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25 May 2016

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

Dear Sir/Madam

**Adelaide Brighton Limited – 2016 Annual General Meeting**

In accordance with Listing Rule 3.13.3, I attach a copy of the prepared addresses and presentation to be given by the Chairman and CEO and Managing Director at the Annual General Meeting of the Company to be held at 10.00 am today.

Yours faithfully

**Marcus Clayton**  
Company Secretary

FOR FURTHER INFORMATION:

MS LUBA ALEXANDER  
GROUP CORPORATE AFFAIRS ADVISER  
TELEPHONE 08 8223 8005 OR 0418 535 636

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## **2016 Annual General Meeting**

**Wednesday, 25 May 2016**

### **Chairman's Address – Mr Les Hosking**

I am pleased to report that Adelaide Brighton achieved a record net profit after tax of \$207.9 million for the year ended 31 December 2015. This was on record revenue of \$1.41 billion, up 5.6% on 2014.

Earnings per share increased by a very healthy 19% to 32 cents per share. The dividend declared for the second half was 15 cents per share, including a 4 cent special dividend. This took full year 2015 dividends to 27 cents per share, fully franked, a 59% increase on 2014, representing a payout of 84% of earnings.

Our balance sheet remains strong. A combination of healthy operating cash flow and a careful approach to expenditure enabled more rapid debt reduction with gearing declining from 31.6% to 24.6%.

Our consistent objective is to use shareholder funds efficiently to ensure financial stability while retaining the flexibility to fund growth. When we are fortunate enough to have surplus capital we aim to return it to shareholders in the most efficient form, which may include the payment of special dividends as it did last year.

Adelaide Brighton continues to deliver strong total shareholder returns – capital appreciation plus dividends – and has outperformed the ASX200 Accumulation Index over the last five years.

### **Strategy**

In 2015, Adelaide Brighton continued its long term growth strategy, the success of which has been reflected in improving shareholder returns and financial strength.

A reminder that our growth strategy has three complementary elements:

1. Operational improvement and the efficiency of our businesses;
2. Increased vertical integration in aggregates, concrete and related products through value-accretive acquisitions; and
3. Development of our highly efficient and industry leading lime business that supplies the resources sector.

Pleasingly, the operational improvement program delivered cost savings of more than \$21 million in 2015. This excellent outcome enables us to compete more effectively.

Over the past decade this program has identified a number of highly valuable parcels of land that are surplus to our operational requirements. On sale, these properties could realise more than \$140 million in proceeds over the next 10 years, most of which is anticipated to be profit. Sale proceeds over the next two years could be in the range of \$30 to \$40 million.

Our acquisition strategy, as evidenced in 2015, is delivering synergies and enhanced earnings in line with our expectations. The \$172 million invested in 2014 to secure highly valuable and strategic aggregate and concrete businesses in South Australia and Queensland will continue to accrue benefits in 2016 and beyond, with several major South Australian infrastructure projects expected to assist volume this year.

Adelaide Brighton's strategy of growth through both organic projects and profitable acquisitions remains important to increasing shareholder value. For that reason, we will continue to examine all such opportunities as they are identified.

## **Board and Governance**

In November 2015, Martin Brydon, Chief Executive Officer since May 2014, was appointed to the Board as Managing Director. Martin has made an important contribution in his 16 years at Adelaide Brighton (and a total of 34 years in the construction materials industry) in management roles and also in the past two years as Chief Executive Officer.

The Board is committed to conducting business ethically and in accordance with high standards of corporate governance. Adelaide Brighton believes its policies and practices are consistent in all substantial respects with good corporate governance practice in Australia, including the latest update of ASX Corporate Governance Council's Principles and Recommendations.

During the reported year the Board conducted a Board Skills Review after its annual consideration of the Company's strategic plan. The review and the strategic plan has subsequently provided input for the Board skills matrix and succession planning process which has commenced with the objective of appointments being considered through the remainder of this year and the first half of next year.

## **Risk Management**

Adelaide Brighton's effective risk management is critical to the growth and protection of shareholder value. The Board's Audit, Risk and Compliance Committee oversees the Company's risk management framework, encapsulating financial, operating, regulatory and environmental risks. These risks are also reviewed by the Board at every meeting. The Board is very conscious of the particular risk exposures in the current economic and political scenario relating to energy prices and energy reliability.

