

# RINKER™

## ADDRESS TO SHAREHOLDERS CHAIRMAN JOHN MORSCHEL RINKER GROUP LIMITED AGM 2005 18 July 2005

In March we celebrated Rinker's second anniversary as a separate, listed company. I am delighted to be able to report to you that our second year performance was very pleasing, and we are looking forward to another good year.

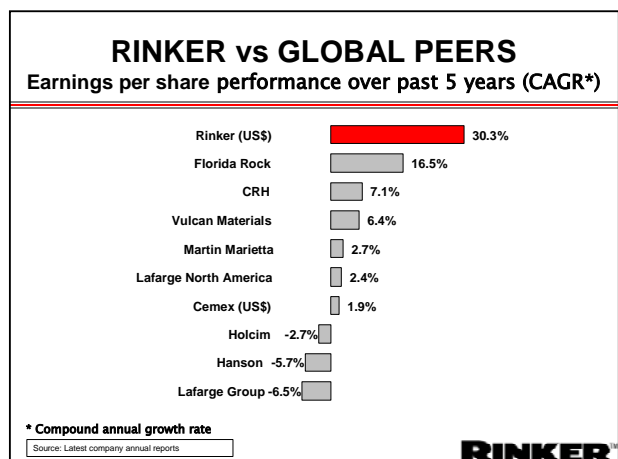
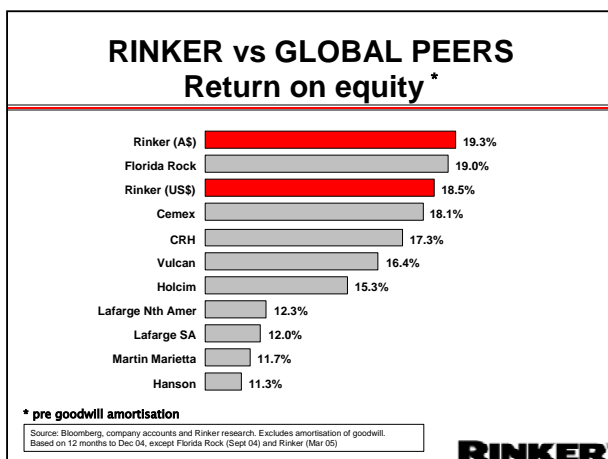
Profit after tax for the 12 months ended March was up 46 per cent to 433 million US dollars, or 585 million Australian dollars. The increased profit was in part generated by a 16 per cent lift in trading revenue in US dollars, or a nine per cent lift in Australian dollars.

Return on shareholders' equity <sup>1</sup> improved strongly up from 13 per cent in US dollars a year ago, to 16.6 per cent. In Australian dollars, ROE grew from 14.2 per cent to 17.3 per cent.

RESULTS		
year ended 31 March 2005 (YEM 05)		
	US\$	A\$
Profit after tax	+ 46%	+ 37%
Sales	+ 16%	+ 9%
Return on equity	16.6%	17.3%
	up 3.6pp	up 3.1pp

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Return on equity is a very important measure for us, and as you can see from the slide, Rinker is well ahead of its peer group – which comprises US and international heavy building materials companies. The slide shows ROE before the amortisation of goodwill, which puts us on a more level playing field compared to our peers.



Another useful measure for benchmarking our performance is earnings per share or EPS. Rinker's EPS has risen an average of 30.3 per cent a year compound, in US dollars, over the past five years. Once again the slide on the screen shows how Rinker compares against its global peers—again prior to amortising goodwill.

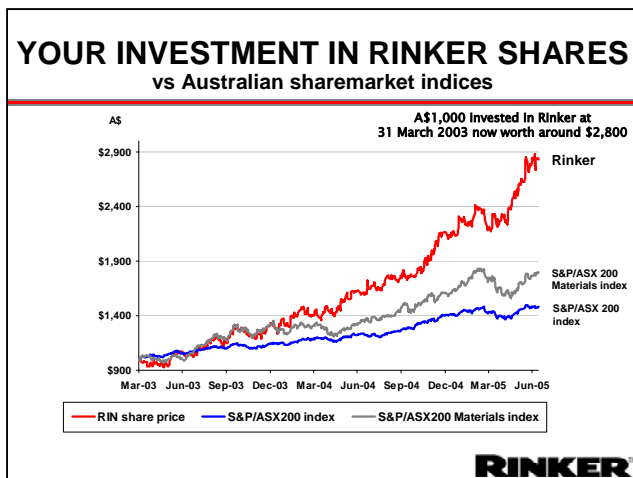
As many of you are probably aware, under the new international accounting rules which Australia has adopted, we will no longer be amortising goodwill – and I draw your attention to the detailed Note 39, on pages 39 and 40 of the annual accounts, which details the impact these new rules will have on our reported result next year.

The new rules also permit Rinker to report in US currency.

