



Good morning.

During the past 12 months, we completed the consolidation of our cement facilities closing Geelong Cement in June. Our supply of cement to the Victorian market is now entirely sourced from the Birkenhead works.

The Board and management continue to concentrate on further improving the productivity of our plant while reducing the cost of operating our facilities throughout Australia.

We have been reviewing our long-term strategy to ensure that Adelaide Brighton continues to expand its activities within Australia. We have determined that we will pursue limited integration into the construction materials market and have acquired Premier Resources, a concrete manufacturer in New South Wales, as a first step in this program. We will continue to review opportunities in the Australian market to expand our activities in the concrete and concrete products industry.

The Executive team is committed to:

- Maintaining our focus on improving operational efficiencies and achieving cost reduction;
- Expanding our lime operations, and;
- Selectively developing vertical integration in the construction materials market.

Mark Chellev will provide more detail on these matters in his address.

Premier Resources

The acquisition of Premier Resources Ltd provides your company with significant aggregate reserves in New South Wales, together with a cement grinding plant and a ready mixed concrete business. Following this acquisition, we have announced a rights issue which will maintain the strength of our balance sheet and provide flexibility for further strategic moves in the future.

Financial performance

I now turn to our financial performance.

Despite a very weak first half in terms of cement demand, the Company was able to report a further year of improved net profit. This is due to our past focus on operational improvements and also to improved market demand in the second half of 2001.

Net profit after tax of \$30.6 million was 4.9% higher than the previous corresponding 12 months.

The further improved performance of the company enabled the Directors to declare a final dividend of 2.0c per share, franked to 20%. This brings dividends declared for the full year to 4.0 cents. This dividend reflects our confidence that we will further improve operational and financial performance of the Company.

Based on performance to date and indications for the remainder of this year, we are confident of producing a good profit result for 2002.

In view of this the Board expects to maintain or increase the level of dividend going forward.

Share price

Though our share price is below historical highs, there has been a steady improvement in the last year.

We believe this reflects investor confidence in the improvements the company is making in our operations and support for our strategy, as well as reflecting the company's exposure to the building and construction industry cycles.

RMC Group

As shareholders are aware, RMC Group p.l.c., the world's largest producer of ready mixed concrete, is our major shareholder with a 55% shareholding.

The relationship with RMC is positive and strong. We have access to their technical expertise and specialist skills. In addition, they provided valuable technical due diligence on the Premier Resources acquisition.

Board change

I would like to announce a proposed change to the Board. RMC's nominated Director, Graham Clark, will resign from the Adelaide Brighton Board effective 1 June 2002. Mr Clark was appointed to the RMC Board and his responsibilities associated with this position have precluded him from attending our Board meetings.

The Directors of your Company have invited Mr John McNerney, the Managing Director of Readymix plc to join the Board. Readymix plc is a construction materials company based in Ireland, is listed on the Irish Stock Exchange and is a 62% owned subsidiary of RMC. Mr McNerney has been with Readymix plc for 35 years and his background and experience will prove valuable in the development of Adelaide Brighton.

Summary

I'd like to say in summary:

- your Board continues to believe that the Company is on the right track and is enthusiastic about the newly announced strategy;
- we believe that the value of the improvements we have made in our operations is being recognised by the market;
- we anticipate strengthening demand for cement and lime over the coming year; and
- your Board remains committed to pursuing initiatives to further increase value for all shareholders.

I would now like to hand over to the **Managing Director, Mr Mark Chellew**, to review the operational and strategic issues facing us.



Thank you Malcolm, and good morning ladies and gentlemen.

I have pleasure in presenting to you my first report as Managing Director of Adelaide Brighton. I feel fortunate to have joined the Company which is in a position to grow and where there is significant scope to enhance shareholder value. I am committed to the concept of transforming Adelaide Brighton into a leading integrated construction materials and lime producing company in Australia. I see that as a realistic goal and look forward to its realisation.

