



Adelaide Brighton Ltd

**Australian Shareholders Association
17 September 2014**

**Presented by:
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Chief Executive Officer**

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Our business

- A leading Australian integrated construction materials and lime producing company with balanced exposure across mining and all construction sectors
- Our origins go back to 1882 at Brighton, south of Adelaide - today we are an S&P/ASX100 company with operations in all states and territories; 1,600 employees; approximately A\$2 billion market capitalisation
- Well positioned to supply cement to all mainland states from its domestic manufacturing base, coastal supply and import facilities
- Adelaide Brighton is highly cash generative with balance sheet capacity for organic and acquisitive growth

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Competitive position

#1

- No. 1 lime producer leveraged to the minerals processing industry

#2

- No. 2 cement and clinker supplier to the Australian construction industry

#1

- No. 1 cement and clinker importer with unmatched channels to market

#1

- No. 1 market share in concrete products

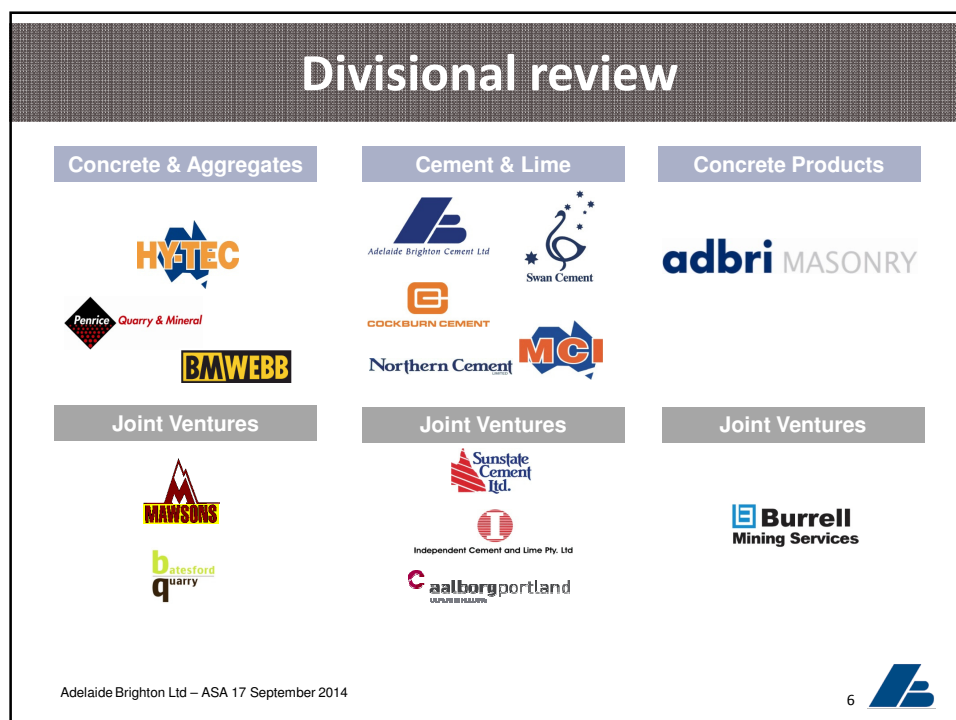
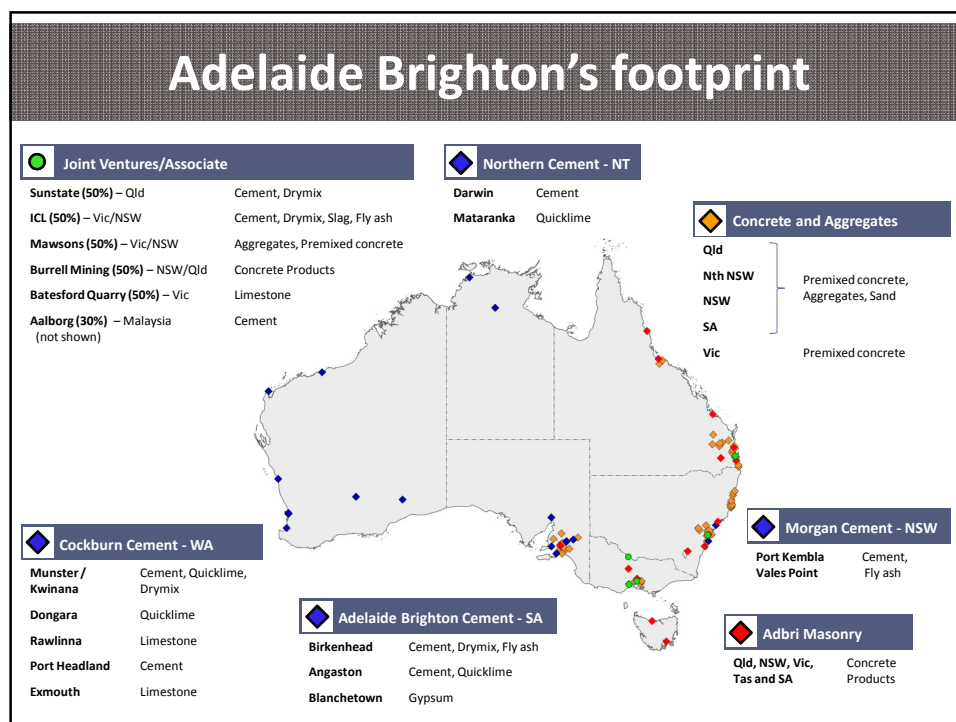
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- No. 4 market share nationally in concrete and aggregates

