

This is an important document and requires your immediate attention

If you are in doubt as to how to deal with it, you should consult your legal, financial or other professional adviser

Target's Statement

Recommended off-market takeover offer by

Boral Limited

ABN 13 008 421 761

to acquire all the shares held by you in



Adelaide Brighton Limited

ABN 15 007 596 018

\$1.60 cash per Share
if Boral reaches 90%*

The Recommending Directors
of Adelaide Brighton
unanimously recommend you

ACCEPT THE OFFER

**If Boral Limited waives the 90% Acceptance Condition and does not reach at least 90% of Adelaide Brighton Limited shares by the close of the Offer, the consideration payable under the Offer will be \$1.55 per Share, rather than \$1.60.*

Financial Adviser

CALIBURN

Legal Adviser

Freehills

Key dates

| | |
|---|--|
| Date of Boral's Offer | 30 January 2004 |
| Date of this Target's Statement | 2 February 2004 |
| Close of the Offer Period (unless extended or withdrawn) | 7.00pm (Sydney time) on 10 March 2004 |

Adelaide Brighton shareholder information

Adelaide Brighton has established a shareholder information line which Adelaide Brighton shareholders may call if they have any queries in relation to Boral's Offer. The telephone number for the shareholder information line is 1800 339 522.

As required by the Corporations Act, calls to the shareholder information line will be tape recorded.

Further information relating to Boral's Offer can be obtained from Adelaide Brighton's website at www.adbri.com.au.

Important notices

Nature of this document

This document is a Target's Statement issued by Adelaide Brighton under Part 6.5 Division 3 of the Corporations Act in response to the Bidder's Statement and Offer.

Defined terms

A number of defined terms are used in this Target's Statement. These terms are explained in section 8 of this Target's Statement.

No account of personal circumstances

This Target's Statement does not take into account your individual objectives, financial situation or particular needs. It does not contain personal advice. Your Directors encourage you to seek independent financial and taxation advice before making a decision as to whether or not to accept the Offer.

Disclaimer as to forward looking statements

In addition to the historical information that is contained in this Target's Statement, some of the statements appearing in this Target's Statement may be in the nature of forward looking statements. You should be aware that such statements are only predictions and are subject to inherent risks and uncertainties. Those risks and uncertainties include factors and risks specific to the industry in which Adelaide Brighton operates as well as general economic conditions and prevailing currency exchange rates and interest rates. Actual events or results may differ materially. None of Adelaide Brighton, Adelaide Brighton's officers, any persons named in this Target's Statement with their consent or any person involved in the preparation of this Target's Statement, makes any representation or warranty (express or implied) as to the accuracy or likelihood of fulfilment of any forward looking statement, except to the extent required by law.

ASIC disclaimer

A copy of this Target's Statement has been lodged with ASIC. Neither ASIC nor any of its officers takes any responsibility for the content of this Target's Statement.

Contents

Overview

- 1 Letter from the Chairman
- 2 The Recommending Directors' advice
- 5 The risks associated with accepting the Offer
- 9 Target's Statement



Adelaide Brighton Ltd
ACN 007 596 018

2 February 2004

Dear Shareholder

On 16 December 2003, Boral Limited ("Boral") announced its intention to make an unsolicited conditional takeover offer ("Offer") for all of the shares in Adelaide Brighton Limited ("Adelaide Brighton") at \$1.55 cash per share. Immediately prior to this announcement, Boral unconditionally acquired a 19.9% interest in Adelaide Brighton from RMC Group plc at the Offer price of \$1.55 per share.

On 7 January 2004, Boral announced an increase in the Offer price to \$1.60 per share in the event that it receives acceptances taking it to 90% and the Offer becomes unconditional.

You should by now have received formal Offer documents from Boral. Enclosed is your Directors' formal response to the Offer by Boral.

The Recommending Directors (being all of the Directors of Adelaide Brighton other than Mr Dave Barro) advise shareholders to ACCEPT THE OFFER, and note that they intend to accept for all the shares in which they have a relevant interest, in the absence of a superior Offer.

Mr Dave Barro has a significant shareholding interest in Adelaide Brighton through Barro Properties Pty Limited and has an interest in the ICL joint venture between Barro Group Pty Limited and Adelaide Brighton. Accordingly, he has decided to refrain from making a recommendation at present, though he may choose to make a recommendation in the future.

Barro Properties Pty Limited has not decided whether it will accept the Offer at this time.

We believe that the Revised Offer should be recommended because:

- it represents a significant premium to Adelaide Brighton's recent trading price;
- it is above the highest price that Adelaide Brighton shares have traded at since Adelaide Brighton's restructuring in March 1999;
- it represents fair value for Adelaide Brighton on a standalone basis; and
- the Recommending Directors believe that your shares may trade below the Revised Offer price in the absence of the Offer, in the near term.

The Recommending Directors also note that RMC Group plc has unconditionally sold a further 20% of Adelaide Brighton at a price of \$1.40 per share to a range of institutional shareholders and has indicated that its remaining 14.9% interest will be sold. Should RMC Group plc accept Boral's Offer, and should Boral declare its Offer unconditional, it is highly likely that control of Adelaide Brighton will change.

The Independent Directors have made a number of inquiries of alternative parties that may be interested in submitting a superior offer for Adelaide Brighton. At this stage no party has indicated it has interest in providing a competing bid.

Enclosed in this booklet is a detailed explanation of our recommendations. We encourage shareholders to read the full document carefully and to seek their own financial or other professional advice.

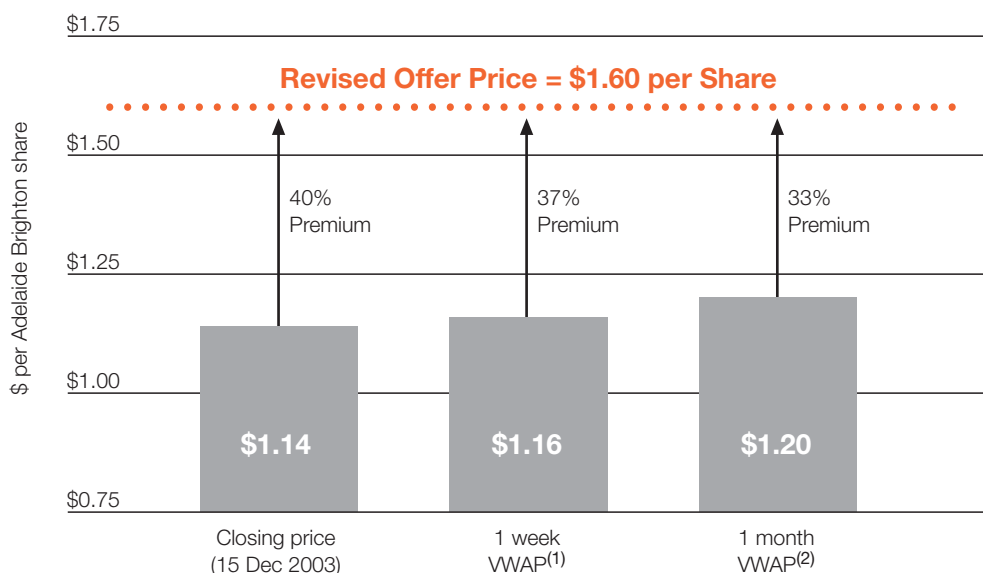
A shareholder telephone help line is available during normal business hours on 1800 339 522. We will continue to keep shareholders informed of any material developments.

Yours faithfully

Malcolm Kinnaird AO
Chairman

The Recommending Directors advise shareholders to **ACCEPT** the Revised Offer and note that they intend to accept for Shares in which they have a relevant interest, in the absence of a superior offer.

1 The Revised Offer Price represents a significant premium to Adelaide Brighton's recent trading price



(1) VWAP is the volume weighted average trading price for the week up to and including 15 December 2003.

(2) VWAP is the volume weighted average trading price for the month up to and including 15 December 2003.

Note: The premium is calculated on an Offer price of \$1.60 as the Offer is currently subject to the 90% Acceptance Condition. If Boral waives the 90% Acceptance Condition and does not reach at least 90% of Adelaide Brighton Shares by the close of the Offer, the consideration payable under the Offer will be \$1.55 per Share, rather than \$1.60.

Calculated premia may not align with share prices shown due to rounding.

