding periods; however, the recent moderation in leading indicators (namely finance approvals and housing approvals) means the sustainability of any longer term increase in commencements remains unclear. Commercial construction activity continues to be weak.

On this basis, CSR is maintaining its current estimate of Australian housing commencements of 146,000 on a one quarter lag basis to 31 March 2011 (YEM11).

In **Aluminium** as disclosed at year end, Gove Aluminium Finance has a lower proportion of hedging than in prior years, given lower metal prices throughout 2009 when hedging would otherwise have occurred. The US$ spot price of Aluminium has also declined by around 20 per cent from mid April 2010.

As a result, GAF has not materially added to its hedge book and currently has around 35 per cent of net aluminium exposure hedged at A$3,157 per tonne for YEM11. Consequently, full year earnings will be largely dependent on the A$ spot price of aluminium for the remainder of the year.

In Property, while market conditions remain soft, CSR continues to focus on specific sales from within its pipeline of projects. CSR is currently in negotiation to sell one of its residential development projects in south east Queensland to reduce project risk and to avoid the associated capital commitment with the project.

Sucrogen has added to its hedge book since the year end and now has around 80 per cent of its YEM11 crop priced at A$435 per tonne IPS. Crushing has commenced slightly earlier than last year, however, there has been some minimal disruption due to industrial action in the sugar mills and a little rain on start up.

Earnings in sugar will, as usual, be subject to raw sugar prices and weather.

So, while CSR remains subject to the knock on effects of the global economy we are confident of optimising our assets as best as we can, in whatever environment we face, for the balance of the financial year.

CONCLUSION

Ladies and Gentlemen, as Ian said it has been a busy year for CSR – but for good reason.

CSR has now achieved a separation which we believe delivers value for shareholders, appropriately addresses the issues of our stakeholders and enables our two very different businesses to pursue their own distinctive goals.

There is some water to go under the bridge before we finalise this transaction, but rest assured, we will continue to work hard to complete the process in a timely manner.

In the meantime, our businesses continue to operate more efficiently and are more focused on their own market sectors.

We will continue to update you on progress and I look forward to keeping you informed as further important milestones are reached over the next few months.

Thank you for your attention and your continued support of CSR.