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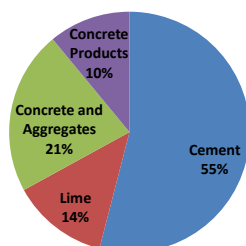
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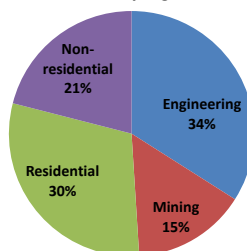
Adelaide Brighton revenue analysis

- Almost 70% of 2013 revenue from Cement and Lime operations
- Major exposure to engineering construction and mining sectors
- WA, SA and NT are key geographic markets

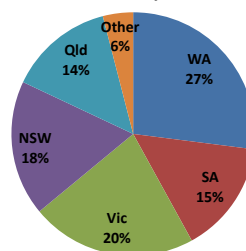
Revenue - by product group



Revenue - by segment



Revenue - by state



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Financial performance overview

\$m	30 June 2014	30 June 2013	% change
Statutory			
Revenue	602.0	579.3	3.9
EBIT	78.3	89.6	(12.6)
NPAT attributable to members	51.2	60.9	(15.9)
Underlying			
Revenue	602.0	579.3	3.9
EBIT ¹	92.5	92.6	(0.1)
NPAT attributable to members ¹	61.2	63.0	(2.9)
Cents			
Basic EPS	8.0	9.6	(16.7)
Underlying EPS	9.6	9.9	(3.0)
Interim dividend	7.5	7.5	-
¹ Underlying results have been adjusted for significant items \$m			
Rationalisation of clinker production	7.4	-	
Corporate restructuring	4.8	3.0	
Acquisition expenses	2.0	-	

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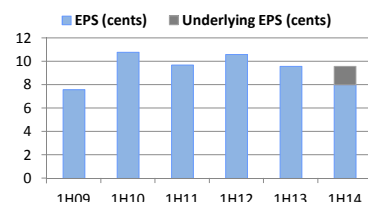
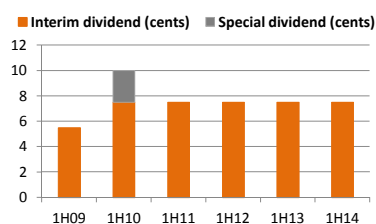
Key profit drivers

- Cement and clinker sales down 1.9%
- Sales of cement in WA and NT remain strong
- Cement sales were lower in SA and Vic but an improved residential sector in NSW and Qld increased demand in those markets
- Cement margins increased, despite lower Birkenhead clinker production, due to cement price increases and restructuring benefits in WA
- Lime margins declined due to lower volumes and pricing pressure in non-alumina sector
- Higher volumes, margins and earnings in both the Concrete and Aggregates and Concrete Products divisions
- Market weakness in Vic impacted returns from ICL, while improvements in Qld led to stronger results from Sunstate
- Lower Australian dollar led to approximately \$6 million higher cost of imports

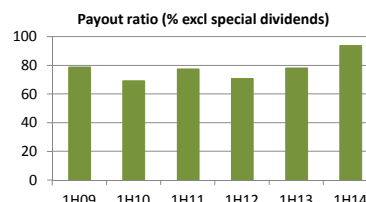
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Shareholder returns



- Stable interim dividend of 7.5 cents, fully franked
- Dividend Reinvestment Plan reactivated for June 2014 interim dividend – 2.5% discount
- Basic EPS 8.0 cents, underlying EPS 9.6 cents
- Target payout remains 65% - 75% of basic EPS
- Seasonality lifts payout in first half
- Target gearing remains 25%-45%