## **Sustainability and the environment**

Seeking improved results, the Company continually challenges its performance in this important area of operations. Adelaide Brighton has committed to a proactive approach to sustainability, an approach that sees us work with our local communities, government and regulatory bodies and a range of other stakeholders to achieve the best possible outcomes.

We undertake a continuous improvement program that is driven by innovation. From a sustainability perspective this program focuses on three major areas:

First: we look to improve health and safety for all people on our sites or who operate under our instructions. This includes employees, contractors and site visitors. Martin, in his address, will provide some details of an important new safety program launched during the year.

Secondly: as an energy intensive business, we aim to improve our carbon efficiency, reducing the level of greenhouse gases produced as a result of our use of energy and in our manufacturing processes. A key element of this has been in the utilisation of alternative fuels.

Thirdly, In respect of environmental performance: we operate within our approval conditions but aim to exceed these minimum expectations. We have worked very hard and have made significant investments in this area.

This effort is part of maintaining our social licence to operate and, as such, is important for our shareholders and other stakeholders and remains a key focus for the whole Company.

## **Conclusion**

On behalf of your Directors, I acknowledge the hard work and commitment of the executive management team led by Martin Brydon and of all employees over a year of impressive growth for Adelaide Brighton. The Board is especially pleased to have been able to increase substantially the rewards to our loyal shareholders.

I thank our shareholders, our joint venture partners and our customers for their continuing support.

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## **2016 Annual General Meeting**

**Wednesday, 25 May 2016**

### **CEO and Managing Director Address – Mr Martin Brydon**

Thank you Chairman and good morning ladies and gentlemen.

It is a pleasure to address you at today's annual general meeting as CEO and Managing Director and I'd like to thank you for taking the time to join us.

#### **Performance highlights**

Adelaide Brighton performed strongly in 2015, delivering record revenue and net profit.

The strong financial performance was the result of our continuing development of the scale, competitiveness and profitability of our construction materials and lime businesses.

It is very pleasing that the Board was able to declare a significantly increased dividend to shareholders on the back of these results.

Underlying earnings before interest and tax increased 22.4% to \$300.3 million on a margin of 21.3%. This excellent result was assisted by our 2014 acquisitions in South Australia and Queensland; sales volumes; price rises, cost reduction; land sales and increase lime sales in the Northern Territory and Western Australia. Return on funds employed increased to 19.9%.

Sale of surplus property contributed \$45.0 million pretax and \$34.9 million after tax to our result. And, there remains a significant pipeline of land sales over the next decade.

Excluding property, underlying earnings before interest and tax increased 4.5%.

Continuing operational improvements have seen all of our businesses performing well.

Our 2014 acquisitions in concrete and aggregates performed in line with expectations, adding an estimated 5% to 2015 revenue.

As the Chairman mentioned, cash flow grew strongly in 2015 and balance sheet gearing declined to a comfortable 24.6%, at the bottom end of our target gearing range.

## Operational performance

Adelaide Brighton operates coast to coast across Australia and the diversity of our business is one of our great strengths. We derive our income from a balanced mix of construction and mining sectors and enjoy leading positions in many of our products and markets.

We are number one in lime and in concrete products. We are the second largest supplier of cementitious products to the Australian construction industry, with unmatched channels to market, as well as being the largest importer. These leading positions create economies of scale that strongly support our competitive position.

In concrete and aggregates, while we are number four nationally, we maintain leading positions in the geographic areas in which we operate, either directly or through our joint ventures. These downstream positions generate attractive returns and strengthen our integrated businesses.

The performance of our cement business in 2015 was pleasing driven by strong residential demand in the eastern States.

Cement margins increased slightly, helped by higher volumes and lower costs. This was an excellent result given the challenges faced by the business in the past 12 months. One of those challenges was to address the impact of reduced sales to a major South Australian customer.

The Birkenhead cement works in South Australia is performing very well. Clinker production at this key production asset is healthy and the expanded milling capacity is delivering very good returns.

As forecast, the Western Australian clinker rationalisation achieved an additional \$5 million pre-tax savings in 2015, taking our overall saving on this project to \$10 million annualised.

Our lime operations are benefiting from the investment in efficiency made in the past five years and we remain focused on the long term growth of this business to supply the resources sector in Western Australia, South Australia and the Northern Territory.

Lime sales increased 2.3% in 2015, led by improved demand from the gold sector and the resumption of sales to a major customer in the Northern Territory. While demand from the alumina sector remained stable, there is potential for expansion in the alumina sector that would increase lime demand in Western Australia by around 15% over the medium to longer term. Small scale lime imports continue to occur, but the weaker Australian dollar has increased import costs.

