

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
Chairman, Dr Ian Blackburne
CSR LIMITED General Meeting
8 February 2011

Ladies and Gentlemen – we have three items on the agenda for today's special purpose general meeting;

- the proposed return of capital;
- a proposed share consolidation; and
- an adjustment to CSR's performance rights plan.

Before moving to consider these agenda items I want to explain the rationale behind the Board's decisions with respect to the successful sale of Sucrogen, what that now means for CSR, and for capital management.

I will also provide some further context to the resolutions being considered today, particularly in response to some of the more frequently asked questions we have received from shareholders over the past few weeks. When I conclude my remarks we will move to consider the agenda items formally.

Sale of Sucrogen

You may recall at the Annual General Meeting in July last year, CSR had just announced the agreement to sell our Sucrogen business to Wilmar International for an enterprise value of \$A1.75 billion, subject to regulatory approvals.

While it was our intention to complete the sale promptly, as soon as we secured approvals from the Foreign Investment Review Board and New Zealand's Overseas Investment Office, the federal election in Australia delayed Wilmar's application to FIRB. Then a delay from the OIO in New Zealand, meant that the sale was not finalised until just prior to Christmas – on 22 December 2010.

Quite coincidentally, we also completed the sale of our Asian Insulation business to the Rockwool Group on the same day.

The sale of Sucrogen completes our strategy to separate CSR's two very different operating businesses – Building Products and Sucrogen.

As you know, CSR has held the view for a long time that we can create additional shareholder value by simplifying our conglomerate structure and having separate businesses – each with its own management focused on its key markets and able to adopt a structure tailored to its own specific requirements.

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



Having initially proposed a demerger of Sucrogen, CSR subsequently received very attractive offers to acquire Sucrogen and your Board carefully weighed the relative merits of the trade sale and demerger options.

We believe that the sale to Wilmar provided greater certainty to shareholders in terms of value and transaction execution and we are pleased to have now completed this transaction.

At an enterprise value of A\$1.75 billion for Sucrogen, we think this is a very good outcome for shareholders.

Based on 10 year average historical earnings in Sucrogen, the price represents an enterprise value around 23 times earnings before interest and tax (EV/EBIT).

The net cash proceeds (that is after tax and transaction fees) from the sale were approximately \$1.71 billion which I believe also underscores the attractiveness of this transaction.

The “New” CSR

So having completed the sale of Sucrogen, what does this now mean for CSR?

Quite frankly, I believe it means that CSR is in a very strong position.

CSR is a focused Building Products company with an investment in a globally cost competitive aluminium smelter. We have market leading positions across Australia and New Zealand in Building Products with a much clearer focus on those markets.

We have the market’s most trusted and recognised Building Products brands, low cost manufacturing capability and strong distribution networks and channels to market.

Our short to medium term focus will be on harnessing our strength and in pursuing sensible growth opportunities which are adjacent to our core business in Building Products.

Any larger scale, or step out growth opportunities are more of a longer term objective.

We continue to generate good returns and cashflows from our Aluminium investment, through Gove Aluminium Finance, which is a joint venture participant in the world-class Tomago aluminium smelter.

Tomago, is Australia’s second largest aluminum smelter and maintains its globally cost competitive position.

Tomago recently signed a new 11-year electricity supply contract to take effect from 2018 which ensures the future of the smelter until 2028.

We also have a long established customer base for our share of production.

And through our Property division, we continue to generate profits from the progressive release of land from replaced or rationalised industrial properties, in both Australia and New Zealand.

While we have sold Sucrogen and the Asian Insulation business, CSR remains a significant entity.



We continue to employ around 4,000 people across Australia and New Zealand.

The capital repatriation that we propose today, will leave CSR with a very strong balance sheet.

On a pro-forma basis, (that is after the separation of Sucrogen and the Asian insulation business and after returning \$A800 million to shareholders) CSR had net assets as at 30 September 2010 of approximately A\$1.5 billion.

After the return to shareholders, CSR will be debt-free and future earnings will benefit from the significant interest savings.

CSR Management

As I said earlier, we have been working towards the formal separation of our businesses for some time. As part of that process we wanted to ensure the businesses had greater independence and focus with their own senior management teams.

Rob Sindel was appointed in September 2009 as Chief Executive of our Building Products and Aluminium business with a view to becoming the CEO of CSR Ltd once the formal separation had been concluded.

Rob joined CSR from Hanson in 2008 and has extensive experience in the building and construction industries, both in Australia and overseas. He has done an excellent job in steering our Building Products business through what has been a cyclical low point in the building cycle.

Rob's appointment as Chief Executive of CSR Ltd was effective on 1 January 2011 and I am sure you will join with me in wishing Rob every success in his role.

I would like to make special mention of the contribution of Jeremy Sutcliffe who was appointed as interim CEO of CSR from 1 April last year for a fixed term of up to 12 months.

Jeremy's primary responsibility was to complete our separation strategy. Having successfully achieved this, Jeremy has reverted to his former role as a non-executive director of CSR and on behalf of my fellow directors, I would like to recognise Jeremy's significant contribution in completing what is a landmark transaction in the 155 year history of CSR.

I would also like to acknowledge the contribution of our many employees across CSR in completing these transactions. In particular, I would like to acknowledge the professional approach of the Sucrogen management team in ensuring the successful conclusion of the sale and I wish them every continued success as part of the Wilmar group.

Wilmar is a very large international agribusiness and Sucrogen is part of an organisation with a long term interest in growing the sugar business with the ability to provide better access to the growth markets of China, India and Indonesia.