There are two major reasons why we have chosen to make this change:

- Firstly, around 80 per cent of our earnings and most of our ongoing growth is in the US
- Secondly, the majority of our operating costs are incurred in US dollars.

Therefore, not only does it make sense to report in US dollars, but it may also reduce the volatility of the Rinker share price - as investors will be less focused on the day to day exchange rate fluctuations.



As you will note from the slide, Rinker's share price has shown solid improvement over the past 27 months. At last year's AGM, I reported a share price of \$7.88 Australian. On Friday it closed at A\$13.83. That is up 76 per cent over the past year and up 181 per cent since the demerger in March 2003.

Over the past 12 months, shareholders have also benefited from a 50 per cent increase in dividend, to 21 Australian cents per share.

In May this year we announced a change in our dividend policy – lifting our dividend payout ratio to around 35 per cent, which we believe is still appropriate for a growth stock.

The one downside to a higher dividend is that we are no longer able to pay fully franked dividends. Therefore the total dividend for the 12 months to 31 March was effectively only 73% franked.

I am pleased to note that shareholders appear to be comfortable with that trade-off.

Adding together the improvement in the share price and the dividends – assuming they were reinvested in Rinker shares - gives the total shareholder return. For the year

ended March, Rinker's total return was 57 per cent in US dollars and 56 per cent in Australian dollars. This was on top of 82 per cent and 45 per cent respectively for the previous year.

Such returns are extraordinary, and it would be a braver man than I who would stand in front of you and forecast similar returns this year. No one can absolutely predict what might happen with international events, currencies, the oil price, interest rates and so on. However, the share price improvement so far this year reflects the ongoing strong performance of our operations, and investors' greater understanding of the strength of our business – particularly in the US.

What is interesting to note is the increasing interest from US investors in Rinker. In part that may be due to their greater understanding of the underlying strengths of our major markets in Florida and Arizona.

As I said last year, so long as we continue to perform strongly -- and so long as we continue to behave ethically, focusing on what our customers want and mindful of our shareholder and community responsibilities – over the longer term we would expect investors to continue to support us.

I mentioned before that our debt was low. As at 31 March, our net debt <sup>2</sup> was 280 million US dollars, down from 601 million dollars a year earlier. Our gearing or leverage <sup>3</sup> is also very low – net debt over net debt plus equity is below 10 per cent.

Our balance sheet is accordingly very strong – and Rinker continues to generate strong cashflows – so we are in excellent shape to fund ongoing growth.

Our priority in recent times has been organic growth – expanding our base business by building new operating plants and buying quarry reserves. David Clarke will talk more about this shortly.

We are also committed to making value-adding acquisitions. We pursue small acquisitions, which can bolt-on to our existing businesses, whenever that makes sense. And we can afford to spend a great deal of cash on larger acquisitions, if the right one comes along, at the right price.

We continue to do a lot of work on these potential acquisitions – but the timing is always difficult to predict. We will not make acquisitions for the sake of it – any investment must be value-adding.

So apart from organic growth and paying down debt, we have been investing in our own shares. In May we announced a new on-market buyback of up to 10 per cent of the shares.

During the first quarter of this financial year, we bought back 7.2 million shares, at a total cost of 87 million Australian dollars.

As always, the buyback remains subject to larger acquisitions that may emerge.

Meanwhile, your directors remain conscious of the need to manage our capital in the best interests of our shareholders, and we will consider other options should the need arise.

I would like to take a moment to thank my fellow directors for their contribution during the year – particularly our deputy chairman Marshall Criser. His wise counsel and effective oversight as Chairman of the Audit Committee is greatly appreciated.

It is a small board, which functions well on behalf of shareholders – despite being situated on two different continents.

The second independent review of the board was completed in May. As with last year's review, it recorded that there were no major issues or concerns that required attention.

A major focus for the board is the safety of our employees. Our goal is Zero4Life – no occupational illnesses and recordable injuries to anyone, ever.

Rinker is one of the safest companies in our industry but I am deeply saddened to report that one of our employees lost their life last year. I cannot tell you how important it is to us to stop such devastating accidents occurring.

Zero4Life also means we are aiming for zero environmental incidents. Last year we reported a substantial decline in significant and more serious incidents. Overall it was a very pleasing result and testimony to the efforts of all our people to eliminate environmental incidents.

Corporate governance remains a priority. We have worked hard to build a solid framework of board charters, codes of conduct and numerous policies and practices -- which outline our approach to corporate governance and the standards we expect. These are available for your perusal in the Annual Report and on our website.

For the second year running, we have also published a detailed Remuneration Report and we are submitting it for your vote again this morning. This is ahead of the mandatory requirements, which I trust demonstrates our strong commitment to sound governance.

I am delighted to report that Rinker was a finalist in the Corporate Governance category of the Australian Annual Report Awards this year – along with three other major companies – BHP, Westpac (the eventual winner) and ANZ. Unfortunately we did not win but I think it demonstrates the high standards we strive to implement.

