



Tour of Rinker operations 2002

Presentation to participants

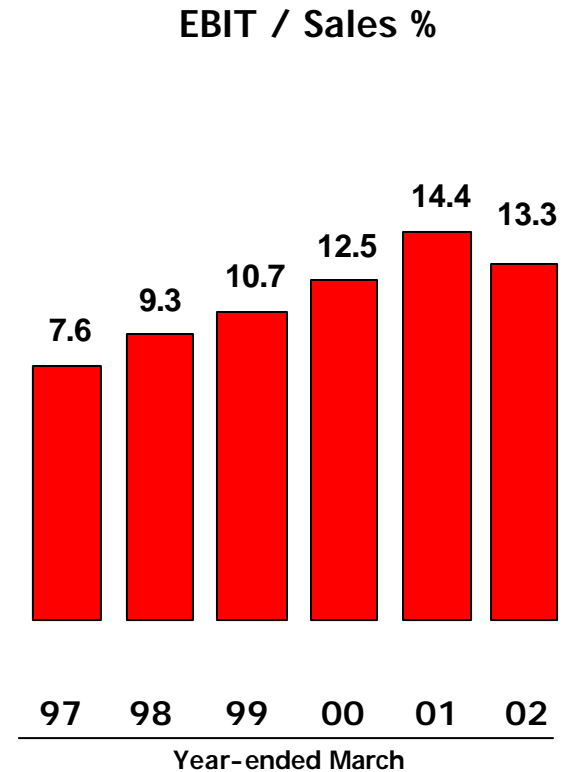
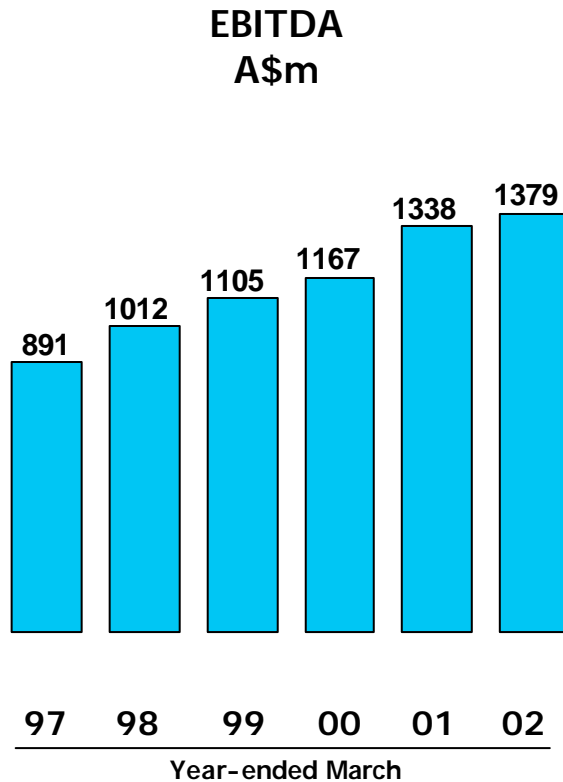
Peter Kirby

CSR Limited

September 2002

EBITDA and EBIT continue to grow

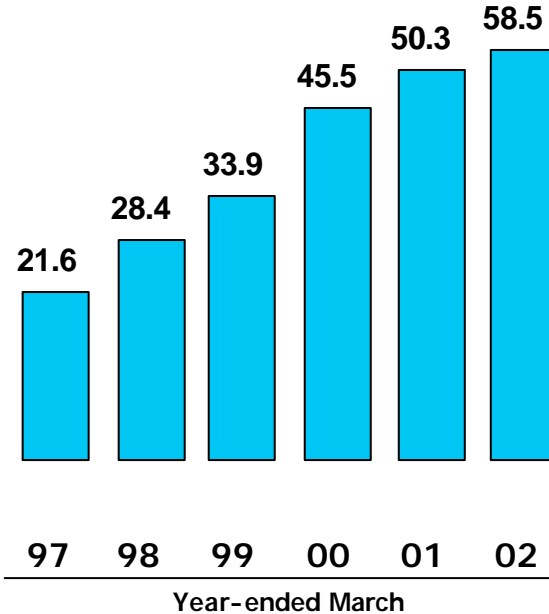
EBITDA margin up 46% since YEM 97 to 19.7%



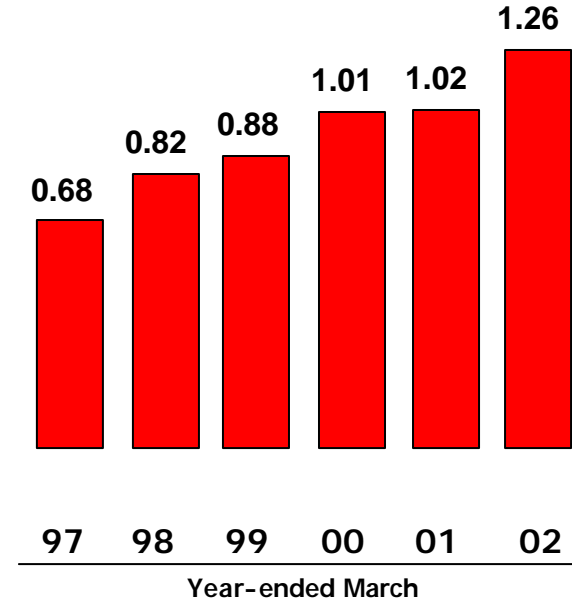
Strong growth in earnings & cash flow per share since 1997

CAGR in earnings per share (EPS) 22% p.a.