Agenda Items

Ladies and Gentlemen, we now move to consideration of the formal agenda items, and I would like to make just a few comments in respect of each item.

Specifically, I want to address some of the more frequently asked questions our shareholders have raised since we issued the Notice of Meeting on 7 January.

Proposed Capital Return

Having completed the sales of Sucrogen and the Asian Insulation business, and also as a result of CSR's Entitlement Offer in 2009 to raise money for a demerger which has not happened, your Board considers that CSR now has surplus capital which should be returned to shareholders.

In determining the quantum of how much should be returned, our objectives were to continue our responsible approach to meeting asbestos obligations, ensure our Building Products business was appropriately capitalised and also to provide a timely and tax effective return of surplus funds to our shareholders.

As a result, we announced in January a capital management initiative to return A\$800 million to shareholders, which we believe is an appropriate balance of these objectives.

A special dividend of A\$138.6 million or 9.13 cents per share was paid on 2 February, and shareholders are being asked today to approve a capital return of \$661.4 million (or 43.57 cents per share) which will be paid (subject to shareholder approval) on 3 March 2011.

Your Board believes this is a prudent return of funds which will leave CSR capitalised to grow its business, while also taking into account the interests of all CSR stakeholders.

The Notice of Meeting provides detailed information on the impact of the capital return on CSR, including pro-forma financial statements and a summary of the agreement CSR entered into with The Trust Company as part of CSR's ongoing responsible approach to managing asbestos liabilities.

The Notice also provides details of the work CSR completed to ensure our ongoing ability to meet claims of creditors following the payment of the capital return and special dividend.

I think it's important that I summarise some of this information ahead of this resolution being put to shareholders today.

In considering the return of funds, CSR undertook a significant amount of work to ensure we can continue to pay our creditors.

This included 'stress testing' of our business operations, based on our own internal assessment and also independent expert views of reasonable worst case outcomes in relation to the key drivers of our cash flow. These include residential housing commencements and Australian dollar aluminium prices.

In addition, we also considered a range of other factors influencing CSR's earnings and cash flow, such as the A\$/US\$ exchange rate and potential future asbestos liabilities.



This review concluded that, even in the reasonable worst case scenarios that were considered, CSR would still have the capacity to meet the claims of its creditors following the payment of the capital return and special dividend.

Also as part of this review process, and consistent with our agreement with The Trust Company, a further independent expert, Finity Consulting was engaged to conduct a review of the advice of the external experts CSR already engages to estimate our current and future asbestos liabilities in Australia and the United States.

The additional review from Finity Consulting confirmed that, in the expert's opinion, the scope of work, adequacy of data used, methodologies, analyses, assumptions, exercise of judgement and approach taken by each of the firms engaged by CSR to estimate current and future asbestos liabilities in Australia and United States, are reasonable.

As a consequence of this work, your Directors are satisfied that the return of capital together with the payment of the special dividend will not materially prejudice CSR's ability to pay its creditors, including current and reasonably foreseeable future asbestos claimants.

The capital return is a cash payment based on the number of shares you own at the record date of 16 February 2011. It is separate from the dividend payment you should have already received and is treated differently from a tax perspective.

CSR has received a draft ruling from the Australian Taxation Office that no part of the capital return will be treated as a dividend for tax purposes. This means that for most shareholders, for shares acquired after 19 September 1985, the cost base of your CSR shares is reduced by the amount of the capital return.

Share Consolidation

The second item for shareholders to consider today is a share consolidation.

The reason for this resolution is to reflect the impact of the capital return and to ensure that the number of shares on issue and the trading price of CSR shares are broadly comparable to our peers.

What this means in practice is that your shareholding will be consolidated so that for every three shares you currently own, after the consolidation you will own one share.

However, it's important to note that the value of your holding in CSR should not change because the price per share can be expected to increase to reflect the reduced number of shares on issue.

So to take a purely hypothetical example, if you currently have three shares worth \$1 each – then after the consolidation you would have one share which should be worth \$3 – all other things being equal.

It's also important to note that the capital return payment is payable on the number of shares you own before the consolidation occurs.

The share consolidation (if approved by shareholders) will be effective after 3 March 2011.



Adjustment of Performance Rights

The final resolution today concerns an approval to adjust CSR's Performance Rights Plan (PRP).

At last year's AGM, shareholders approved CSR's PRP, which is the long term incentive part of our remuneration scheme to better align the interests of key CSR executives with CSR shareholders in delivering sustainable business performance.

A performance right is a right to receive a CSR share at a future date subject to performance (which in CSR's case is measured by CSR's total shareholder return over a given period compared to a comparator group of companies in the ASX S&P 200 Index).

The purpose of today's resolution is simply to ensure that performance rights holders are not disadvantaged by the proposed capital return.

The capital return decreases the capital underlying the shares that performance rights holders may be entitled to if their performance rights vest.

Shareholders are being asked to approve an adjustment to the PRP to ensure these holders are not disadvantaged by this reduction.

Once again the Notice of Meeting provides the detailed information, including a worked example, of this resolution.

Conclusion

Ladies and Gentlemen, as I said at our AGM in July, the sale of Sucrogen is a company transforming transaction for CSR.

The sale completes our separation strategy, which has been long and complex, and has faced many obstacles, including the global financial crisis. I can assure you that your board and CSR's management have worked very hard to deliver what I believe is an excellent outcome for our shareholders and the wider stakeholders in CSR.

We are very excited about the future for CSR, which now moves forward as a focused Building Products company with a very strong balance sheet and the ability to leverage its market leading positions in Australia and New Zealand.

So I thank you for your patience and also for your continued support of CSR.

