Adelaide Brighton Ltd
ACN 007 596 018

Adelaide Brighton Ltd
12 Month Report
of an 18 Month Reporting Period
June 2000 Summary
Issued Adelaide Wednesday, 6 September 2000

RESULTS SUMMARY	12 Months Ended June		
	2000 $m	1999 $m	Change %
Sales	**439.0**	**313.6**	**40.0%**
Depreciation	(34.6)	(25.7)	(34.6%)
Goodwill Amortisation	(8.0)	-	
Earnings before interest and tax ("EBIT")	**51.8**	**35.1**	**47.6%**
Net interest	(19.2)	(14.6)	(31.5)%
Profit before tax and abnormal items	**32.6**	**20.5**	**59.0%**
Tax expense	(3.0)	(4.0)	25.0%
Outside equity interests	-	(5.0)	
Profit after tax and before abnormals	**29.6**	**11.5**	**157.4%**
Abnormal items (after tax and outside equity interests)	(8.7)	(49.4)	
Net profit loss) after tax and abnormals	**20.9**	**(37.9)**	

DEBT & GEARING		
Outstanding net debt	233.8	292.6
Gearing – (net debt/shareholders funds)	53.8%	68.7%

EARNINGS PER SHARE & DIVIDENDS	12 Months Ended June	
	2000	1999
Earnings Per Share – cents (pre-abnormal)	6.3	7.3
Earnings Per Share – cents (post-abnormal)	4.4	(24.1)
Dividends Per Share – cents	1.5 fully franked	Nil *

*On 5 July 1999 Adelaide Brighton paid a capital return of 3.5 cents per share to shareholders on the register at 29 June 1999.

SIGNIFICANT FEATURES

- Profit before abnormals increased 157% - profit in second half maintained
- Dividend declared – 1.5 cents per share fully franked
- Balance Sheet strongest for 10 years
- Cockburn acquisition doubles size of the business, lime provides significant diversification
- EBIT ahead of Explanatory Memorandum after adjustment for effect of imports (estimated $24 million)
- Western Australian rationalisation complete - $8 million annualised merger benefits will be achieved
- Birkenhead best production for three years
- RMC Group p.l.c., the world's largest producer of pre-mix concrete, acquires 55% of the Company's shares following its takeover of The Rugby Group PLC

GROUP RESULTS AND DIVIDEND
RESULT FOR THE TWELVE MONTH PERIOD ENDED 30 JUNE 2000

PERIOD COVERED BY THE REPORT

This report covers the first twelve months of an eighteen month reporting period for the restructured Adelaide Brighton Ltd ("ABL") Group.

The results reported for the year ended 30 June 1999 are prior to the Merger transaction with The Rugby Group PLC, whereby ABL acquired Cockburn Cement, and the acquisition of the 49% of Adelaide Brighton Cement not previously owned.

Shares were issued to give effect to these transactions and ABL's issued capital increased from 157.4 million shares to 473.4 million shares. The Rugby Group PLC ended up with a controlling shareholding in ABL with 55% of the issued shares. The RMC Group p.l.c subsequently acquired The Rugby Group PLC during January 2000, thereby acquiring the 55% shareholding in ABL.

OVERVIEW

The twelve-month result before abnormals was $29.6 million compared with $11.5 million for the corresponding period. Operating cashflow of $71 million was substantially ahead of the prior year result of $28 million and has been applied mainly in reduction of debt.

The half-yearly trend, adjusted for the acquisition of Cockburn Cement, shows a decline in EBIT owing to cement price reductions, and a steady Net Profit Pre-abnormals owing to lower interest and the absence of a tax charge.

Net profit after tax, before abnormal items, at $14.8 million for the six months ended 30 June 2000 was equal to the first six months earnings and well in front of the $6 million earned in the corresponding half last year.

The market during the period under review has been difficult, as was foreshadowed in the last half-year report. Cost reductions and a lower tax charge have offset the sharp reduction in the price of bulk cement in order to counteract the threat of dumped imports from Asia.

Capital projects associated with the closure of Geelong Cement and the rationalisation of the South Australian/Victorian operations have commenced with some improvement possible in the capital outlook.

Commenting on the result, Mr Phil Wright, Managing Director of Adelaide Brighton Limited, said, "This is an acceptable result in view of the market conditions.