EPS
CAGR 22% YEM97-YEM02

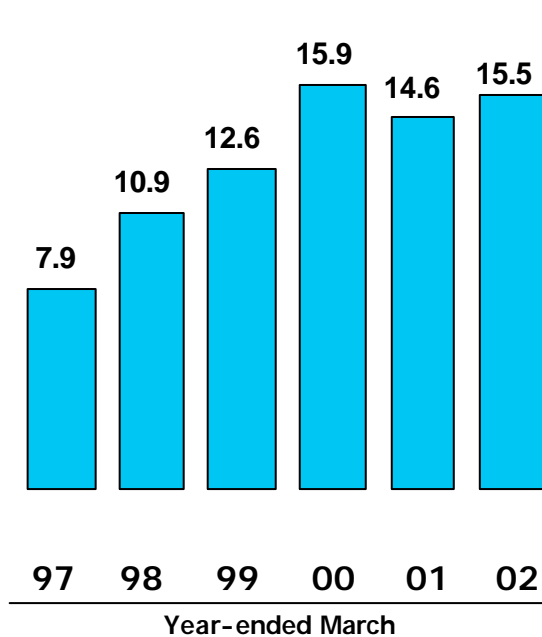


Operating cash flow per share
CAGR 13% YEM97-YEM02

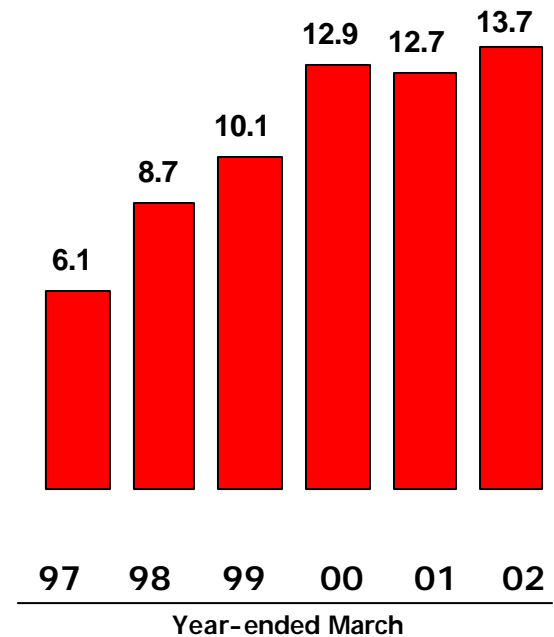


Return on equity, funds employed doubled since 1997

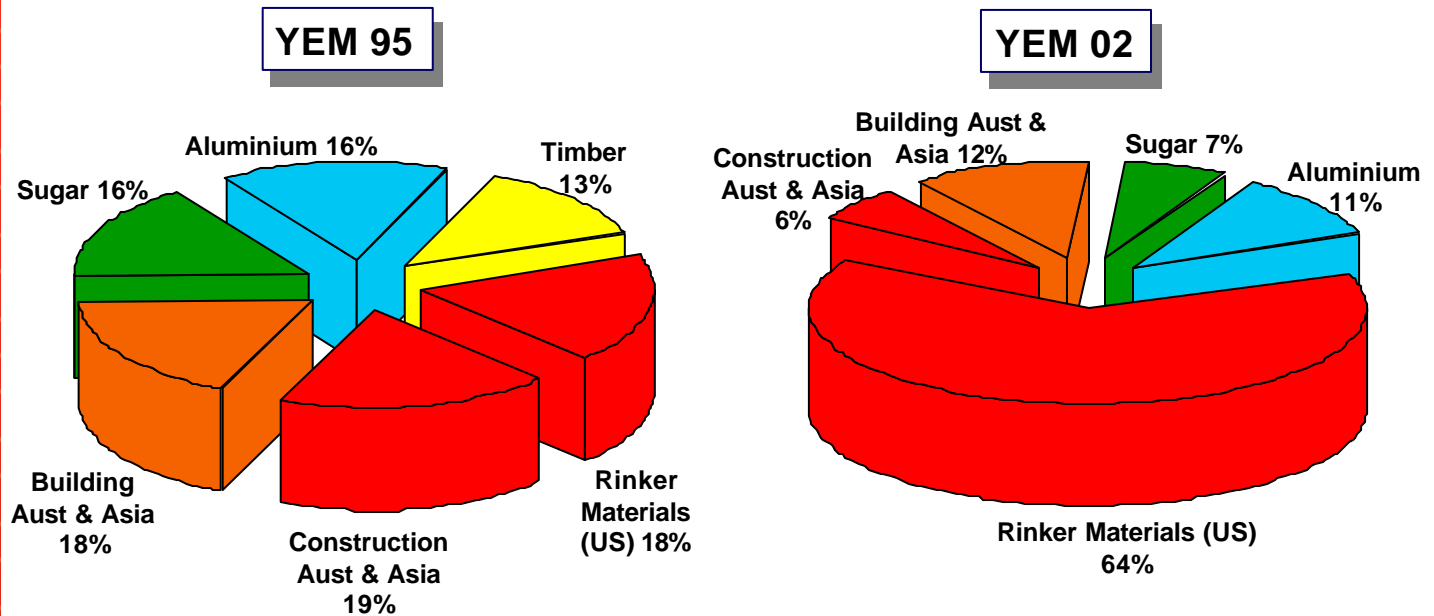
Return on funds employed
%



Return on equity
%



International heavy building materials around three-quarters of CSR earnings



Rinker Materials Corporation in the US is 64% and growing

Five strategic principles behind CSR strategy

- 1. Maximise the cash / manage the capital**
- 2. Ensure a hard financial performance culture**
- 3. Make the assets “sweat”**
- 4. You must build a sustainable corporation**
- 5. Growth must be value-adding**

