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ADDRESS TO SHAREHOLDERS
Chairman Ian Blackburne
CSR LIMITED AGM 2008
10 July 2008

Ladies and gentlemen in my Chairman's address today I want to focus on change in CSR.

That includes change at a number of levels.

Change at the *management* level, and the initiatives that our Managing Director, Jerry Maycock, has been implementing across the businesses.

Change at the *business* level, including the major glass acquisitions we made last year which are redefining and significantly strengthening our building products business; and

Change to our *operating* environment, including the issues relating to sustainability, which bring challenges to our businesses but also create opportunities for CSR.

This time last year, I introduced our then newly appointed managing director, Jerry Maycock.

Over the past 12 months Jerry, with his senior management team, has focussed intently on the fundamentals of CSR, optimising the businesses to ensure they operate as efficiently and productively as possible.

Jerry has strengthened the executive management team with additional senior appointments this year. Our senior business leaders are giving priority to productivity at the plant level, and also positioning their business for expected growth in energy efficient products and renewable energy markets.

To support these priorities, CSR has boosted investment in existing assets and developed new ones in a capital expenditure programme which maintains and improves our competitive position, and creates a platform for medium term earnings growth.

That program includes:

- Continued operational improvements in our Queensland sugar mills
- Upgrading our Yarraville sugar refinery; and
- Upgrading and building new factories in plasterboard and insulation, together with several expansions in China which will grow our Building Products' division.

As you can see from the slide the program continues this financial year when we are investing a further $450 million.

We understand that patience is often required to deliver the required earnings and returns from major investment, and we are confident that the initiatives we have taken will position CSR very well over the next few years to be earnings positive. A number of them in particular represent opportunities for CSR to more fully participate in delivering energy efficiency to consumers which is likely to be extremely important in the future.

You would also be aware that a key initiative last year involved CSR's acquisition of two leading glass businesses.

Just prior to last year's AGM, we acquired Pilkington, a leading manufacturer and distributor of architectural glass.

In October, we announced the acquisition of DMS Glass, a leading downstream processor and distributor of flat glass products.

As we said at the time, the acquisition of the glass businesses provides a strong complement to our existing Building Products division and also better positions CSR to take advantage of the expected growth in the market for energy efficient products and systems.

In March this year, we rebranded these two companies as Viridian™ and successfully launched this new brand into the market.

I am pleased to report to you that Viridian is performing in line with our expectations. We are now well positioned to further strengthen this business, for example through current projects using latest technology to reduce manufacturing energy consumption, and to produce energy efficient glass and double glazing units.

The initiatives that I have described mean that CSR has materially changed from 12 months ago. Indeed this was the theme of this year's Shareholder Review document and annual report – 'CSR Now'.

FINANCIAL RESULT

The past financial year presented a number of challenges. The significant fall in the global price of raw sugar by about $54 per tonne and the unprecedented wet weather in QLD last year meant that profit from our raw sugar business was down considerably.

The wet weather and the continuing soft residential housing construction market, particularly in NSW, also affected our Building Products' business. In addition the strength of the Australian dollar had an impact, as CSR sells raw sugar and aluminium in US dollars.

Earnings before interest and tax (EBIT) fell by 5% to $386.3 million, which was a satisfactory result, given the difficult external environment we faced during the year.

Net profit after tax (before significant items) was $192.8 million which was down 20% due to the lower EBIT result and also due to the higher interest expense as a result of the glass acquisitions.

Our bottom line financial result reflects a year where we made the large Viridian acquisition and we remain confident that the glass businesses will provide significant medium term earnings growth for CSR, in line with our acquisition model.

The final dividend was maintained at 9.0 cents a share, bringing total dividends for the year to 15.0 cents, fully franked. This is the same as the previous year and is in line with our continuing aim of paying a substantial proportion of sustainable profit as dividends to shareholders.

Clearly the past year has been a volatile period on world markets. The ongoing fall-out from the 'credit crunch' in the US, together with a rapid increase in the price of oil and many resources, driven mainly by economic expansion in the developing world, has put stress on several economies including Australia. Investors are cautious and CSR, like most other companies in our market, has not been immune from the effects.

