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Chairman, Dr Ian Blackburne
CSR LIMITED AGM 2009
9 July 2009

Ladies and Gentlemen,

We are all acutely aware that a sequence of events began unfolding around the world some 21 months ago that took global economies to the brink in October 2008. Many major banks in the USA and Europe/UK required extraordinary intervention by governments to prevent a global financial catastrophe. Nothing of this magnitude had been seen for decades.

Like most listed companies, CSR was not immune from the economic fallout of these events, and in this past year in particular, the share price of the company has reflected weak cyclical demand in building products, poor prices for commodities such as aluminium and lower short term earnings expectations. These have been challenging times.

We have had to make difficult decisions, including letting good people go, and cutting the dividend. I apologise to those who have been impacted. But the Board retains the conviction that CSR operates fundamentally sound businesses, and our priority has been to ensure that CSR comes out of the crisis in sound condition with the ability to contest new opportunities as the economy firms.

This morning I want to expand on the Challenges of the past year and talk about some of the opportunities we are pursuing to create additional shareholder value. That of course includes our recently announced proposed demerger plans, which I will discuss later.

FINANCIAL RESULT

As a cyclical company, CSR faced significant earnings pressure in Building Products, Aluminium and Property as market conditions deteriorated sharply, particularly towards the second half of the year.

In Building Products, Australian residential commencements for the year to 31 March 2009 were down 22 per cent on the previous year. In New Zealand, dwelling consents for the same period were 34 per cent lower than the previous year.

The large and important residential building market of NSW continued to struggle and in fact the level of commencements in the first quarter of 2009 was the lowest in the 25 year history that data of this nature has been recorded.

In Aluminium, the metal price depreciated sharply in the second half of the year to prices, in real terms, we had not seen in 25 years.

Meanwhile, property markets continued to be very soft, with minimal activity from real buyers.

In response we had to make some hard decisions.

We have closed and rationalised some of our operations and reduced overheads with the unfortunate consequence that a significant number of positions have been removed, particularly within the Building Products division.

We have taken further decisive action to reduce costs, control working capital and adjust manufacturing capacity to the current market environment.

We have been careful to ensure that these decisions do not hinder our ability to meet demand as the cycle improves and ensure that we can deliver longer term value for our shareholders, and we continued to support capital expenditure in strategically important long term projects.

In contrast I am very pleased to report that our Sugar division fared much better than the rest of the Group, with higher raw sugar prices and continued growth in our refining and ethanol businesses lifting earnings. However this was not sufficient to compensate for the significant decline in earnings across our other divisions.

As a result earnings before interest and tax (EBIT) and before significant items fell by 17 per cent to $320.1 million and net profit after tax (before significant items) was down 30 per cent to $134 million.

Earnings per share (before significant items) were 12.2 cents compared to last year's 20.9 cents

The reported profit result includes the impact of what are termed significant or one-off items. This year, these items were quite substantial.

Given the trading conditions we faced during the year, and after carefully reviewing the value of our assets on our balance sheet, your Board took the decision to write down the value of certain assets in Building Products and Property.

This included a $280 million write-down of the goodwill in the Viridian glass business, reflecting a realistic assessment that in these economic conditions it will take longer to achieve the full strategic value of Viridian.

We also increased our product liability provision by $113 million, in part because of underlying movement in projected claims but also because US liabilities are more expensive at 31st March 2009 exchange rates than the year before, and the accounting standards require that we revalue these liabilities each year at current exchange rates.

When these significant items are included, the *reported* financial result for CSR was a net loss for the year of $326m.

I think it's important to note that the significant items are not part of CSR's underlying trading result.

CAPITAL MANAGEMENT AND DIVIDEND

Ladies and Gentlemen, as well as having an impact on our earnings, the global financial crisis caused many companies including CSR to re-assess capital management.

Last November, in the aftermath of the banking crisis, Australian businesses faced almost unprecedented concerns about liquidity. In CSR's case we had moved early to renegotiate our scheduled rollovers of bank loans and had substantial headroom under our facilities, with no maturities due until late in 2010. Yet the level of uncertainty about future availability of bank credit was extraordinary at that time, and it was untenable to put the company at risk of inadequate liquidity.

Under those circumstances, your Board decided to raise $349 million additional ordinary share capital to repay debt and reduce funding risk. We remain convinced this was absolutely the correct decision in the broader shareholder interest, and it is some comfort to know that those shareholders who participated have now enjoyed positive returns on that investment.