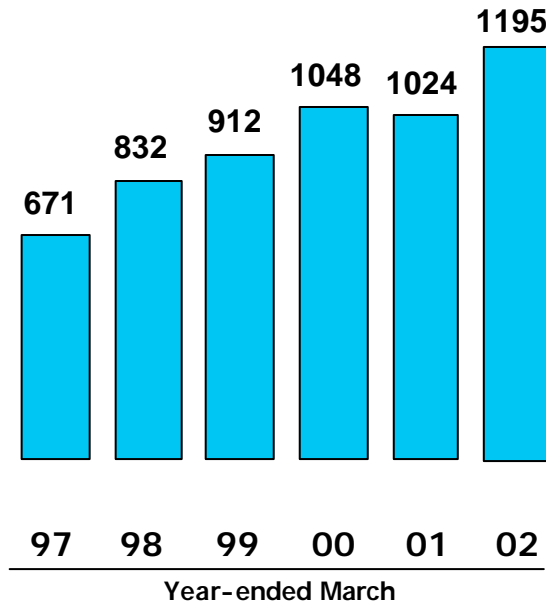
5 strategic principles

- 1. Maximise the cash / manage the capital**

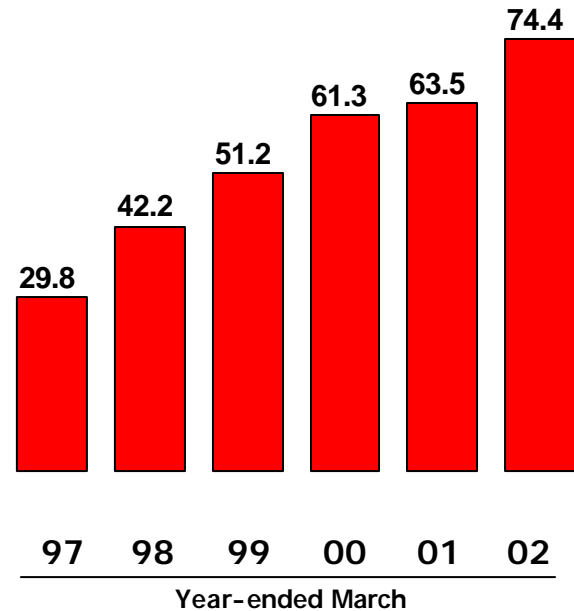
Cash flow up 17% last year

Cash flow per employee up 20.1% p.a. compound since '97

Operating cash flow *
A\$m



Operating cash flow
A\$'000 per employee

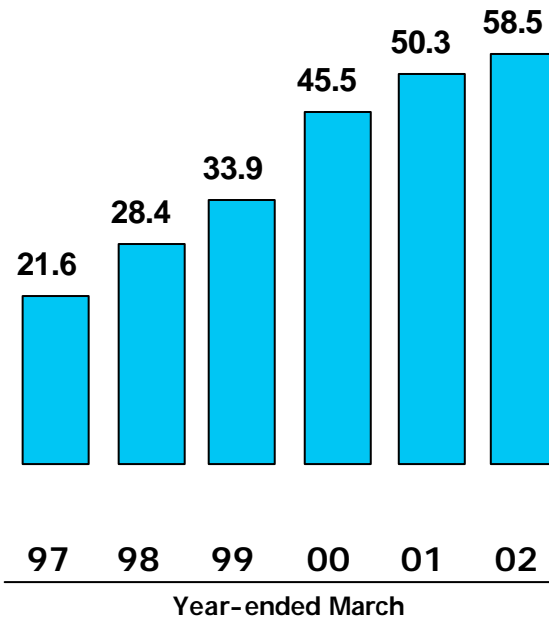


* Net operating cash flow after tax

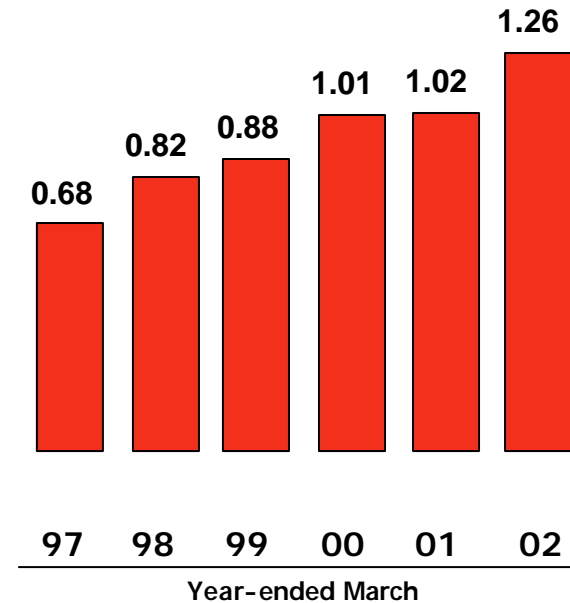
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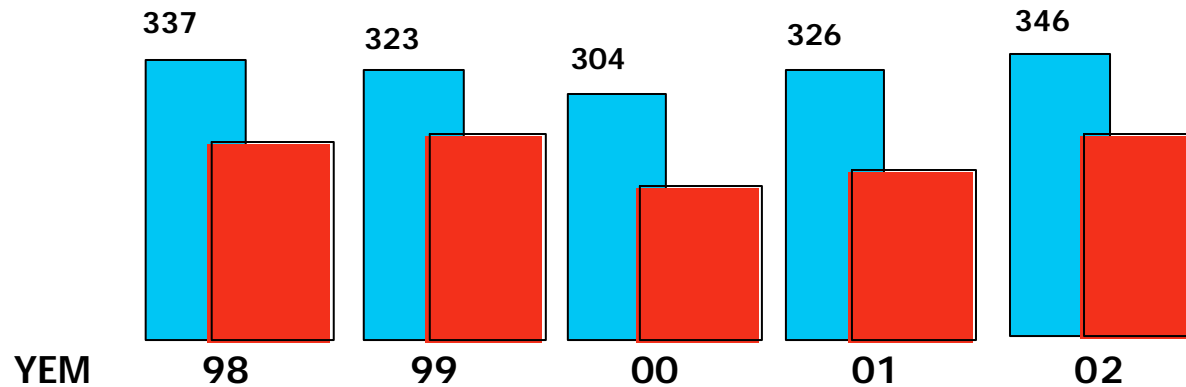


Operating cash flow per share
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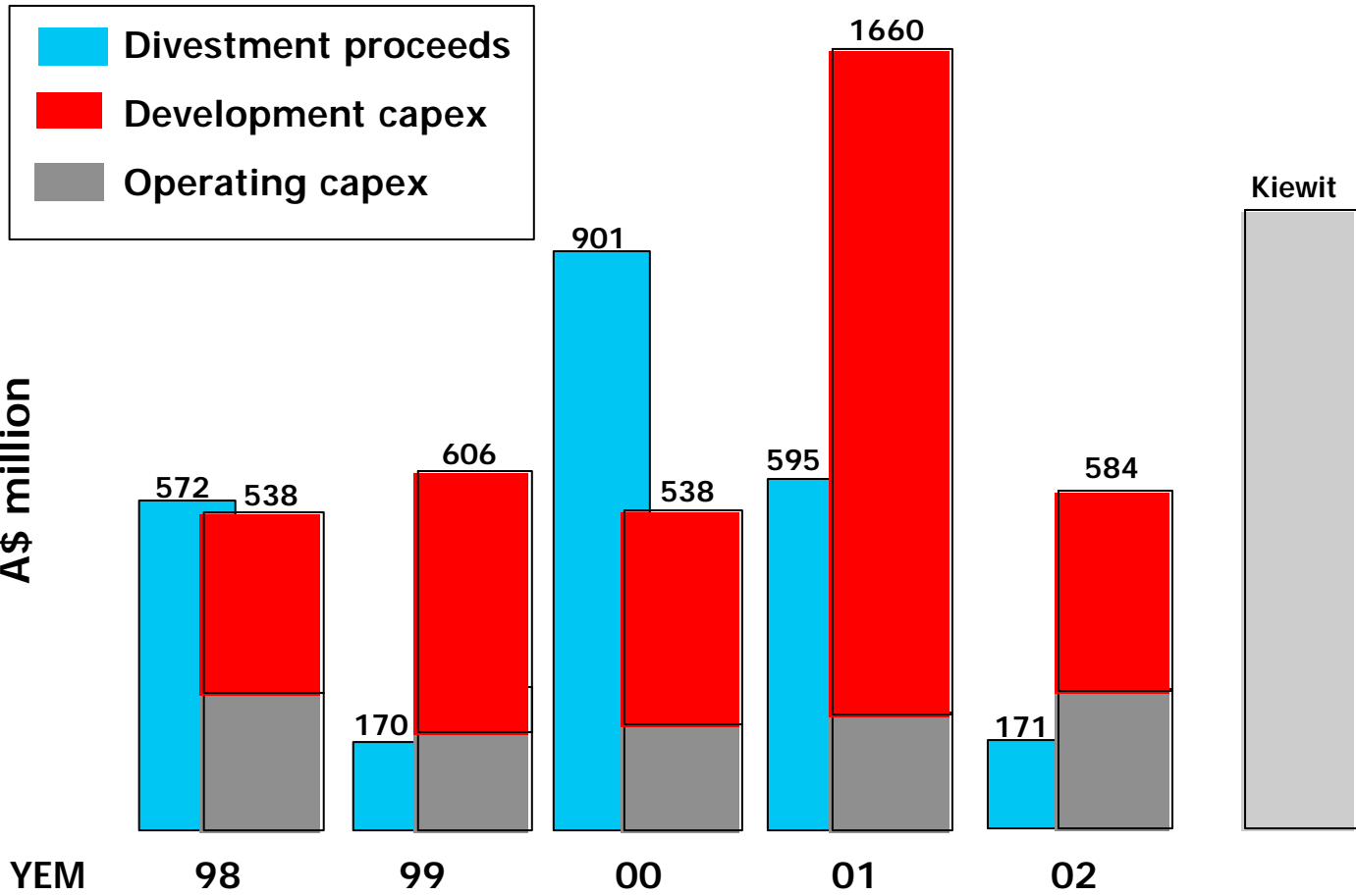
Operating capital expenditure tightly managed below depreciation