A new gas contract came into effect from the beginning of this year and recovery of coal supply will reduce 2016 energy costs in Western Australia.

In concrete and aggregates, concrete volumes improved which in turn generated strong 'pull through' demand for aggregates. The average prices of concrete and aggregates were up and 2016 price increases are expected to further enhance margins.

Importantly for our concrete, aggregates and cement businesses, we believe South Australian demand bottomed in 2015.

Our concrete products business delivered a very pleasing result with revenue up 7.6% and full year earnings before interest and tax up 75% to \$11.4 million. The strong second half performance was particularly encouraging.

The overall contribution from our joint operations was down on 2014 but the businesses regained positive momentum in the second half of the year.

## **Safety**

Safety is non-negotiable and, as such, is a key performance indicator at the divisional and Group level.

Our Lost Time Injury Frequency Rate has more than halved in the past five years. This very pleasing achievement underlines Adelaide Brighton's position as an industry leader in safety performance.

Safety is not just about processes and procedures, it is a culture. In 2015 we launched our Safety Vision and Strategy "Safety Leaders – Everyone, Everyday" to our employees. This program encompasses the actions and behaviors we believe will enable Adelaide Brighton to deliver a mature, robust safety culture. The "Safety Leaders – Everyone, Everyday" goals include:

- Everyone owns safety;
- No preventable injuries;
- Our systems are well known, well understood and simple;
- To be known for recognising the positive contribution of our people; and
- Safety is a given.

The feedback from our people following this launch has been very positive. This is evidenced by the feedback from our Employee Survey conducted in the fourth quarter of 2015 where more than 98% of survey participants agreed "that everyone is responsible for safety". The "Safety Leaders - Everyone, Everyday:" strategy will see a range of focus programs conducted during 2016.

We believe that a safe business delivers superior shareholder returns.

## **Strategy**

Our financial results and shareholder returns were strongly supported in 2015 by a number of strategic initiatives including:

- Investment in downstream concrete and aggregates businesses;
- The rationalisation of clinker capacity;
- The sale of surplus land; and
- Corporate restructuring.

Adelaide Brighton's long term strategy pays particular attention at the business and corporate levels to important drivers of long term shareholder value. They are:

- Financial performance – delivering an attractive return on capital;
- Market leadership – maximising efficiencies in production, logistics and marketing;
- Risk management – maintaining a strong balance sheet and minimising risks;
- Capital management – efficient utilisation of capital and returns to shareholders; and
- Governance and maintaining our licence to operate by ensuring we work in a sustainable manner and thereby deliver on behalf of shareholders and other stakeholders.

As always, Adelaide Brighton will look to participate in industry consolidation where it adds shareholder value.

### **Cost reduction and continuous improvement**

The rationalisation of clinker production at the Munster plant in Western Australia was largely completed in December 2014 and delivered a further \$5 million in benefits in 2015.

Efficiency measures undertaken at the corporate level in 2014 and 2015 achieved an additional \$3 million in savings in 2015. We also continue to focus on the management of energy costs. Incremental savings worth \$6 million were delivered during the year by, among other things, fuel switching, managing demand and increasing the use of alternative fuels.

Synergies of \$4.4 million were achieved in 2015 from the acquisitions in South Australia and Queensland completed in 2014 in line with projections. A further benefit of \$4 million was obtained through other initiatives, including improved efficiency in transport and materials used.

### **Lime positioned for demand growth**

Adelaide Brighton's Western Australian lime business is supported by low cost, long term raw material reserves secured by State Agreement and statutory approvals. Long term demand growth is driven by the State's globally competitive resources sector.

The two lime kilns at our Munster plant are among the world's largest and are currently operating at 80% capacity. Operating margins are expected to improve in 2016 due to the Munster plant's low cost operation and the expected lower cost of gas in Western Australia.



Lime volume growth has been held back in recent years by the non-alumina sector, which represents about 30% of Western Australia's lime demand and achieves higher selling prices. The sector is now improving, in particular with increased demand from gold projects.

In addition, likely capacity expansions in the alumina sector provide an attractive medium to long term outlook for lime demand in Western Australia.

### **Concrete and aggregates acquisitions delivering value**

As the Chairman reported, the 2014 investment in concrete and aggregate operations in South Australia and north Queensland is delivering returns in line with expectations. This investment provided the Group with access to strategically located assets across important markets, increasing exposure to concrete and quarrying operations.