2 The Offer represents fair value for Adelaide Brighton on a standalone basis

The Recommending Directors consider the Offer is within the range of values they consider to be fair taking into account their current assessment of Adelaide Brighton's value on a standalone basis. This has included consideration of:

- the Revised Offer Price which is at a substantial premium to the pre-Offer trading price; and
- the Revised Offer Price being within the range of values the Recommending Directors believe is fair based on a number of valuation methodologies for Adelaide Brighton on a standalone basis.

3 The Offer is above the highest price that Adelaide Brighton Shares have traded since the restructuring in March 1999



Note: The \$1.60 Offer price has been used as the Offer is currently subject to the 90% Acceptance Condition. If Boral waives the 90% Acceptance Condition and does not reach at least 90% of Adelaide Brighton Shares by the close of the Offer, the consideration payable under the Offer will be \$1.55 per Share, rather than \$1.60.

4 There are risks in not accepting the Offer

The Recommending Directors believe that in the absence of the Offer, or takeover speculation, Adelaide Brighton Shares would trade below their current level in the near term.

Adelaide Brighton's share price may decline to a level lower than its pre-announcement price (\$1.14) if changes occur in the competitive environment which negatively impact Adelaide Brighton's trading performance or there is a decline in building sector market conditions.

5 No alternative bidder has been found

The Independent Directors have made inquiries with a number of parties that may be interested in submitting a superior offer for Adelaide Brighton.

At this stage, no party has indicated interest in providing a superior offer.

6 Adelaide Brighton's major shareholder, RMC, has sold 39.9% of Adelaide Brighton

RMC held 55% of Adelaide Brighton prior to announcement of the Offer on 16 December 2003.

Since this time, RMC has unconditionally sold a 19.9% interest to Boral at \$1.55 per Share and unconditionally sold a further 20% interest to a range of financial institutions at a price of \$1.40 per Share.

RMC has indicated its intention to dispose of the balance of its shareholding. Should RMC accept Boral's Offer, and should Boral declare its Offer unconditional, it is highly likely that control will change.

7 You will receive cash consideration

Once the Offer becomes unconditional, and should Boral reach at least 90% of Adelaide Brighton Shares by the close of the Offer, you will receive cash consideration of \$1.60 per Share. If the Offer becomes unconditional and Boral do not reach 90% then you will receive \$1.55 per Share.

8 You will not incur any brokerage fees

If you accept the Offer, you will not incur any brokerage fees that you would otherwise be likely to pay if you sold your Adelaide Brighton Shares on market.

There are risks associated with accepting the Offer now and the Recommending Directors refer to them below. Notwithstanding these risks the Recommending Directors recommend you ACCEPT the Offer and intend to do so themselves for Shares in which they have a relevant interest, in the absence of a superior offer.

1 The Offer is subject to a significant number of conditions and there is no guarantee whether they will be satisfied, or waived by Boral

Shareholders should carefully review sections 1.3 and 7.1 of this Target's Statement, which contain a discussion of the conditions.

If you accept the Offer before Boral waives the conditions, you will give up the ability to deal with your Shares, including the ability to sell on-market. However, the market price has not exceeded the Revised Offer Price since Adelaide Brighton's restructuring in March 1999.

2 If Boral declares its Offer unconditional but does not get to 90%

Boral's Offer is currently conditional on acceptances taking its interest in Adelaide Brighton to 90%. Boral has not given any indication that it would consider dropping the 90% Acceptance Condition. If Boral wished to drop the 90% Acceptance Condition, the Bidder's Statement discloses that this would require the consent of its financier.

If Boral did drop the 90% Acceptance Condition, then this could result in control of Adelaide Brighton passing to Boral but it not getting to 90%. Boral would not be able to compulsorily acquire the rest of the Shares in Adelaide Brighton. Section 2.5 of the Target's Statement contains a discussion of the how such a change of control could affect the ongoing businesses of Adelaide Brighton.

If Boral waives the 90% Acceptance Condition and does not reach 90% of Adelaide Brighton Shares by the close of the Offer, the consideration payable under the Offer will be \$1.55 per Share, rather than \$1.60.

Shareholders should note that Barro Properties currently holds 10.06% of Adelaide Brighton's Shares and has not decided whether it will accept the Offer at this time.

3 You will not participate in any potential future increase in Adelaide Brighton's share price

If you accept the Offer, you will forgo any potential increase in Adelaide Brighton's share price that may occur in the future (other than from an increase by Boral).

Adelaide Brighton's share price may improve due to future trading performance exceeding current market expectations as a result of improved building sector market conditions or successful execution of Adelaide Brighton's stated strategy of vertical integration, cost reductions and expansion of the lime business or as a result of another party making a superior offer (although there has been no indications suggesting this).

4 You may be subject to capital gains tax

If you accept the Offer, you may be liable to pay capital gains tax. The Recommending Directors recommend that you obtain professional taxation advice in relation to your specific circumstances.

Enclosed in this booklet is the Target's Statement which includes the Recommending Directors' recommendation. Please read it carefully.

Frequently asked questions

Should I accept the bid?

The Recommending Directors unanimously recommend that you ACCEPT the Revised Offer in the absence of a superior offer.

Will the bid conditions be satisfied?

The Offer is subject to a number of conditions. Adelaide Brighton is working with Boral to try to fulfil the conditions where possible or give Boral confidence to waive any other conditions where strict compliance may not be possible.

Will I receive \$1.55 or \$1.60 per Share if I accept the bid?

If the Offer is made unconditional and Boral receives acceptances giving it a 90% interest in Adelaide Brighton, you will receive \$1.60 per Share.

If the Offer is made unconditional and Boral does not receive acceptances giving it a 90% interest in Adelaide Brighton, you will receive \$1.55 per Share.

Boral would have to waive the 90% Acceptance Condition for this to happen.

How do I accept the bid?

You should follow the instructions set out in Boral's Bidder's Statement.

When do I have to make a decision?

Boral's Offer must remain open for at least one month. It is currently scheduled to close on 10 March 2004. Boral may extend the bid. Your Directors will keep you informed if there are any material developments in relation to the Offer. Shareholders are also encouraged to monitor the Adelaide Brighton website at www.adbri.com.au for any updates on the Boral Offer.

Is Barro Properties going to accept the bid?

Barro Properties has not decided whether it will accept the Offer at this time.

Will I be forced to sell my Shares?

You cannot be forced to sell your Shares unless Boral gets acceptances giving it more than 90% voting power in Adelaide Brighton. Then (and subject to some other legal requirements), Boral will be entitled to proceed to compulsory acquisition of Shares held by Adelaide Brighton shareholders who did not accept the bid, in which case you will receive the same payment for your Shares that you would have received under the Offer.

What is the Bidder's Statement?

The Bidder's Statement contains information on the Offer for your Adelaide Brighton Shares and the law requires Boral to send it to you.

What is a Target's Statement?

This booklet comprises a Target's Statement. Adelaide Brighton is required to produce the Target's Statement in response to Boral's Offer. Adelaide Brighton's Target's Statement contains information to help you decide whether to accept Boral's Offer for your Shares.

Who should I call if I have questions?

You can contact the toll-free Adelaide Brighton Shareholder Information Line on 1800 339 522 or you can speak to your financial or other professional adviser.