"The strength of the new Adelaide Brighton can now start to be seen in terms of its earnings, cashflow and the substantial reduction in debt.

"While there is still a long way to go, overall we have a much stronger Company following last years merger," Mr Wright said.

Earnings per share declined to 6.3 cents (on expanded capital of 473.4 million shares) from 7.3 cents (on capital of 157.4 million shares). The earnings per share are only marginally short of the 7.2 cents forecast in the Explanatory Memorandum, issued last year in connection with the Merger, despite the dumping of imports which was unforseen at the time.

Dividend

Directors have declared an interim dividend of 1.5 cents per share, fully franked, totalling $7.1 million. The level of the dividend takes into account the strength of the Company's cashflow tempered by Director's on-going caution in light of the present trading conditions.

CEMENT & LIME OPERATIONS

RESULTS SUMMARY All figures in $millions	**Six Months Ended**		**12 Months Ended**	
	June 00	**Dec 99**	**June 00**	**June 99**
Sales	196.7	210.5	407.2	275.2
EBIT – wholly owned operations	28.2	31.4	59.6	32.7
EBIT – Joint Ventures	3.1	5.0	8.1	8.5
EBIT – Total Cement & Lime	**31.3**	**36.4**	**67.7**	**41.2**

The Cement Market

Concrete production has grown strongly over the last 5 years. The increase in the 12 months to June 2000 is estimated to be 12%. The largest increases in the last 12 months have been in Queensland and New South Wales with increases of 15% - 18%. South Australia, Western Australia and Victoria have all been more modest with increases in the range of 3% to 6%. Against the trend, the Northern Territory declined by an estimated 18%.

Australian cement production has increased by an estimated 3% to 7.9 million tonnes. The lower growth in cement is attributed to a reduction in exports, an increase in imports and the continued growth in the usage of extenders (ie fly ash, slags etc) by concrete producers.

Sales

Cement and Lime operations constitute approximately 90% of the Company's turnover. These in turn are more or less equally divided between Cockburn Cement ("CC"), in Western Australia, and Adelaide Brighton Cement ("ABC"), being the eastern operations including South Australia, Northern Territory, Victoria and Queensland. The Company has only a low exposure to New South Wales.

Cement: Sales have been steady year on year. The market growth in the areas served by the Company has been largely offset by imports. The Company estimates that its loss of sales to imports in the 12 months has been approximately 100,000 tonnes.

More significant has been the effect on prices in the eastern states caused by imports being sold at dumped prices. Sales in Western Australia have only been marginally affected as this market has been at import parity levels for a number of years.

The Company estimates that imports have cost it approximately $24 million in earnings before interest and tax ("EBIT") in the last twelve months. The annualised effect of the falls caused by imports is estimated at $30 million.

Sales are expected to fall in the second half following the widely forecast downturn in construction activity.

Lime: The lime volumes in Western Australia are down nearly 2% for the year owing to closure of a number of gold mines during the year, the effects of commissioning new capacity in the alumina sector and the lower intensity of usage following commissioning of the new facilities.

Next half sales are expected to be stronger, however demand from gold will still be soft. Lime remains a growth opportunity for ABL and a number of market opportunities are currently being assessed.

Production and Costs

Cockburn Cement: The rationalisation and restructuring program in Western Australia has been completed and the associated $8 million in merger benefits have been achieved on an annualised basis. All bagging activities are now carried out on one site at Kwinana.

Adelaide Brighton Cement: Capital projects associated with the closure of Geelong Cement and the rationalisation of the South Australian/Victorian operations have commenced. Industrial disruption in Victoria, related to the construction of the new cement terminal, has caused a two-month amendment to the schedule with final closure of Geelong Cement now planned for June 2001. A potential $16 million overrun in capital, announced in the previous half-year report, has been significantly reduced during the latest six months and attention is being directed to reducing this further. The forecast benefits are still expected to be realised in full following the closure of Geelong.

Birkenhead production exceeded 1.1 million tonnes for the year to June, which is its highest for three years. Significantly improved understanding of process has resulted in improved process stability which, together with a development blueprint, will lead to progressive improvements in Birkenhead output to nameplate capacity, of 1.3 million tonnes, over the next two years. The current period, to December 2000, will only include five months production at Birkenhead owing to a major planned closure for kiln rebricking, maintenance and other improvement works.

