Adelaide Brighton Ltd
ACN 007 596 018

Adelaide Brighton Ltd
Half Year Profit Report
December 1999 Summary

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RESULTS SUMMARY	Half Year Ended December		
	1999 $m	1998 $m	Change %
Sales	**222.8**	**157.7**	**41%**
Depreciation	(18.0)	(13.1)	(37%)
Amortisation	(4.8)	-	
Earnings before interest and tax	27.6	18.8	47%
Net interest	(10.0)	(7.7)	(30%)
Profit before tax and abnormal items	**17.6**	**11.1**	**56%**
Tax expense	(2.8)	(3.8)	26%
Outside equity interests	-	(1.8)	
Profit after tax and before abnormals	**14.8**	**5.5**	**169%**
Abnormal items (after tax and outside equity interests)	(8.1)	(8.4)	
Net profit(loss) after tax and abnormals	**6.7**	**(2.9)**	

EARNINGS PER SHARE & DIVIDENDS	Half Year Ended December	
	1999	1998
Earnings Per Share – cents (pre-abnormal)	3.1	3.5
Earnings Per Share – cents (post-abnormal)	1.4	(1.9)
Dividends Per Share – cents	Nil	2.5
Gearing (%) – (net debt/shareholders funds)	65%	73%
Gearing (%) – (net debt/net debt + shareholders funds)	39%	42%

SIGNIFICANT FEATURES

- $9.3 million increase in profit after tax and before abnormals owing to the inclusion for the first time of Cockburn Cement; the inclusion of the 49% of Adelaide Brighton Cement acquired last year; and a lower tax effect on profit.
- Depreciation, interest and goodwill amortisation all increased owing to inclusion of Cockburn Cement;
- Merger benefits and cost savings are being offset by lower cement prices;
- Lower earnings from road stabilisation operations offset by increased earnings from joint ventures;
- Exit from Fuel and Combustion Technology business;
- New Chief Executive appointed 1 December 1999;
- RMC Group p.l.c. acquired The Rugby Group PLC's 55% shareholding in Adelaide Brighton. RMC are the world's largest producers of ready mixed cement, No. 5 in aggregates and No. 12 in cement. Operations in 27 countries and over 37,000 employees.

Group Results and Dividend

Result for the six month period ended 31 December 1999

The Adelaide Brighton Ltd (ABL) Group's net profit after tax (NPAT) and before abnormal items for the six months ended 31 December 1999 was $14.8 million compared with $5.5 million for the corresponding previous period.

The Group's NPAT, after net abnormal losses after tax of $8.1 million, was $6.7 million.

Sales revenue increased by 41% and EBIT by 47% on the prior corresponding period mainly due to the inclusion of Cockburn Cement. The contribution from non-core cement subsidiaries declined. This was due to the varied nature of the contracting activities undertaken by Pavement Technology and the exit of ABL Group from the operations of Fuel and Combustion Technology (FCT).

The Group continued to divest non core and under performing assets with the exit from FCT and the write down of investment in Stabilised Pavements of Australia Pty Ltd, prior to the completion of its sale in January 2000.

Earnings were reduced by $4.0 million of amortisation on the goodwill arising from the Cockburn Cement merger transaction and charged for the first time during the period.

The Group's cash operating earnings before interest, tax, depreciation and amortisation (EBITDA) increased by 58% to $50.4 million, compared with the corresponding period last year.

The effective tax rate of the Group remained low at approximately 26% and a $2 million benefit was also realised from the restatement of the timing differences booked in the balance sheet using the corporate income tax rates indicated in the Ralph Report.

This report covers the first six months of an 18 month reporting period for the restructured Adelaide Brighton Group since the Merger transaction with UK based Rugby Group PLC was completed at the end of June 1999.

Cockburn Cement and the 49% of Adelaide Brighton Cement not previously owned were both acquired with effect from 30 June 1999 in a complicated transaction. This transaction transformed Adelaide Brighton Ltd into Australia's largest cement and lime company.

