

CHAIRMAN'S REVIEW



IN OUR FIRST YEAR AS A NEW COMPANY, WE HAVE WORKED HARD TO **BUILD A REPUTATION** THAT WILL SHAPE RINKER FOR MANY YEARS TO COME

Dear Shareholder

OUR COMMITMENT TO OUR SHAREHOLDERS

Whilst the judgment on our reputation is made by you and others, it is driven by the values and drivers that guide the group's 14,000 employees in how they think and operate. It is the fabric that binds the organisation: the common threads Rinker people share as we make decisions and go about our tasks each day.

So what are these common threads?

Firstly, the safety and well being of our people is paramount and is not open to compromise. We also strive to deliver:

- value for you, our shareholder
- high performance
- strong ethics
- care of our communities and the environment
- customers who repeatedly select us ahead of our competitors

We continue to work tirelessly at each of the above but will never reach a point of satisfaction, because the goals are always being set higher. You can read more about how we are doing in this report. However, it is 'How are we delivering value for shareholders?' which I would like to address here.

Total shareholder return (TSR) – share price appreciation plus dividends reinvested – is often used to assess value for shareholders. In A\$, Rinker's TSR over the financial year to 31 March 2004 was 45% and in US\$, 82%.

Your directors have announced a 14% increase in the *final dividend* to eight cents (A\$) per ordinary share, making a *total dividend* of 14 cents per share.

Both the final and the interim dividend are *fully franked* (70% franked last year). This provides an additional benefit for most of our Australian and international shareholders, by reducing their income or withholding tax obligations. At the current dividend level, we expect to retain full franking for the foreseeable future.

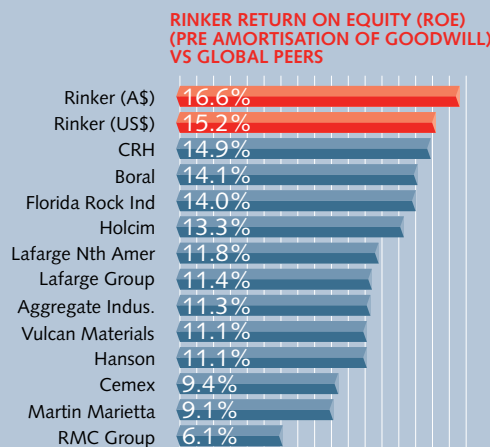
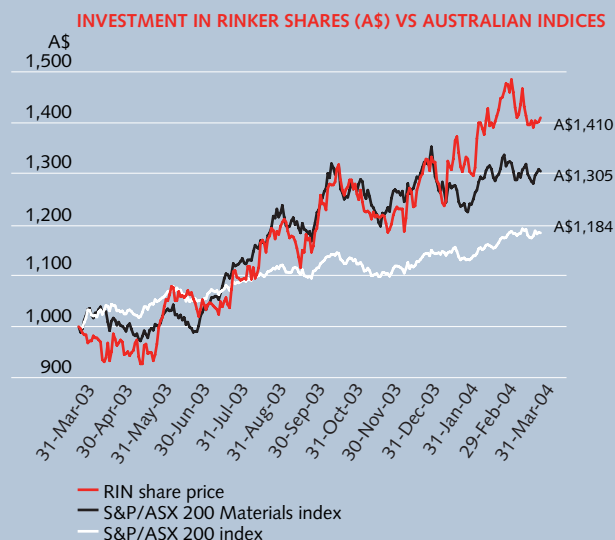
The closing *share price* on 31 March 2003 – our first day of trading after the demerger from CSR Limited – was A\$4.93. A year later it closed at A\$6.95 – up 41%.

For our US shareholders, who now comprise more than 25% of our share register (beneficial ownership), Rinker's share price rose from US\$2.98 to US\$5.27, up 77%.

Return on shareholders' equity (ROE) is an important measure, as it looks at what returns we are generating from the funds shareholders have invested in the company. We saw significant improvement last year, with ROE up from 12.2% to 14.2%, measured in A\$, and up from 11.4% to 13.0% in US\$.

Rinker is a growth company, and as such, our first priority is to fund expansion of the existing business and value adding acquisitions. Currently, Rinker's strong cash flows are more than sufficient to fund expansion and acquisitions.