This leads me to the dividend, a subject which I know is very important to many of you.

As we had advised at the time of the November capital raising, under our dividend policy, the Board expects to pay-out as dividends approximately 60-80% of net profit after tax (before significant items).

Applying the new policy the Board declared a final dividend of 1.5 cents per share, bringing the full year dividend to 7.5 cents per share, compared to 15 cents per share paid last year.

Like so many Australian listed companies, the reality was that we had little alternative other than to reduce the level of the dividend this year. Capital management continues to be a key priority for the company.

I can assure we did not take these decisions lightly and I personally understand how important dividends are to many shareholders.

Your Board will strive to improve the profitability of CSR, which can then be reflected in dividends going forward.

OPPORTUNITIES

Throughout the past year we have continued to pursue medium and longer term opportunities to build shareholder value.

In Building Products, we have now completed much of the major capital reinvestment program to strengthen our key assets in glass, insulation and plasterboard, for example, to ensure we can respond to cyclical improvements. One example of the benefit of this strategy is our investment in glasswool plants at Ingleburn and Brendale which were extremely timely, and ensured that Bradford could take full advantage of the Federal Government's Energy Efficient Homes Package.

In addition, above and beyond the cycle, we remain very well positioned to leverage increased demand for energy efficient solutions in housing and commercial construction driven by further regulation and consumer preference.

For example, the Council of Australian Governments' (COAG) announcement which will require that by 2010 all newly built residences be six star or equivalent is a strong endorsement of the opportunities we had previously identified for our energy efficient range of building products.

In Sugar, we are currently seeing the highest raw sugar prices in three years, and the company is taking advantage of this through forward pricing to lock in a substantial proportion of revenue for future years.

CSR has championed the importance of cane growers also accessing these forward markets, and we are delighted that so many of our cane suppliers are now doing so. The adoption of such practices means that growers have more stable forward income and the mills have more secure cane supply.

We have largely completed our three year investment program to improve reliability at CSR's seven sugar mills, and we move forward now with a much more robust platform for sound operation and a base for continuing improvements. Meanwhile, we are currently commissioning the expansion of the ethanol distillery at Sarina which will enable us to almost double our production of renewable fuel ethanol.

DEMERGER

Ladies and Gentlemen, in terms of other opportunities to create shareholder value I would like to talk briefly about our recent announcement about a proposed demerger.

Jerry will cover this subject in greater detail in his presentation; however I would like to make a few introductory remarks.

Just over three weeks ago, CSR announced that we would proceed with further evaluation and due diligence to determine the value of undertaking such a strategy. Essentially, a demerger would create two separately listed companies on the ASX:

- a substantial Sugar and Renewable Energy business; and
- a leading Australasian Building Products business with a Property division and which will also hold a significant investment in a globally competitive Aluminium business.

Why are we doing this?

You will recall that we have been addressing for some time whether our portfolio structure remains valid or if we could potentially deliver greater shareholder value through a change to that structure.

Having undertaken a lot of work, the Board has now reached a position where we believe the company should move forward with a formal review and further due diligence of a potential demerger.

We believe a potential demerger has the following key advantages for shareholders:

- It separates businesses which have fundamentally different operating models, strategies and capital requirements
- It provides shareholders with greater investment portfolio choice
- It provides enhanced transparency and financial disclosure and makes the businesses easier to analyse and model
- It also enables more focused Board and management for each of the operating entities
- It provides a simplified capital allocation process for each business
- Each company will be able to pursue growth opportunities in their particular sector
- Each company will be able to adopt a capital structure and dividend policy tailored to its specific needs

It is our intention to undertake this formal process as quickly as we can but it's a process which will take some months to complete. Our objective is that we could complete a restructure during CSR's current financial year – that is the year ending 31 March 2010 – if it will be beneficial.

Any final transaction will be subject to formal due diligence, a range of regulatory and statutory approvals, finalisation of appropriate capital structures for both companies, market conditions and finally, shareholder and court approval of a scheme of arrangement.

We will of course update our shareholders and the market as and when we reach a conclusion to these issues and I look forward to keeping you up to date on our progress over the next few months.

REMUNERATION

I would now like to make just a very few brief remarks about remuneration, particularly in the context of CSR's operating environment.

During the year the Board conducted an extensive review of executive remuneration, with the aim of better aligning remuneration with shareholder views. As a result, CSR developed a revised Long Term Incentive Plan, as well as changes to the design of senior executive short term incentives, for implementation this financial year.

