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## **1999 ANNUAL GENERAL MEETING**

### **ADDRESS BY THE CHAIRMAN, MR MALCOLM KINNAIRD, AO**

Ladies and gentlemen,

Since I last spoke to you at the Extraordinary General Meeting in May we have implemented the restructure of Adelaide Brighton under its new shareholding, commenced rationalisation of operations, including the capital works necessary to ensure the new company secures the efficiency gains outlined in the Explanatory Memorandum, further consolidated our business and appointed a new Managing Director.

This has been a significant series of changes for the company and we now have another interesting event to consider with the potential takeover of the Rugby Group by the international building materials company, the RMC Group.

At this stage of the projected takeover of Rugby by RMC we are unable to speculate on how Adelaide Brighton would fit into the company's global strategy. I hope that this issue will be resolved by early next year and will advise our shareholders of any changes affecting Adelaide Brighton at that time.

The RMC Group is a major international building supplier based in the United Kingdom. Its business includes the production of ready mix concrete and concrete products, mortar, cement and lime. It is the world's largest supplier of ready mix concrete and a significant producer operating thirteen cement plants around the world

At the time of the restructure I foreshadowed that the steps we were taking were the beginning of an essential rationalisation of the building industry in Australia. It was also apparent that changes were occurring in the international business environment which would impinge on the Australian industry.

Two years ago 5% of the Philippines' cement industry was foreign controlled. Today that figure is 98%. Similar trends are occurring in Malaysia, Indonesia and Thailand, led by major European and Mexican companies. The economic crisis in Asia added impetus to these changes and was followed by further mergers amongst international building materials companies suggesting that economies of scale and international spread are playing an important role in corporate thinking.

In Europe we have witnessed the acquisition of the British company, Redland, by the French conglomerate, Lafarge. Last month we saw the takeover of Tarmac, a UK building materials company, by a South African firm, Anglo American, and now we have a takeover offer for Rugby by RMC. A few months before this, a Scandinavian cement company was taken over by a German firm.

The reduced risk profile inherent in geographical spread and diversity creates definite advantages in large scale operations and was the prime motivation in our own smaller scale move to expand our asset base.

The Australian industry is yet to be significantly affected by these trends, but we are already seeing evidence of change. Without a significant international player as a major shareholder and partner I am convinced that we would remain a minor player to be taken up in the coming wave of consolidation. Our unique role in the Australian industry as a national supplier of cement and lime will equip us well for any future opportunities within the building and construction industry.

You will recall that our Explanatory Memorandum to shareholders outlined our proposals to restructure and stated that savings were expected to be achieved over a twelve to eighteen month period with full annualised merger benefits of approximately \$23 million to be achieved over a two to three year period.

Richard Hammond will outline progress on the rationalisation program and I must emphasise that, as was envisaged at the time the restructure was announced, the savings will not be reflected in our results until well into the year 2000.

The key issues before the company next year are:

- ❑ completion of the Business Improvement Program, with particular emphasis on the efficiency and productivity of the Birkenhead kiln;
- ❑ achievement of savings from our restructure programme;
- ❑ the successful and timely closure of the Geelong facility enabling the full capacity of the Birkenhead plant to be utilised more profitably.

I remain confident that the company will emerge from this substantial change with the ability to continue to play a part in the Australian and Asian construction industry while returning to levels of profit commensurate with our asset base.

The trends about which I have spoken today will bring about a shift in the way we do business and I believe that this will require a considerable review of government policy in areas such as competition and trade. Current competition law in Australia may simply be in-operable in the wake of these forces.

Before I close and we move to the substantial number of resolutions before us today, I wish to express my sincere thanks to Richard Hammond for his contribution to the company during the past ten years. Richard has played a key role in many significant changes at Adelaide Brighton, however, I believe that none were as important as the role he played in the restructure of the company earlier this year. His integrity, experience, negotiating style and resolve to conclude satisfactory arrangements for the company were major determinants in a successful outcome. Richard leaves the company on November 30th and on behalf of my fellow directors I wish him a well earned rest and a successful new career.

Richard will have a brief time to hand over to our new Managing Director, Mr Philip Wright, who is with us today and I will introduce Philip to you.