We believe a *share buyback* is a sensible way of delivering value to our shareholders. We repaid US\$298 million (A\$455 million) in debt last year and our balance sheet is very strong, with gearing (net debt/net debt plus equity) at a low 21%. Therefore in February we announced an on-market share buyback to commence after the release of our annual results in May, to buy up to 10% of the company's shares over the next year. ABN AMRO and UBS have been appointed brokers to manage the buyback. Directors are conscious of the need to maintain an efficient balance sheet. We look at a buyback as we would any capital investment decision and we believe it is an appropriate use of shareholders' funds.



Source: Bloomberg, company accounts and Rinker research. Excludes amortisation of goodwill. Based on 12 months to Dec 03, except Boral (Jun 03), Florida Rock (Sept 03) and Rinker (Mar 04)

STAFF REWARD AND MOTIVATION

Rinker's people have a very clear understanding that our shareholders expect good returns on their investment, and our performance assessment and reward criteria encourage them to think and act more like owners of the business.

We believe this focus on shareholder value and delivering high performance 'stretch goals' has played a significant role in lifting Rinker's performance in recent years, both in Rinker Materials and Readymix.

CORPORATE GOVERNANCE

Directors are acutely aware of the need to ensure that shareholder value is delivered within a robust corporate governance framework.

Our desire for transparency and accountability in the way we manage your company has meant we support a rigorous level of disclosure. We have outlined our governance policies in detail on our internet site and in this report. We have revamped our remuneration and incentive programs to align our people even more closely with shareholder interests. Recognising the wishes of the shareholding community and the likely direction of future legislation, we are submitting our remuneration report to shareholders, for adoption by way of a non-binding vote.

By reporting quarterly – an additional, voluntary disclosure – we are providing more information to the market, enabling you to judge our performance more frequently.

BOARD COMPOSITION

Marshall Criser and Walter Revell joined the board on 12 April 2003, immediately after demerger formalities were completed.


The only other change in Board composition during the year was the appointment of Mr John Ingram, following the resignation of Mr John Ballard, who was appointed CEO of Southcorp.

OUTLOOK

The outlook for the current year looks positive, albeit with a number of challenges. We will be aiming to exceed last year's operating profit performance, measured in local currencies, in both the US and Australia. Any further acquisitions or new greenfields expansion would generate additional growth.

I would like to take this opportunity to thank my fellow directors, the management team led so effectively by David Clarke and the entire Rinker workforce for their outstanding contribution during the past 12 months.

Thank you for being a shareholder in Rinker. We appreciate your support and look forward to delivering further on our commitment to you in the year ahead.



John Morschel
CHAIRMAN

CHIEF EXECUTIVE'S REVIEW



RINKER'S FIRST YEAR

AS A SEPARATE COMPANY
PROVED TO BE EVEN MORE SUCCESSFUL THAN
MANY OF US HAD HOPED

Net profit after tax (PAT) was up 37% in US\$ to US\$296 million, and up 12% in A\$ to A\$427 million*.

Earnings per share (EPS) rose 37% in US\$ to 31.3 cents and was up 12% in A\$ to 45.2 cents. EPS pre-amortisation of goodwill rose 35% to 36.7 cents (US\$) and 10% to 52.9 cents (A\$). For our US shareholders, earnings per American Depositary Receipt (ADR), pre-amortisation, were US\$3.67.

Profit from ordinary activities before interest and tax (EBIT) was US\$493 million, up 25% or up 2% in A\$ to A\$713 million, while sales revenue rose 25% in US\$ to US\$3,706 million or up 2% to A\$5,339 million. Earnings before interest, tax, depreciation and amortisation (EBITDA) rose 20% to US\$727 million, but was down 2% in \$A to A\$1,050 million.

With around 80% of group earnings from the US, translating those profits into the stronger Australian currency – up 22% on average versus the previous year – impacted our profits reported in A\$. At a constant exchange rate, A\$ PAT would have been A\$66 million higher, or up 29%.

Return on funds employed (ROFE) was also up strongly, to 17.1% in US\$, from 14.3% in 2003, and up from 15.3% to 18.7% in A\$.

Cash flow has long been one of the great strengths of Rinker. Net cash flow from operations rose 29% to US\$661 million or up 4% to A\$947 million, during the year. Free cash flow rose 15% to US\$441 million but in A\$ was down 10% to A\$614 million.