However, the recent Federal Budget announcement which changed the tax treatment of employee share schemes means we have had to place the implementation of these changes on hold. We are continuing to monitor this situation.

In the meantime CSR's remuneration practices reflect the current market situation and financial result for the year.

I will talk further about these remuneration issues, and specifically about CSR's remuneration practices in the current environment, when we address agenda item 3 which is to adopt the Remuneration Report.

CONCLUSION

Ladies and Gentlemen, to return to my central theme of today, we have faced a year of extraordinary challenges.

However, we do see opportunity and we are vigorously pursuing these options to create further shareholder value.

The proposed demerger is but one example of that. And while we continue to work on that proposal, we must not lose focus on opportunities within our respective businesses.

Value remains a primary focus of the Board and management and I believe CSR continues to establish 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, and shareholders for your support for the company.

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, and to amplify my remarks on the proposed demerger.

ANNUAL GENERAL MEETING

JERRY MAYCOCK – MANAGING DIRECTOR

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AGENDA

- Review of YEM09
- Outlook for YEM10
- Demerger Proposal

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REVIEW OF YEM09

- **Extremely challenging conditions for cyclical companies**
  - Increased earnings from **Sugar** from increased raw sugar price and continued growth in Refining and Ethanol; *however*,
  - Rapid deteriorating markets impacted **Building Products** and **Property** earnings
  - Significant decline in aluminium price negatively affected **Aluminium** earnings
- **Balance Sheet**
  - Review of asset values in light of difficult trading environment
  - Write down of assets in Building Products and Property
  - Increase in Product Liability provision
  - Capital Raising in November
  - Refinancing complete, no debt maturities until YEM11
- **Continue to manage through cycle and position for growth**
  - Continued realignment of businesses to meet current and future market demand
  - Near completion of key major capital projects to enhance future cash flow
  - CSR remains well positioned for medium term growth

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FINANCIAL RESULTS SUMMARY

A$m	2009	2008	%Δ
Trading Revenue	**3,492.8**	3,231.3	↑ 8
EBITDA	**474.9**	536.5	↓ 11
EBIT	**320.1**	386.3	↓ 17
Net profit pre sig. items	**134.0**	192.8	↓ 30
Net profit after sig. items	**(326.5)**	177.4	↓ 284
EPS pre sig. items	**12.2c**	20.9c	-

Significant Items	A$m
Costs associated with Viridian Integration	**(52.4)**
Restructuring costs Building Products (ex Viridian) and Corporate	**(11.0)**
Asset write-downs Building Products/Property	**(76.0)**
Impairment charge Viridian	**(279.7)**
Increase in Product Liability Provision	**(113.4)**
Total Significant Items before Tax	**(532.5)**
Tax	72.0
Total Significant Items after Tax	**(460.5)**

- Group EBIT in line with market guidance
- Significant items include carrying value adjustments, asset write-downs, increase in product liability provision
- Majority of significant items are non-cash
- Viridian Impairment
  - significant decline in market conditions since acquisition impacts short term earnings
  - valuation leads to non-cash impairment to goodwill of $280m
  - medium term maintainable earnings supports valuation

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EBIT BY DIVISION

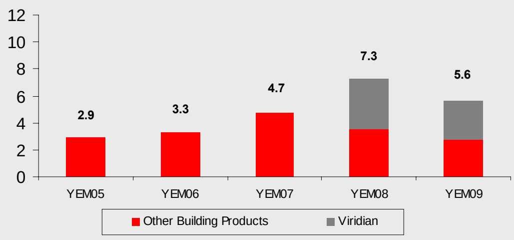
A$m	2009	2008	%Δ
Building Products	**117.9**	147.6*	↓ 20
Sugar	**83.7**	71.7	↑ 17
Aluminium	**110.7**	136.7	↓ 19
Property	**25.1**	45.4	↓ 45
Corporate	**(17.0)**	(18.4)	
Restructure and Provisions	**(0.3)**	3.3	
Total EBIT	**320.1**	386.3	↓ 17

* Nine months of Pilkington, six months of DMS

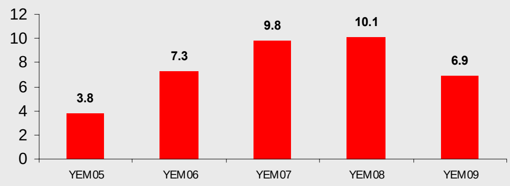
- **Building Products** reflects 5th year of declining housing activity and softening commercial demand
- **Sugar** - higher average realised raw sugar price and continued growth in Refining and Ethanol
- **Aluminium** earnings impacted by sharp deterioration in price on unhedged proportion of sales in 2nd half
- **Property** earnings reflect slower market conditions