Adelaide Brighton's systems and management processes ensured rapid delivery of the expected synergies from this investment. For the longer term, we will continue to pursue a strategy of acquiring quality concrete and aggregate operations that deliver shareholder value.

### **Outlook**

In 2016, Adelaide Brighton expects sales volume of cement and clinker to be similar to or slightly less than 2015. Premixed concrete and aggregates sales volumes will be significantly higher than 2015 as a result of stronger east coast markets. Sales of concrete products are also expected to be better than 2015.

Lime sales volume is expected to be slightly higher and average realised prices are likely to increase. The weaker Australian Dollar reduces the competitiveness of imports relative to Adelaide Brighton's low cost operations, however the threat of small scale lime imports in Western Australia and the Northern Territory remains.

Price increases for all products have been implemented in 2016. A number of factors are supportive of higher prices, including strong demand and capacity utilisation and a weaker Australian Dollar, which increases the cost of imports.

Imports of cement, clinker and slag have been hedged through to December 2016. At current exchange rates it is estimated that import costs will increase by approximately \$8 million in 2016.

Offsetting these costs will be a significant reduction in energy costs of circa \$11 million, mainly due to reduced gas costs in Western Australia.

Efficiency remains a key operational priority as part of our rolling program of cost reduction to sustain leading margins and shareholder returns.

Property sale proceeds of about \$20 million are expected in 2016, with a profit after tax benefit of approximately \$6 million.

To maximise shareholder returns, Adelaide Brighton seeks to ensure the balance sheet is efficiently utilised while retaining the flexibility to fund long term growth as opportunities are identified. Prudent capital management remains an important part of this approach. Year end gearing is expected to be below the lower end of our preferred range of 25 – 45%.

## **Conclusion**

Finally, I thank Adelaide Brighton's senior management team and all employees for their hard work in the past year.

The strong performance that has been achieved has been built on year after year of continual business improvement.

We will build on these successes. There is much more we can achieve as we continue to implement our long term strategy and strive for greater rewards both for our shareholders and for all of the company's stakeholders.

Adelaide Brighton has a strong and sustainable business and I look forward to your continuing support as we build a better future based on our demonstrated past successes.

Thank you.



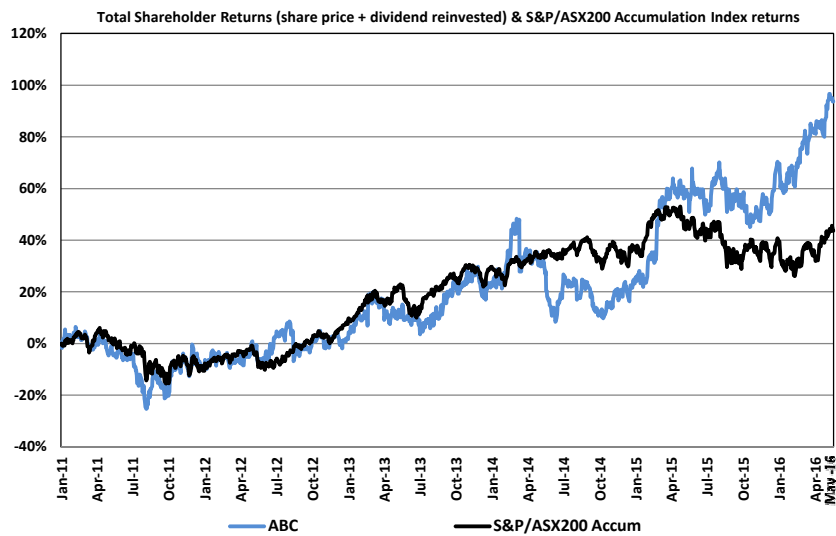
## Disclaimer



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## Shareholder returns





Full year 2015 performance highlights



Revenue

**\$1,413.1m** ↑

2014: \$1,337.8m 5.6%

Underlying EBIT<sup>1</sup>

**\$300.3m** ↑

2014: \$245.2m 22.5%

Underlying NPAT<sup>1</sup>

attributable to members

**\$209.2m** ↑

2014: \$166.5m 25.6%

Basic EPS

**32.0c** ↑

2014: 26.9c 19.0%

Ordinary dividends

**23.0c** ↑

2014: 17c

Final special dividend

**4.0c** ↑

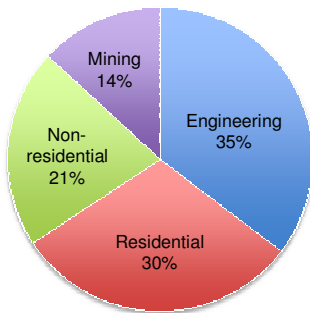
2014: Nil

<sup>1</sup> Underlying results have been adjusted for significant items

## Diversified business



### 2015 Revenue by market



### Australian industry position

# #1

- Lime producer in the minerals processing industry
- Concrete products producer
- Cement and clinker importer with unmatched channels to market