A\$ million



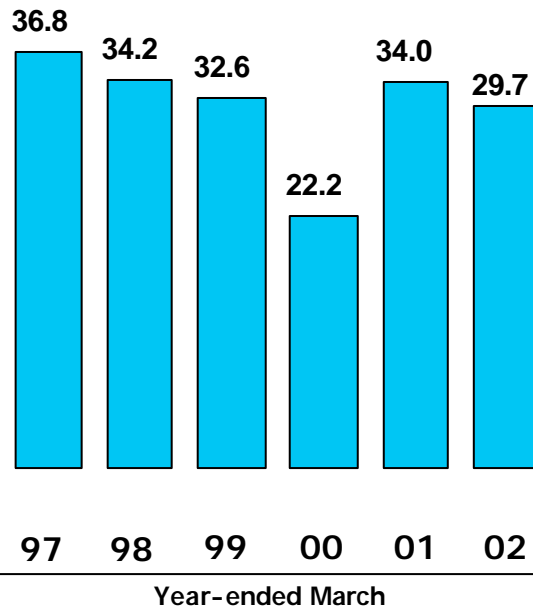
■ Depreciation (PP&E) ■ Operating capex

Divestment proceeds have helped fund growth Operating capex well-controlled

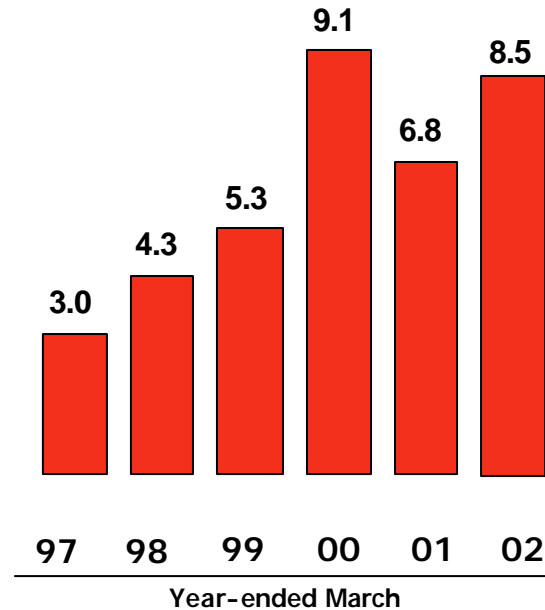


Strong financial position

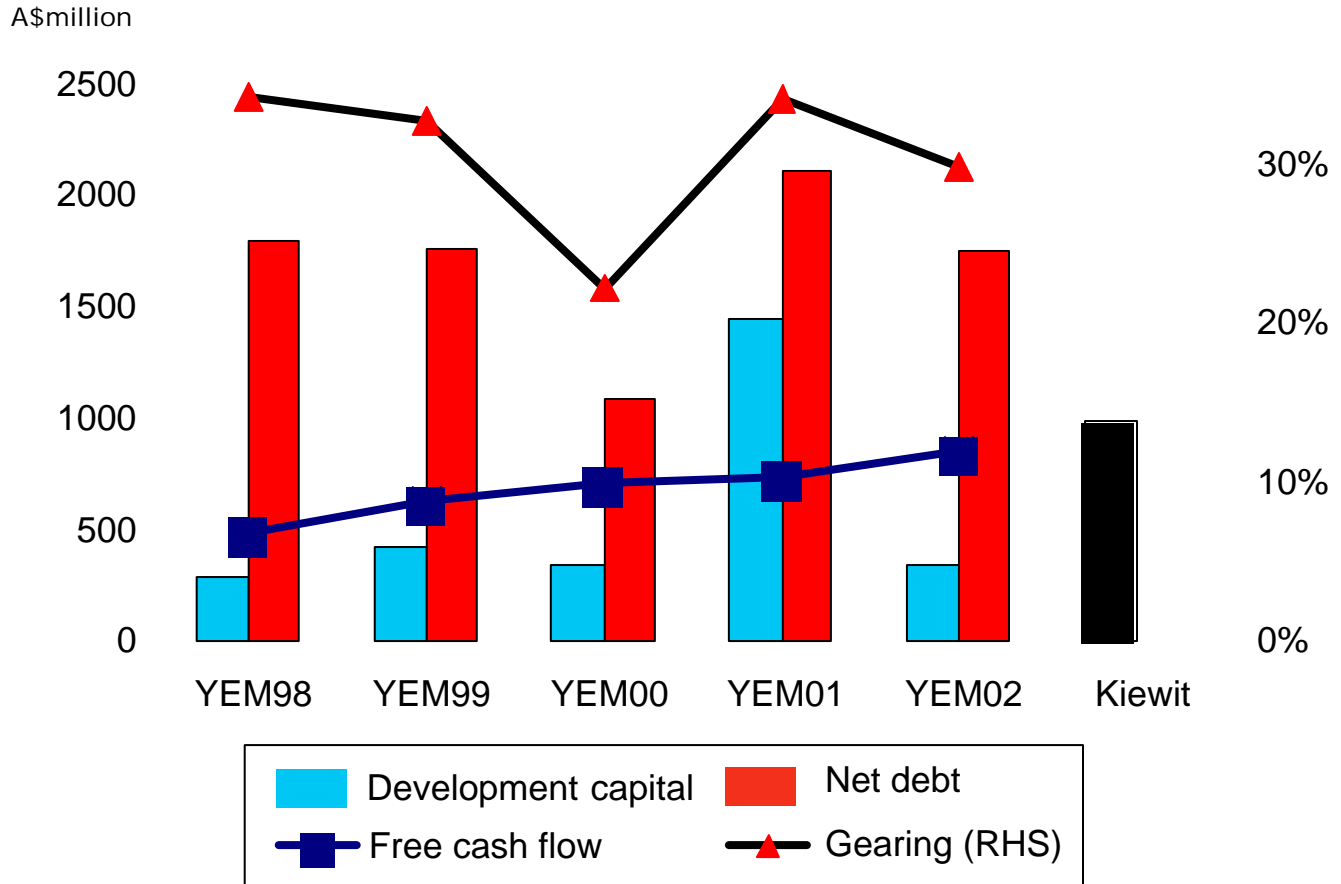
Gearing %
(net debt / net debt + equity)



Interest cover
(times)