Target's Statement

Table of contents

| <i>Section</i> | <i>Page</i> |
|--|-------------|
| 1 Directors' recommendation | 11 |
| 1.1 Directors of Adelaide Brighton | 11 |
| 1.2 Directors' recommendations | 11 |
| 1.3 Your Directors' reasons for their recommendation | 12 |
| • Price offered by Boral | 12 |
| • Control is likely to pass | 13 |
| • Conditions to the Offer | 13 |
| • The ACCC Condition | 13 |
| • The 90% Acceptance Condition | 13 |
| • What happens if the conditions are not satisfied or waived? | 14 |
| • Disadvantages in accepting the Offer while it remains conditional | 14 |
| 1.4 Intentions of your Recommending Directors in relation to the Offer | 15 |
| 2 Important matters for Adelaide Brighton shareholders to consider | 16 |
| 2.1 The Boral Offer | 16 |
| 2.2 Background information on Adelaide Brighton | 16 |
| 2.3 Value of Boral's Offer | 17 |
| • The Offer values Adelaide Brighton at a significant premium | 17 |
| • The Offer represents fair value | 17 |
| • Share price | 17 |
| 2.4 Taxation considerations | 17 |
| 2.5 Minority ownership consequences | 17 |
| 2.6 Dividend issues for Adelaide Brighton shareholders | 18 |
| 2.7 Other alternatives to the Offer | 18 |
| 2.8 Adelaide Brighton share price in the absence of the Offer | 18 |
| 3 Your choices as an Adelaide Brighton shareholder | 19 |
| • Accept the Offer | 19 |
| • Sell your Shares on market | 19 |
| • Do not accept the Offer or sell your Shares on market | 19 |
| 4 Key features of Boral's Offer | 20 |
| 4.1 Consideration payable to Adelaide Brighton shareholders who accept the Offer | 20 |
| 4.2 Conditions to the Offer | 20 |
| 4.3 Notice of Status of Conditions | 21 |
| 4.4 Offer Period | 21 |
| 4.5 Extension of the Offer Period | 21 |
| 4.6 Withdrawal of Offer | 22 |
| 4.7 Effect of acceptance | 22 |
| 4.8 Your ability to withdraw your acceptance | 22 |
| 4.9 When will I receive my consideration if I accept Boral's Offer? | 22 |
| 4.10 Effect of an improvement in consideration on Adelaide Brighton shareholders who have already accepted the Offer | 22 |

| | | |
|----------|---|-----------|
| 4.11 | Lapse of Offer | 22 |
| 4.12 | Compulsory acquisition | 23 |
| | • Following takeover bid | 23 |
| | • General compulsory acquisition | 23 |
| 5 | Financial information | 24 |
| 5.1 | Financial disclosures | 24 |
| 6 | Information relating to your Directors | 25 |
| 6.1 | Interests and dealings in Adelaide Brighton securities | 25 |
| | • Interests in Adelaide Brighton Shares | 25 |
| | • Awards under the Adelaide Brighton Executive Performance Share Plan | 25 |
| | • Dealings in Adelaide Brighton Shares | 25 |
| 6.2 | Interests and dealings in Boral securities | 26 |
| | • Interests in Boral securities | 26 |
| | • Dealings in Boral securities | 26 |
| 6.3 | Benefits and agreements | 26 |
| | • Benefits in connection with retirement from office | 26 |
| | • Agreements connected with or conditional on the Offer | 26 |
| | • Benefits from Boral | 26 |
| | • Interests of Directors in contracts with Boral | 26 |
| 7 | Other material information | 27 |
| 7.1 | Bid conditions | 27 |
| | • No restraining orders condition | 27 |
| | • Material adverse change to Adelaide Brighton | 27 |
| | • Acquisitions and disposals condition | 27 |
| | • Confirmation condition | 28 |
| | • Material adverse change in financial markets | 29 |
| 7.2 | Effect of the takeover on Adelaide Brighton's material contracts | 29 |
| 7.3 | Material litigation | 30 |
| 7.4 | Issued capital | 30 |
| 7.5 | Effect of Offer on Adelaide Brighton's employee incentive schemes and securities issued under those schemes | 30 |
| | • Adelaide Brighton Executive Performance Share Plan | 30 |
| | • Adelaide Brighton Employee Share Plan | 31 |
| 7.6 | No other material information | 31 |
| 8 | Glossary and interpretation | 33 |
| 8.1 | Glossary | 33 |
| 8.2 | Interpretation | 34 |
| 9 | Authorisation | 36 |

1 Directors' recommendation

1.1 Directors of Adelaide Brighton

As at the date of this Target's Statement, the Directors of Adelaide Brighton are:

| Name | Position |
|---|-------------------|
| MA Kinnaird AO, DUniv, BE, Hon FIEAust, FTS | Chairman |
| CL Harris BEc, FCPA, FAICD | Director |
| D Barro AO | Director |
| JA Brooks | Director |
| MP Chellew BSc, ME, Grad. Diploma Mgt | Managing Director |
| JD McNerney, BE, MEng Sc, MIE, MBA CEng | Director |
| LV Hosking | Director |

For the purposes of this Target's Statement, the Recommending Directors of Adelaide Brighton are all of the Directors of Adelaide Brighton other than Mr Dave Barro.

For the purposes of this Target's Statement, the Independent Directors of Adelaide Brighton are:

| Name | Position |
|---|-------------------|
| MA Kinnaird AO, DUniv, BE, Hon FIEAust, FTS | Chairman |
| CL Harris BEc, FCPA, FAICD | Director |
| MP Chellew BSc, ME, Grad. Diploma Mgt | Managing Director |
| LV Hosking | Director |

1.2 Directors' recommendations

In considering the Offer, Adelaide Brighton shareholders should:

- read the whole of this Target's Statement and the Bidder's Statement;
- have regard to their individual risk profile, investment strategy, tax position and financial circumstances;
- consider the alternatives noted in section 2.7 of this Target's Statement; and

- obtain financial advice from their broker or financial adviser upon the Offer and obtain taxation advice on the effect of accepting the Offer.

The Recommending Directors consider that \$1.60¹ per Share represents reasonable value for Adelaide Brighton Shares and recommend that Adelaide Brighton shareholders accept the Revised Offer in the absence of a superior offer.

Mr Dave Barro, with the Barro Family, owns and controls Barro Properties and Barro Group. Barro Properties holds a 10.06% stake in Adelaide Brighton, which would allow it to prevent Boral from obtaining a 90% interest in Adelaide Brighton if Barro Properties chooses not to accept Boral's Offer. Barro Group is a 50% partner with Adelaide Brighton in the ICL joint venture. Accordingly, Mr Dave Barro has decided to refrain from making a recommendation at present, though he may choose to make a recommendation in the future.

The reasons for the Directors' recommendation are set out below.

If there are any material developments in relation to the Offer, or any alternative proposal emerges, your Directors will provide further advice promptly.

1.3 Your Directors' reasons for their recommendation

All of the Directors other than Mr Dave Barro have decided to recommend the Offer and their reasons are set out below.

- **Price offered by Boral**

Boral initially offered \$1.55 for each Adelaide Brighton Share. On shareholders' behalf, the Directors negotiated an extra five cents per Share from Boral, taking the price offered to \$1.60 per Share if Boral receives acceptances taking it to at least 90% of the Shares in Adelaide Brighton and Boral's Offer becomes unconditional.

The Recommending Directors consider that the Revised Offer Price represents fair value and is a reasonable amount to compensate Adelaide Brighton shareholders for the value of their Shares. It represents a 40% premium to the closing price of Adelaide Brighton Shares on 15 December 2003, the day before the announcement of the Offer and is above the highest price Adelaide Brighton have traded since the restructuring in March 1999.

Your Independent Directors have considered a number of strategic alternatives in order to maximise the value of Adelaide Brighton Shares. However, the Independent Directors have not identified any rival bidders for Adelaide Brighton, and the Recommending Directors anticipate that following the close of the Offer, the market price of Adelaide Brighton Shares may fall if the Boral Offer fails.

In making their recommendation, the Recommending Directors have not taken into account your individual investment objectives, financial situation or particular needs, nor does it amount to a recommendation or investment advice in relation to your Shares. You may wish to seek independent financial and taxation advice before making a decision whether to accept the Offer.

¹ The Offer price of \$1.60 has been used as the Offer is currently subject to the 90% Acceptance Condition. If Boral waives the 90% Acceptance Condition and does not reach at least 90% of Adelaide Brighton Shares by the close of the Offer, the consideration payable under the Offer will be \$1.55 per Share, rather than \$1.60.

- **Control is likely to pass**

Until recently, RMC owned a controlling stake of 55% of Adelaide Brighton.

On 16 December 2003, RMC unconditionally sold 19.9% of Adelaide Brighton Shares to Boral at \$1.55 per Share. RMC subsequently unconditionally sold 20% of Adelaide Brighton Shares to institutional investors at \$1.40 per Share. RMC has announced that it will sell its remaining stake in Adelaide Brighton. This means that control over Adelaide Brighton is likely to pass to Boral (subject to ACCC approval and Boral waiving the other conditions).

- **Conditions to the Offer**

The Boral Offer is subject to a number of conditions which could potentially prevent the takeover bid from going ahead. These are summarised in section 4.2 below. Two of the key conditions are:

- **ACCC Condition:** the ACCC not objecting to the Offer or placing conditions on the Offer proceeding which are not acceptable to Boral;
- **90% Acceptance Condition:** Boral obtaining at least 90% of the Adelaide Brighton Shares on issue.