Abnormal Items

The net abnormal loss comprised:

- An amount of $1.4 million in respect of redundancies relating to the restructure of the Group operations in Western Australia.
- An amount of $4.4 million relating to the exit costs of Fuel and Combustion Technology Ltd.
- A reduction in the carrying value of Pavement Technology Malaysia of $1.0 million and Stabilised Pavements of Australia Pty Ltd of $3.4 million.
- An amount of $0.1 million in respect of additional costs relating to the Humes Steelpipe claim.
- A $2.2 million profit relating to the sale of surplus land in Western Australia.

Merger Benefits

Capital works in Western Australia required to achieve the Merger benefits were near completion in December. It is expected that all arrangements should be in place by the end of March with achievement of full rationalisation savings prior to year's end.

Planning on the eastern rationalisation was at an advanced stage by December. Geelong is expected to close in April 2001 at which time forecast benefits are expected to be realised.

Market Conditions

Cement sales volumes continued at strong levels across all of the markets supplied by the ABL Group with year on year demand up approximately 4%.

The lime market in Western Australia decreased approximately 4% during 1999 mainly due to the downturn in the gold sector. However, throughout the last quarter there was an increase in activity and demand from the alumina and nickel industries.

Imports of cement are at low volumes but the flow on effect of import pricing remains a major concern to domestic cement manufacturers. The Customs Department of the Federal Government commenced in December an investigation under the Anti-Dumping legislation and the results are expected around mid-year. The investigation covers imports from Indonesia, Malaysia and China and the Cement Industry Federation are seeking the imposition of retrospective dumping duties on imports from those countries.

Dividend

No dividend has been declared. The Directors have decided that in light of present market conditions, it is appropriate to defer further consideration of an interim dividend until after the next half year's results.

Cash Flows

During the six month period $39.7 million cash flow from operating activities was generated compared with $5.2 million during the previous corresponding period, primarily due to Cockburn Cement's contribution to operating earnings.

Capital expenditure at $7.5 million ($4.7 million corresponding previous period) was well below the $18.0 million of depreciation charged for the same period. The capital related mainly to the restructuring activities noted at the time of the Merger transaction.

Balance Sheet

The 30% increase in net interest costs is a direct result of the Merger transaction that added $95 million to borrowing.

Net borrowing at 31 December 1999 was $277 million, an increase of $67 million compared with the same period last year. Net interest cover has improved to 2.8 times compared with 2.4 times.

Gearing (represented by net debt as a percentage of shareholder's funds) decreased to 65% from 73% over the same period.

Change to Board Composition

The RMC Group p.l.c take-over of The Rugby Group PLC completed in January 2000 has necessitated the following changes to the Board of Adelaide Brighton Ltd.

Messrs Harding, Sharp and Bowen have resigned as directors of Adelaide Brighton Ltd and Mr Jim Brooks (Head of Corporate Planning, RMC Group) and Mr Paul Rabl (Director, RMC International Cement Ltd) have been appointed directors.

Mr Brooks has also been appointed Chairman of the Finance and Audit Committee.

Outlook

The Directors are of a view that the next 12 to 24 months will be a difficult trading period owing to import and domestic competition and forecast declines in construction activity.

As a consequence, the results foreshadowed in the Explanatory Memorandum of April 1999 are unlikely to be achieved while these conditions last.

The merger benefits outlined in the Explanatory Memorandum are expected to be realised however capital expenditure associated with the achievement of these benefits is expected to increase by $16 million from the $40 million indicated in the Memorandum.

Factors which will partly offset the difficult trading conditions:

- Volumes in lime are expected to improve with the expansion of alumina facilities in Western Australia;
- Company's major production unit at Birkenhead will continue to receive detailed attention and significant improvements in efficiency of operation are expected;
- Operational costs will be reduced as the company focuses on establishing internationally competitive operations.

PJ Wright
Chief Executive
13 March 2000

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