The increase in dividend, fully franked, reflects Rinker's improved performance and is one way to reward shareholders for their support. The buyback of up to 10% of our ordinary shares is another.

Strong results from the Australian subsidiary Readymix – with EBIT up 33% in A\$ – and the Florida and Arizona operations of the US subsidiary, Rinker Materials, helped drive the performance. Rinker Materials EBIT was up 17%. These offset a lower result from the US concrete pipe business, increased costs of fuel, energy, and other raw materials, and US\$16 million in writedowns – US\$11 million for the US prestress operations and US\$5 million for restructuring within the concrete pipe business.

* All financial information for 2003 and before is based on unaudited pro forma information. See page 41 for details

STRONG, CONSISTENT GROWTH OVER MANY YEARS

The writedowns reflect lower valuations of the assets. Prestress is a small business, with only US\$60 million in funds employed – but it is highly exposed to the depressed US non-residential construction sector. In March we sold two of the 11 prestress plants and more may be sold later, if appropriate.

Although it continues to deliver above its cost of capital the performance of the US concrete pipe business has deteriorated over the past two years because of its wide geographic exposure, including many states with weaker fiscal and economic positions. In the fourth quarter, costs of steel, used to reinforce the pipe, rose 25%. The business also faces ongoing competitive pressures.

Rinker's financial position strengthened further over the year. Net debt fell US\$348 million to US\$601 million and EBIT interest cover was 11.5 times in \$US, up from 8.0 times at end March 2003. Gearing or leverage (net debt/net debt + equity) improved to 20.9%, down from 33.5%, while net debt/equity was 26.4%, from 50.4%.

BUSINESS RESULTS

Rinker Materials sales revenue was US\$2,868 million, up 20%. EBITDA was up 15% to US\$591 million, while EBIT was up 17% to US\$392 million.

US\$ return on funds employed (ROFE) was up strongly to 17.9%, from 14.5% the previous year. All businesses performed well and improved their profitability and ROFE, except concrete pipe and prestress.

Readymix sales revenue was A\$1,201 million, up 18%. EBITDA rose 21% to A\$209 million, helped by price recovery, higher volumes and cost savings. EBIT was up 33% to A\$158 million. Readymix ROFE in A\$ rose strongly to 17.1% from 15.9%.

STRONG, CONSISTENT GROWTH OVER MANY YEARS

Whilst these results represent our first year as a separate company, Rinker has a history of strong, consistent growth over many years.

Over the past seven years, Rinker Materials has delivered consistent, compound average growth of 13% p.a. in sales revenue, and 20% p.a. in EBITDA. Compound growth in EBIT over that period has averaged 21% p.a. ROFE for the US operations improved from 12.7% to 17.9% in that time.

Readymix has been a more cyclical business. EBIT over the same period has grown 7% p.a. compound while EBIT margins rose from 8.2% to 13.2%. ROFE improved strongly from 10.3% to 17.1% last year.

For the Rinker group, proforma data shows consistent compound sales revenue growth of 11% p.a. over the past five years and 15% p.a. EBITDA growth, measured in US\$. Compound growth in EBIT over that period has averaged 15% p.a.

These results mean that we continue to deliver on our objective of top quartile growth relative to Rinker's sector peers.

The challenge for all of us at Rinker is to maintain this strong performance record into the future.

The growth has been a combination of organic growth and acquisitions. Organic expansion has come from Rinker Materials' leading market positions in strong, fast growing states of the US. With around 80% of our US EBIT coming from nine of the top 10 growth states in the US – particularly Florida, Arizona and Nevada – we are well positioned for ongoing growth.

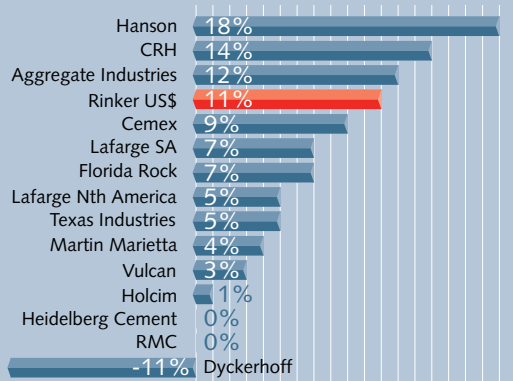
Prices continued to move up steadily in most products and we expect further increases this year.