Further information on the other bid conditions can be found in section 7.1 of this Target's Statement.

Adelaide Brighton is working with Boral to try to fulfil the conditions where possible or to give Boral confidence to waive any other conditions where strict compliance may not be possible.

- **The ACCC Condition**

At the date of this Target's Statement, there is a possibility that the ACCC will take action in relation to the Offer which would trigger the ACCC Condition. Shareholders should understand that the ACCC Condition is triggered not only if the ACCC opposes a takeover of Adelaide Brighton by Boral, but is also triggered if the ACCC places any conditions on the takeover proceeding that are unacceptable to Boral.

This does not mean that the bid will necessarily fail if the ACCC places conditions on the takeover proceeding, but it does mean that Boral will have the ability to let the Offer lapse if it considers that the ACCC's conditions to granting approval are unacceptable.

Boral has acknowledged in section 5.3(c) of the Bidder's Statement the possibility that the ACCC may require it to dispose of some of Adelaide Brighton's masonry interests before allowing it to take control of Adelaide Brighton. If this happens, the Recommending Directors expect that Boral would waive the condition in relation to that ACCC requirement, given that Boral was aware of that possibility when it made its Offer.

Your Directors will cause a supplementary target's statement to be issued if material developments arise in relation to the ACCC.

- **The 90% Acceptance Condition**

The 90% Acceptance Condition in section 6.4(a)(i) of the Bidder's Statement represents the threshold of control that a bidder must achieve in order to proceed to compulsorily acquire the Shares from shareholders who do not accept the bid.

Boral has not given any indication that it would consider dropping the 90% Acceptance Condition. If the other key condition listed above is waived or satisfied during the Offer Period, the Recommending Directors consider that Boral may possibly seek to waive the 90% Acceptance Condition with a view to encouraging the further acceptances it would require to reach 90%. Shareholders should note that under the terms of Boral's bid financing, Boral cannot waive the 90% Acceptance Condition without the consent of its financier and there is no certainty that Boral will waive this condition.

If Boral waives the 90% Acceptance Condition and does not reach a relevant interest in at least 90% of Adelaide Brighton Shares by the close of the Offer, the consideration currently payable under the Offer will be \$1.55 per Adelaide Brighton Share, rather than \$1.60.

Shareholders should note that Barro Properties currently holds 10.06% of Shares in Adelaide Brighton and has not yet decided whether it will accept Boral's Offer.

- **What happens if the conditions are not satisfied or waived?**

If the conditions are not satisfied or waived before the closing date of the Offer, as extended, the Offer will lapse. Anyone who accepts the Offer before the Offer becomes unconditional will then have their Shares returned.

- **Disadvantages in accepting the Offer while it remains conditional**

If you accept the Offer before Boral waives the conditions to the Offer, you will give up certain rights to deal with your Shares, including the right to sell the Shares on-market and the right to accept a competing offer should one emerge, with no guarantee that the Offer will go ahead or that Boral will reach a 90% relevant interest in Adelaide Brighton so that the \$1.60 Offer consideration will apply rather than \$1.55.²

Waiting until the bid conditions are satisfied or waived generally does not delay the time in which the cash price will be paid to you. Shareholders who accept the Offer will not receive payment until one month after the Offer becomes unconditional or 21 days after the Offer closes, whichever is earlier. This means that accepting the bid before the conditions are satisfied or waived generally does not speed up the process of when you will be paid, (although the earlier shareholders who hold sufficient Adelaide Brighton Shares to take Boral's relevant interest to 90% accept, the earlier the 90% Acceptance Condition may be satisfied).

If you wish to sell your Shares before the Offer becomes unconditional, you may wish to consider selling your Shares on-market. This will allow you to realise the value of the Shares currently. You should note that the market price since the Offer was announced has not exceeded \$1.55 and closed at \$1.53 on 30 January 2004 and you will incur brokerage costs if you sell on market.

Further information about the various conditions to Boral's bid is set out in section 7.1 of this Target's Statement. You should read the section carefully to

² You may have an opportunity to withdraw your acceptance in limited circumstances. This right to withdraw arises if the time for payment under the Offer is extended for more than one month after the closing date for the Offer at the time that you accepted it. If this withdrawal right does arise, it may take almost two months after you withdraw your acceptance for your Adelaide Brighton Shares to be returned to you.

understand the conditions to Boral's Offer and the likelihood of those conditions being waived or satisfied.

1.4 Intentions of your Recommending Directors in relation to the Offer

Each Recommending Director of Adelaide Brighton presently intends to accept the Offer in relation to those Shares in which the Director has a relevant interest, in the absence of a superior offer.

Mr Dave Barro has not decided whether he intends to accept the Offer in relation to those Shares owned by him or by Barro Properties which he owns and controls with the Barro family. Mr Dave Barro has a significant personal interest in Adelaide Brighton through Barro Group and Barro Properties. Those interests are discussed further in section 1.2 of this Target's Statement.

Details of the relevant interests of each Adelaide Brighton Director in Adelaide Brighton's securities are set out in section 6 of this Target's Statement.

2 Important matters for Adelaide Brighton shareholders to consider

2.1 The Boral Offer

Boral announced its Offer for Adelaide Brighton Shares on 16 December 2003. A summary of the Offer is contained in section 4 of this Target's Statement.

Boral's Offer is open for acceptance until 7:00pm (Sydney time) on 10 March 2004, unless it is extended or withdrawn (sections 4.5 and 4.6 of this Target's Statement describe the circumstances in which Boral can extend or withdraw its Offer).

2.2 Background information on Adelaide Brighton

Adelaide Brighton is a leading integrated construction materials and lime producing company with operations in all mainland states and territories of Australia.

We manufacture clinker, cement, ready mixed concrete, concrete masonry products, specialty cementitious products and lime.

As a company in the S&P/ASX 200 index, we earn annual revenues in excess of \$500 million and employ around 1,400 people.

The principal activities of Adelaide Brighton are:

- production and marketing of clinker and cement products;
- production and marketing of lime products;
- production and marketing of ready mixed concrete under the Hy-Tec banner;
- production and marketing of concrete masonry products under the brand name C&M/Rocla;
- marketing of supplementary cementitious materials, such as fly-ash and ground blast-furnace slag; and
- provision of specialised road construction, maintenance and rehabilitation services.

Adelaide Brighton has market leadership positions in cement and lime in Western Australia, Northern Territory and South Australia; a cement grinding facility in New South Wales and our 50% owned joint ventures hold strong positions in cement supply in Queensland and Victoria.

We also have a modest position in the ready mixed concrete markets in Victoria, New South Wales and south east Queensland.

Our concrete masonry products business is number two in the national masonry products segment with operations in New South Wales, Victoria and South Australia.

The major end-use markets of Adelaide Brighton's products are residential and non-residential construction, engineering construction, mining and road services.

2.3 Value of Boral's Offer

- **The Offer values Adelaide Brighton at a significant premium**

The Revised Offer Price represents:

- a premium of 40% to the closing price of Adelaide Brighton Shares on 15 December 2003, the day before the announcement of the Offer by Boral;
 - a premium of 37% to the volume weighted average trading price for the week up to and including 15 December 2003; and
 - a premium of 33% to the volume weighted average trading price for the month up to and including 15 December 2003.
- **The Offer represents fair value**

The Recommending Directors have had regard to the operations, expected future earnings, growth prospects and risk profile of Adelaide Brighton and believe the Offer represents fair value for the Shares.

- **Share price**

The Recommending Directors believe that, in the absence of takeover activity or speculation, it is unlikely that the Shares will trade at the Offer price for the foreseeable future for the following reasons:

- the Offer price is above the highest price which Adelaide Brighton Shares have traded at since the restructure in March 1999; and
- the Recommending Directors believe that the price of Shares may revert to around pre-announcement levels should the Offer fail.

2.4 Taxation considerations

The taxation consequences of accepting the Offer depend on a number of factors and will vary depending on your particular circumstances. A general outline of the Australian taxation considerations of accepting the Offer are set out in section 8 of the Bidder's Statement.