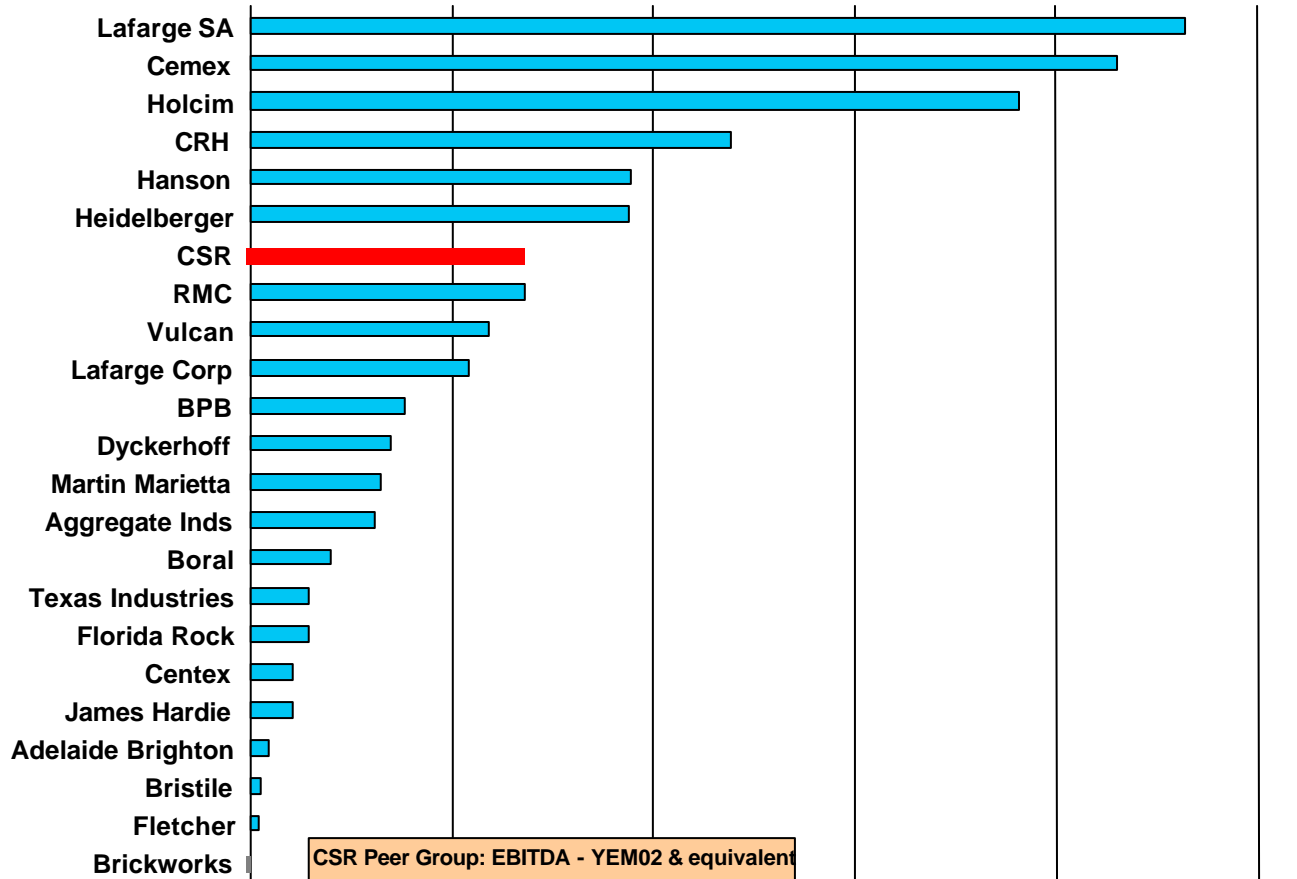


Strong free cashflow underpins balance sheet strength and ongoing growth capability



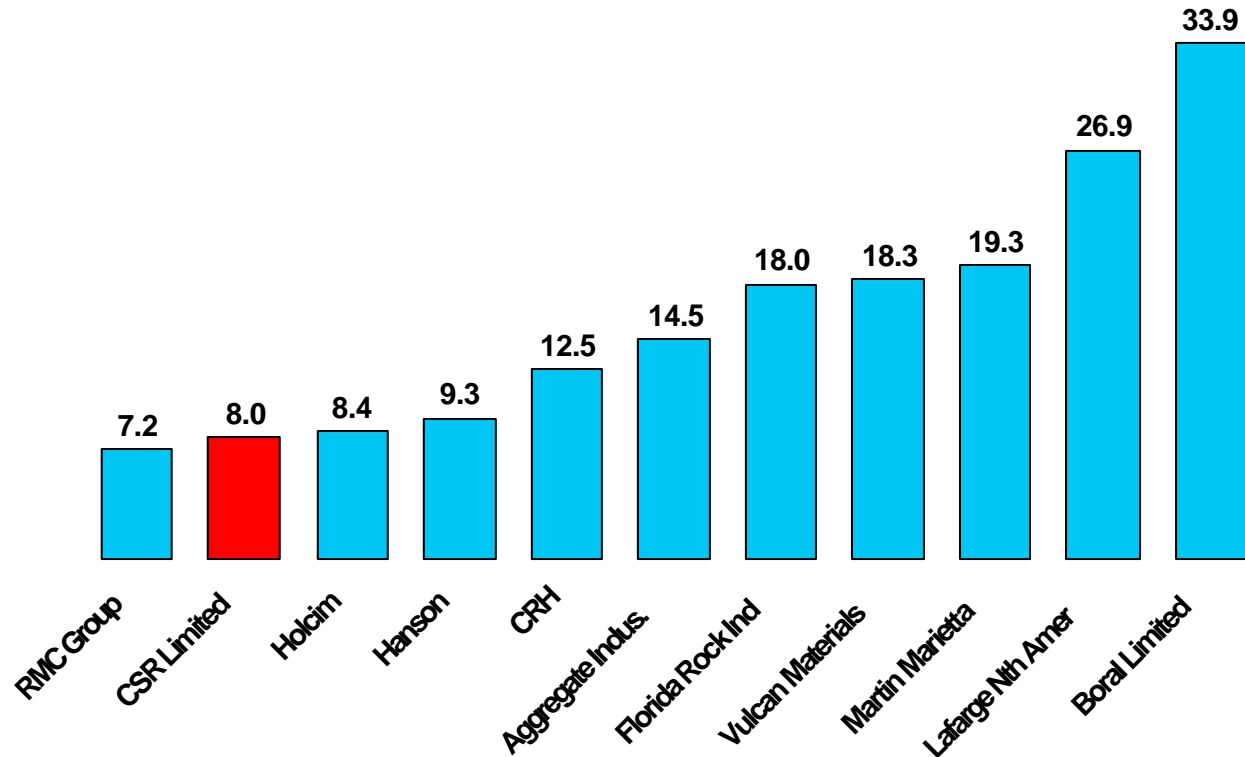
Strong cash generation...

EBITDA comparison versus competitors



source: Bloomberg, Company Reports as at 13 May 02

Valued in line with peers...price/free cashflow



Source: Bloomberg & CSR research

Price at 1 Aug 02 / data is last financial year (CSR based on YE M02 results and share price of \$6.33)

Free cash flow is Bloomberg definition "cash from operations, less capital expenditures"