Regarding acquisitions, we have made 31 since 1998 at a cost of US\$1.7 billion. This has averaged US\$200-300 million a year, which we should be able to sustain from cash flows. Investment will continue to be lumpy, as it depends on the availability and timing of value-adding acquisitions.

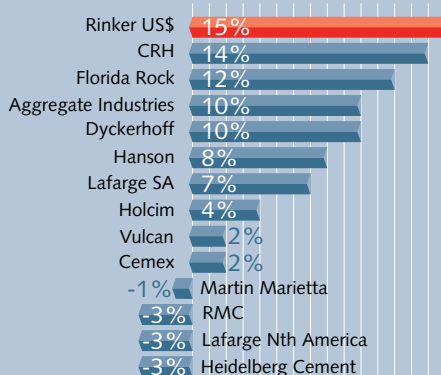
As might be expected in such an extensive program, a couple of the acquisitions have not performed as well as expected – and we gained valuable lessons from these – but overall, they are delivering ahead of their cost of capital.

Our largest acquisition was Kiewit Materials, purchased for US\$540 million in September 2002. Kiewit's integration progressed very smoothly and it began returning its cost of capital within 12 months, well ahead of schedule.

SALES REVENUE – COMPOUND ANNUAL GROWTH RATE OVER PAST FIVE YEARS



EARNINGS BEFORE INTEREST, TAX, DEPRECIATION AND AMORTISATION (EBITDA) – COMPOUND ANNUAL GROWTH RATE OVER PAST FIVE YEARS



Source: Bloomberg/Rinker research. Financials based on Dec year end, except Rinker (Mar), Texas Industries (May) and Florida Rock (Sept). Rinker data based on proforma accounts prior to year end 2004

Rinker Materials made one small bolt-on acquisition in the US last year, Superstition, and purchased Loven on 1 April 2004 (see p 13). Readymix made four in Australia and one in China (see p 17).

The volume of US acquisitions has slowed over the past 12-18 months, both for Rinker and others within the industry. This is due partly to uncertainty about the US economic recovery. Forecasts are now more positive, and we are hopeful that the pace of acquisitions will pick up.

Rinker's development capital spending during the year was US\$94.0 million (A\$131.9 million). We invested strongly in greenfields expansion in the US, with seven new concrete and concrete block plants in Florida and Nevada (see p 13). This allows us to extend into growth regions and to expand where we have been capacity-constrained, so we can better service both existing and new customers. It is a low-risk use of capital from which we expect strong returns.

Significant improvement opportunity exists within the US concrete pipe and prestress businesses. They are still under-performing, despite signs of progress.

On the cost side, operational improvement delivered a total of US\$62 million (A\$90 million) in savings last year, going a long way to offsetting higher wages, raw materials and energy costs etc. We aim to do so again this year.

SAFETY

I am distressed to report that three people lost their lives working for us during the year – two Rinker people and a contractor. For their families, friends and workmates, this is a tragedy, and on behalf of everyone at Rinker, I offer our deepest sympathies. We are working very hard to prevent all injuries. Much progress has been made and the number of injuries has fallen 33% in the past two years, but much more is needed. Safety comes before everything else.

MANAGEMENT CHANGES

Karl Watson Jr, who has headed the team at Readymix since December 2001 – nearly trebling profitability in that time – will run Rinker Materials West, following the departure of Chris Murphy in July.

Sharon DeHayes, formerly President of Florida Materials and Gypsum Supply – the concrete, concrete block and wallboard distribution operations in Florida – has moved to Australia to run Readymix. She is an excellent manager, very customer-focused, with extensive experience across our operations.

OUR PRIORITIES FOR THIS YEAR

- Continue to grow, mainly in the US, through investments in greenfield operations and acquisitions
- Continue the rate of performance improvement relative to competitors
- Further operational improvement to reduce the impact of higher raw material, energy and freight costs, and
- Improve our safety, occupational health and environmental performance.

OUTLOOK FOR THIS YEAR

Most commentators now agree that economic recovery is underway in the US, although questions remain about the pace of job growth. Construction activity overall is expected to increase slightly, with low interest rates sustaining housing at high levels, non-residential or commercial activity recovering and infrastructure spending remaining strong.