You should carefully read and consider the taxation consequences of accepting the Offer. It is emphasised that the outline provided in the Bidder's Statement is of a general nature only and you should seek your own specific professional advice as to the taxation implications applicable to your circumstances.

2.5 Minority ownership consequences

If Boral obtains more than 50% but less than 90% of the Adelaide Brighton Shares and waives its 90% Acceptance Condition then, assuming all other conditions to the Offer are satisfied or waived, Boral will acquire a majority shareholding in Adelaide Brighton.

Accordingly, shareholders who do not accept the Offer will become minority shareholders in Adelaide Brighton. This has a number of possible implications including:

- it is unlikely that Adelaide Brighton's share price will sustain any takeover premium;

- liquidity of Adelaide Brighton Shares may be lower than at present;
- Adelaide Brighton will be controlled by Boral;
- future Adelaide Brighton dividend policy under the control of Boral may vary significantly from current Adelaide Brighton dividend policy; and
- certain businesses of Adelaide Brighton may be affected by the exercise of pre-emptive rights by other parties to agreements as a result of the change of control. For more details, refer to section 7.2 of this Target's Statement.

2.6 Dividend issues for Adelaide Brighton shareholders

It is a condition of the Offer that Adelaide Brighton does not declare or pay a dividend or capital distribution to Adelaide Brighton shareholders. As a result of recommending the Offer, Adelaide Brighton does not currently intend to declare or pay any dividend or capital distribution.

2.7 Other alternatives to the Offer

The Independent Directors have considered alternative options in order to maximise value for Adelaide Brighton shareholders.

The Independent Directors have made a number of inquiries of alternative parties that may be interested in submitting a superior offer for Adelaide Brighton. At this stage no party has indicated it has interest in providing a competing bid. The Independent Directors do not currently expect any rival takeover bid to emerge.

As part of the negotiation to secure the increase in the bid price to \$1.60 if Boral reaches 90% (and the other conditions to the Offer are satisfied), Adelaide Brighton agreed to enter into a non-solicitation agreement (including the usual carve-outs reflecting the fiduciary and statutory duties of Adelaide Brighton's Directors), to provide Boral with certain assistance in regard to the ACCC and to use its reasonable endeavours to assist Boral to fulfil the 90% Acceptance Condition.

2.8 Adelaide Brighton share price in the absence of the Offer

While there are many factors that influence the market price of Adelaide Brighton Shares, your Recommending Directors anticipate that, in the event that Boral does not move to compulsory acquisition the market price of Adelaide Brighton Shares may fall.

The Revised Offer Price of \$1.60 represents a 40% premium to the closing price of Adelaide Brighton Shares of \$1.14 on 15 December 2003, the day before the announcement of the Offer, and premiums of 37% and 33% respectively to Adelaide Brighton's one week and one month volume weighted average price during the period up to and including 15 December 2003.

3 Your choices as an Adelaide Brighton shareholder

As an Adelaide Brighton shareholder, you have three choices currently available to you:

- **Accept the Offer**

Adelaide Brighton shareholders may elect to accept the Offer for all their Shares only. Details of the consideration that will be received by Adelaide Brighton shareholders who accept the Offer are set out in section 4.1 of this Target's Statement and in the Bidder's Statement.

The Bidder's Statement contains details of how to accept the Offer in section 6.11.

- **Sell your Shares on market**

During a takeover, shareholders in a target company can still sell their shares on market for cash.

On 30 January 2004, Adelaide Brighton's share price closed at \$1.53, a 4.38% discount to the Revised Offer Price. Shareholders who sell their Shares on market may be liable for CGT on the sale and may incur a brokerage charge. Adelaide Brighton shareholders should contact their broker and financial adviser to obtain the latest price for Adelaide Brighton Shares and to determine tax implications from any sale. The latest price for Adelaide Brighton Shares may also be obtained from the ASX website www.asx.com.au.

- **Do not accept the Offer or sell your Shares on market**

Shareholders who do not wish to accept the Offer or sell their Shares on market should do nothing.

Adelaide Brighton encourages you to consider your personal risk profile, investment strategy, tax position and financial circumstances and seek professional financial advice before making any decision in relation to your Adelaide Brighton Shares.

The Recommending Directors recommend you accept the Offer, and intend to accept for all Shares in which they have a relevant interest, in the absence of a superior offer.

4 Key features of Boral's Offer

4.1 Consideration payable to Adelaide Brighton shareholders who accept the Offer

The consideration being offered by Boral is \$1.60 cash for each Adelaide Brighton Share provided Boral reaches a relevant interest of 90% in Adelaide Brighton and the Offer is declared unconditional. If the Offer becomes unconditional but Boral does not reach 90%, the Offer consideration is \$1.55 for each Adelaide Brighton Share.

4.2 Conditions to the Offer

Boral's Offer is subject to a number of conditions. Those conditions are set out in full in section 6.4 of the Bidder's Statement.

By way of broad overview, the conditions to the Offer are:

- (a) Boral acquiring at least 90% of the Adelaide Brighton Shares on issue;
- (b) the ACCC not objecting to the Offer being made (either at all or subject to conditions which are unacceptable to Boral) or taking steps to restrain Boral making the Offer;
- (c) no order being made or threatened by a public authority in connection with the Offer which restrains, prohibits or materially adversely impacts upon the making of the Offer (other than by ASIC or the Takeovers Panel);
- (d) no event, change or condition occurs or becomes known to Boral which has or is reasonably likely to have a material adverse effect on the operations, assets, liabilities, material contracts (taken as a whole), business, condition, profitability or prospects of the Adelaide Brighton Group;
- (e) a statement is made with the approval of the Directors which confirms that, after due enquiry, none of Adelaide Brighton or any of its subsidiaries are subject to any material agreement (except for a loan facility provided by RMC to Adelaide Brighton) under which the other party could terminate, vary, amend or modify or exercise any right as a result of Boral making the Offer, Boral acquiring Shares under the Offer or Adelaide Brighton or any subsidiary disposing of any asset or interest or agreeing or proposing to do so;
- (f) no acquisitions being made or announced by Adelaide Brighton or its subsidiaries of companies, businesses or assets for an amount over \$5 million in aggregate;
- (g) no divestments being made or announced by Adelaide Brighton or its subsidiaries of companies, businesses or assets for an amount over \$5 million in aggregate;
- (h) subject to the conditions in (f) and (g), the business of Adelaide Brighton being otherwise carried on in the course of ordinary business;
- (i) no material adverse change in the financial markets that could reasonably be expected (in the opinion of Boral's financier) to prevent the syndication of Boral's debt financing of the Offer;

- (j) Adelaide Brighton does not declare or pay any dividends or other distributions of capital or profits to Adelaide Brighton shareholders;
- (k) no "Prescribed Occurrences" occurring.

4.3 Notice of Status of Conditions

The Boral Offer Terms indicate that Boral will give a Notice of Status of Conditions to the ASX and Adelaide Brighton on 3 March 2004. If the Offer Period is extended by a period before the time by which the Notice of Status of Conditions is to be given, the date for giving the Notice of Status of Conditions will be taken to be postponed for the same period. In the event of such an extension, Boral is required, as soon as practicable after the extension, to give a notice to the ASX and Adelaide Brighton that states the new date for the giving of the Notice of Status of Conditions. Boral is required to set out in its Notice of Status of Conditions:

- whether the Offer is free of any or all of the conditions;
- whether, so far as Boral knows, any of the conditions have been fulfilled; and
- Boral's voting power in Adelaide Brighton.

If a condition is fulfilled (so that the Offer becomes free of that condition) during the bid period but before the date on which the Notice of Status of Conditions is required to be given, Boral must, as soon as practicable, give the ASX and Adelaide Brighton a notice that states that the particular condition has been fulfilled.

4.4 Offer Period

Unless Boral's Offer is extended or withdrawn, it is open for acceptance until 7:00pm (Sydney time) on 10 March 2004.

The circumstances in which Boral may extend or withdraw its Offer are set out in section 4.5 and section 4.6 respectively of this Target's Statement.

4.5 Extension of the Offer Period

Boral may extend the Offer Period at any time before giving the Notice of Status of Conditions (referred to in section 4.3) while the Offer is subject to conditions. However, if the Offer is unconditional (that is, all the conditions are satisfied or waived), Boral may extend the Offer Period at any time before the end of the Offer Period.

