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Adelaide Brighton Ltd
ACN 007 596 018

28 August 2014

The Manager
Market Announcements
Australian Securities Exchange Limited
20 Bridge Street
SYDNEY NSW 2000

Dear Sir/Madam

Adelaide Brighton half year report June 2014 – presentation

We attach copies of slides being shown by Martin Brydon, Chief Executive Officer of Adelaide Brighton Ltd, during briefings for analysts on the Company's financial result for the half year ended June 2014.

Yours faithfully

MRD Clayton
Company Secretary

FOR INFORMATION: MS LUBA ALEXANDER
GROUP CORPORATE AFFAIRS ADVISER
TELEPHONE 0418 535 636

Disclaimer

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Overview

Martin Brydon

Chief Executive Officer

Overview

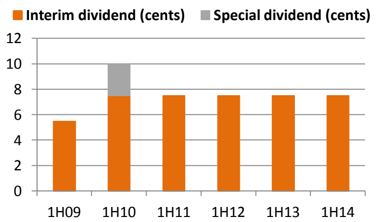
$m	30 June 2014	30 June 2013	% change
Statutory			
Revenue	602.0	579.3	3.9
EBIT	78.3	89.6	(12.6)
NPAT attributable to members	51.2	60.9	(15.9)
Underlying			
Revenue	602.0	579.3	3.9
EBIT[1]	92.5	92.6	(0.1)
NPAT attributable to members[1]	61.2	63.0	(2.9)
Cents			
Basic EPS	8.0	9.6	(16.7)
Underlying EPS	9.6	9.9	(3.0)
Interim dividend	7.5	7.5	-

[1] Underlying results have been adjusted for significant items. An explanation of the adjustments and reconciliation to statutory results is provided on pages 13 and 14

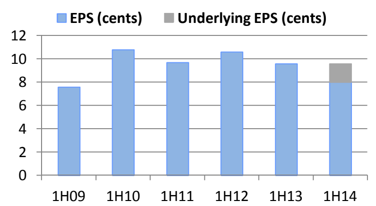
Key profit drivers

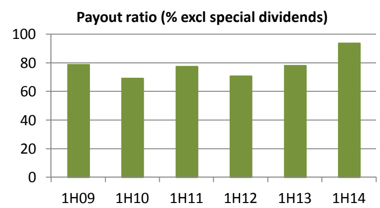
- Cement and clinker sales down 1.9%
- Sales of cement in WA and NT remain strong
- Cement sales were lower in SA and Vic but an improved residential sector in NSW and Qld increased demand in those markets
- Cement margins increased, despite lower Birkenhead clinker production, due to cement price increases 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 Aggregates and Concrete 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

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%





Cement

- 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 pcp. Pcp included $2.2 million mark-to-market gain

Lime

- Lime sales volumes were lower than pcp 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 pcp 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

Concrete and Aggregates

- 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

Concrete Products

- Adbri Masonry sales revenue up 9.1% on stronger volumes and prices
- Selling prices up 6% versus pcp
- 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 pcp

Financial results

Michael Kelly

Chief Financial Officer

Summary earnings - underlying

6 months ended 30 June	2014 $m	2013 $m	Change %
Revenue	602.0	579.3	3.9
EBITDA	127.2	126.9	0.2
EBIT	92.5	92.6	(0.1)
Net finance cost	(7.2)	(5.4)	33.3
Profit before tax	85.3	87.2	(2.2)
Tax expense	(24.1)	(24.2)	(0.4)
Net profit attributable to members	61.2	63.0	(2.9)

Note: Underlying results have been adjusted for significant items. An explanation of the adjustments and reconciliation to statutory results is provided on pages 13 and 14

Underlying earnings reconciliation

6 months ended 30 June	2014 $m	2013 $m
Statutory EBIT	**78.3**	**89.6**
Rationalisation of clinker production	7.4	-
Corporate restructuring	4.8	3.0
Acquisition expenses	2.0	-
Underlying EBIT	**92.5**	**92.6**

