Adelaide Brighton Ltd
ACN 007 596 018

Adelaide Brighton Ltd
Summary 18 Month Report
For The Period Ended December 2000
Issued Adelaide Wednesday, 14 March 2001

RESULTS SUMMARY	Proforma Results for the 12 Months Ended December[1]			18 Month Period
	2000 $m	1999 $m	Change %	2000 $m
Sales	**401.9**	**378.7**	**6.1%**	**624.7**
Depreciation	(31.3)	(27.2)		(47.0)
Goodwill Amortisation	(8.2)	(4.1)	(100.0%)	(12.3)
Earnings before interest and tax ("EBIT")	**48.6**	**48.3**		**77.0**
Net interest	(19.5)	(18.3)	(6.6%)	(30.2)
Profit before tax and abnormal items	**29.1**	**30.0**		**46.8**
Tax expense	-	(3.0)	-	(3.7)
Outside equity interests	-	(3.2)	-	-
Profit after tax and before abnormals	**29.1**	**23.8**	**22.2%**	**43.1**
Abnormal items (after tax and outside equity interests)	-	(49.1)	-	(7.2)
Net profit/(loss) after tax and abnormals	**29.1**	**(25.3)**	**-**	**35.9**

DEBT & GEARING		
Outstanding net debt	227.7	264.8
Gearing – (net debt/shareholders funds)	51.8%	62.4%

EARNINGS PER SHARE & DIVIDENDS	12 Months Ended Dec	
	2000	**1999**
Earnings Per Share – cents (pre-abnormal)	6.1	5.0
Earnings Per Share – cents (post-abnormal)	6.1	(5.3)
Dividends Per Share – cents	3.0 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 increases 22% before abnormals
- Final dividend declared – 1.5 cents per share fully franked, bringing total to 3.0 cents fully franked
- Free cash flow remains strong at $44 million for the latest year
- Gearing reduced sharply to 51.8%
- Merger benefits being achieved
- Birkenhead best production rate 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

[1] Depreciation/depletion has been adjusted in the 1999 result to accord with the basis applied in 2000, thus enabling like-for-like comparison.

GROUP RESULTS AND DIVIDEND
RESULT FOR THE EIGHTEEN MONTH PERIOD ENDED 31 DECEMBER 2000

PERIOD COVERED BY THE REPORT

As the Company's year-end changed from June to December, the Appendix 4B Statement covers an eighteen months period. The results reported for the twelve months 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. The unequal periods, and the significant change following the merger, make comparative analysis difficult.

To facilitate analysis of performance we have included, in this Results Summary, the proforma results for the twelve months ended December 2000 and 1999. These have been restated to reflect consistent accounting policies. The twelve months ended December 1999 include Cockburn Cement for six months July to December 1999.

At December 1999 the Company reported on the first six months results of the newly merged Adelaide Brighton, therefore this review focuses on the remaining twelve months of the overall reporting period.

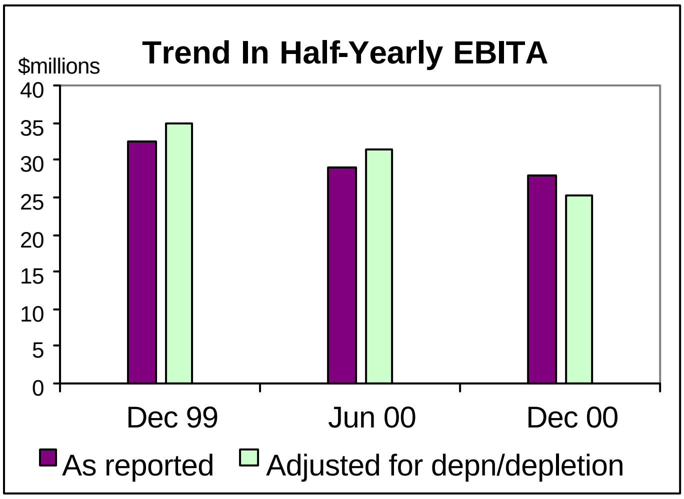
OVERVIEW OF RESULTS FOR THE 12 MONTHS ENDED 31 DECEMBER 2000

The twelve-month result, before abnormals, was $29.1 million compared with $23.8 million on a like basis[2] for the corresponding period. An increase of 22%.

