

Chairman's report

Despite a demanding year for Adelaide Brighton, the commitment and expertise of our employees and the loyalty of our customers and suppliers allowed us to deliver a record result.



Malcolm Kinnaird AO
Chairman

Malcolm Kinnaird

Adelaide Brighton achieved a record net profit of \$67.5 million and increased its full year dividend to 7.5 cents fully franked (6.0 cents in 2003). Our performance was supported by robust market conditions and exceptionally strong operating performance, particularly in the second half of the year.

The Company has continued to develop a broad market portfolio which has resulted in steady demand for a range of products. Our geographical market spread and activity in all segments of the market give Adelaide Brighton strength to continue to grow in a very competitive sector.

The consistency of performance from Adelaide Brighton's cement manufacturing base, supplemented by the coastal shipping network and complementary use of imports, was another important factor in meeting customer needs in times of peak demand. This strategic network continues to make Adelaide Brighton unique as the only scale cement supplier to all mainland states in Australia.

The first half of 2004 was disrupted by the considerable distractions of the Boral takeover bid which affected customers, suppliers and employees alike, particularly in terms of concerns over the continuity of future contracts and relationships. The bid conditions and uncertainties affected certain key strategic and operational capital investment programmes and also impacted our shareholders through the delayed payment of the 2003 final dividend.

I am pleased to report that despite these disruptions, our core operations continued to outperform expectations throughout the year and were instrumental in delivering the outstanding second half performance.

I wish to acknowledge in particular the record clinker and cement outputs achieved by the Birkenhead, Angaston, Munster and Kwinana plants and a substantial improvement in safety performance in our cement and concrete divisions. The Birkenhead plant, which reported zero lost time accidents for the year, the first such record in its history, led this improvement.

Strategic developments

Adelaide Brighton continued to evaluate opportunities for further acquisition in pursuit of its strategy of limited downstream vertical integration. Though none evaluated during the year met the Company's hurdle investment criteria, we will evaluate future opportunities as they arise.

The Company progressed the strategic development of its downstream businesses with the further investment in C&M and improvement to Hy-Tec's concrete supply, quality and customer service capabilities. It also advanced its operational improvement projects with further investments in the cement and lime division targeting both improved output and lower costs.

Organic growth opportunities within the mining and resource sectors provided the basis for future volume growth with lime supply contracts for the Hlsmelt and Telfer expansions won by Cockburn Cement during 2004. These will begin to provide volume benefits from early 2005.

The decision to proceed with the investment in Austen Quarry (located at Hartley, west of Sydney) was made in the second half of 2004. This strategic investment will be critical to the future supply of aggregates to the Western Sydney market when the Penrith Lakes operation is exhausted in five years.

After careful review of the potential group synergies, the road stabilisation business, Pavement Technology Limited, was divested for a small profit, effective 1 January 2004.

Safety

Adelaide Brighton continues to progress its safety standards, systems and culture. This methodical approach has provided the basis for ongoing improvement in performance within the cement and lime and concrete operations. The Company is implementing its safety standards progressively within the C&M business and the first time measurements reported in 2004 show a significant opportunity for improvement which is being actively pursued.

Board

Graeme Pettigrew joined the Board in August 2004. Mr Pettigrew brings extensive experience within the Australian and south east Asian construction industry and was previously Chief Executive Officer of CSR Building Products. Mr Pettigrew has also been appointed Chairman of the OH&S Committee and a member of the Independent Directors' Committee and Audit, Risk and Compliance Committee.

Jim Brooks resigned from the Board effective 29 April 2004 following the exit of RMC Group plc as a shareholder. Mr Brooks brought to the Board a valuable global perspective on developments affecting the cement

and heavy building materials industry and he served on the Finance and Audit Committee and Remuneration Committee. On behalf of the Company I thank Mr Brooks for his contribution.

Corporate Governance

Your Board continues to progress the necessary initiatives and actions in order to comply with the numerous improvements and changes in corporate governance practice that became effective during the year. The Corporate Governance Committee was constituted in May 2003 with the role of overseeing the Company's implementation and compliance with applicable requirements and appropriate practice in corporate governance.

An important aspect of the Board's governance structure is the Audit, Risk and Compliance Committee, which was strengthened during 2004 with new membership and increased responsibilities.

People

Finally, I return to the performance of the Company during 2004 and would again like to acknowledge our employees for their considerable efforts during the year. Their commitment, loyalty and dedication played a vital role in the Company's improved financial result. Our employees remain our most important asset in both the delivery of the day-to-day operational commitments and in the progression towards the Company's future strategies and goals.



Adelaide Brighton Cement, Birkenhead plant

Adelaide Brighton Ltd share price

