

Chairman's Address

John Morschel

**Shareholder meetings to approve demerger of Rinker Group Limited from CSR Limited
25 March 2003**

On 19 November 2002, CSR announced its intention to demerge Rinker Group Limited (Rinker) from CSR. The effect of this demerger will be to split your investment in CSR into separate investments in two Australian companies, both listed on the Australian Stock Exchange.

- The new company will be Rinker. Rinker will be a focused, heavy building materials group, comprising Rinker Materials Corporation in the United States and Readymix in Australia and China. The current directors of CSR expect that Rinker will be one of the top 10 heavy building materials companies in the world and will continue its growth strategy of building strong regional market positions in its key products (aggregate, concrete, cement, and concrete pipe and products).
- The new look CSR after the demerger will be a diversified company with a strong portfolio of businesses comprising CSR Building Products (with operations in Australia, Asia and New Zealand), Aluminium and CSR Sugar. A demerger should allow these businesses to focus more effectively on their respective strengths and to pursue value adding, low risk growth options, which have previously ranked as a lesser priority for the CSR group. The current directors of CSR expect CSR, after the demerger, to distribute a higher proportion of its profits as dividends than it does currently. A high level of franking is generally expected.

For the past five years, the CSR group's strategy has been to grow internationally in heavy building materials, mainly in the US, while concurrently working to separate the other assets, in a way that added value for shareholders. As a result of this strategy, approximately 70% of CSR business earnings now come from heavy building materials.

The next step in our strategy is to complete the separation of the heavy building materials businesses through a demerger. This will result in the formation of two strong companies and is expected to help Rinker and CSR pursue their respective strategies more effectively, focus on their strengths and, over time, deliver additional value to shareholders.

Today we are here to vote on the demerger proposal. This meeting marks a significant moment in CSR's evolution enabling the creation of a focused heavy building materials company and a leading diversified Australian company.

We expect the two companies to appeal to different types of investors.

Rinker is expected to attract investors who prefer companies with growth characteristics. As a separately listed heavy building materials company, with a strong financial position, substantial cash flows and expected investment grade credit ratings, Rinker should be better positioned to participate in the ongoing consolidation of the international heavy building materials industry.

The Rinker group's leading positions in regional markets in the US, Australia and China provide opportunities for further bolt-on acquisitions. With over 85% of earnings from the

US, the current directors of CSR believe that the demerger will increase the likelihood that, over time, Rinker shares will be valued by investors more in line with those of its US peers.

CSR is expected to appeal to those who prefer companies with a policy of paying a higher proportion of profits as dividends. CSR after the demerger will constitute around 30% of the current CSR group, based on pre-tax profit and revenues and will be a diversified Australian company, holding some of Australia's best known household brand including CSR™ sugar, Gyproc™, Bradford Insulation, Monier and Wunderlich roof tiles and PGH bricks and pavers – all of which have leading market positions.

CSR is expected to retain investment grade credit ratings, reflecting its strong financial position and significant cash flows. Combined, CSR's three businesses have a stable earnings history, generating returns well above their cost of capital. The directors believe that each of these businesses also has value adding, low risk growth opportunities available.

Your directors have evaluated various other restructuring options but believe that the proposed demerger is the best way to create value for shareholders over time. Firstly, the demerger will allow CSR and Rinker to concentrate on their core businesses and competencies and implement strategies most suited to their individual needs. Both companies will have increased ability to pursue growth opportunities and Rinker will have the flexibility to offer its shares as acquisition consideration.

Secondly, investors will be able to gain a better understanding of Rinker and CSR's underlying businesses, and thereby increase the likelihood that each company will achieve appropriate market valuations over time. The demerger will also increase investor options available to shareholders by creating two separately listed companies, each with a capital structure and dividend policy that suits its business and strategic objectives.

Lastly, the demerger will provide an opportunity to better align employee accountability and compensation with shareholder value.

Over time, we certainly expect these factors to deliver a higher value for your combined shareholding than before the demerger.

We have already seen significant evidence of this, with the uplift in CSR's share price since the demerger was announced in November last year. The price just before we announced was \$5.50. Yesterday, it closed at \$6.44. That's an increase of 17% -- whilst the All Ordinaries index fell 4% over the same period.

Some shareholders have asked "what will be the impact on my shareholding if the demerger proceeds?"

If you approve the proposed demerger, you will hold exactly the same assets as before the demerger but you will hold them through two shares rather than one. For every CSR share you currently hold, you will receive one Rinker share.

Before I turn to the Board's recommendation, I'd very much like to thank all members of the management team at CSR for their commitment and efforts in preparing the Company for the proposed demerger – it has been an enormous task – thank-you

I would also like to thank our Managing Director Mr Peter Kirby who will relinquish his position as MD of CSR on 31 March. Peter will remain with the group for a further 4 months as an advisor.

Since joining the company in January 1998, Peter has played the key role in transforming the CSR group from a poorly-regarded Australian conglomerate into a respected international building materials group. In that time, EPS growth has averaged 22% per annum compound, EBIT has doubled and return on equity has risen from 6.1% in 1997 to 14.3%.

In preparing the company for the demerger which you will vote on today, he has effectively worked himself out of a job. On behalf of the Board and shareholders, I would like to thank Peter for his enormous contribution and wish him well in the future.

Now, turning to the Board's recommendation.

The directors have considered the benefits, disadvantages and risks associated with the demerger and believe that it is in the best interests of CSR shareholders.

The demerger proposal has also been reviewed by an independent expert, KPMG Corporate Finance. Its report also concludes that the demerger is in the best interests of shareholders.

As communicated through the CSR Demerger booklet, the CSR board unanimously recommend that you vote in favour of the demerger. Each CSR director intends to vote all CSR shares held or controlled by them in favour of the resolutions proposed today.

The demerger is to be implemented by means of a scheme of arrangement between CSR and its shareholders, a reduction in CSR's capital and a special dividend. I should mention that a 'scheme of arrangement' is a formal process under the Corporations Act for implementing certain transactions, including our proposed demerger. At today's meetings we will ask you as CSR shareholders to:

- Firstly, vote to approve the Scheme at the Scheme Meeting; and
- Secondly, vote to approve the Capital Reduction and one other resolution arising in connection with the demerger at the General Meeting.

In accordance with the Corporations Act and the terms of the proposed scheme of arrangement, a number of things must happen before the proposed demerger can be implemented. These are set out on pages 171 and 172 of the scheme booklet and, in summary, are:

- your approval of the resolution being considered at this meeting
- your approval of the proposed capital reduction at the next meeting
- the approval of the scheme of arrangement by the Federal Court of Australia – the Court will be considering this matter at 9:30am on this coming Friday – March 28.

Finally, a number of other conditions precedent must be satisfied or waived before the demerger can proceed. Based on the information known to directors at the date of this meeting, we have no reason to believe that any of those conditions will be unsatisfied or will not be waived by the time the Court considers this matter on Friday March 28.

[ENDS]