Operations

It is very significant that we now have substantial operations in all mainland states and territories of Australia. Adelaide Brighton is clearly Australia's largest supplier of cement and lime. The recent acquisition of Premier Resources gives us an important strategic position in ready mixed concrete and substantial aggregate reserves in the important Sydney metropolitan market, and further strengthens our existing position in Victoria. The acquisition of Premier means that we are no longer destined to be the swing producer of cement in Australia without some captive markets for our cementitious products.

The Company is strategically well positioned to participate in the growth of the Australian construction materials and lime industries.

Adelaide Brighton achieved an improved result during the last year, despite the downturn in the construction market. This was due to improved operational efficiencies, the increased performance of our Birkenhead cement and clinker plant, and increased lime sales.

2001 Results

Turning now to an analysis of the financial results, in 2001 we achieved a net profit of \$30.6 million on a turnover of \$376.2 million. This compares with a net profit of \$29.1 million on a turnover of \$374 million for the previous year.

When we recall the weak market conditions in the first half of last year, and the transitional costs incurred in the closure of the Geelong plant, this must be seen as a solid result.

Interest costs were lower due to lower interest rates and reduced debt. Depreciation charges were \$5.0 million lower due to the closure of the Geelong Cement plant.

The total dividend paid for the year was 4.0 cents. As previously highlighted, franking will continue at a reduced level until the Company returns to a tax-paying situation. Based on our current forecasts, tax is expected to be payable on 2004 profits.

Cash flow

Cash flow has again been one of the most significant features of our performance in the last 12 months.

2001 saw a further increase in the already substantial amount of cash generated by the operations. This increase was largely due to improved profitability and working capital control.

Gearing

Debt was reduced by \$20.7 million compared with December 2000. The Company's gearing level was reduced to 45.6%, down from 51.8% a year earlier. This is a dramatic improvement from levels a few years ago.

The 11% convertible notes were redeemed on 17 December 2001, with a total redemption payment of \$45.6 million. This will significantly reduce our interest costs in the future and, as a result, our interest cover will improve.

Rights Issue

Shareholders will recently have received a copy of the prospectus and their entitlement form for our 1 for 7 Rights Issue. As noted in the Prospectus, the proceeds of the issue of approximately \$50 million will be used to strengthen our Balance Sheet and position your company to take advantage of further opportunities for growth and expansion.

The issue closes on 3rd June and both of our major shareholders have committed to participate in the issue to their full entitlement.

Costs and operational performance

The effectiveness with which we manage our operation is the one element of our profitability which we can and must control. All companies are at the mercy of market forces, but no one is better placed than we are to ensure that we operate with maximum efficiency. Our strategic planning has this fact firmly in mind. We are satisfied with our progress to date in relation to the improvements to the Birkenhead works in South Australia. We achieved record clinker production of 1.2 million tonnes at this factory. We are now well positioned to build on the improvements at Birkenhead and at our other operating facilities.

We have successfully consolidated our capacity through the closure of Geelong in order to achieve improved utilisation at our other manufacturing facilities.

It is pleasing to report that the Melbourne Cement Facility, which is 50% owned by our joint venture operation, Independent Cement and Lime, was commissioned during the year and is operating to design expectation.

Our operations involve the shipping of cement and clinker around the coastline of Australia. You may be aware of the recent shipping dispute which led to only minor disruptions and which are now essentially resolved. We do not operate our own shipping but our position is that we have a preference for employment of Australian workers on ships carrying cementitious materials around Australia. Accordingly, we will be participating in an industry forum with unions, shipping companies and the cement industry to explore the methodology to achieve this. All parties accept that the Australian shipping industry must be commercially viable and competitive.

Volumes and prices

Our 2001 cement sales volumes were only marginally lower than in the previous year. This reflects our lower exposure to the Queensland and New South Wales markets, and better than expected demand in Victoria and South Australia. We achieved modest cement price increases during 2001.

In lime, we saw volumes increase significantly from the previous year, with strong demand from the resources industry. Modest price increases in lime were achieved.

