

*Level 1  
157 Grenfell Street  
Adelaide SA 5000*

*GPO Box 2155  
Adelaide SA 5001*



*Adelaide Brighton Ltd  
ACN 007 596 018*

*Telephone (08) 8223 8000  
International +618 8223 8000  
Facsimile (08) 8215 0030  
[www.adbri.com.au](http://www.adbri.com.au)*

3 September 2004

The Manager  
Company Announcement Office  
Australian Stock Exchange Limited  
Exchange Centre  
20 Bridge Street  
SYDNEY NSW 2000

Dear Sir/Madam

We enclose a copy of a letter from the Chairman of Adelaide Brighton Ltd to shareholders dated 31 August 2004 and released to the market on that day. Adelaide Brighton confirms dispatch of this letter to shareholders today.

Yours faithfully

**Marcus Clayton**  
Company Secretary

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31 August 2004

Dear Shareholder

### **BORAL DELAYS ACCC PROCEEDINGS**

I wish to update you on a number of developments which have occurred since my last communication.

The Boral offer was subject to approval from the Australian Competition and Consumer Commission (ACCC). The ACCC refused to give its approval and, on 7 June 2004, commenced proceedings against Boral in the Federal Court to stop the offer.

At Boralís request the ACCC case was set down for an expedited hearing and was due to commence on 30 August. However, on Friday, Boral applied to the court to delay the start date for the hearing.

The case is now likely to be heard by a different judge and the proceedings have been adjourned to a date not yet fixed. Boral has announced that there is a revised timetable for pre-trial steps leading up to 8 October 2004.

Your Directors have previously registered their concern at the uncertainty arising from the long period of time which has elapsed since Boral first announced its offer in December 2003. It is now unlikely that the Federal Court will decide the matter until 2005.

### **DIRECTORS' POSITION**

When your Directors first assessed Boralís offer in December 2003, they did so against your Companyís performance and general market conditions at that time. Also, importantly, the Directors did so in the belief that control would change as a result of RMCís decision to sell its shareholding of 55% (19.9% to Boral and, subsequently the remainder to the market).

Since then, Boral has extended its offer five times. On 12 May, given the ACCCís refusal to allow Boralís offer to proceed, your Directors recommended that shareholders withdraw any acceptance of the offer as no payment would be made for shares until, at the earliest, all legal proceedings have been decided.

Boralís offer currently closes on 8 October 2004. Boral has not indicated whether they will extend the offer again.

Since the Boral offer was announced on 16 December 2003 the All Ordinaries Index has increased 10.6%, the S&P/ASX200 Industrials Index has increased 14.0% and the S&P/ASX200 Materials Index, (which includes the Australian manufacturers of construction materials, Adelaide Brighton, Boral, CSR and Rinker) has increased 10.8%. Should your Directors be required to reconsider the Boral offer, if and when Boral is successful in challenging the ACCCís position, the Directors will do so in light of the circumstances at that time.

## HALF YEAR REPORT AND DIVIDEND

Adelaide Brighton's interim result for 30 June 2004 was released on 26 August 2004. The Directors were pleased to report a net profit attributable to members of \$27.7 million, an increase of 5.7% over the previous corresponding period. This result was achieved after the Company had absorbed costs of \$3.1 million attributable to the Boral takeover. Demand for cement and lime has been buoyant in all markets and this demand, together with the first time incorporation of sales from our concrete masonry products business (C&M), underpinned the 21% increase in sales revenue. The underlying sales increase was driven principally by the demand for cement and to a lesser degree concrete.

An increased interim dividend for 2004 of 3.5 cents (franked to 100%) has been declared and will be paid on 14 October 2004. The continued improvement in dividend distribution reflects the strong underlying result for the period and confidence in the company's prospects going forward. Franking of dividends will continue at 100% following the company's return to full tax payment in 2004.

## THE FUTURE FOR ADELAIDE BRIGHTON

At the Annual General Meeting in May 2004 the Board advised shareholders that, because of the ACCC's refusal to give Boral approval to proceed, they would run the Company's business unfettered by the restrictions contained in the conditions of the Boral offer.

The Company continues to be focused on selective vertical integration into downstream markets, operational improvements, cost reductions and the expansion of the lime operations. The first half of 2004 has seen a continuation of this strategy through further investment in the cement and lime operating capacity, improving both efficiency and output, and also through the investment in the concrete and concrete products operations to increase scale through the expansion of the product ranges.

The Company is now moving into its second strategic phase, the selective integration into the upstream aggregates sector. In this regard, the company is in the final stages of the design and planning for the building and commissioning of the Hartley Quarry in New South Wales.

At the time of announcing the half year result, the Directors stated that, assuming no unforeseen events, they are comfortable with recent market consensus of net profit after tax projections of between \$62 and \$66 million for the full year.

I would like to acknowledge the efforts of Adelaide Brighton's management and employees during the last six months. The commitment and loyalty which they have displayed to the Company during this period of uncertainty reinforces our confidence in the team.

As demonstrated by the strong underlying results of the Company, your Directors are focused on continuing to improve the operational performance of the Company and enhancing shareholder returns. We look forward to a successful second half of the financial year.

Yours sincerely



**Malcolm Kinnaird AO**  
Chairman