The increase in profit reflects many positive developments taking place including:

- The merger in June of 1999 of Cockburn Cement and the acquisition of the remaining 49% of Adelaide Brighton Cement (the "Merger");
- Benefits arising following the Merger;
- Improvements in the Company's production and cost base; and
- The absence of a tax charge, as prior year losses are utilised.

The improvement in profit would have been substantially higher had it not been for the effect of dumped imports. The combined effect of volume losses and price suppression caused by imports are estimated to have cost the Company $35 million in lost earnings in the last 12 months. This is an estimated increase of $20 million over the previous corresponding period.



Analysing the underlying results by looking at the half-yearly trends shows a decline in EBITA[3], owing to the impact of imports considerably outweighing cost and efficiency improvements.

As expected, trading conditions have been dfficult during the year. Sales volumes are down in line with the market. More significant has been the effect of offers of Asian cement into Australia's eastern states at dumped prices. This has depressed the market price of cement, particularly in the eastern states. Sales in Western Australia continue to be only marginally affected as this market has been at import parity levels for a number of years.

[2] Depreciation expense has been adjusted in the 1999 result to accord with the basis applied in 2000, thus enabling like-for-like comparison.
[3] **EBITA** – earnings before interest, tax and amortisation of goodwill

Commenting on the result, Mr Phil Wright, Managing Director of Adelaide Brighton Ltd, said, “The results for the full year are a bit better than we expected when we last reported to the market and are encouraging given all the work going on to improve our performance.

“While trading conditions remain difficult, we are of the view that the next 12 months should see the bottom of the building and construction cycle and a return to growth.

“We expect that the year 2001 will see the bottom of the Company’s earnings cycle with results presently expected to be lower than the year just completed, probably more in line with the last half of last year.

“However, cement price increases are presently occurring in our major markets and this offers some upside”.

Free cash flow remains strong with $44 million being generated in the last year, equal to 9.3 cents per share. Earnings per share improved to 6.1 cents from 5.0 cents.

“This free cashflow is being used to retire debt and build the capacity allowing for future growth and development”.

Referring to the long running cement dumping case, which was initiated in June 1999, Mr Wright said “We are extremely disappointed that a continuing series of issues underlying the case have been allowed to drag on unresolved for an extended period totalling almost 2 years”.

The Company noted that it is impossible to predict how long it will take for a conclusion to be reached in this extremely important inquiry but calls have been made for this to be resolved by 30 June 2001.

Dividend

The improved performance of the Group has allowed directors to declare a final dividend of 1.5 cents per share fully franked. This brings dividends declared in the last twelve months to 3.0 cents per share fully franked. There were no dividends paid in 1999. Instead a capital return of 3.5 cents per share was made in lieu of dividend.

CEMENT & LIME OPERATIONS

RESULTS SUMMARY All figures in $millions	**Six Months Ended**		**12 Months Ended**	
	Dec 00	**Dec 99**	**Dec 00**	**Dec 99***
Sales	174.0	210.5	370.7	344.5
EBITA – wholly owned operations	24.8	30.6	55.4	49.2
EBITA – joint ventures	2.6	3.0	5.6	8.8
EBITA – Total Cement & Lime	**27.4**	**33.6**	**61.0**	**58.0**

* includes Cockburn for 6 months and proforma adjustment for depreciation/depletion

The Cement Market

Concrete production has grown strongly over the last 5 years and on the back of a GST induced spike in the housing industry, demand peaked in the first half of 2000. Despite an estimated 14% fall in concrete production in the second half of the year, the total amount produced for the whole year was marginally higher than 1999. The markets that have experienced the largest falls are NSW (15%), Victoria (10%) and Queensland (15%).

Australian cement production was an estimated 7.6 million tonnes in 2000, marginally less than the estimate for 1999’s peak of 7.7 million tonnes. This fall 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.