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Cement and Lime Division

- Annual turnover: Circa \$750 million
- Cement and clinker sales: Circa 3.6 million tonnes per annum
- Annual lime sales: 1 million tonnes
- Number of employees: Circa 600 (FTEs)

Imports

- 2013 cementitious total: 1.6 mtpa
Clinker – Japan
Cement – Taiwan/Thailand/China
Blast furnace slag – Japan
- 2016 cementitious total: >2.0 mtpa



Cement and Lime – Western Australia



- World scale lime manufacturing facility at Munster
- Security of Munster shellsand supply through State Agreement Act (2031)
- Additional lime capacity at Dongara with ability to expand (large resource)
- Long term supply agreements in place with large alumina customers
- Currently transitioning to imported clinker
- Clinker and cement footprint is flexible through utilisation of both Munster and Kwinana milling capacity and long term secure clinker imports
- Products: clinker, cement, quicklime, hydrated lime, blended cement products



Cement and Lime – Northern Territory

- Northern Cement, Darwin
 - 250ktpa capacity cement grinding mill
 - Newly commissioned slag dryer
 - Produces GP cement and slag blended cements
 - Bagging plant
 - Clinker imported from Japan
- Mataranka
 - Located 400km south of Darwin
 - 2 lime kilns – total 35ktpa capacity
 - Utilises waste oil as fuel
 - Limestone mined locally



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Cement and Lime – South Australia

Birkenhead

- Capacity: 1.3mtpa of clinker, 1.95mt pa of cement
- Supplies the SA and Vic markets with bulk and bagged cement products
- Limestone from ABL's quarry at Klein Point (Yorke Peninsula)
- 7,500kt limestone shipped daily via *Accolade II* to Birkenhead
- Cement packaging facility for GP and blended cement products
- Drypack bagged cement blending and packing facility
- Seaborne supply capability – cement to Independent Cement and Lime in Victoria
- Fuels used – natural gas, waste wood (biofuel), carbon waste
- Products: clinker, cement, blended cement products

Angaston

- Clinker: 2 kilns (one semi-dry and one wet) – 230kt pa capacity
- Cement: 2 cement mills – total 260kt pa capacity
- Lime: 1 kiln – 50ktpa capacity
- Bagging plant (Brightonlite, hydrated lime)
- Raw materials sourced locally from own quarries: limestone, clay, shale, soapstone
- Speciality products: off white cement, oil well cement, backfill binder, lime
- Fuel used: natural gas



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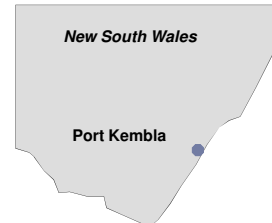
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Cement and Lime – New South Wales

Port Kembla

- Cement: 3 mills – 700ktpa capacity
- Slag drying plant being commissioned
- Clinker sourced from Boral and/or imports



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Concrete and Aggregates

- Annual aggregate sales volumes: 6 million tonnes pa*
- Number of employees: Circa 600

* Adelaide Brighton's acquisition of Direct Mix/Southern Quarries has not yet completed



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Concrete and Aggregates key priorities

- Integration of acquisitions: Penrice Quarry & Mineral, DMC and Webb
- Quarry development
 - Increase exposure in aggregates
 - › Greenfield site sourcing and development
 - › Acquisition of existing quarry operations
 - Secure development approvals for increases in tenure and reserves at existing aggregate operations
- Expansion of concrete footprint
 - Acquiring and securing development approval for concrete operations in locations that complement our current and proposed cement and/or aggregate footprint

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Concrete Products

- Adbri Masonry – No. 1 concrete products manufacturer in Australia
- Concrete bricks, blocks, pavers, retaining walls, erosion control products, architectural masonry solutions and reconstituted stone veneers
- 15 sites through Australia's east coast and South Australia



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Cement 1H14 review

- Cement and clinker sales volumes declined 1.9% – Vic and SA down, NSW and Qld up, resources and infrastructure projects keeping volumes stable
- Improved cement margins - price increases above CPI and benefit from Munster restructure more than offset rising input costs and Birkenhead production issues in 1H2014
- Major planned cyclical maintenance completed during 1H2014 with costs in line with last year
- Lower Australian dollar increased costs of imports by \$6 million compared to pcip. Pcip included \$2.2 million mark-to-market gain