Underlying earnings reconciliation

- Rationalisation of clinker production
  - As a result of the announced rationalisation of clinker production at Munster, the production of General Purpose clinker has ceased. Subject to certain regulatory and supply chain arrangements, all clinker production is expected to cease by the end of 2014. A provision for redundancies and asset impairment charge totalling $7.4 million before tax has been recognised
- Staff restructuring
  - Staff restructuring, in addition to the Munster clinker rationalisation, has occurred across the business resulting in further redundancies of $4.8 million before tax
- Acquisition expenses
  - Costs associated with current and potential acquisitions, including stamp duty, legal fees and other consulting costs of $2.0 million before tax have been recognised as an expense in the income statement

Underlying EBIT margins

Underlying EBIT margin decreased from 16.0% to 15.4%	Impact on margin %
Lime – lower volumes, subdued pricing and higher input costs	↓
Cement – benefits from Munster clinker rationalisation and higher pricing offset volume decline and lower production at Birkenhead	↑
Devaluation in the Australian Dollar reduced EBIT by $3.3 million[1]	↓
Improved market conditions in NSW and Qld for concrete, aggregates and concrete products	↑
Joint venture equity accounted contribution reduced by $1.1 million	↓

[1] Total impact of the devaluation of Australian Dollar is circa $6 million. In addition to EBIT impact of $3.3 million, the change in mark-to-market values on outstanding currency contracts recognised in net finance cost is $2.7 million

Joint ventures and associates

- 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

Joint ventures and associates

- 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

Operating cash flow 1H 2014

6 months ended 30 June	2014 $m	2013 $m
Net profit before tax	71.1	84.2
Depreciation, amortisation and impairment	36.7	34.3
Income tax	(40.3)	(20.9)
Change in working capital	(19.5)	5.2
Joint Venture equity profit less dividend received	(3.3)	(6.3)
Net carbon tax payment	(10.7)	4.1
Capitalised interest	(0.1)	(1.0)
Share based payments	(7.3)	(1.8)
Other	(0.8)	(8.5)
Operating cash flow	25.8	89.3

Working capital

		June 2014	Dec 2013	Variance %
Trade and other receivables (including JV's)	$m	193.6	182.4	6.1
Days sales outstanding	Days	46.8	47.6	(1.7)
Inventories: Cement and Lime	$m	89.9	78.9	13.9
Concrete and Aggregates	$m	19.2	17.8	7.9
Concrete Masonry Products	$m	40.5	39.6	2.3
Total inventory	$m	149.6	136.3	9.8

		June 2014	June 2013	Variance %
Bad debt expense	$m	1.9	0.3	533.3

Free cash flow and net debt

6 months ended 30 June	2014 $m	2013 $m
Operating cash flow	25.8	89.3
Capital expenditure – stay in business	(21.4)	(31.7)
Proceeds of sale of fixed assets	9.1	4.0
Free cash flow	13.5	61.6
Capital expenditure – acquisitions and investments	(21.7)	(0.4)
Capital expenditure – development	(8.4)	(8.9)
Joint Venture and other loans	0.3	0.3
Proceeds on issue of shares	8.1	3.6
Dividends paid – Company's shareholders	(76.6)	(57.4)
Net cash flow	(84.8)	(1.3)

Net finance cost

6 months ended 30 June	2014 $m	2013 $m
Interest charged	7.0	8.9
Exchange (gains) / losses on foreign currency forward contracts	0.5	(2.2)
Unwinding of the discount on restoration provisions and retirement benefit obligation	0.6	0.5
Interest capitalised in respect of qualifying assets	(0.1)	(1.0)
Total finance cost	8.1	6.2
Interest income	(0.8)	(0.8)
Net finance cost	7.2	5.4
Interest cover (EBIT times)	10.9	16.6

Borrowings and gearing

		30 June 2014	30 June 2013
Net debt	$m	333.0	312.4
Net finance cost	$m	(7.2)	(5.4)
Gearing – net debt/equity	%	32.1	30.8
Net debt/EBITDA[1]	Multiple	1.2	1.1
Net tangible assets/share	Cents	1.33	1.30
Return on funds employed[2]	%	16.0	16.5