# #2

- Cement and clinker supplier to the Australian construction industry

# #4

- Concrete and aggregates producer

## Cement



- Cement and clinker volumes increased on strong demand across New South Wales, Victoria and Queensland
- Price increases in majority of markets but changing sales mix constrained revenue and margin
- Excluding property, margins increased slightly helped by sales volumes; improved Birkenhead production; Munster clinker rationalisation and other cost initiatives
- Imports exceeded 2.1 million tonnes in 2015
- Munster rationalisation met 2015 target of a further \$5 million pre-tax savings, taking overall saving to \$10 million

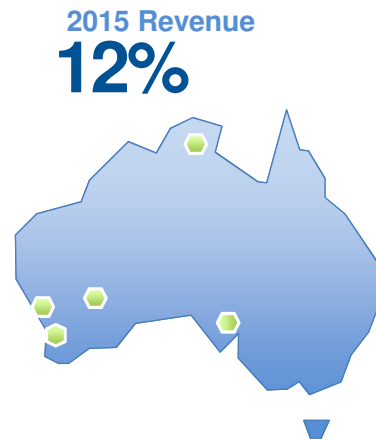
### 2015 Revenue 47%



## Lime



- Lime profit supported by resumption of sales to major customer in the Northern Territory and improved demand from gold sector
- Lime sales volumes grew 2.3% in 2015
- Average selling prices increased at CPI
- Small scale lime imports continue, but softening currency increases cost of imports
- Short term energy cost rise of \$3.5 million from coal but otherwise operations performed well



## Concrete and Aggregates



- Improved demand across all markets supported by residential construction and commercial projects
- Average selling prices for concrete up by more than CPI while aggregate selling prices improved significantly more than CPI
- Earnings from 2014 acquisitions in South Australia and north Queensland are in line with expectations
- South Australian concrete volumes have been slightly lower than anticipated, however aggregates prices are better
- Acquisition synergies delivered on an accelerated program with \$4.4 million achieved in 2015, in line with plan
- Synergies in overheads, systems, logistics, procurement and marketing



## Concrete Products



- Adbri Masonry revenue up 7.6% and full year EBIT up 75% to \$11.4 million
- Second half EBIT \$8.2 million
- Strong demand from residential and commercial construction
- Prices increased in line with CPI
- Business improvement program – rationalisation of production facilities and restructuring assisted earnings as demand improved

2015 Revenue  
**10%**



## Safety performance



### 'Safety Leaders - Everyone Everyday'

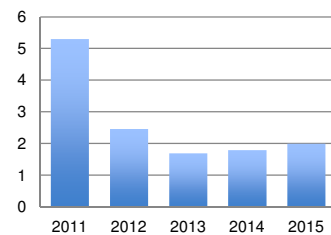
"We choose the safe option all the time and through this, will inspire others to do the same. It is through actions that we can influence others.

"It is both what you do, and what you don't do on site that shows others what you think is acceptable."

*Martin Brydon, Managing Director and CEO*

- We are striving to be an industry leader in safety performance, indicated by our LTIFR of 2.3 in 2015
- More than 98% of our workforce agree everyone is responsible for safety
- More than 88% of our workforce feel free to discuss work hazards and safety issues freely

### LTIFR<sup>1</sup>



<sup>1</sup> Lost time injury frequency rate (per million hours worked). Figures are total ABL numbers and cover employees and contractors.