And we didn't come away empty-handed. Our 2004 Annual Report won the Best New Entrant category at the awards.

This morning we released our results for the first quarter of the current year. As I said earlier, these are only reported in US dollars.

Net profit was up 62% on the prior corresponding quarter, while earnings per share<sup>4</sup> or EPS was up 63% -- from 11.9 cents to 19.3 cents.

It is still very early in the year and we are expecting significant cost increases over the next nine months, compared with the prior year. We also anticipate some slowing in the rate of growth in US housing construction.

These factors aside, demand remains strong in our major markets and price increases have been unusually frequent. We therefore look forward to another year of solid growth in the US and have lifted our expectations for the current full year profit.

We now expect our US subsidiary, Rinker Materials, to deliver an increase in operational EBIT of around 30%. For the Australian business, Readymix, our expectations of profit in line with last year's record result remains unchanged.

On behalf of the board, I would like to thank each of you, our shareholders, for continuing to invest in Rinker.

Thanks also to David and his management team, and all of our Rinker people, for their ongoing commitment and hard work.

Thank you.

<b>1<sup>st</sup> QUARTER RESULTS</b>			
June quarter 2005			
Net profit	US\$ 181 m	↑	62%
Earnings per share	US 19.3c	↑	63%
Return on equity <sup>5</sup>	21.7% up from 17.6%		

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## NOTES:

### 1. Reconciliation of Return on Equity (ROE)

Return on equity represents the previous 12 months' Net profit attributable to members of Rinker Group Limited divided by equity attributable to members of Rinker Group Limited.

Return on equity prior to goodwill amortisation is calculated by excluding goodwill amortisation from Net Profit attributable to members of Rinker Group Limited.

	US\$ million		A\$ million	
	2005	2004	2005	2004
Year ended 31 March				
Net profit attributable to members of Rinker Group Limited	432.6	295.6	585.2	426.8
Equity attributable to members of Rinker Group Limited	2,612.5	2,275.7	3,387.1	3,013.3
<b>ROE</b>	<b>16.6%</b>	13.0%	<b>17.3%</b>	14.2%
Goodwill amortisation (after tax)	49.8	50.8	67.5	73.2
Net profit attributable to members of Rinker Group Limited	432.6	295.6	585.2	426.8
Net profit attributable to members of Rinker Group Limited before goodwill amortisation	482.4	346.4	652.7	500.0
<b>ROE pre-amortisation of goodwill</b>	<b>18.5%</b>	15.2%	<b>19.3%</b>	16.6%

2. **Reconciliation of Net debt**

Net debt represents current and non-current interest-bearing liabilities less cash assets.

As at	US\$ million		A\$ million	
	31 March 2005	31 March 2004	31 March 2005	31 March 2004
Current interest-bearing liabilities	257.1	17.4	333.3	23.0
Non-current interest-bearing liabilities	610.9	912.4	792.1	1,208.2
Less: cash assets	(588.2)	(328.5)	(762.6)	(435.1)
<b>Net debt</b>	<b>279.8</b>	<b>601.3</b>	<b>362.8</b>	<b>796.1</b>

3. **Reconciliation of gearing/leverage**

Gearing/leverage represents (a) net debt divided by equity and (b) net debt divided by net debt plus equity.

As at	US\$ million		A\$ million	
	31 March 2005	31 March 2004	31 March 2005	31 March 2004
Net debt	279.8	601.3	362.8	796.1
Equity	2,619.8	2,280.6	3,396.6	3,019.8
<b>Gearing/leverage (net debt/ equity)</b>	<b>10.7%</b>	<b>26.4%</b>	<b>10.7%</b>	<b>26.4%</b>
<b>Gearing/leverage (net debt/net debt plus equity)</b>	<b>9.7%</b>	<b>20.9%</b>	<b>9.7%</b>	<b>20.9%</b>

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**Reconciliation of Earnings per share for the quarter ended 30 June 2005**

Earnings per share represents Net profit attributable to members of Rinker Group Limited divided by weighted average number of shares outstanding.

Quarter ended 30 June	Information under A-IFRS US\$ million	
	2005	2004
Net profit attributable to members of Rinker Group Limited	181.0	112.0
Weighted average number of shares outstanding (million)	937.9	944.5
<b>Earnings per share (cents)</b>	<b>19.3</b>	<b>11.9</b>
<b>Earnings per ADR (1 ADR = 5 ord shares) (cents)</b>	<b>96.5</b>	<b>59.3</b>

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**Reconciliation of Return on Equity (ROE)**

Return on equity represents the previous 12 months' Net profit attributable to members of Rinker Group Limited divided by equity attributable to members of Rinker Group Limited.

Year ended 30 June	Information under A-IFRS US\$ million	
	2005	2004
Net profit attributable to members of Rinker Group Limited	562.5	379.8
Equity attributable to members of Rinker Group Limited	2,593.0	2,159.6
<b>ROE</b>	<b>21.7%</b>	<b>17.6%</b>