

Letter from the Chair of the CSR Board



26 April 2024

Dear CSR Shareholder

On behalf of the CSR Board, I am pleased to present you with this Scheme Booklet containing important information in relation to the proposed acquisition of CSR by Saint-Gobain Sub, an indirect wholly-owned Subsidiary of Compagnie de Saint-Gobain, by way of scheme of arrangement under Part 5.1 of the Corporations Act (**Scheme**).

This Scheme Booklet contains important information about the Scheme, including:

- how to vote at the Scheme Meeting;
- the reasons why the CSR Directors have unanimously recommended that CSR Shareholders vote in favour of the Scheme, in the absence of a Superior Proposal and subject to the Independent Expert continuing to conclude that the Scheme is fair and reasonable and in the best interest of CSR Shareholders; and
- the Independent Expert's Report, in which the Independent Expert has concluded that the Scheme is fair and reasonable and in the best interest of CSR Shareholders, in the absence of a superior proposal.

The Scheme Booklet also sets out some of the reasons why you may wish to vote against the Scheme.

Background to Saint-Gobain's proposal

On 26 February 2024, CSR announced it had entered into a Scheme Implementation Deed with Saint-Gobain under which Saint-Gobain has agreed to, through Saint-Gobain Sub (an indirect wholly-owned Subsidiary of Saint-Gobain), acquire all of the issued shares in CSR at a cash price of \$9.00 per CSR Share.

This followed an earlier announcement released to the ASX on 22 February 2024 that CSR had received a conditional, non-binding, indicative proposal from Saint-Gobain to acquire 100% of the shares in CSR for a cash price of \$9.00 per CSR Share (**Proposal**).

The Proposal followed an earlier indicative offer and a period of negotiation, which included the provision of value impacting due diligence.

The Scheme is subject to customary conditions, including approval by the Court, CSR Shareholders and the Foreign Investment Review Board (**FIRB**).

Details of the Transaction Consideration and Additional Consideration Amount

If the Scheme is implemented, and provided you hold CSR Shares on both the Scheme Record Date and the CSR Permitted Dividend Record Date, in total, you will receive the Transaction Consideration of \$9.00 cash per CSR Share.

The Transaction Consideration consists of the Scheme Consideration¹ plus any CSR Permitted Dividend.

¹ The Scheme Consideration is equal to an amount of \$9.00 cash per CSR Share for each CSR Share held as at the Scheme Record Date, reduced by the amount of any CSR Permitted Dividend.

As set out in further detail below, the CSR Board currently intends to determine to pay a fully franked CSR Permitted Dividend of \$0.12 cash per CSR Share before the implementation of the Scheme conditional on the Scheme becoming Effective. If this occurs, the Transaction Consideration will consist of the Scheme Consideration of \$8.88 cash per CSR Share plus the CSR Permitted Dividend of \$0.12 cash per CSR Share.

Scheme Consideration and CSR Permitted Dividend

The CSR Board, having regard to the franking credits available to CSR, currently intends to determine to pay a fully franked CSR Permitted Dividend of \$0.12 cash per CSR Share before implementation of the Scheme conditional on the Scheme becoming Effective.² If the intended CSR Permitted Dividend is paid, the Transaction Consideration of \$9.00 cash per CSR Share will comprise the Scheme Consideration of \$8.88 cash per CSR Share plus the CSR Permitted Dividend of \$0.12 cash per CSR Share.

Any CSR Permitted Dividend will be fully franked and the franking credits will represent additional value to those CSR Shareholders who are able to realise a tax benefit from those franking credits and who are CSR Shareholders on the CSR Permitted Dividend Record Date. CSR Shareholders should seek independent professional taxation advice in relation to their particular tax circumstances and the value of any franking credits.³

Any CSR Permitted Dividend will be communicated to CSR Shareholders by way of an ASX announcement before the Scheme Meeting. If the Scheme becomes Effective, the CSR Permitted Dividend would be paid on the CSR Permitted Dividend Payment Date (currently intended to be 1 July 2024) prior to implementation of the Scheme in respect of each CSR Share held by CSR Shareholders as at the CSR Permitted Dividend Record Date (currently intended to be 7.00pm (Sydney time) on 24 June 2024).

Please note that if the CSR Board determines to pay the CSR Permitted Dividend and you acquire CSR Shares on or after the CSR Permitted Dividend Ex Date (currently intended to be 21 June 2024), you will not be entitled to any CSR Permitted Dividend in respect of those CSR Shares.

Additional Consideration Amount

If the Effective Date for the Scheme occurs after 26 June 2024, on implementation of the Scheme, CSR Shareholders will also be entitled to receive the Additional Consideration Amount per CSR Share held as at the Scheme Record Date. The Additional Consideration Amount would be in addition to the Transaction Consideration described above.