SAFETY – A CONTINUING PRIORITY

Building Products Lost Time Injury Frequency Rate



CSR Sugar Lost Time Injury Frequency Rate



- Marked improvement during YEM09
- Objective is zero lost time injuries
- Current “good practice” in industrial environment is LTIFR less than 2
- CSR milestone goal for YEM10 is 25% reduction year on year

OUTLOOK YEM10

- **Building Products**
  - No change to assumptions, 124,000 housing starts, 30% decline in commercial activity
  - Early leading indicators (finance approvals, dwelling approvals) continue to show modest improvement from cyclical lows in all markets and historic lows in NSW
  - Continuing validation of CSR's energy efficient strategy (Insulation Rebate, COAG 6 star rating for newly built residences)
  - Signs of intending future order activity suggesting increased demand in second half
- **Property**
  - Conditions remain soft particularly for industrial
  - Progressing medium term residential development pipeline (e.g. Narangba, QLD)
- **Aluminium**
  - Metal price has stabilised; continue to expect modest recovery in A$ price in YEM10
  - Prior hedging – 57% of net exposure hedged in YEM10, but not sufficient to maintain average realised price above last year. Over 90% of production committed to sales

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OUTLOOK YEM10

- **Sugar**
  - Crush commenced on time and progressed very well during June, however as previously advised, crop will be lower (10-15%) due to extensive pre-season rain
  - Continuing to achieve higher realised A$ prices with global trends continuing to support positive sugar price fundamentals. As at 30 June 2009, CSR has ~75% of the YEM10 crop priced, with an expectation of the average realised price being not less than A$380 per tonne IPS
  - Continued strong performance from Refining
  - Higher feedstock (molasses) price and low petrol prices negatively affecting Ethanol earnings, however, largely offset by higher molasses income in Raw Sugar

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OUTLOOK YEM10

- **Group**
  - First half remains challenging, particularly for Building Products and Property
  - Continued focus on cash management – operating well within bank covenants
  - Assuming no substantial change to current market conditions, expect similar earnings in Building Products and Property. Growth in Sugar earnings expected to outweigh slightly lower Aluminium earnings
  - On current assumptions, we believe there is a reasonable prospect that Group EBIT (pre significant items) will be slightly higher than last year

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DEMERGER OF SUGAR & RENEWABLE ENERGY

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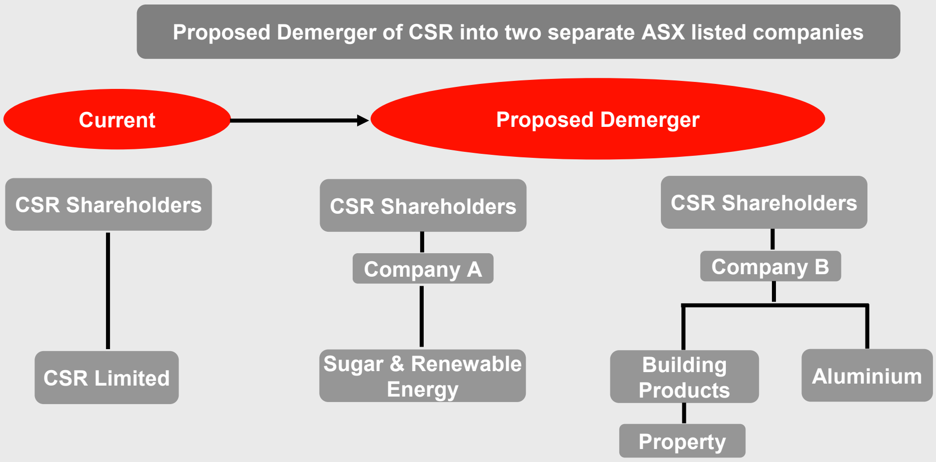
DEMERGER OF SUGAR & RENEWABLE ENERGY



DEMERGER – POTENTIAL VALUE FOR SHAREHOLDERS

- CSR shares may be subject to a ‘conglomerate discount’ and trade at lower average multiples than more focused competitors
- Different strategic and operational characteristics may limit options to source and apply capital for future growth
- Majority of precedent demergers have created additional shareholder value
- Expect proposal to facilitate better recognition of value of CSR’s businesses over time
- Demerger results in shareholders receiving shares in both companies with option to:
  - retain ownership of both companies
  - retain ownership of one company by selling shares of the other company
  - own shares in neither company by selling shares in both companies