Cement demand peaked in the latter part of 1999 and has been reducing since. Year-on-year this reduction aligns with the normal building cycle. However, within the year sales were unevenly distributed into the first half owing to the effect of the introduction of the GST in June 2000. This exacerbated the decline in demand in the second half of the year.

Annual demand for cement is expected to fall further in 2001 as a consequence of the cyclical downturn in construction activity with current estimates for total cement demand of between 6.5 and 6.7 million tonnes.

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, in Western Australia, and Adelaide Brighton Cement, being the eastern operations including South Australia, Northern Territory, Victoria and Queensland. The Company has only a limited exposure to New South Wales.

<u>Cement</u>: Sales volumes were 8.5% lower than in the previous year against a static market in the states in which the Company operates. This is largely due to an estimated loss to imports of 230,000 tonnes, 130,000 more than the prior year. The effect was more pronounced in the second six months of the year.

As significant as the loss of volume has been the price suppression caused by dumped imports in eastern Australia. 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 $35 million in earnings before interest and tax ("EBIT") in 2000. This is an estimated $20 million increase over the corresponding previous period ($8 million more for the six months ended December compared to the corresponding prior period).

<u>Lime:</u> Lime volumes were stable year on year. Despite the closure of a number of gold mines during the year, lime volumes in Western Australia were up nearly 2% on the previous year. This was due to additional demand from the alumina sector as new capacity was brought on line and a modest improvement in our share of the resources sector. We have also enjoyed modest increases in sales from both our Angaston and Mataranka works.

Lime remains a growth opportunity for ABL and several market opportunities are currently being assessed.

Production and Costs

Adelaide Brighton Cement: During the year Birkenhead production reached its highest level for three years and set new records in terms of continuous running. Significantly improved understanding of our operating process has resulted in improved process stability. For example, the number of kiln/calciner stops per month has fallen from an average 15 to 3 a month and the mean time between stops has increased from 2 to 8 days. Standardisation of the process, together with a development blueprint, will lead to progressive improvements in Birkenhead output over the next two years.

Angaston production is being optimised and it is expected that one of Angaston's three kilns will be placed on care and maintenance during 2001 for no reduction in output.

Geelong Cement production was achieved with improved quality and lower costs, which is a credit to its management and employees particularly as the plant is scheduled to close in June 2001. Geelong Cement's closure will reduce the Company's production capacity by an annualised rate of 600,000 tonnes reducing the Company's capacity in-line with falls in demand.

Cockburn Cement: The rationalisation and restructuring program 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. Standardisation is being introduced, starting with lime production and bagging operations, and progressive improvements in performance are expected.

Merger Benefits

In the Explanatory Memorandum issued in June 1999, benefits of $23 million per annum were forecast to emerge by June 2001 as a result of the Merger. A capital investment of $40 million was associated with achieving these benefits. In March 2000, shareholders were advised that the merger benefits, of $23 million, outlined in the Explanatory Memorandum were expected to be realised however capital expenditure associated with the achievement of these benefits was expected to increase by $16 million from the $40 million indicated in the Memorandum. The latest assessment of this is as follows:

- Annual savings in excess of $10 million were being achieved by year end and the balance, bringing the overall rate of savings up to an estimated $23 million, will emerge following the closure of Geelong Cement in June 2001; and
- The additional capital cost of implementing the rationalisation has reduced to less than $5 million (from $16 million) as a result of an innovative approach to the remediation and disposal of the Geelong Cement site and a revised approach to implementing new IT systems. Continued effort is being applied to reduce this further.

Customs Inquiry into Cement Dumping

After nearly two years of analysis and investigation by the Australian Customs Service, a decision has still not yet been made in the Cement Dumping Inquiry. Imports of dumped cement continue to arrive in Australia, and despite the sustained low exchange rate, cement prices from importers of dumped cement have not increased.

Customs has already agreed:

- Cement from Indonesia (33-134% dumping margin), Malaysia (16% margin) and Thailand (78% margin) has been dumped into the Australian market
- Price undercutting from dumped imports over the past two years had caused injury and that price depression and price suppression has adversely impacted on the profitability of the Australian industry
- Australian producers have suffered lost volume and market share, reductions in margins, and declining profitability over the past 12 to 15 months.
- That there has been price depression and loss of profitability from sales of the closely related clinker and blended cement markets in Australia

Customs however failed to find evidence of dumping from China despite Chinese exporters causing the majority of damage.