In February 2002 the Australian Customs Service established that imports of cement from Indonesia, Malaysia and Thailand were being dumped in Australia and that these imports caused injury to the Australian cement industry. However, despite this conclusion, Senator Ellison, the Federal Minister for Customs, was unable to reach any conclusions on cement from China being dumped in Australia. As a result, Senator Ellison terminated the inquiry

The outcome did confirm our initial claims that cement from overseas countries was being dumped in Australia. We will continue to monitor this situation but our primary focus must always be to reduce our own cost base in order to remain competitive.

New contracts

In 2001, we were pleased to secure two significant new supply contracts.

We have secured the contract to supply 65,000 tonnes of cement over two years for production of sleepers for the Alice Springs to Darwin railway. We secured this contract in competition against overseas suppliers, and we believe the outcome reflects our robust supply chain logistics, tailored product development and technical expertise.

A welcome opportunity to increase the utilisation of our Dongara lime plant came with the closure of Iluka Resources' Westlime operations. We have an agreement with Iluka to supply 30,000 tonnes of quicklime per annum. Supply commenced in the second half of 2001, and contributed to the strong growth in lime volumes for the year.

Strategy

The Executive completed a wide-ranging strategic review to identify key areas of focus for improving returns to shareholders. Your Board has endorsed the outcome of that review. It involves three main elements:

- Firstly, we will continue to focus on improved operational efficiencies and cost reduction. This will assist in maximising margins and maintaining our competitive position. Key focus areas are in the use of alternative fuels, improved fuel efficiencies, improvements in purchasing (through a range of procurement initiatives), logistics, and a general focus on maximising the utilisation of our existing assets. We aim to deliver operational improvements of at least \$20 million on an annualised basis over the next three to four years.
- Secondly, the Company considers lime to be a growth opportunity. We are continuing to assess several market opportunities that potentially will allow us to develop and grow this part of our business.
- The third element of the strategy is to pursue focussed and relevant vertical integration opportunities. We expect the development of downstream positions to provide further platforms for growth, and security for our cement and clinker outlets. The Premier acquisition is the first significant evidence of implementation of this strategic initiative.

Premier

Let me now tell you about Premier.

Its operations include a 250,000 tpa cement grinding plant in Port Kembla, New South Wales; a lease on significant quarry reserves, estimated at 200 million tonnes, that will supply Sydney over the coming years; and 15 ready mixed concrete plants in Sydney and Melbourne.

Premier has grown quickly over the last two years. It has established a footprint in both Sydney and Melbourne. The completion of the quarry development and construction of the two remaining concrete plants will complete the development plans for Premier.

Year 2002

It is time now to look to the future. How are we travelling in 2002?

Sales volumes in cement in the first five months of 2002 have, as expected, been strong. This is largely as a result of the strength of demand from the housing sector. Selling prices are showing signs of recovery and we have achieved a price rise of up to \$10 per tonne in April in some States and we remain confident of achieving similar price rises across all markets by the end of the year.

Sales volumes in lime in the first five months are exceeding the corresponding period last year due to increased demand from the resource sector and the additional volumes that we now supply to Iluka. Lime prices have also improved.

There has been some talk of uncertainty in the housing sector, but there are signs that the demand in the non-residential and engineering sectors may well compensate for any such variants.

Conclusion

Before I conclude, I would like to acknowledge the guidance provided by the Board and also take this opportunity to thank our people for their commitment towards building a platform for the long-term success of Adelaide Brighton.

We now have a significant presence in all cement markets in Australia and we are actively examining opportunities to grow our lime business. We are keen to explore opportunities for further vertical integration and growth areas where they will lead to improved returns for shareholders. Our focus on efficiencies and cost reduction will provide a strong base for further expansion and development.

I would also invite you to share my enthusiasm about the future of Adelaide Brighton. Increased demand for our products, strengthening of our price structures and our ability to produce a quality product efficiently and cost effectively provide the base for our optimism about the future.