Like you, we are also frustrated with the share price performance recently. But the reality is that we are in a peer group of companies whose share prices have fallen over the past year.

As you can see in this chart, which measures the CSR share price compared to the ASX 200 Industrials Index (which is a group of similar Australian companies) the fall in our share price reflects the decline in the wider market.

Against this backdrop of volatility, we have a firm commitment to building robust businesses that will be able to take their opportunities across the business cycle.

We have a portfolio which generates substantial cash flows which we use to maintain dividends for our shareholders and re-invest in the business.

We have a strong balance sheet which gave us the capacity to make the significant investments we have this year including Viridian.

Our best course is for CSR to remain focussed on building shareholder value over the medium term.

SUSTAINABILITY AND CORPORATE GOVERNANCE

Let me now address the topic of sustainability.

With the Garnaut Climate Change Review being released last week, as shareholders you will no doubt be interested in CSR's activities regarding the sustainability of our operations. Like all companies, the issue of sustainability has significant implications for CSR. However, there are also opportunities which we are addressing across our portfolio of businesses.

CSR supports a strong Australian "greenhouse" response. We continue to work on expanding our range of environmentally responsible solutions, including the production of renewable fuel ethanol and electricity as well as products and systems targeting the improved energy efficiency of residential, commercial and industrial buildings.

CSR also believes that it will be very important for the Australian economy to transition as smoothly as possible to a lower level of carbon emissions. During the course of the year we implemented a number of initiatives addressing sustainability so that we better understand the potential impacts. For example, sustainability is now established as a Corporate function within CSR and we have completed a comprehensive Greenhouse Gas inventory across all our business units.

Jerry will comment further on this later, and also mention further opportunities in electricity co-generation and in renewable fuel ethanol. CSR has significant experience in these areas and we are now one of Australia's largest producers of new renewable energy.

On the subject of ethanol, I would like to address a mis-conception on the 'food versus fuel' issue you may have seen recently in the media.

I think it's important to understand that CSR's fuel ethanol is made from molasses, a by-product of our raw sugar production process, and as such has no real impact on food crops. This contrasts with most ethanol production in the US and Europe, where ethanol is the primary product and demand for feedstock (usually corn) creates a direct conflict with food production.

So in Australia, where established suppliers produce fuel ethanol from by-products of other processes, we can point to significant environmental benefits from its use. In fact CSR's ethanol is not only more environmentally friendly than petrol, it offers around 4 times the green house gas abatement potential as US style grain based ethanol, without impacting food prices.

In addition to our responsibilities on sustainability, your Board takes its responsibilities in relation to corporate governance very seriously.

CSR is one of Australia's oldest and most respected companies and we are forever mindful of our obligations and responsibilities to shareholders and the community.

However, while we may have a long history, we are keen to ensure that our corporate governance also complies with contemporary thinking.

For example, where feasible, we made an early transition to the revised recommendations of the ASX Corporate Governance Council last year.

We are also conscious of finding ways we can improve our communication to shareholders.

This year we introduced a shareholder review document to accompany the annual report, which I hope you have found more user friendly.

I would also recommend that you refer to CSR's website for up to date communications, where for example, we post all announcements, detailed presentations and other updated information on a regular basis.

Communication of course is a two way process and in addition to providing information to our shareholders, we want to ensure that we are similarly responsive to shareholder communication we receive from you.

That's why for example, we have introduced changes this year in our remuneration report following the feedback we received from shareholders.

You will have the opportunity to vote on the remuneration report and other resolutions shortly.

OUTLOOK

While we faced a challenging period last year, CSR managed to deliver a creditable result under difficult circumstances.

We have a diverse range of businesses which assisted our ability to deliver that result and also enables us to continue to provide tax effective dividends to our shareholders.

We continue to examine opportunities to improve the underlying efficiency and productivity of these businesses while targeting growth opportunities.