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Lime 1H14 review

- Lime sales volumes were lower than pcip due to:
 - Gold mine closures in late 2013
 - Rainfall affecting gold sector demand, and
 - Temporary suspension of operations by one customer
- Lime margins declined versus pcip due to lower volumes, lower average prices and higher input costs
- Average selling prices declined marginally as a result of customer mix and pricing pressure
- The threat of lime imports continues, with limited small scale imports occurring

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Concrete and Aggregates 1H14 review

- Concrete volumes increased on strengthening demand across NSW and Qld, particularly in residential, while Vic demand remains subdued
- Aggregates volume growth was supported by pull through of concrete demand and highway upgrades
- Volumes improved and average selling prices increased. In some markets price increases have exceeded CPI
- Profitability and margins higher due to increased volumes and efficiency gains
- Operational improvement remains a priority

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Concrete Products 1H14 review

- Adbri Masonry sales revenue up 9.1% on stronger volumes and prices
- Selling prices up 6% versus pcg
- Residential demand improved but the commercial sector demand flat
- Price increases have offset the impact of rising input costs and supported margin growth
- Recovering demand and the business improvement program undertaken over last two years has delivered improved profitability
- Pre-tax earnings up \$3.5 million on pcg

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Joint Ventures 1H14 review

- ICL (50%) – Cement and lime distribution
 - Contribution to 1H2014 profit \$5.1 million, down \$1.8 million versus pcp
 - Reduced demand from residential construction and completion of several major projects in Victoria
 - Competitive pressures across bulk and bagged markets
 - Demand appears to have stabilised in Vic
- Sunstate Cement (50%) – Cement milling and distribution
 - Contribution increased by \$1.0 million on pcp to \$3.4 million
 - Improved demand in south east Qld market
 - Higher off-take from the joint venture's shareholder customers
 - Higher volumes but price rises remain challenging

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Joint Ventures 1H14 review

- Mawsons (50%) – Aggregates and concrete
 - Slight decline in earnings to more normal trading following flood reconstruction and lower local government spending; residential also softer
 - Earnings from Mawsons have more than doubled since acquisition in 2010, supported by its aggregates position and leadership in local markets
- Aalborg Portland Malaysia (APM) (30%) – Specialty cement manufacturer
 - Results marginally higher and in line with expectations
 - Significant progress with the US\$18.6 million self funded project to expand white clinker capacity from 2015 with production expected 2H2014
 - Facilitates the rationalisation of clinker production at Munster and improves access to white cement for a range of markets

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Consistent long term strategy

- Adelaide Brighton continues its strategy to deliver long term shareholder value through investment in three key areas:
 1. Cost reduction and operational improvement across the business
 2. Grow the lime business to supply the resources sector; and
 3. Focused and relevant vertical integration into downstream aggregates, concrete, logistics and masonry businesses
- Investments can be organic projects, greenfields or acquisitions
- Returns, growth and risk of investments assessed against internal financial hurdles
- Concrete and concrete products offer important distribution channels for cement and aggregates

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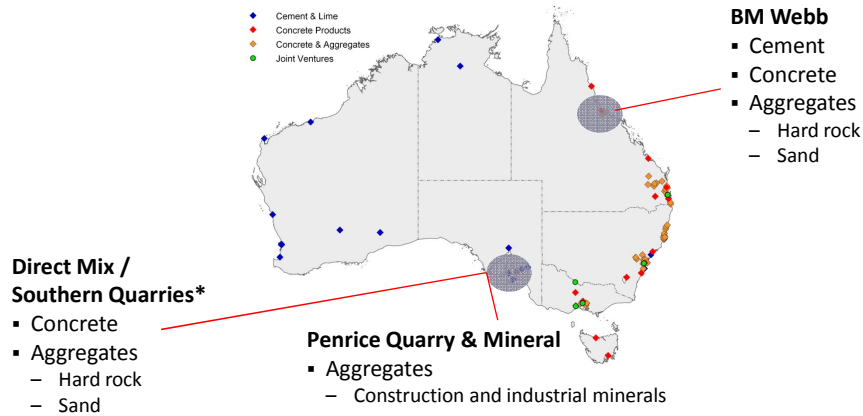
Strategy – vertical integration

- The recently announced acquisition of three construction materials businesses in SA and Qld for \$174 million is consistent with this vertical integration strategy
- Strategic quarrying positions with attractive concrete and logistics businesses consuming significant volumes of aggregates and cement
- Three aggregates quarries and two sand operations that produce in excess of 2.1 million tonnes and 14 concrete plants producing more than 250,000 m³
- Extended a long term cement supply contract with the remaining major independent concrete and aggregates business in SA

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Strategy – vertical integration

