

The reshaping of Adelaide Brighton . . .

The Company commenced a significant change process some years ago when the Board decided to focus on the disposal of non-core activities. A major restructure took place in June 1999 when the Company acquired Cockburn Cement and the remaining 49% of Adelaide Brighton Cement. This doubled the size of the Company, aligned it with a major international building materials group and created the opportunity to take advantage of its experience in the international market.

Over the last 18 months we have integrated Cockburn Cement and Adelaide Brighton Cement and have created a sound operating platform for the future operations of the Company.

The Board is pleased with the changes brought about by management in developing the business to ensure an appropriate return on the Company's assets.

Improved Results

The improvements in the Company are evident in our current performance. We have experienced difficult trading conditions characterised by sharply reduced prices in the market stimulated by continual cement dumping from Asia. Despite this the Company has been able to produce reasonable profits, a strong cash flow and significant reduction of debt.

It will be some years before we expect to generate the level of returns we believe appropriate for the level of capital invested by the Company. We are concentrating on further operating efficiencies and cost reduction in order to be able to take full advantage of improvements in the market when they occur.

Dividend Declared

The improved performance of the Group has enabled Directors to declare a final dividend of 1.5 cents per share fully franked. This brings dividends declared in the last 12 months to 3.0 cents per share fully franked. There was no dividend paid

in 1999. Instead a capital return of 3.5 cents per share was made in July 1999 in lieu of a dividend.

New CEO

We have been very pleased with the changes brought by our new Chief Executive, Mr Phil Wright, who was appointed in December 1999. He has developed a strong management team made up of a blend of new appointees and existing managers. The Board has a high level of confidence in his leadership.

RMC Group Relationship

In January 2000, RMC Group p.l.c. (RMC) became Adelaide Brighton's majority 55% shareholder as a result of a takeover of The Rugby Group PLC. RMC is a United Kingdom based international building materials group and is the largest producer of ready-mixed concrete in the world. The Board and management have established an open dialogue with RMC who have given our Company access to specialist resources which have been of great operational help during the past year. We are now working energetically with RMC to review a range of strategies from which we can improve our joint opportunities.

Changes in Directors

With the emergence of RMC as a major shareholder there were a number of changes in Directors. Messrs Jim Brooks and Paul Rabl of RMC replaced Messrs David Harding, Peter Crowley, Mike Sharp and Peter Bowen representing The Rugby



Malcolm Kinnaird

MALCOLM KINNAIRD AO
CHAIRMAN

Group PLC. More recently Mr Paul Rabl was replaced by Mr Graham Clark, RMC's Executive Director, International Cement.

The RMC Directors have brought a valuable global perspective on developments affecting the cement and heavy building materials industry.

The Year Ahead

We are of the view that the next 12 months should see the bottom of the building and construction cycle and a return to growth.

It is expected that the year 2001 will see the bottom of the Company's earnings cycle with results expected to be lower than the year just completed. However, cement pricing offers some potential upside. The Company will continue to be profitable and operating cash flow should be strong.

Closure of the Geelong Cement operations, expected in mid-year, will see annualised cost savings in excess of \$10 million emerge and the outlook for the lime business remains strong. This, combined with other ongoing cost reduction initiatives and an expected change in the economic cycle, should result in improvement in 2002 and beyond.

For these reasons, your Board continues to believe that the present share price represents a significant under-valuation of the Company and the Directors remain committed to pursuing alternatives to create or realise value for all shareholders.