5 strategic principles

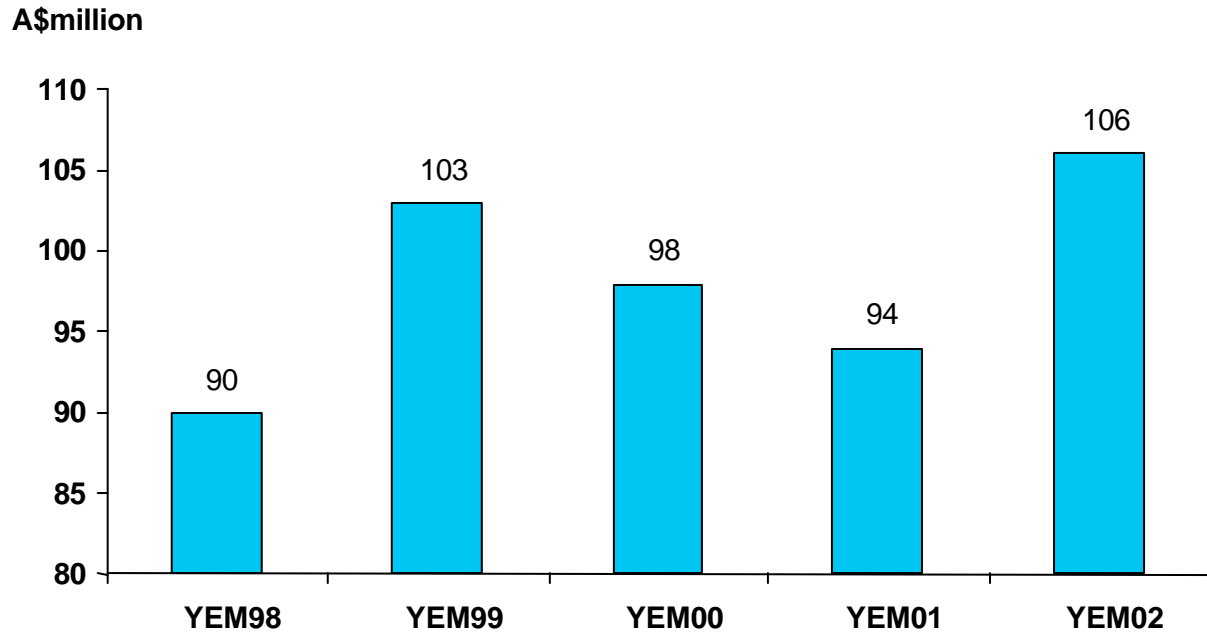
2. A hard financial performance culture

5 strategic principles

2. Ensure a hard financial performance culture

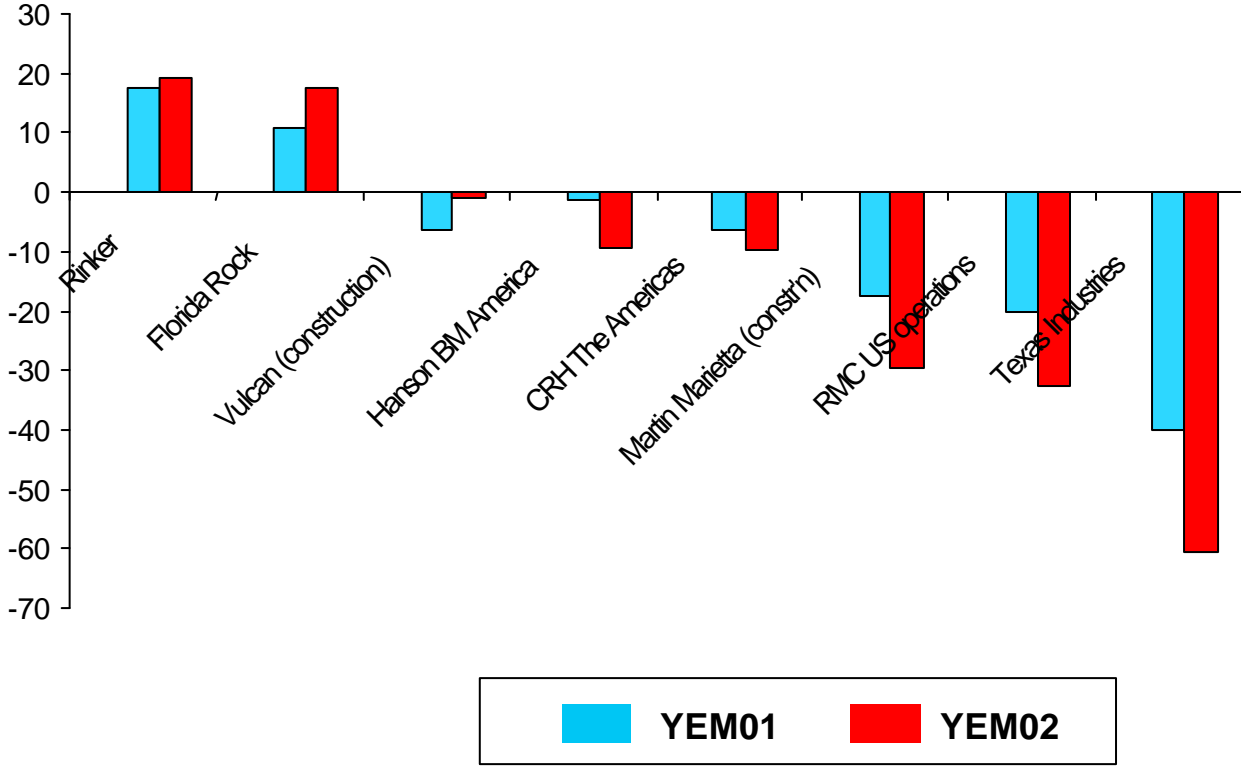
- SVA focus
- Controlled capex spend – a reward for performance
- OIP is real & has delivered
- HP organisation
- Cellular structure ... cell managers now know and *understand* P&L, cash flow, SVA as well as market shares, volumes, competitors and customers
- benchmarking

Operational improvement program savings around \$100m p.a. in costs since 1998



Rinker margin improvement

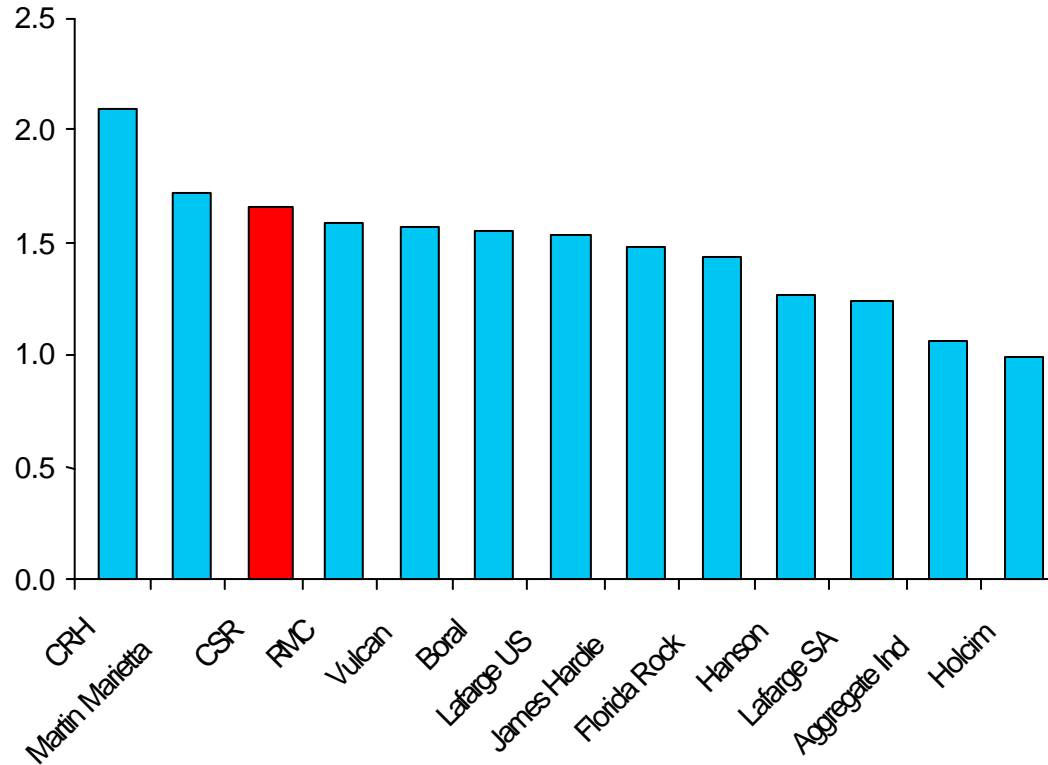
% change to EBIT margin (indexed to YEM00)



5 strategic principles

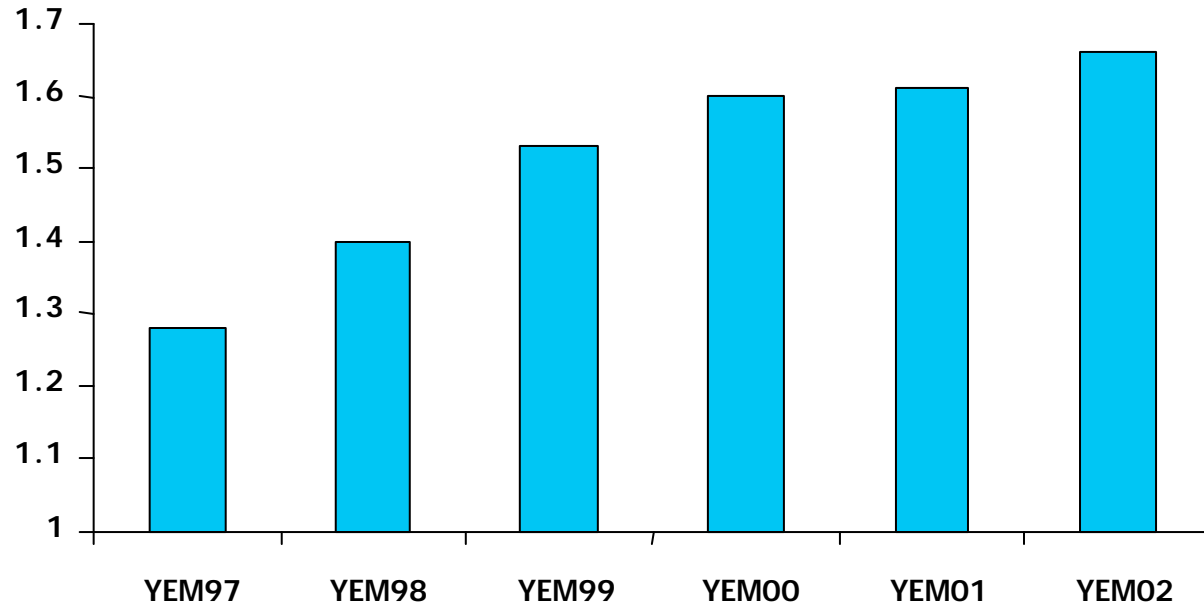
3. Make the assets “sweat”