As of December 2000, the responsible Minister rejected the Custom's findings and issued a Ministerial directive bringing Australian anti-dumping legislation into line with European Union and Canadian practices thereby instructing Customs on how to interpret dumping rules in relation to emerging economies where prices are not determined by free-market forces.

A second unaddressed issue relates to what is the real export price. Taking the Australian selling price of Chinese cement and deducting from this the costs of getting it here, it appears that the exports are coming out of China at a loss. This is a clear breach of Australian legislation established to counter such predatory pricing.

It is impossible to predict how long it will take for a conclusion to be reached in this extremely important inquiry but calls have been made for this to be resolved by 30 June 2001.

CASH FLOWS

The financial position of the Company has greatly improved over the last eighteen months. The most outstanding aspect of this is the free cashflow[4] that has been generated since the Merger in June 1999. This has amounted to $77 million of which $44 million has arisen in the last 12 months. This is the clearest indication possible of the underlying strength of the Company as this free cashflow is used to retire debt and build the capacity allowing for future growth and development.

[4] **Free cashflow** – total operating cashflow less investing cashflow ie the cash surplus available for dividends and debt repayment.

Significantly, net debt has reduced by $37 million in the last 12 months and the Company's gearing[5] has improved from 62.4% to 51.8% at December 2000.

Our debt structure has also greatly improved following the refinancing in June 2000 whereby a single loan facility negotiated with RMC Group plc replaced a complicated funding structure involving cross guarantees and negative pledge undertakings to a range of banks. Financial instruments are used, in conjunction with this facility, to achieve a maturity profile in accordance with Board approved guidelines. The refinancing arrangements achieved estimated cost savings of over $500,000 a year.

INTEREST COSTS

Net interest cover on earnings before depreciation, amortisation of goodwill, interest and tax (EBITDA) basis remains at 4.4 times after adjustment for revised depreciation.

Our interest costs are expected to improve further over the next 12 months. The Company announced an on-market buyback of its Convertible Notes[6] in August 2000. Based on current interest rate forecasts, an improvement of some $2 million per annum in interest costs is expected following the final retirement of the Convertible Notes in December 2001.

TAXATION

Significant carried forward tax losses are currently available to offset against present and future taxable income. The Company continues to utilise these losses in a consistent and prudent manner. The new consolidation tax regime, as proposed by the Ralph Report, is expected to commence from 1 July 2001 and may limit the rate of utilisation of losses.

ABNORMAL ITEMS

Net abnormal items for the year ended December 2000 amount to nil. This compares to an abnormal loss of $49.1 million for the corresponding previous period. The main items included in the latest results (after tax and outside interests) are as follows:

$millions	**Dec 2000**	**Dec 1999**
Rationalisation and restructuring	**(0.3)**	(36.0)
Write back/(down) of investments	**1.0**	(4.4)
Discontinued operations	**-**	(9.8)
One off project costs	**(2.7)**	-
Other	**-**	(1.1)
Other receipts	**2.0**	2.2
	0.0	(49.1)

REVIEW OF DEPRECIATION AND DEPLETION POLICY

The results include a net $5.1 million benefit arising from a review undertaken of group depreciation and depletion policies. This change of policy will also affect future years.

A detailed review of the remaining economic lives of major plant and machinery was undertaken with assistance from RMC Group p.l.c. This review concluded that, taking into account the significant cyclical maintenance programmes in place, the remaining economic lives were longer than those presently adopted. Directors have decided to incorporate the revised assessment with effect from January 2000 and accordingly there has been a reduction in the depreciation charge for the year of $6.3 million.

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[5] **Gearing** – the percentage of net debt to equity ie at 31 December 2000 the company's net debt is $227 million compared to total shareholders funds of $449 million and total debt plus equity of $676 million.