Customs Inquiry into Cement Dumping

After almost 12 months of analysis and investigation by the Australian Customs Service, a Statement of Essential Facts has been released by Customs in the Cement Dumping Inquiry.

While finding significant dumping by exporters in Indonesia, Malaysia and Thailand the Customs Statement contains two key findings. The first that cement exports from China to Australia have not been dumped and the second that the injury caused by dumped imports is not material. The Cement Industry has strongly refuted these findings and believes that, after careful consideration by Customs, these findings will be reversed. This inquiry is a long way from being over and the Company remains optimistic of a successful outcome.

CASH FLOWS

The Company cash operating earnings before interest, tax, depreciation and amortisation (EBITDA) increased by 55% to $96 million, compared with corresponding period last year.

The free cash flow generated (after capital expenditure) of $59 million is high relative to reported earnings owing to the goodwill amortisation and the high depreciation charges.

INTEREST COSTS

Borrowings have reduced by $44 million, or 14% of the debt at the beginning of the period, and cash on hand increased by $15 million. This has improved gearing (on a net debt to equity basis) to 54% from 69%. Net interest cover on an earnings pre-goodwill basis has improved to 3.2 times from 2.5 times.

TAXATION

The effective tax rate at less than 10% is low and the charge relates to the first half. Tax rates over the next two years are expected to decline further owing to the continuing utilisation of tax losses brought forward.

ABNORMAL ITEMS

The abnormal items for the latest six months were minor at a cost of $0.6 million and related to the restructuring activities in Western Australia.

DIVIDEND

Directors have declared an interim dividend of 1.5 cents per share (fully franked) totalling $7.1 million, payable on 16 October 2000 to shareholders registered on 27 September 2000. Shares will go ex dividend at close of business on 20 September 2000 and will start trading “ex” as of 21 September 2000.

This dividend fully utilises the Company’s existing franking credits. The low effective tax rate and the availability of franking credits in the future will determine the level of franking going forward. The Company is exploring future alternatives to enable it to provide cash distributions that are tax-efficient in shareholders hands.

A capital return of 3.5 cents per share was made to shareholders on 5 July 1999.

BUSINESS IMPROVEMENT

Considerable changes have been initiated in the last six months in line with the twin goals of achieving the full merger benefits and establishing the Company as a well run, profitable operation for the longer-term.

The more material changes/achievements, in addition to those noted above, are:

- Establishment of a new management team;
- Implementation of a Group-wide planning process identifying clear operational strategy and targets;
- Establishment of clear personal accountabilities for managers;
- Development and implementation of a new safety, health and environmental management system; and
- Refinancing all bank and commercial debt lines through a flexible facility from RMC with estimated cost saving of over $500,000 a year.

CHANGE TO BOARD COMPOSITION

In June 2000, Mr Graham Clark, Director of International Cement Operations, RMC Group p.l.c. replaced Mr Peter Crowley, formerly of The Rugby Group PLC.

OUTLOOK

In March 2000 the Directors warned of a difficult trading period ahead. This view remains unchanged particularly in light of recent published residential construction forecasts. Earnings are under some pressure as a result of this, and the continued dumping of imports, and it is anticipated that the next half will be weaker. The outlook next year is for continued market weakness, however, there will be some offset owing to the closure of Geelong Cement and its expected savings of $11.5 million.

Notwithstanding the tough market outlook, the Directors feel that the present share price represents a significant under valuation of the Company as:

- The Cockburn Cement acquisition doubles the size of the business and has far less exposure to dumped imports;
- The Company has a world class lime business that offers long-term growth;
- There is a clearly established operational strategy with significant progress against this;
- There is a new management team in place that is clearly focussed on reducing debt and improving earnings; and
- The Company's market capitalisation is little more than 3 times cashflow compared with a market average of 9 times for comparable companies.

Since the end of the half-year the Company has announced the initiation of on-market purchases of the 11% Convertible Note securities that are listed on the Australian Stock Exchange. Notes purchased will be cancelled and this is expected to lower interest costs and add to earnings per share.

The Directors remain committed to pursuing value for the benefit of all shareholders.

PJ Wright
Chief Executive
6 September 2000

For a copy of this release and a slide presentation covering the half-year result please refer to our web site: www.adbri.com.au

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