CSR's net fixed asset turnover continues to improve as we lift performance, manage capex, divest poor-performing assets & focus on SVA



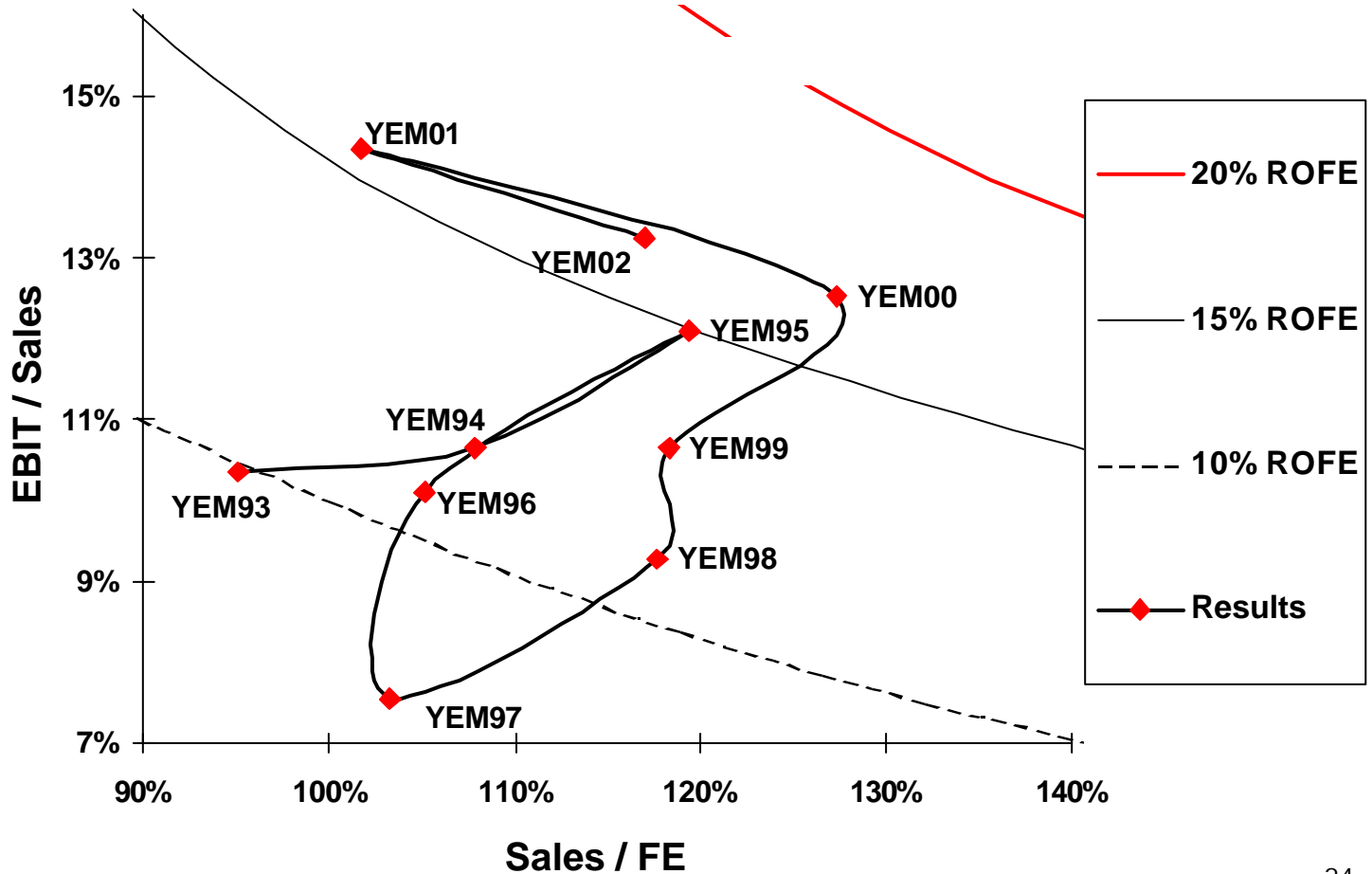
Source : Bloomberg – Net sales / average net fixed assets
CSR based on YEM02 financials

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CSR group IsoROFE chart shows improved asset use *and* higher margins can drive performance