[6] **Convertible Notes** – 11% Convertible Note securities that are listed on the Australian Stock Exchange under the symbol ABCG. There were approximately 29 million Convertible Notes issued, each note having a face value of $2.00.

The company's current policy relating to the amortisation of limestone reserves states that where a value is placed on limestone reserves, this value is amortised if the remaining life is less than forty years. This has been revised in line with the RMC Group p.l.c's policy so that, where a value is placed on limestone reserves, this value is now amortised over the life of the asset on a unit-of-production basis with a maximum life of fifty years. This has resulted in an additional amortisation charge of $1.2 million.

Results restated for these changes, for periods covered by this report, are as follows:

Profit after Tax (pre abnormals)	**12 Mnths to**	**Six Months Ended**		
$ millions	**Dec 00**	**Dec 00**	**June 00**	**Dec 99**
As determined/reported prior to adjustment	24.0	9.2	14.8	14.9
Depreciation depletion adjustment	5.1	2.6	2.5	2.5*
As restated	**29.1**	**11.8**	**17.3**	**17.4**

* For comparative purposes only. This amount has not been adjusted back to profits.

DIVIDEND

The improved performance of the group has enabled directors to declare a final dividend of 1.5 cents per share fully franked. This brings dividends declared in the last twelve months to 3.0 cents per share fully franked. There was no dividend paid in 1999. Instead a capital return of 3.5 cents per share was made in lieu of dividend.

The final dividend is payable on Tuesday 24 April 2001 to shareholders registered on Tuesday 3 April 2001. Shares will go ex dividend at close of business on Tuesday 27 March 2001 and will start trading "ex" as of Wednesday 28 March 2001.

A reassessment of franking credits within subsidiary companies, followed by dividend declarations internal to the group, has allowed the final dividend to be fully franked. It is anticipated that the availability of credits in the future, arising from dividends from an associated company, will only allow franking of approximately 20% until such time as the Company returns to a tax-paying situation.

BUSINESS IMPROVEMENT

Considerable changes have been implemented in the last 12 months consistent with our goal of being a well run profitable operation by June 2001 and, beyond this, to be 'among the best in the world' by 2005 in terms of safety, customer satisfaction and cost.

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

- Establishment of a new management team;
- Implementation of a company-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;
- A strong focus on improving customer service;
- Improved production at Birkenhead based on a strategy of standardisation. This approach is being progressively applied to all the Company's key operating processes in accordance with the goal of achieving world class by 2005;
- Changes in the basis of employment and the provision of competitive remuneration based on identified better practices and designed to support the overall goals of the business.

STRATEGY

Adelaide Brighton is focused on increasing returns to shareholders by improving the performance and efficiency of its businesses. It has also been an active participant in improving industry structure through mergers and acquisitions.

We are continuing to pursue our strategy based on:

- Developing strong management and operating capability;
- Reducing debt to provide capacity for new investment post 2001; and
- Remaining alert to opportunities for further improvements in industry structure in Australia believing such evolution is inevitable and desirable.

The fruits of this strategy are expected by 2002 with the Company re-entering a growth phase in conjunction with an expected turn in the economic cycle.

OUTLOOK

We are of the view that the next 12 months should see the bottom of the building and construction cycle and a return to growth.

We expect that the year 2001 will see the bottom of the Company's earnings cycle with results presently expected to be lower than the year just completed, probably more in line with the last half of last year. However, cement pricing offers some potential upside.

The company will continue to be profitable and operating cashflow should be strong.

Closure of the Geelong cement works, expected in mid-year, will see annualised cost savings in excess of $10 million emerge and the outlook for the lime business remains strong. This, combined with other ongoing cost reduction initiatives and an expected change in the economic cycle, should result in improvement in 2002 and beyond.

For these reasons, your board continues to believe that the present share price represents a significant under-valuation of the company and the directors remain committed to pursuing alternatives to create or release value for all shareholders.

PJ Wright
Managing Director

14 March 2001

For a copy of this release and a slide presentation covering the 18 month result please refer to our new web site: www.adbri.com.au

For further information contact: **Ms Luba Przedworski**
Senior Corporate Affairs Adviser
Mobile: 0418 535 636