We have commenced this year in a sound position, although as you can see the equity markets clearly remain very volatile and as I said previously, CSR is not immune from this volatility.

Some of our core business sectors, such as housing, continue to be challenging.

We are seeing clear signs of interest rate stress and loss of consumer confidence.

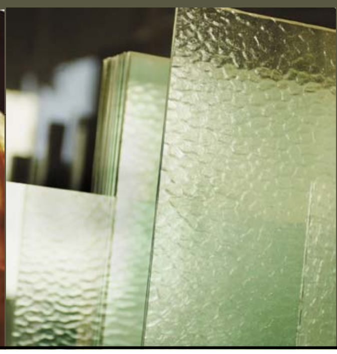
Having said that, we are focused on the medium term and I believe CSR is establishing a strong platform for growth to continue to deliver value for shareholders.

On behalf of the board, I would like to acknowledge and thank CSR's employees across all of our businesses for their dedication during the year.

It is now my pleasure to invite our Managing Director, Jerry Maycock, to provide you with more information about CSR's operations and plans for the future.

Annual General Meeting

Ian Blackburne – Chairman



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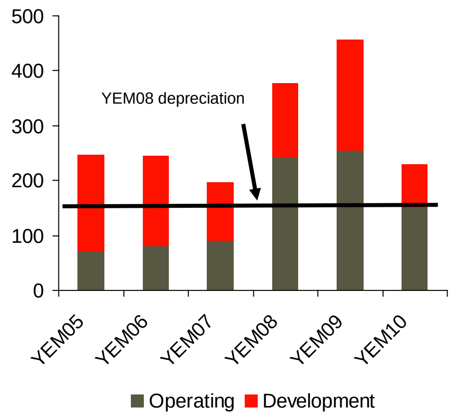
CAPITAL INVESTMENT PROGRAM TO IMPROVE MARKET POSITION AND GENERATE MEDIUM TERM GROWTH

- Investing higher levels of operating capital to maintain and/or improve competitive position:
  - Sugar mills (incremental $90m over three years)
  - Sugar refining Melbourne ($56m)
- Several major projects include both operating <u>and</u> development components:
  - Gyprock™ factory rebuild in Melbourne ($140m)
  - Viridian™ Dandenong upgrade and coating plant($120m)
- Pure development projects underway:
  - New Bradford insulation plant in Brisbane ($50m)
  - Viridian double glazing ($~50m in each of YEM09 and 10)

Capital expenditure (excluding acquisitions)
A$ millions



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CREDITABLE DIVISIONAL RESULTS DESPITE DIFFICULT CONDITIONS

- Difficult market conditions impacted all CSR's businesses
- Building Products' earnings increased like for like despite challenging residential market, plus part year Viridian contribution
- Raw sugar earnings heavily impacted by $54 per tonne drop in raw sugar price and very wet weather, overshadowing growth in refining, co-generation and ethanol
- Aluminium earnings slightly down
- Property earnings at more sustainable level, down from previous unusually high year
- **EBIT result down 5%, creditable in a difficult market**

Year ended 31 March [$ million unless stated]	**2008**	2007	change
Building Products (excl Glass)	**98.3**	84.5	16%
Viridian Glass (part year)	**49.3**	----	
Building Products	**147.6**	84.5	75%
Sugar	**71.7**	130.1	-45%
Aluminium	**136.7**	141.9	-4%
Property	**45.4**	69.7	-35%
Business segment total	**401.4**	426.2	-6%
Corporate costs	**-18.4**	-20.3	
Restructure and provisions (1)	**3.3**	0.2	
Total EBIT	**386.3**	406.1	-5%

1. Includes certain defined benefit superannuation adjustments and other non-operating costs

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NET RESULT REFLECTED CHALLENGING EXTERNAL CONDITIONS AND PART YEAR IMPACTS OF ACQUISITIONS

- Glass acquisitions financed by debt, plus equity of $320m
- Net profit before significant items down 20% reflects additional interest cost (and slightly higher tax rate)
- Earnings per share also reflects additional issued shares
- Final dividend of 9 cents per share – **Full year dividend maintained at 15 cents per share**