5 strategic principles

4. You must build a sustainable corporation

5 strategic principles

4. Building a sustainable organisation

- Safety
- Environment
- Corporate governance
- Ethics
- Quality of the people

5 strategic principles

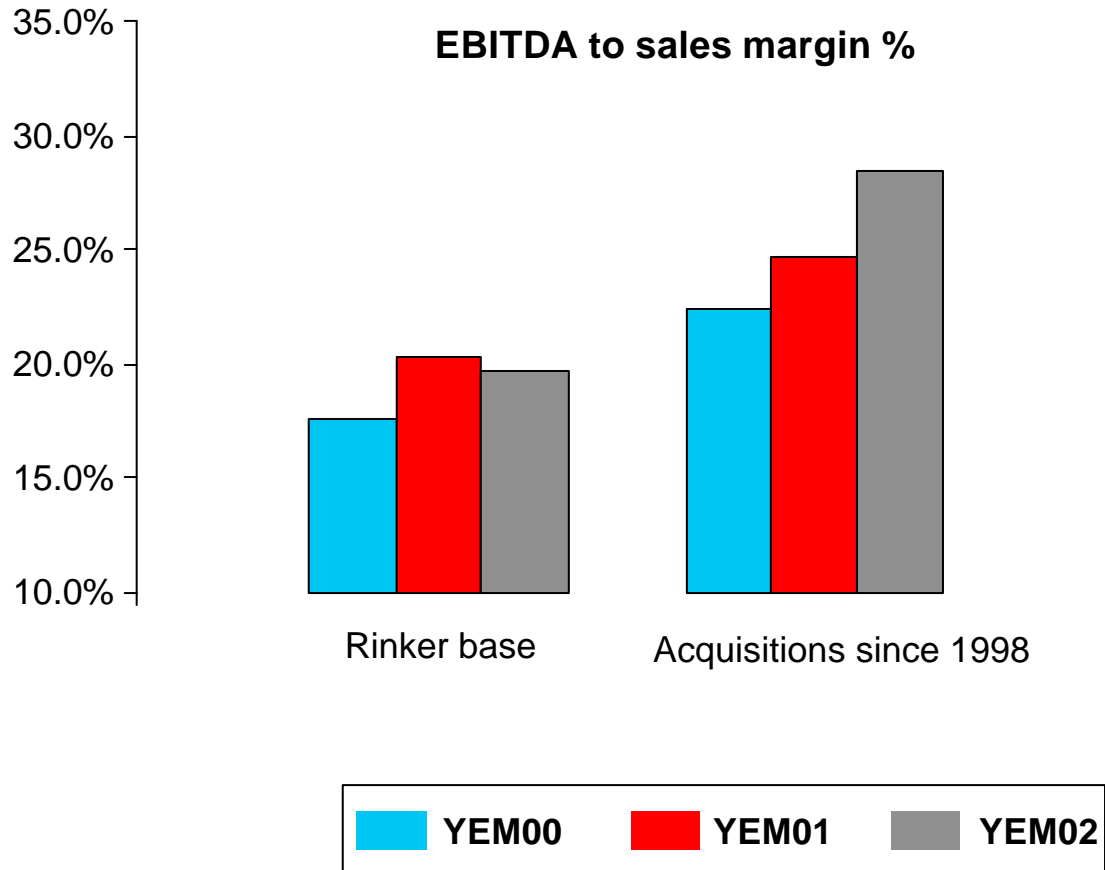
5. Growth must be value -adding

5 strategic principles

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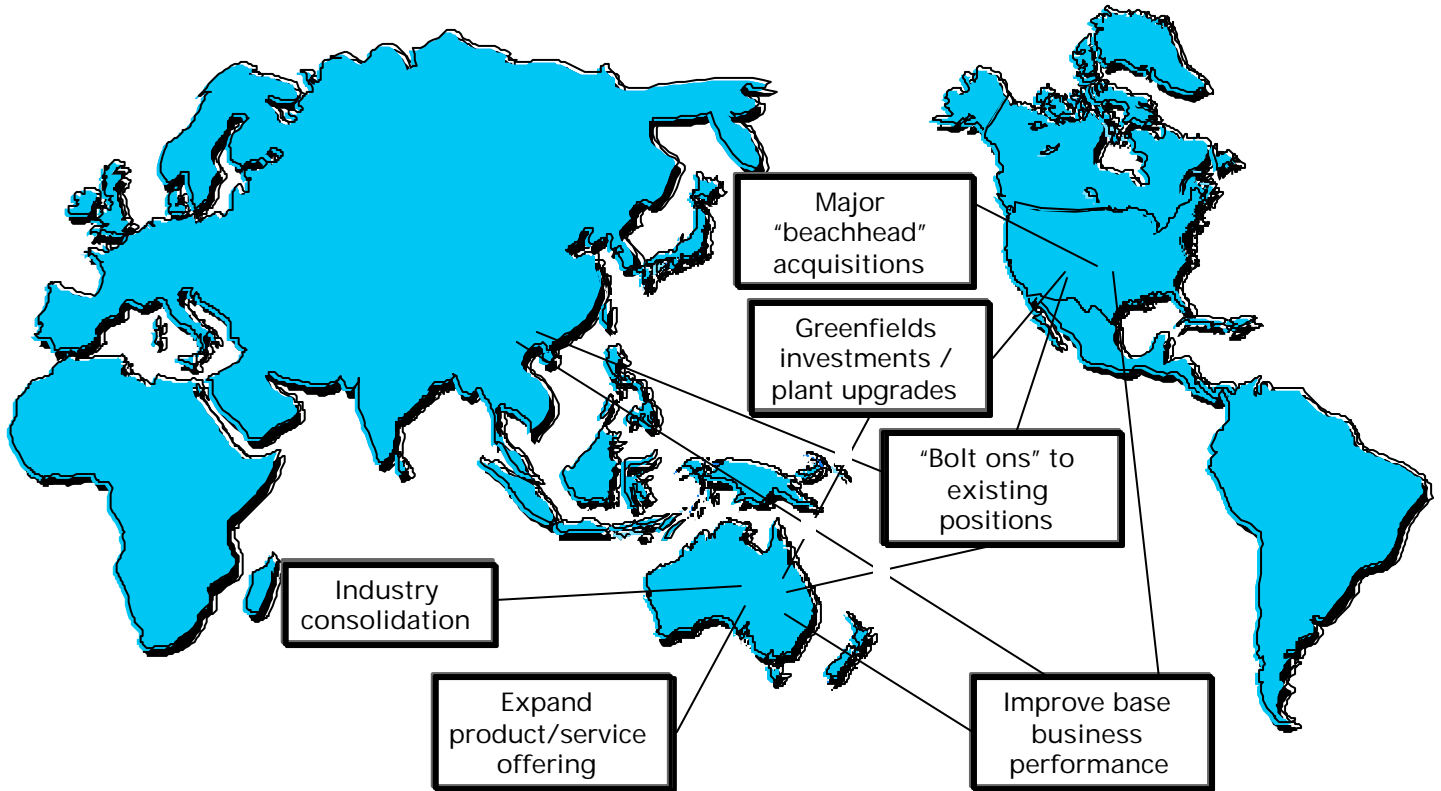
- Rinker acquisitions generally achieving forecasts
- Due diligence process very involved
- We have rejected quite a few
- Pre & post-acquisition management
- Of 25 acquisitions, 22 have been bolt-ons ... deliver value very quickly but every 2nd year a step out
- Acquisition margin performance has outstripped the base business

Acquisitions made since 1998 are tracking above Rinker base business



Growing internationally...

mainly US but also monitoring Asia, Europe and Australia




Construction Materials Australia & Asia Business strategy – growth opportunities

- Lifting profit to be SVA-positive plus
- Ongoing price increases for materials
- Improve customer service delivery
- Small bolt-on acquisitions
- Quarry property development profits eg Penrith
- Continuing performance improvement

Construction Materials Australia & Asia

ASIA a substantial growth opportunity

- 
- Tianjin, China Readymix profitable and improving
 - Tianjin (pop 10m) is major north China port city
 - ~ 25% market share, around 1m m³ of premix concrete
 - A joint venture established in 1994 with 3 concrete plants, 60 trucks and a major quarry
 - Mainly supplies foreign funded projects with local projects pursued subject to credit risk
 - Looking for other low cost bolt-ons using similar business model in China and other parts of Asia

Building Materials Australia, NZ & Asia Business strategy – growth opportunities

- **Growth options require low levels of capex**
- **Considering several joint ventures in Asia to leverage existing operations and assets**
- **New products – with good strategic fit**
- **Expansion of markets for existing products**
- **Improved management of pricing**

Sugar & Aluminium

Business strategy – growth opportunities

- **SUGAR** co-generation – producing “green” electricity. Currently only in 1 of 7 mills
- Distilleries – expanding production of ethanol for bio-fuel blends
- Industry productivity program for sugar – \$400m in cost benefits for total industry
- **ALUMINIUM** smelter at Tomago to upgrade and lift output 10-15%; opportunity for CSR to participate

A demerger could be a value adding opportunity.....

- **Potential demerger of CSR group into two, Australian-listed companies**
- **Would separate different businesses and ensure focus on their respective strengths**
- **One option : a growth-focused heavy building materials company and a high-yield company, comprising other CSR businesses**
- **Different investors would value the two companies – e.g. some value growth; others prefer high yield**
- **A correctly structured and implemented demerger will facilitate investor choice and help close valuation gap**
- **Timing : If we go ahead demerger will be completed by mid-2003**

Why buy CSR ?

- **Attractive valuation relative to peers**
- **Performance record**
- **Cash flow very strong**
- **Strong balance sheet**
- **Strong market positions**
- **Plentiful growth opportunities**
- **Proven track record in acquisitions**
- **Demerger opportunity for re-rating**