PROFILE OF INDIVIDUAL BUSINESSES

Proposed demerger recognises the different strategic and operational characteristics of each business

Sugar & Renewable Energy

- Agriculturally based soft commodity, with FMCG and renewable energy exposure
- Globally competitive, local product brand management
- Favourable fundamentals for global demand outlook
- More stable refining earnings and price risk management in raw sugar
- Growth opportunities within Australia (renewable energy) and possibility to leverage expertise to offshore markets

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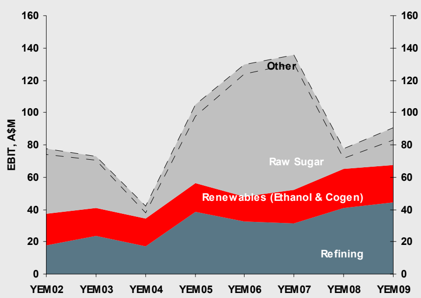
A LEADING SUGAR AND RENEWABLE ENERGY COMPANY

- **7th largest sugar producer in the world**
  - YEM09 revenue - \$1.4b; EBIT - \$84m, 2,000 employees
  - one of world's low cost raw sugar producers
- **Sugar Milling**
  - 7 mills in highly productive cane areas
  - produce 40% of all Australian raw sugar
  - manages price risk largely via QSL
- **Sugar Refining**
  - #1 brand positions in Australia/NZ with diversified income streams
  - complete range of liquid and crystal sugars for industrial markets and branded products in consumer markets
- **Renewable Energy**
  - second largest ethanol supplier in Australia with total capacity 60 million litres per year
  - Australia's largest renewable energy generator from biomass, current capacity of 175 MW with 100 MW available for export

Refining and Renewable Energy provide greater earnings stability



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PROFILE OF INDIVIDUAL BUSINESSES

Proposed demerger recognises the different strategic and operational characteristics of each business

Building Products, Aluminium & Property

- Strong brand and share positions in Australasian building products, weighted towards residential applications
- Key manufacturing assets recently renewed
- Focused on solutions to improve energy efficiency in the built environment
- Opportunity to continue releasing value from surplus industrial properties
- Significant investment in Tomago provides stable cashflows
- Contingent product liabilities

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BUILDING PRODUCTS – LEADING BRANDS, ENERGY EFFICIENT SOLUTIONS

- **Leading building products supplier across Australasia**
  - YEM09 revenue - $1.5b; EBIT - $118m, 4,000 employees
- **Trusted and recognised brands**
  - Leading construction brands which are #1 or #2 in core markets with strong channels
- **Focused on energy efficiency**
  - Substantial leverage to industry and regulatory moves towards greater energy efficiency in built environment
- **Strengthened assets**
  - Over 70 manufacturing sites, 90 distribution facilities
  - Significant capital reinvestment programme has strengthened individual businesses, right sized for cyclical upturn
  - Assuming sensible EITE policies prevail, carbon risk on supply side is modest
- **Property development**
  - Extensive pipeline of medium term transactions to generate cashflows. Release modulated to suit conditions

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ALUMINIUM - GLOBALLY COST COMPETITIVE SMELTER

- **Tomago – a world class, well managed aluminium smelter**
  - YEM09 revenue - $544m, EBIT - $111m*
- **Globally low cost producer**
  - Favourable position on global cost curve
  - Draft CPRS legislation recognises EITE status of Australia's Aluminium smelting industry
- **Gove Aluminium Finance (70% CSR)**
  - Annual share of production ~185,000 tonnes of aluminium
  - Consistent provider of steady cashflows to CSR
  - Long established, stable customer base

*Revenue and EBIT attributable to Gove Aluminium Finance

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DEMERGER PROCESS UPDATE

- Final evaluation of demerger announced 17 June 2009
- Substantial amount of work underway:
  - Determination of the appropriate capital structure for the two companies
  - Legal, tax and operational mechanics for separating the businesses
  - Due diligence to confirm adequate provisions for CSR's asbestos and any other contingent liabilities
  - Finalisation of board and management of two companies
  - Determination of brand strategy
  - Progress towards regulatory and statutory approvals
- Targeted completion of demerger by 31 March 2010

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