Year ended 31 March [$ million unless stated]	**2008**	2007	change
Trading revenue	**3,262.5**	3,111.0	5%
EBITDA	**536.5**	531.9	1%
EBIT	**386.3**	406.1	-5%
Net finance expense	**-93.7**	-56.9	65%
Tax expense	**-63.4**	-74.0	-14%
Outside equity interest	**-36.4**	-34.7	5%
Net profit before sig items	**192.8**	240.5	-20%
Significant items	**-15.4**	32.8	
Net profit after sig items	**177.4**	273.3	-35%
Effective tax rate	**21.7%**	21.2%	
Earnings per share (cents) (1)	**20.9**	27.0	-23%

1. Excluding significant items. Based on the weighted average number of shares outstanding.

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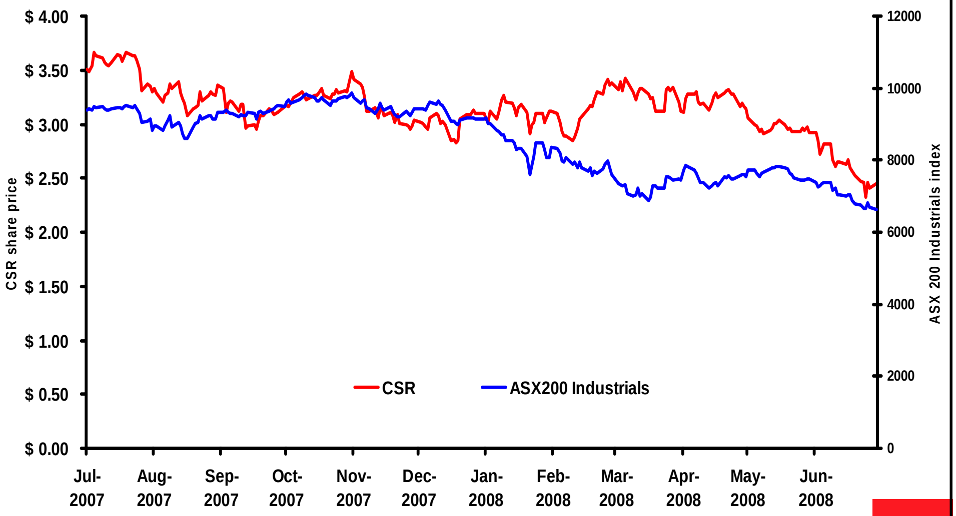
CSR SHARE PRICE vs ASX 200 INDUSTRIALS



5

Annual General Meeting

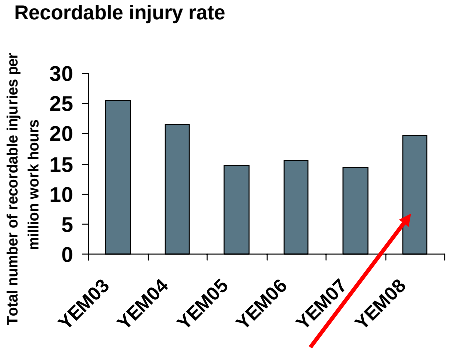
Jerry Maycock – Managing Director

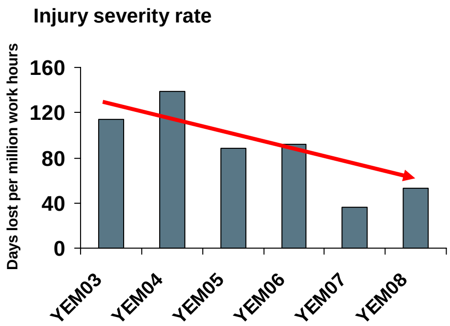
AGENDA

- Safety – a continuing priority for CSR
- Portfolio approach and growth strategies across CSR's businesses
- CSR response to greenhouse gas emissions – challenges and opportunities
- Financial Outlook
- Conclusion - rebuilding, significant cyclical upside, growth potential in renewables