The outlook for Florida and Arizona is similar, with last year's strong activity levels expected to be maintained. Some improvement in the non-residential sector in Florida and Arizona is evident, after two years of decline.

Congress is finalising the new federal, six year road transportation spending program. Debate continues about the final level of funding but the US industry expects the new plan to be well up on the previous US\$218 billion TEA-21 program.

In Australia, BIS Shrapnel forecasts total construction activity this year to rise 1.2%, including a 2.5% decline in engineering construction from very strong levels, a 9.5% lift in non-residential/commercial construction and flat residential activity. Further price recovery is expected for Readymix.

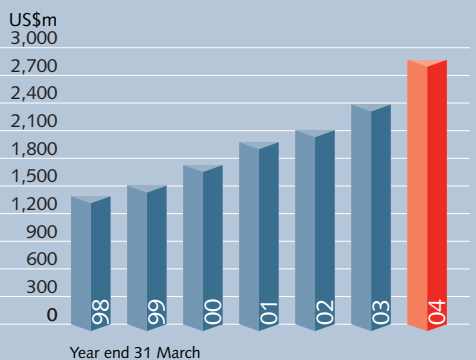
Energy, raw materials, and freight have risen considerably, so the challenge is to offset these with price increases and other savings and efficiency gains.

Overall, the outlook is positive. Barring unforeseen circumstances, we expect further growth in operating profits in the US and Australia this year, in local currencies, with some further upside potential from any acquisitions or additional greenfields expansion.

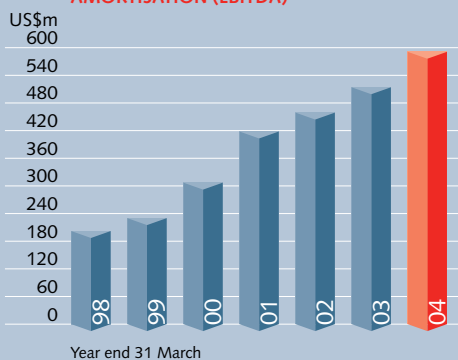


David Clarke
CHIEF EXECUTIVE

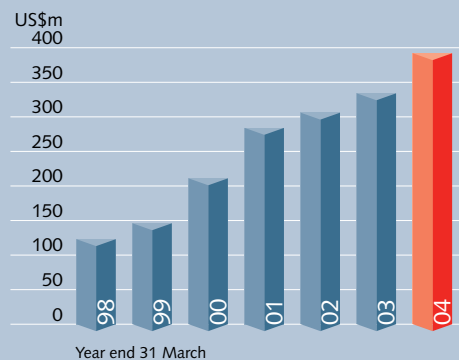
RINKER MATERIALS GROWTH IN SALES REVENUE



RINKER MATERIALS GROWTH IN EARNINGS BEFORE INTEREST, TAX, DEPRECIATION AND AMORTISATION (EBITDA)



RINKER MATERIALS GROWTH IN EARNINGS BEFORE INTEREST AND TAX (EBIT)



LOCATION: **LAS VEGAS, NEVADA**
PROJECT: **LAS VEGAS MONORAIL**
DATE OF COMPLETION: **JANUARY 2004**

This US\$650 million monumental project created a four-mile (6.4 km) monorail running east of the Las Vegas Strip. It required 40,000 yds³ (30,600m³) of concrete; enough to cover a football field 24ft (7m) deep. A special concrete was developed to support pressure of 10,000 pounds per square inch. The project involved pour-in-place support columns, 310 connecting beams and 11 station platforms.





LOCATION: **LAS VEGAS, NEVADA**
PROJECT: **SUMMERLIN VILLAGE 23A & 23B**
DATE OF COMPLETION: **JUNE 2004**

As the preferred supplier for Reinforced Concrete Box (RCBs) in the Las Vegas market, Rinker Materials' Hydro Conduit Concrete Pipe and Products Division is working with Contri Construction on the Summerlin Village 23A & 23B stormwater project. Las Vegas only gets three inches (75mm) of rain a year but it can fall in one hour or less, causing severe flooding. Hydro is delivering almost one mile (1.4km) of custom-made RCBs.