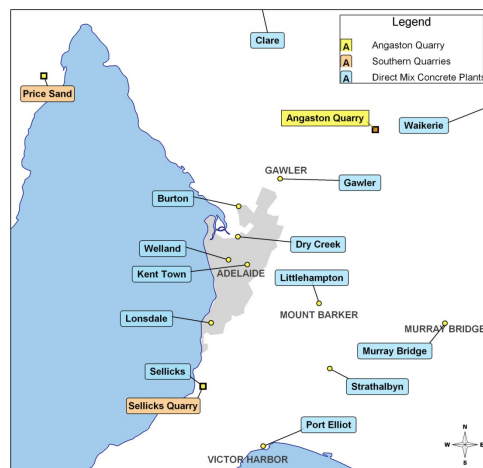


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Vertical integration – South Australia

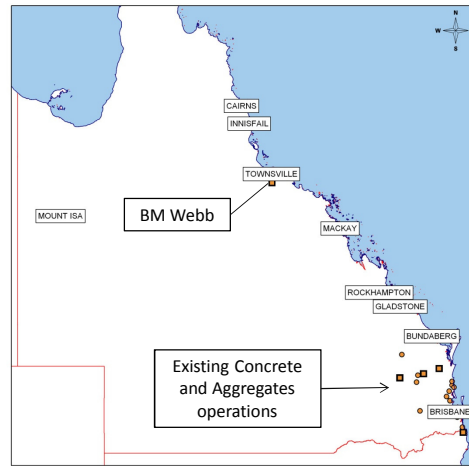
- Direct Mix/Southern Quarries
 - Largest independent concrete and aggregates operator in SA
 - Concrete: >200km³pa
 - Aggregates/sand: >1mtpa
 - Transport
- Penrice Angaston Quarry
 - Supply of raw material for lime and off-white cement at Angaston plant
 - Supplier of industrial limestone and construction materials - 1mtpa
 - Complementary to Direct Mix purchase



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Vertical integration - Queensland

- BM Webb
 - Integrated cement, concrete and aggregates business located in Townsville
 - Concrete: >50km³/pa
 - Aggregates/sand: >100tpa
 - Transport
 - Potential to expand cement distribution to north Qld



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Vertical integration - financials

- On base case projections, acquisitions meet internal hurdles; positive NPV and accretive to shareholder value
- 9.8x EBITDA multiple reflects the acquisitions including strategic long term quarry assets
- Quarries approximately 80% of our valuation of acquired businesses
- Synergy benefits will be fully assessed once the assets are under Adelaide Brighton ownership
- Funded with cash and available facilities; gearing to be within the Board's target range of 25%-45% on completion
- Group production of aggregates to exceed 6mtpa
- No.4 aggregate supplier nationally
- Acquisitions complementary to the cement businesses

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Key profit drivers summary

Lime pricing	• \$5mpa from mid 2014
Clinker rationalisation	• WA cement restructuring to save \$5mpa
Corporate restructuring	• \$3m saving in 2014; \$6mpa saving from 2015
Sydney aggregates	• Improved prices and demand could increase EBIT by \$8-\$10mpa over the next 3-5 years
Property	• Surplus land sales to deliver circa \$130m over next 10 years
Carbon tax	• Repeal of carbon tax to save \$5m profit after tax annualised

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Outlook

- Demand for cement and clinker in 2014 to be similar to 2013
- Increased sales to projects in WA and NT, and a recovery in the residential sector of NSW and Qld
- SA cement sales down due to weakness in the non-residential sector and a decline in infrastructure demand. Victoria expected to be flat
- Lime sales for 2014 are likely to be down circa 5% on last year although prices to improve due to long term contracts
- Land sales over the next three years will deliver significant cash flow and profit, some of which could assist earnings in the next 6 to 12 months
- Increased gas prices expected to impact 2015 profit before tax by circa \$3 million
- The carbon tax repeal is anticipated to provide an after tax benefit of \$2 million in 2014 compared to 2013
- Full year 2014 imports have been hedged. The lower value of the Australian dollar is expected to reduce 2014 full year profit before tax by \$5 million

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Outlook

- Significant one-off items of \$18 million (pre-tax) forecast for the FY14
- Cost savings from restructuring are expected to be \$8 million pre-tax in 2014, with estimated annualised benefits from these initiatives of \$11 million
- Adelaide Brighton expects 2014 full year underlying net profit after tax will be in the range of \$153 million to \$163 million (underlying pcg NPAT \$153 million) and anticipates that the total 2014 ordinary dividend will be maintained at 16.5 cents fully franked