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Adelaide Brighton Ltd
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**Adelaide Brighton Ltd
Extraordinary General Meeting 14 May 1999**

Address by Richard Hammond, Managing Director

The Chairman's remarks emphasise the significance of the decisions we are making today.

As Managing Director and an executive of the company for ten years, I have experienced the changes in the industry which have led to the proposal we have placed before you.

There is no doubt that without this restructuring, Adelaide Brighton Ltd would face at best an uncertain future.

The benefits of the restructuring are most easily summarised as

- those stemming from rationalisation
- the improved risk profile of the merged company
- the strategic partnership with the Rugby Group

If the restructuring proceeds, our company will be transformed. We will not be subject to the restrictions of a partnership arrangement which limits control over our core business. We will emerge with a market capitalisation of over \$400 million with our manufacturing focussed on two large, state of the art, plants serving the western and eastern regions of the country.

The key to the proposal, in the short term, is the benefit to be secured from rationalisation.

The rationalisation involves the closure of our Geelong plant at the end of next year, combining our operations in Western Australia and savings on head office functions where duplication will be eliminated.

The advantage of these rationalisation benefits is \$23 million per year and we expect to be reaping those benefits in full in two to three years time. We have already started working in depth with Cockburn on Western Australian and Head Office savings.

You may recall at our last AGM that Dr Eion Turnbull outlined in some detail the business improvement program under way across all our plants. The rationalisation benefits are in addition to those expected to flow from this program, which I am pleased to be able to say are being achieved on plan.

These benefits do not come without cost, both financial and human. As outlined in the Explanatory Memorandum, the costs of the rationalisation are substantial, comprising cash costs of \$29 million dollars and substantial write downs. Some of these costs will be accounted for at June 30 this year. We are confident, however, that the advantages of the rationalisation benefits will be realised in the form of improved earnings performance within the next two years.

There will also be a loss of jobs in Western Australia and in Adelaide but most particularly at Geelong. The personal impact of this on our employees and their families is a source of great regret to the Board. The Geelong employees have worked unstintingly and have achieved great improvements in recent years. Stuart Jones and all his people are to be commended for these efforts. But the basic economic facts are inescapable. We have no choice if we are to maintain employment for the majority of our workforce and survive the intensely competitive conditions facing the industry.

The second major aspect of the restructure is the improved risk profile of the company.

First, the contracts entered into as part of the agreement for the acquisition of the 49% interest in ACH. These contracts give greater certainty to our revenue stream for an extended period of time – until the year 2008. They are also broader than existing contracts and increase the proportion of our contracted business significantly.

Another element of risk is minimised by the reconfiguration of our operating capacity. The new company's largest cement asset remains its Birkenhead plant and the concentration of production at Birkenhead will mean that the plant operates at close to full capacity, reducing its reliance on the export market, which as shareholders know only too well has severely depressed earnings in recent years.

These issues mean that we will have a much stronger competitive position in the cement market with respect to costs, contracts, and reduced dependence on exports.

A very major improvement in our risk profile lies in the significance of Rugby's lime business and the diversification in earnings this offers our company. Peter Crowley will elaborate on this later.

The new Adelaide Brighton will become the largest lime producer in Australia. Lime is a growth market in industries including mining, particularly alumina.

Unlike the cement market, the lime market is not subject to the cyclical nature of the construction industry and Adelaide Brighton will have less exposure to the building cycle.

The third major benefit lies in the strength of our chosen partner.

- The Rugby Group is international.
- It is increasingly focussed on cement and lime.
- It is financially strong.
- It is committed to Australia and it has clear plans to develop new business from its strengthened Australian base.

As the Chairman said, this restructuring proposal has been extraordinarily demanding over many months, and I too acknowledge the dedication and support of my management team in achieving this result.

I would like to conclude by reiterating my firm belief in the benefits of this proposal to shareholders in the medium to long term.. I am also confident that they are in the national interest, a point which has obviously not been lost on the Australian Competition and Consumer Commission. I am proud that our company has taken the lead in starting a process of reform in the Australian building materials industry

It is now my great pleasure to introduce to shareholders the Executive Director of Rugby Group PLC responsible for their international cement and lime business. Peter Crowley has been in the cement industry for sixteen years, having spent a considerable time with Queensland Cement Limited. In 1998 he joined the Rugby Group as Chief Executive of Cockburn Cement prior to being appointed to his present position earlier this year. Peter is the first Australian to be appointed to the main Board of Rugby Group, which helps to underline Rugby's commitment to their investment in this country. If the restructuring proposal is approved, he will join the Board of Adelaide Brighton.