In addition, there will be an automatic extension of the Offer Period if, within the last seven days of the Offer Period:

- Boral improves the consideration under the Offer; or
- Boral's voting power in Adelaide Brighton increases to more than 50%.

If either of these two events occurs, the Offer Period is automatically extended so that it ends 14 days after the relevant event occurs.

4.6 Withdrawal of Offer

Boral may only withdraw the Offer with the written consent of ASIC which may be subject to the conditions (if any) specified by ASIC. If the Offer is withdrawn, all contracts arising from its acceptance become void.

4.7 Effect of acceptance

The effect of acceptance of the Offer is set out in sections 6.13-6.14 of the Boral Offer Terms.

4.8 Your ability to withdraw your acceptance

You only have limited rights to withdraw your acceptance of the Offer.

You may only withdraw your acceptance of the Offer if Boral varies the Offer in a way that postpones, for more than one month, the time when Boral needs to meet its obligations (to pay for Shares) under the Offer. This will occur if Boral extends the Offer Period by more than one month and the Offer is still subject to conditions.

4.9 When will I receive my consideration if I accept Boral's Offer?

In the usual case, you will be issued your consideration on or before the later of:

- one month after the date the Offer becomes or is declared unconditional; and
- one month after the date you accept the Offer if the Offer is, at the time of acceptance, unconditional,

but, in any event (assuming the Offer becomes or is declared unconditional), no later than 21 days after the end of the Offer Period.

However, there are certain exceptions to the above timetable for the issuing of consideration. Full details of when you will be issued your consideration are set out in section 6.8 of the Boral Offer Terms.

4.10 Effect of an improvement in consideration on Adelaide Brighton shareholders who have already accepted the Offer

If Boral again improves the consideration under the Offer, all Adelaide Brighton shareholders, whether or not they have accepted the Offer prior to that improvement in consideration, will be entitled to the benefit of that improved consideration.

If another party makes a superior offer and you have accepted the Boral Offer you may be unable to receive the benefit of the superior offer.

4.11 Lapse of Offer

The Offer will lapse if the Offer conditions are not satisfied or waived by the end of the Offer Period, in which case all contracts resulting from acceptance of the Offer and all acceptances that have not resulted in binding contracts are void. In that situation, you will again be free to deal with your Adelaide Brighton Shares as you see fit.

4.12 Compulsory acquisition

Boral has indicated in section 5.2 of its Bidder's Statement that if it meets the required thresholds that will entitle it to proceed to compulsory acquisition of the Adelaide Brighton Shares, it intends to exercise that right.

- **Following takeover bid**

Boral will be entitled to compulsorily acquire any Adelaide Brighton Shares in respect of which it has not received an acceptance of its Offer on the same terms as the Offer if, during or at the end of the Offer Period:

- Boral and its associates have a relevant interest in at least 90% (by number) of the Adelaide Brighton Shares; and
- Boral and its associates have acquired at least 75% (by number) of the Adelaide Brighton Shares that Boral offered to acquire (excluding Adelaide Brighton Shares in which Boral or its associates had a relevant interest in at the date of the Offer and also excluding Adelaide Brighton Shares issued to an associate of Boral during the Offer Period).

If this threshold is met, Boral will have one month after the end of the Offer Period within which to give compulsory acquisition notices to Adelaide Brighton shareholders who have not accepted the Offer. Adelaide Brighton shareholders have statutory rights to challenge the compulsory acquisition, but a successful challenge will require the relevant shareholder to establish to the satisfaction of a court that the terms of the Offer do not represent "fair value" for their Adelaide Brighton Shares. If compulsory acquisition occurs, Adelaide Brighton shareholders who have their Adelaide Brighton Shares compulsorily acquired are likely to be issued their consideration approximately five to six weeks after the compulsory acquisition notices are dispatched to them.

- **General compulsory acquisition**

If Boral receives a full beneficial interest in 90% of Adelaide Brighton Shares, but is not entitled to proceed to post-bid compulsory acquisition, Boral may still be entitled to rely on the general compulsory acquisition provisions of the Corporations Act, and has indicated in section 5.2(b) of the Bidder's Statement its intention to do so in those circumstances.

5 Financial information

5.1 Financial disclosures

In the discussions with Boral which culminated in an increase to the Offer, Adelaide Brighton confirmed to Boral that, based on the best of Adelaide Brighton's knowledge and belief, Adelaide Brighton expects its operating results, for the year ended 31 December 2003 to be consistent with Adelaide Brighton's previous disclosures to ASX of \$55-56 million profit after tax.

As at the date of this Target's Statement, the audit for the year ended 31 December 2003 had not yet been completed, so Adelaide Brighton's expectations in this regard are subject to completion of the audit and any matters identified by the auditor in the course of the audit.

Adelaide Brighton anticipates that its financial results for the year ended 31 December 2003 will be available to the market in early February 2004.

6 Information relating to your Directors

6.1 Interests and dealings in Adelaide Brighton securities

- **Interests in Adelaide Brighton Shares**

As at the date of this Target's Statement, your Directors had the following relevant interests in Shares:

| Director | Number of Adelaide Brighton Shares |
|-------------|------------------------------------|
| MA Kinnaird | 74,286 ³ |
| CL Harris | 110,001 ⁴ |
| D Barro | 54,811,389 ⁵ |
| MP Chellew | 299,143 ⁶ |
| JA Brooks | 1,000 ⁷ |
| JD McNerney | 1,000 ⁸ |
| LV Hosking | 2,000 |

- **Awards under the Adelaide Brighton Executive Performance Share Plan**

| Director | Number of Adelaide Brighton Shares which may be acquired |
|------------|--|
| MP Chellew | 500,000 Awards |

The Adelaide Brighton Executive Performance Share Plan is discussed in section 7.5 of this Target's Statement.

- **Dealings in Adelaide Brighton Shares**

No Director of Adelaide Brighton has acquired or disposed of a relevant interest in any Shares in the four month period ending on the date immediately before the date of this Target's Statement.

³ Includes 1,486 Shares held personally and 72,800 Shares held by the Andrias Super Fund.

⁴ Includes 52,858 Shares held by the Harris Family Settlement and 57,143 Shares held by the Harris Super Fund.

⁵ Includes 280,675 Shares held personally and 54,530,714 Shares held by Barro Properties.

⁶ Includes 267,143 Shares held personally, 20,000 Shares held by the Amberside Family Trust and 12,000 Shares held by the Amberside Super Fund.

⁷ Shares held personally on behalf of Rugby Holdings Limited. In addition, 80,940,318 Shares are held by Rugby Holdings Limited.

⁸ Shares held personally on behalf of Rugby Holdings Limited.

6.2 Interests and dealings in Boral securities

- **Interests in Boral securities**

As at the date immediately before the date of this Target's Statement, your Adelaide Brighton Directors had the following relevant interests in Boral securities:

| Director | Number of Boral securities |
|---------------|---|
| Mr Dave Barro | 10,000 Boral shares |
| MP Chellew | 1,000 Boral shares (held by the Amberside Super Fund) |

- **Dealings in Boral securities**

No Director of Adelaide Brighton acquired or disposed of a relevant interest in any Boral securities in the four month period ending on the date immediately before the date of this Target's Statement, other than MP Chellew, as a result of the Amberside Super Fund (which Mr Chellew is a beneficiary of) purchasing 500 Boral shares on 15 October 2003 for \$5.55 per share.

6.3 Benefits and agreements

- **Benefits in connection with retirement from office**

As a result of the Offer, no person has been or will be given any benefit (other than a benefit which can be given without member approval under the Corporations Act) in connection with the retirement of that person, or someone else, from a board or managerial office of Adelaide Brighton or a related body corporate of Adelaide Brighton.

- **Agreements connected with or conditional on the Offer**

There are no agreements between any Director of Adelaide Brighton and any other person in connection with, or conditional upon, the outcome of the Offer other than in their capacity as a holder of Shares.

- **Benefits from Boral**

None of the Directors has agreed to receive, or is entitled to receive, any benefit from Boral which is conditional on, or is related to, the Offer, other than in their capacity as a holder of Shares.

- **Interests of Directors in contracts with Boral**

None of the Directors has any interest in any contract entered into by Boral, other than as a shareholder or option holder in Boral.