[1] Net debt at 30 June 2014/EBITDA for 12 months to 30 June 2014

[2] EBIT for 12 months to 30 June 2014/Average funds employed over the 12 months to 30 June 2014

- Current debt facilities total $500 million. The Company intends to undertake a debt refinancing to lengthen the maturity profile and extend total facilities to $600 million before the end of 2014

Strategy and outlook

Martin Brydon

Chief Executive Officer

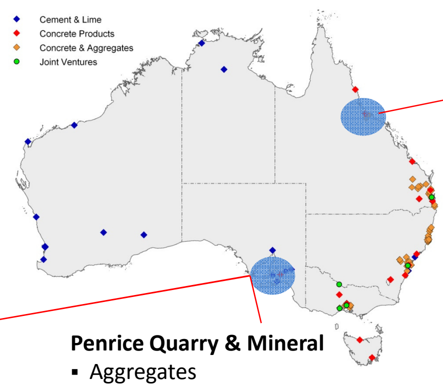
Consistent long term strategy

- Adelaide Brighton continues it 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

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 m^3
- ABL's competitive position in SA strengthened by these investments
- Depletion of competing reserves will support returns and the competitive position of the SA integrated business
- Extended a long term cement supply contract with the remaining major independent concrete and aggregates business in SA

Strategy - vertical integration



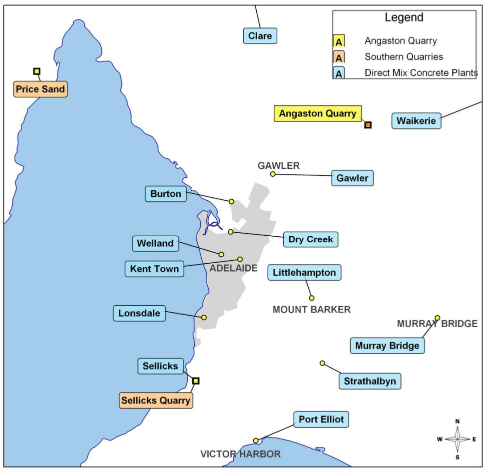
BM Webb
- Cement
- Concrete
- Aggregates
  - Hard rock
  - Sand

Direct Mix / Southern Quarries
- Concrete
- Aggregates
  - Hard rock
  - Sand

Penrice Quarry & Mineral
- Aggregates
  - Construction and industrial minerals

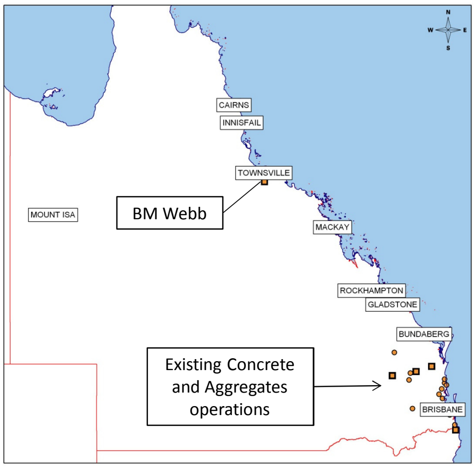
Vertical integration - SA

- Direct Mix/Southern Quarries
  - Largest independent concrete and aggregates operator in SA
  - Concrete: >200km^{3}pa
  - 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



Vertical integration - Qld

- BM Webb
  - Integrated cement, concrete and aggregates business located in Townsville
  - Concrete: >50km^{3}pa
  - Aggregates/sand: >100tpa
  - Transport
  - Potential to expand cement distribution to north Qld



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 include 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

Strategy - operational improvement

- Clinker production at Munster will cease by the end of 2014 saving at least $5 million per annum
- Corporate restructuring well underway saving $6 million per annum from 2015
- Reduction in headcount of 54 FTE, including 42 from the Munster rationalisation
- Summary of savings:
  - 2014 - $8 million
  - 2015 - $11 million

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

2014 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

2014 Outlook

- Significant one-off items of $18 million (pre-tax) forecast for the FY
- 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 and anticipates that the total 2014 ordinary dividend will be maintained at 16.5 cents fully franked