Please note that under the proposed timetable for the Scheme set out in this Scheme Booklet, no Additional Consideration Amount will be payable as it is proposed that the Effective Date will be before 26 June 2024.

Transaction Consideration

The Transaction Consideration of \$9.00 cash per CSR Share values CSR's equity on a fully diluted basis at approximately \$4,319⁴ million, and implies an enterprise value (**EV**) of approximately \$4,575⁵ million, and represents premia of:

- 33% to the closing share price on 20 February 2024;⁶
- 39% to the 3-month volume weighted average price (**VWAP**) to 20 February 2024;
- 48% to the 6-month VWAP to 20 February 2024; and
- 61% to the 12-month VWAP to 20 February 2024.

The Transaction Consideration of \$9.00 cash per CSR Share represents an attractive premium to the highest closing price of a CSR Share since the sale of Sucrogen in 2010⁷ and the last undisturbed trading date prior to the announcement of the Proposal (being 20 February 2024) of \$6.96⁸ (which occurred on 25 January 2024).

2 As at the date of this Scheme Booklet, the CSR Board has not determined to pay any CSR Permitted Dividend.

3 Please refer to section 8 of this Scheme Booklet for a general summary of the Australian taxation consequences of the Scheme for CSR Shareholders. However, section 8 of this Scheme Booklet is general in nature and CSR Shareholders should consult with their own independent taxation advisers regarding the tax implications of the Scheme.

4 Assumes 479,924,432 CSR Shares. This assumes 477,383,587 CSR Shares and the vesting of 2,923,022 CSR Performance Rights by the issue of new CSR Shares after allowing for 382,177 CSR Shares held by CSR Share Plan Pty Limited to be utilised to satisfy the vesting of 382,177 CSR Performance Rights.

5 EV assumes balance sheet items as at 30 September 2023, including cash of \$19 million, financial debt of \$20 million, minority interests of \$12 million, associates of \$42 million, tax effected product liability of \$131 million and lease liabilities of \$154 million.

6 Closing share price of \$6.77 as at 20 February 2024, which is the last trading day prior to media speculation regarding a possible change of control proposal for CSR.

7 Based on the completion date of the sale of CSR's sugar and renewable energy business, Sucrogen, to Wilmar International Limited, of 22 December 2010.

8 Based on IRESS market data. IRESS share price data is adjusted for capital changes. IRESS has not consented to the use of this information in this Scheme Booklet.

Letter from the Chair of the CSR Board continued

The Transaction Consideration represents an EV / EBITDA⁹ multiple of 12.4x¹⁰ to CSR EBITDA to 30 September 2023 and an EV / EBIT¹¹ multiple of 16.1x¹² to CSR EBIT to 30 September 2023.

Further details on the Transaction Consideration, the Scheme Consideration, the CSR Permitted Dividend and the Additional Consideration Amount are outlined in section 4 of this Scheme Booklet.

CSR Directors' recommendation

The CSR Directors consider that the Scheme is in the best interest of CSR Shareholders and unanimously recommend that you vote in favour of the Scheme in the absence of a Superior Proposal and subject to the Independent Expert continuing to conclude that the Scheme is fair and reasonable and in the best interest of CSR Shareholders.

Each CSR Director who holds CSR Shares intends to vote in favour of the Scheme in relation to all CSR Shares held or controlled by them, subject to these same qualifications.

The interests of the CSR Directors in CSR Shares, including the interests of Julie Coates, Managing Director and CEO of CSR, are set out in section 9.1 of this Scheme Booklet. CSR Shareholders should have regard to these interests when considering how to vote on the Transaction.¹³

Independent Expert's opinion

The CSR Directors appointed Kroll as the Independent Expert to assess the merits of the Scheme. The Independent Expert has concluded that the Scheme is fair and reasonable and in the best interest of CSR Shareholders, in the absence of a superior proposal. The Independent Expert has assessed the value of a CSR Share on a controlling interest basis to be in the range of \$8.25 to \$9.26, and the Transaction Consideration of \$9.00 cash per CSR Share is within the top third of the Independent Expert's value range.

A complete copy of the Independent Expert Report's is set out in Annexure 1.

Reasons why you may consider voting in favour of the Scheme

The key reasons for the CSR Directors' unanimous recommendation in relation to the Scheme are set out in section 1.2 of this Scheme Booklet. These include that:

- The Transaction Consideration represents an attractive premium relative to recent and long-term historical trading prices of CSR Shares prior to (and including) 20 February 2024 and an attractive acquisition multiple.
- The Independent Expert has concluded that the Scheme is fair and reasonable and in the best interest of CSR Shareholders, in the absence of a superior proposal.
- Implementation of the Scheme would mean that CSR Shareholders receive a certain cash price for their investment in CSR and will avoid the ongoing risks and uncertainties associated with their investment in CSR.
- The CSR Share price will continue to be subject to market volatility and may fall in the near-term if the Scheme is not implemented and in the absence of a Superior Proposal.
- Since announcement of the Scheme, no Superior Proposal has emerged.
- Brokerage charges will not apply to the transfer of your CSR Shares.