7 Other material information

7.1 Bid conditions

Boral's Offer is highly conditional. If the conditions are not satisfied or waived before the closing date of the bid, as extended, the Offer will lapse and all acceptances will be returned. An explanation of some of the key conditions is contained in sections 1.3 and 2.6 of this Target's Statement, and an explanation of some of the remaining conditions is set out below:

- **No restraining orders condition**

The Offer is subject to the condition, in section 6.4(a)(iii) of the Bidder's Statement, that there are no orders made by a public authority that would impact on the bid other than by the Takeovers Panel or ASIC. Adelaide Brighton is not aware of any such order being made as at the date of this Target's Statement.

- **Material adverse change to Adelaide Brighton**

The Offer is subject to the condition, in section 6.4(a)(iv) of the Bidder's Statement, that there is no "material adverse change" to the Adelaide Brighton Group after 30 June 2003. The Recommending Directors believe that this condition would not be triggered easily. Those words are usually interpreted as requiring a high threshold of adverse change in the company in question before the condition is triggered, and this is especially so given Adelaide Brighton's relatively large market capitalisation. In addition, circumstances which Boral was aware of at the time of the announcement of the Offer cannot constitute a "material adverse change" for the purposes of this condition.

At the date of issue of this Target's Statement, there are gas shortages in various parts of South Australia and New South Wales due to the fire in early January 2004 at the Moomba gas supply plant. Adelaide Brighton does not currently expect the gas shortage, on the information available to it, to have a sufficiently adverse effect to prevent it from continuing to operate and trade in broad consistency with market expectations. Adelaide Brighton therefore does not currently expect this condition to be triggered based on available information.

- **Acquisitions and disposals condition**

The Offer is subject to the condition, in section 6.4(a)(vi) of the Bidder's Statement, that Adelaide Brighton does not:

- (1) acquire or offer to acquire companies, businesses or assets for an amount in aggregate greater than \$5 million between the announcement and the end of the Offer Period; or
- (2) dispose or offer to dispose companies, businesses or assets for an amount in aggregate greater than \$5 million between the announcement and the end of the Offer Period,

and that the business of Adelaide Brighton must otherwise be carried on in the ordinary course of ordinary business.

Given the low threshold specified in this condition, it is not possible for Adelaide Brighton to carry on its business in the ordinary course without breaching this condition. For example, Adelaide Brighton must purchase and sell materials which exceed the \$5 million limit in order to sell cement, lime and concrete to its customers. Adelaide Brighton's sales and cost of sales for the year ended 31 December 2002 were \$487 million and \$368 million respectively.

Instead, during the Offer Period, the Directors propose to:

- (1) continue to act in the ordinary course of business (consistent with the second part of the condition), even though that may cause it to exceed the \$5 million aggregate limit set by Boral;
- (2) comply with the spirit of the condition by not undertaking any acquisition or disposal that the Directors consider would frustrate the purpose of Boral in making the Offer without prior discussion with Boral; and
- (3) if your Directors considered that it was necessary, in order to satisfy their fiduciary and statutory duties, to undertake any significant transaction which falls outside paragraphs (1) and (2) above, not to do so without first obtaining the approval of Adelaide Brighton shareholders in a general meeting.

- **Confirmation condition**

This is a condition contained in section 6.4(a)(v) of the Bidder's Statement, that Adelaide Brighton's makes a statement confirming that Adelaide Brighton and its subsidiaries are not subject to any material agreement (other than a loan agreement from RMC to Adelaide Brighton) under which the other party could terminate, vary, amend or modify or exercise any right as a result of:

- (1) Boral making the Offer or Boral acquiring Adelaide Brighton Shares pursuant to the Offer; or
- (2) Adelaide Brighton or a subsidiary which is party to such agreement selling, transferring or otherwise disposing or agreeing or proposing to dispose of any asset or interest in an asset.

Adelaide Brighton will not be able to give the confirmation that is required under the confirmation condition. For example, the ICL joint venture between Adelaide Brighton and Barro Group allows Barro Group to compel Adelaide Brighton to transfer its share in the joint venture to Barro Group if there is a change in control of Adelaide Brighton.

Instead, as part of the negotiation for the increase in Boral's Offer, Adelaide Brighton has agreed to provide Boral with certain information and assistance in relation to the Offer (focusing on change of control and the provision of information regarding any divestments which may be required by the ACCC). Adelaide Brighton expects to be able to provide to Boral sufficient comfort by this means for Boral to decide to waive this condition.

Adelaide Brighton has engaged in general discussions with Boral in which it disclosed information concerning Adelaide Brighton which has not been previously disclosed in detail or generally to Adelaide Brighton shareholders. The information was of a nature that confirmed publicly available information or related to the change of control provisions and information regarding any divestments which may be required by the ACCC. At the date of this Target's

Statement Adelaide Brighton has provided to Boral, and Boral had reviewed, summaries of relevant sections of certain material agreements which Adelaide Brighton considers fall within the ambit of the confirmation condition. Boral has confirmed in its Bidder's Statement that the information in those summaries will not cause Boral to rely on the confirmation condition.

- **Material adverse change in financial markets**

The condition in section 6.4(a)(vii) of the Bidder's Statement would be breached if Boral receives notice from its financier to the effect that there has been a material disruption of, or material adverse change in, the financial markets that could reasonably be expected in the opinion of the financier (acting reasonably) to prevent the syndication of Boral's debt financing.

7.2 Effect of the takeover on Adelaide Brighton's material contracts

Adelaide Brighton has identified a number of material contracts to which Adelaide Brighton or its subsidiaries are a party, as containing change of control provisions which may be triggered if the Offer is successful. In determining materiality, Adelaide Brighton has had regard, among other factors, to the \$5 million threshold set by Boral in some of the conditions of its Offer. A summary of these material contracts and the relevant change of control provisions is set out below:

- **ICL Trust Deed:** The ICL joint venture between Adelaide Brighton and Barro Group carried on through the ICL Unit Trust, and each unitholder is subject to the terms of the ICL Unit Trust Deed. The deed contains pre-emptive rights which are triggered by a change in control of a unitholder, where in the reasonable opinion of the other unitholder the change in control causes there to be a "material business conflict". If the Barro Group reasonably forms a view that there would be a "material business conflict" if Boral took control of Adelaide Brighton, the pre-emptive rights may be triggered and Barro Group would have an opportunity to buy Adelaide Brighton's interest in ICL.

If the pre-emptive rights are triggered, a "Transfer Notice" must be given by the unitholder who has had a change of control, and, unless a price is stated and agreed by the other unitholder, the price is determined by valuation, either by the trustee's auditor or an independent expert nominated by the President of The Institute of Chartered Accountants in Australia (Victorian Division).

- **Sunstate agreement:** Adelaide Brighton and Blue Circle Southern Cement Limited (a subsidiary of Boral) each own 50% of the shares in the Sunstate Cement Limited joint venture (**Sunstate**).

The shareholders' agreement for Sunstate contains pre-emptive rights triggered by a change of control of a shareholder leading to Sunstate suffering or being likely to suffer a commercial disadvantage adversely affecting its production profitability, expansion or goodwill.

Adelaide Brighton does not consider that this prerequisite to the operation of the pre-emptive rights will be satisfied if Boral obtains control of Adelaide Brighton, with the result that the pre-emptive rights will not operate.

- **Leases:** Adelaide Brighton and its subsidiaries are party to a number of leases which require the consent of the lessor to a change of control of Adelaide Brighton. Under the material leases, consent to the change of control must not be unreasonably withheld, although in some cases, Boral must comply with a number of conditions before the lessor may be required to give its consent.

7.3 Material litigation

Adelaide Brighton does not believe that it is involved in any litigation or dispute which is material in the context of Adelaide Brighton and its subsidiaries taken as a whole.

7.4 Issued capital

As at the date of this Target's Statement, Adelaide Brighton's issued capital consisted of 541,861,007 fully paid ordinary shares.

7.5 Effect of Offer on Adelaide Brighton's employee incentive schemes and securities issued under those schemes

• Adelaide Brighton Executive Performance Share Plan

The Adelaide Brighton Executive Performance Share Plan rules allow Adelaide Brighton to issue Awards, which are rights to acquire Adelaide Brighton Shares subject to performance hurdles.