2

SAFETY - A CONTINUING FOCUS FOR CSR





- **Increase essentially due to inclusion of glass processing businesses**

- **Good reduction in days lost due to focus on major risks**
- **Strong focus to minimise remaining risks and enhance systems and behaviour**

CSR'S PORTFOLIO STRUCTURE – REDUCES VOLATILITY, PROVIDES SOLID DIVIDENDS

- CSR's portfolio of businesses reduces earnings volatility
- Group cash flows and capital base can finance attractive organic and acquisitive growth options
- Solid dividend stream notwithstanding cyclical earnings in individual business units
- Continuing to develop growth oriented business plans for each unit
- Remain alert to possibilities of restructuring asset portfolio if additional shareholder value can be released

GROWTH STRATEGY FOR BUILDING PRODUCTS

- Leverage our leading 'house of brands', endorsed by the CSR master brand – through internal growth and acquisition
- Focus on value propositions that:
  - Improve energy efficiency and comfort
  - Improve speed of construction
  - Require fewer scarce building skills
  - Meet contemporary architectural and design expectations
- The right capacity to service growing segments and to meet cyclical upswings – accumulation of underlying demand
- Develop existing footholds for international growth in product segments with competitive advantages

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5

VIRIDIAN™ COMPLEMENTS ENERGY EFFICIENT PORTFOLIO

- A significant complement to CSR's portfolio of energy efficient building products and systems
- Current plant rebuild/upgrade in Dandenong will expand capacity and improve energy consumption
- Capability next year to produce energy efficient glass, and double glazed units in fully automated facilities
- Strong prospects for growth in energy efficient glass market to reduce energy consumption and Greenhouse Gas emissions

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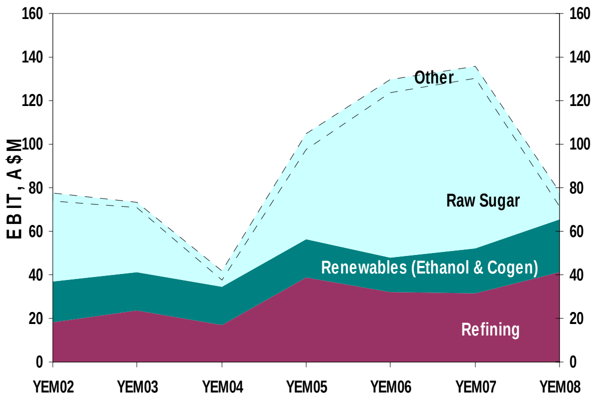
6

REFINING CREATES A MORE STABLE EARNINGS BASE IN SUGAR, OPTIONS FOR FURTHER GROWTH IN RENEWABLES

- Despite volatility, underlying trend in raw sugar price is positive, based on world sugar and ethanol demand, and increasing cost of production in Brazil
- CSR continues to upgrade mills and refining assets to sustain competitive market position
- CSR supports initiatives enabling growers to manage their own price risk, and a 'single export desk' to minimise cost to market



- Overall, build a more stable earnings base in Sugar business, maintaining options for international growth at right time

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7

FURTHER RENEWABLE ENERGY OPPORTUNITIES

- **CSR – Australia's second largest producer of renewable fuel ethanol**
  - Potential capacity increase from 38ML to 60ML of fuel grade ethanol, with further expansion available
  - Fuel ethanol demand is forecast to grow significantly over next few years
- **CSR - Australia's largest renewable energy generator from biomass**
  - CSR currently has ~100MW available to the electricity grid
  - Another ~300MW potential additional co-generation could be added depending on renewable energy prices and Government policies

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8

ALUMINIUM & PROPERTY - STRONG CASH FLOWS

- **Aluminium**
  - High quality asset with excellent position on global cost curve
  - Smelting costs and future metal prices both moving up significantly
  - Future development of Australia's smelting industry will depend heavily on government policies influencing electricity and carbon costs
- **Property**
  - Strong pipeline of property transactions to provide cash flows
  - Development of industrial property at Darra in Brisbane
  - Rezoning applications lodged for Strathpine and Narangba near Brisbane