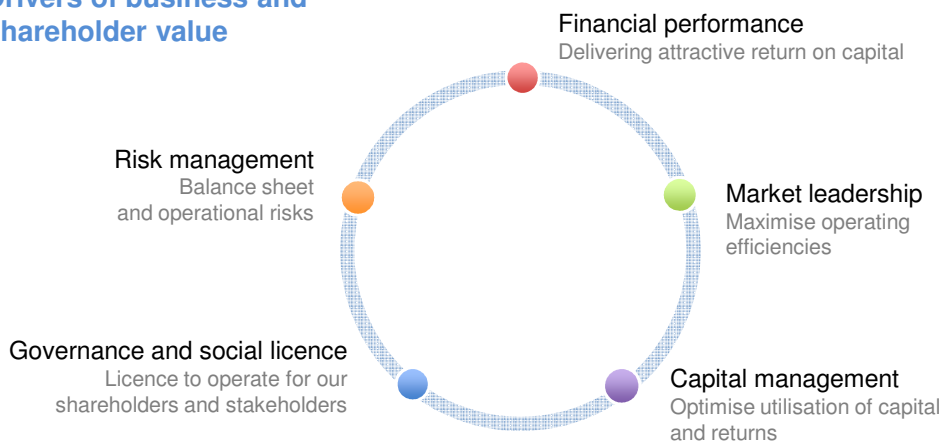


# Building shareholder value

## Building shareholder value



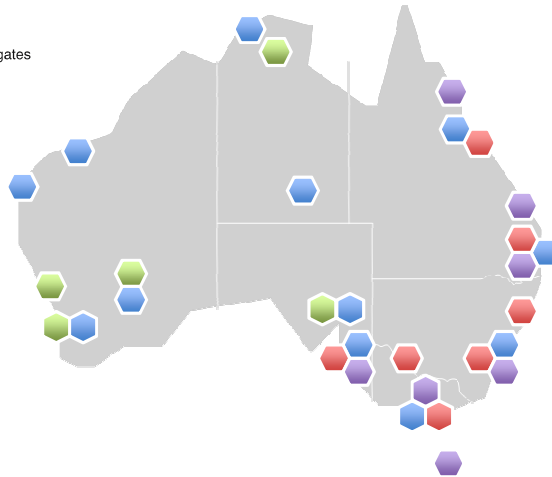
### Drivers of business and shareholder value



## Adelaide Brighton operations



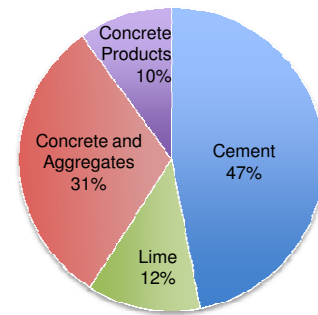
- Cement
- Lime
- Concrete and Aggregates
- Concrete Products



### 2015 Revenue by state

WA	25%
NSW	18%
VIC	19%
SA	15%
QLD	17%
Other	6%

### 2015 Revenue by product group<sup>1</sup>



<sup>1</sup> Percentage of 2015 revenue of \$1,413.1 million

## Outlook



- Sales volume of cement and clinker expected to be similar to or slightly less than 2015
  - WA and NT markets down
  - SA and NSW up
  - Vic and south east Qld stable
- Lime sales volumes expected to be higher
- Concrete and quarry volumes will be significantly higher than 2015 in line with stronger east coast markets
- Concrete products volumes to be better than 2015
- Price increases implemented for cement, clinker, aggregates, concrete, concrete products and lime
- Price increases supported by
  - Strong demand
  - Improving industry utilisation
  - Weaker A\$ which increases the cost of imports

## Outlook



- Import costs expected to increase by approximately \$8 million
  - Hedged to December 2016
  - Net AUD 1.00 = USD 0.71
- Cost base benefiting from operational improvement initiatives: overheads, transport, contractor services and energy
- Significant reduction in energy costs – net benefit of \$11 million
- Potential proceeds from property sales of \$20 million in 2016. PBT of approximately \$8 million and PAT of approximately \$6 million
- We seek to ensure the balance sheet is efficiently utilised while retaining the flexibility to fund long term growth
- Prudent capital management remains an important part of this approach
- Year end gearing is expected to be at the lower end of our preferred range of 25 – 45%

Adelaide Brighton Limited



## Resolution 2 – Re-election of Mr Graeme Pettigrew



	%
FOR	98.80
OPEN	1.01
AGAINST	0.19

Adelaide Brighton Limited



## Resolution 3 – Issue of Awards to the Managing Director



	%
FOR	98.45
OPEN	1.01
AGAINST	0.54

Adelaide Brighton Limited



## Resolution 4 – Adoption of Remuneration Report



	%
FOR	98.48
OPEN	1.02
AGAINST	0.50

Adelaide Brighton Limited