The rules provide that if a takeover bid is made for Adelaide Brighton, the Adelaide Brighton Board:

- may (unless, in the opinion of the Board, the offeror has expressed an intention to make an equivalent offer to Participants to acquire all or a substantial proportion of their Awards); and
- must, if pursuant to the takeover bid more than 20% of the issued Shares have or will become vested in the offeror,

notify each Participant in writing that they may exercise their Awards immediately, and that any pre-existing performance hurdles or exercise periods will not apply to such exercise.

On 2 February 2004, the Board sent Participants a notice permitting early exercise of their Awards within a period of 30 days from the date of the notice.

If a Participant chooses to exercise their Awards prior to the exercise period for those Awards, the number of Shares allotted to that Participant will be reduced to an amount equal to the number of Awards held by them multiplied by:

$$\frac{\text{The number of days between the issue of the Awards and the takeover bid being made}}{\text{The number of days between the issue of the Awards and their exercise date}}$$

If all Participants who were sent a notice permitting early exercise of their Awards on 2 February 2004 choose to do so, under the above formula approximately 800,000 Shares will be allotted to the Participants.

- **Adelaide Brighton Employee Share Plan**

The Adelaide Brighton Employee Share Plan rules allow Adelaide Brighton to issue Awards, which are rights to Adelaide Brighton Shares allocated to employees based on performance hurdles.

Once Participants have held their Awards for a period of 3 years (calculated from the "Measurement Date", as defined in the plan), the Awards convert into Preserved Shares at a rate of 10% each year.

The Board may instruct the plan trustee to distribute all Awards and Preserved Shares to the relevant Participants. The Board may also elect to wind up the plan, in which case all Awards will convert into Preserved Shares and be transferred into the names of the relevant Participants.

The Board intends to instruct the Trustee to distribute all Awards and Preserved Shares to the relevant Participants. The number of Awards and Preserved Shares that would be distributed are 4626 Awards and 24086 Preserved Shares, which would convert to Shares on a one to one basis.

7.6 No other material information

This Target's Statement is required to include all the information that Adelaide Brighton shareholders and their professional advisers would reasonably require to make an informed assessment whether to accept the Offer, but:

- only to the extent to which it is reasonable for investors and their professional advisers to expect to find this information in this Target's Statement; and
- only if the information is known to any Director of Adelaide Brighton.

The Directors are of the opinion that the information that Adelaide Brighton shareholders and their professional advisers would reasonably require to make an informed assessment whether to accept the Offer is:

- the information contained in the Bidder's Statement (to the extent that the information is not inconsistent or superseded by information in this Target's Statement);
- the information contained in Adelaide Brighton's releases to the ASX before the date of this Target's Statement; and
- the information contained in this Target's Statement.

The Directors have assumed, for the purposes of preparing this Target's Statement, that the information in the Bidder's Statement is accurate (unless they have expressly indicated otherwise in this Target's Statement). However, the

Directors do not take any responsibility for the contents of the Bidder's Statement and are not to be taken as endorsing, in any way, any or all statements contained in it.

In deciding what information should be included in this Target's Statement, the Directors have had regard to:

- the nature of the Shares;
- the matters that shareholders may reasonably be expected to know;
- the fact that certain matters may reasonably be expected to be known to shareholders' professional advisers; and
- the time available to Adelaide Brighton to prepare this Target's Statement.

8 Glossary and interpretation

8.1 Glossary

In this Target's Statement, the following terms have the following meanings unless the contrary intention appears:

\$, A\$ or AUD means Australian dollar.

90% Acceptance Condition means the condition set out in section 6.4(a)(i) of the Bidder's Statement.

ACCC means the Australian Competition and Consumer Commission.

ACCC Condition means the condition set out in section 6.4(a)(ii) of the Bidder's Statement.

Acceptance Form means the acceptance form accompanying the Bidder's Statement.

Adelaide Brighton means Adelaide Brighton Limited (ABN 15 007 596 018).

Adelaide Brighton Group means Adelaide Brighton and each of its subsidiaries.

ASIC means Australian Securities and Investments Commission.

ASX means Australian Stock Exchange Limited.

Award means the right to acquire one ordinary share in Adelaide Brighton, issued under the Adelaide Brighton Executive Performance Share Plan or the Adelaide Brighton Employee Share Plan.

Barro Group means Barro Group Pty Limited.

Barro Properties means Barro Properties Pty Limited.

Bidder's Statement means the bidder's statement of Boral dated 23 January 2004.

Board means the board of directors of Adelaide Brighton.

Boral means Boral Limited (ABN 13 008 421 761).

Boral Offer Terms means the terms and conditions to the Offer contained in section 6 of the Bidder's Statement.

CGT means capital gains tax.

CHESS Holding means a number of Shares which are registered on Adelaide Brighton's share register, being a register administered by the Securities Clearing House and which records uncertificated holdings of Shares.

Corporations Act means the Corporations Act 2001 (Cth).

Directors means the current directors of Adelaide Brighton.

ICL means Independent Cement and Lime Pty Limited.

Independent Directors has the meaning given in section 1.1 of this Target's Statement.

Notice of Status of Conditions means Boral's notice disclosing the status of the conditions to the Offer which is required to be given by subsection 630(3) of the Corporations Act.

Offer or **Boral's Offer** means the offer by Boral for the Adelaide Brighton Shares, which offer is contained in the Boral Offer Terms.

Offer Period means the period during which the Offer will remain open for acceptance in accordance with section 6.5 of the Boral Offer Terms.

Participant means the holder of an Award.

Preserved Share means the right to acquire one ordinary share in Adelaide Brighton under the Adelaide Brighton Employee Share Plan.

Recommending Directors has the meaning given in section 1.1 of this Target's Statement.

Revised Offer means Boral's offer of \$1.55 in cash per Share which will be increased to \$1.60 in cash per Share if Boral obtains a relevant interest in at least 90% of the Shares and the Offer becomes unconditional.

Revised Offer Price means \$1.60, which is the price Boral will pay per Share if it obtains a relevant interest in at least 90% of the Shares and the Offer becomes unconditional. If Boral Limited waives the 90% Acceptance Condition and does not reach at least 90% of Adelaide Brighton Limited Shares by the close of the Offer, the consideration payable under the Offer will be \$1.55 per Share, rather than \$1.60.

RMC means RMC Group plc or its subsidiary, Rugby Holdings Limited.

Share or **Adelaide Brighton Share** means a fully paid ordinary share in the capital of Adelaide Brighton.

Target's Statement means this document, being the statement of Adelaide Brighton under Part 6.5 Division 3 of the Corporations Act.

8.2 Interpretation

In this Target's Statement, unless the context otherwise requires:

- (a) words and phrases not specifically defined in this Target's Statement have the same meaning (if any) given to them in the Corporations Act;
- (b) words importing a gender include any gender;
- (c) words importing the singular include the plural and vice versa;
- (d) an expression importing a natural person includes any company, partnership, joint venture, association, corporation or other body corporate and vice versa;
- (e) a reference to a section, clause, annexure and schedule is a reference to a section of, clause of and an annexure and schedule to this Target's Statement as relevant;
- (f) a reference to any statute, regulation, proclamation, ordinance or by-law includes all statutes, regulations, proclamations, ordinances or by-laws amending, varying, consolidating or replacing it and a reference to a

statute includes all regulations, proclamations, ordinances and by-laws issued under that statute;

- (g) headings, boldings and underlinings are for convenience only and do not affect the interpretation of this Target's Statement;
- (h) a reference to time is a reference to Sydney time; and
- (i) a reference to dollars, \$, A\$, AUD, cents, ¢ and currency is a reference to the lawful currency of the Commonwealth of Australia.

9 Authorisation

This Target's Statement has been approved by a resolution passed by the Directors. All Directors voted in favour of that resolution except Mr John McNerney who was on leave and absent from the meeting when the resolution was passed.

Signed for and on behalf of Adelaide Brighton:

Date: 2 February 2004

A handwritten signature in black ink, appearing to read 'M. Chellew', written over a horizontal line.

Mark Chellew, Managing Director

This page has been intentionally left blank

This page has been intentionally left blank



Adelaide Brighton Ltd ABN 15 007 596 018
Level 1, 157 Grenfell Street, Adelaide, South Australia
GPO Box 2155, Adelaide SA 5001
Telephone (08) 8223 8000, Facsimile (08) 8215 0030
Web www.adbri.com.au