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9

GOVERNMENT POLICY ON ENERGY AND CARBON IS CRITICAL TO AUSTRALIAN MANUFACTURERS

- **CSR supports policies that incentivise industry to improve energy efficiency and abate greenhouse gas emissions, BUT:**
  - Even without an emissions trading scheme (ETS) and mandatory renewable energy target (MRET), energy costs are expected to more than double in the next few years.
  - Local energy intensive trade exposed (EITE) manufacturers risk being unduly disadvantaged vs imports because:
    - A 'cap and trade' ETS will, by design, place a significant new carbon charge or 'tax' on local manufacturers
    - In addition, MRET also require local manufacturers to pay extra for renewable energy
    - Importers unlikely to be subject to these additional two charges which will inhibit cost recovery through product pricing

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10

WHAT COULD BE THE UPSIDE?

- **If government policy makes a genuine allowance for all EITE businesses and progressively ramps up carbon and renewable energy costs only in parallel with competing nations:**

  – CSR like other globally competitive manufacturers will continue to re-invest in improving and growing its value adding capacity, in line with returns, and with growth in the economy. Investment and jobs will be retained in Australia, and the emission intensity of this capacity will progressively reduce, contributing to the longer term objective of abating greenhouse gas emissions

  – CSR can create additional shareholder value by satisfying increasing demands for energy efficient building products, and for renewable liquid fuels and electricity

Clearly our objective is to achieve such an outcome

11

EARNINGS OUTLOOK FOR THIS YEAR (1 of 2)

- **Building Products**
  - Leading indicators for Australian housing starts weaker than three months ago. NZ already recorded substantial falls
  - Substantial underlying demand for dwellings continues to build in Australia, unlikely to be reflected in housing starts this YEM
  - Energy and other input costs increasing. Price increases attempting to recover these underway across most product groups
  - Like-for-like earnings expected to be ahead of last year, plus full year of Viridian earnings, however market conditions remain uncertain

- **Sugar**
  - Incident at Pioneer mill adds significant costs and expected to extend Burdekin season by 2-3 weeks. Insurance recoveries should minimise earnings impact
  - Refining and Ethanol earnings expected to be ahead of last year
  - Based on average weather conditions and current raw sugar prices, total Sugar EBIT expected to be higher than last year

12

EARNINGS OUTLOOK FOR THIS YEAR (2 of 2)

- **Aluminium**
  - Full production levels have been regained since beginning of April
  - Carbon material costs are still increasing significantly
  - EBIT expected to be slightly lower than last year
- **Property**
  - EBIT expected to be in the sustainable range of $35-40m, subject as usual to timing of transactions
- **GROUP LEVEL**
  - Still early in CSR's financial year – outlook based on first quarter results, with heightened uncertainty around demand, costs and prices
  - *Challenges*: softer housing outlook, higher energy related costs and non-recurring Pioneer incident
  - *Positives*: price increases in building products, cost improvement programs and likely higher realised raw sugar price
  - Like-for-like EBIT expected slightly above last year, plus full year earnings from Viridian. Overall EBIT currently expected to increase more than 5%
  - As previously indicated, net profit and EPS to also reflect full year interest costs, DRP and higher average tax rate

13

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CONCLUSION: REBUILDING, SIGNIFICANT CYCLICAL UPSIDE, GROWTH POTENTIAL IN RENEWABLES

- Given external conditions, a creditable result last year
- Sugar is well advanced in ensuring raw sugar remains internationally competitive, and in increasing recurring earnings
- Building Products has added an important new earnings stream and is increasingly well positioned to create value through the building cycle
- Aluminium and Property remain significant earnings and cashflow contributors
- A carbon constrained, higher energy cost, economy will challenge CSR's energy intensive trade exposed businesses, but creates opportunities for energy efficient building products and renewable liquid fuels and electricity
- CSR's reinvestment program in existing businesses will be substantially complete this year. Earnings benefits from that, and from growth projects, will become evident from next financial year

14

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