Reasons why you may consider voting against the Scheme

Despite the unanimous recommendation of the CSR Directors, there are also reasons why you may consider voting against the Scheme.

These include because CSR Shareholders may wish to participate in the future financial performance of the CSR business, you may believe it is in your best interests to maintain your current investment and risk profile or you may believe that there is potential for a Superior Proposal to emerge.

Please refer to section 1.3 of this Scheme Booklet for further details.

⁹ Earnings before interest, tax, depreciation, amortisation and significant items.

¹⁰ Based on EBITDA before significant items of \$370 million and EBIT before significant items of \$284 million for the 12 months to 30 September 2023.

¹¹ Earnings before interest, tax and significant items.

¹² Based on EBITDA before significant items of \$370 million and EBIT before significant items of \$284 million for the 12 months to 30 September 2023.

¹³ The CSR Board (excluding Julie Coates) currently intends, subject to the Scheme becoming Effective and the exercise of the CSR Board's discretion, to treat the CSR Equity Incentives held by Julie Coates, the Managing Director and CEO of CSR as follows (as set out in section 9.2 of this Scheme Booklet): determine the early vesting of 905,155 unvested CSR Performance Rights and release of restrictions on 43,440 CSR Restricted Shares. Ms Coates will receive approximately \$8,537,355 in connection with the early vesting of her unvested CSR Performance Rights and the early release of restrictions on her CSR Restricted Shares if the Scheme is implemented. Additionally, as set out in section 9.1, as at the Last Practicable Date, Ms Coates also holds 805,928 CSR Shares without restriction for which Ms Coates will receive \$7,253,352 based on the Transaction Consideration of \$9.00 per CSR Share if the Scheme is implemented.

Despite this interest in the outcome of the Scheme, Ms Coates considers that, given the importance of the Scheme and her role as Managing Director and CEO, it is important for her to provide a recommendation to CSR Shareholders in relation to the Scheme. Additionally, the CSR Board (excluding Ms Coates) also considered that it is appropriate for Ms Coates to make a recommendation on the Scheme given her role.

Risk factors

In considering the Scheme, the CSR Directors considered a number of risk factors which may result in potential future benefits to CSR Shareholders of holding CSR Shares, but which may also adversely affect the future operating and financial performance of CSR, the potential for CSR to make future distributions to CSR Shareholders, and the price and/or value of CSR Shares, as well as risks which relate to the Scheme itself. Those risks are set out in detail in section 7 of this Scheme Booklet.

How to vote

For the Scheme to proceed, it must be approved by the Requisite Majorities of CSR Shareholders (the requirements of which are set out in section 4.8 of this Scheme Booklet) and by the Court.

Your vote as a CSR Shareholder is important and I strongly encourage you to vote. You can vote by attending the Scheme Meeting in person or online, by lodging a proxy form, by appointing an attorney to attend and vote at the Scheme Meeting on your behalf or in the case of a body corporate which is a CSR Shareholder, by appointing a corporate representative to attend and vote at the Scheme Meeting on behalf of that CSR Shareholder. Further details on how to vote is included in section 3.2(d) of this Scheme Booklet.

The Scheme Meeting to approve the Scheme is scheduled to be held in person at Herbert Smith Freehills, Level 34, 161 Castlereagh Street, Sydney NSW 2000 and through an online platform at <https://meetnow.global/M64W5LG> on 13 June 2024, commencing at 9.00am (Sydney time).

If you wish the Scheme to proceed, it is important that you vote in favour of the Scheme so that it is approved.

Timing of the Scheme

If the Scheme is approved by CSR Shareholders and the Court, the Scheme will become Effective and therefore binding on CSR Shareholders on the Effective Date (currently expected to occur on 19 June 2024). If the Scheme becomes Effective, CSR Shareholders will be paid the Scheme Consideration on the Implementation Date (currently expected to occur on 9 July 2024).

Further information

I encourage you to carefully read this Scheme Booklet (including the Independent Expert's Report) in full and seek your own legal, financial or other professional advice as to what action you should take.

CSR Shareholders who have any questions relating to the Scheme should contact the CSR Shareholder Information Line on 1300 237 569 (for callers within Australia) or +61 2 9066 4055 (for callers outside Australia) between 8.30am and 5.30pm (Sydney time) Monday to Friday (excluding public holidays), or visit www.csr.com.au/investors-and-news/scheme-information.

On behalf of the CSR Board, I would like to take this opportunity to thank you for your continued support of CSR.

Yours sincerely



John Gillam

Chair, CSR Limited