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22 August 2018

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

Dear Sir/Madam

Adelaide Brighton half year report to 30 June 2018 - presentation

We attach copy of slides being shown by Martin Brydon, Chief Executive Officer and Managing Director, Adelaide Brighton Ltd, during briefings on the Company's financial result for the half year ended 30 June 2018.

Yours faithfully

MRD Clayton
Company Secretary

For further information please contact:
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Group Corporate Affairs Adviser
Telephone 0418 535 636
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Adelaide Brighton Limited
Results Presentation
For the half year ended 30 June 2018
22 August 2018


Adelaide Brighton Limited
Agenda
Results overview:
Martin Brydon, CEO and Managing Director
Financial results:
Michael Kelly, CFO
Outlook:
Martin Brydon, CEO and Managing Director

Strong returns and growth – underpinned by diversification

Revenue	Underlying EBIT	Underlying NPAT attributable to members
$807.2m ▲ 11.7%	$123.5m ▲ 9.3%	$85.2m ▲ 9.8%

ROFE	Basic EPS	Interim dividends ordinary	Interim dividends special
18.0% PCP 17.2%	13.0c ▲ 18.2%	9.0c ▲ 0.5 cents	4.0c ▲ 4.0 cents

Revenue, EBIT, NPAT, EPS and operating cash flow were all record results for the half year

- Reported NPAT up 17.7% on 1H17; Underlying NPAT up 9.8%
- Revenue up 11.7% on 1H17 — up 7.7% excluding acquisitions
- Improved volumes in most products; strong east coast markets; SA growth; WA and NT stable
- Selling prices increased in cement, concrete and concrete products
- Reported EBIT margin increased compared to 1H17, which was impacted by transaction and restructuring costs
- Underlying EBIT margin declined slightly on 1H17 due to a decline in lime and aggregate margins
- Cement and concrete margins improved with stronger volumes and pricing, more than offsetting cost increases
- Acquisitions delivering on strategic and financial expectations
- Joint venture earnings up 9.9% on 1H17 supported by demand growth
- Operating cash flow which increased 39.4% on 1H17 is a strong feature of this result
- Conservative gearing, flexible balance sheet and strong shareholder returns
- Interim ordinary dividend of 9.0 cents and interim special dividend of 4.0 cents, franked to 100%

Demand environment supportive

NSW
Demand strong
- Residential robust
- Non-residential up
- Significant infrastructure projects underway

Outlook: Strong

VIC
Demand strong
- Residential robust
- Non-residential activity stronger
- Infrastructure in pipeline

Outlook: Strong

WA
Stable
- Construction materials demand bottomed in 2017
- Lime volumes stable

Outlook: Stable

South east QLD
Demand up
- Gold Coast and Sunshine Coast markets better
- Infrastructure projects

Outlook: Strong

SA
Demand improving
- Major infrastructure projects have commenced
- Northern Connector cement supply delayed to 2H18

Outlook: Strengthening

NT
Stable
- Cement volumes stable
- Regional demand for concrete and aggregates products stronger due to projects

Outlook: Stable

Highly focused construction materials and lime business

Australian industry position

#1

- **Cement and clinker importer** *in Australia supplying all major markets*
- **Cement supplier** *in the resource rich states WA, SA and NT*
- **Lime producer** *in Australia*
- **Concrete products** *manufacturer*

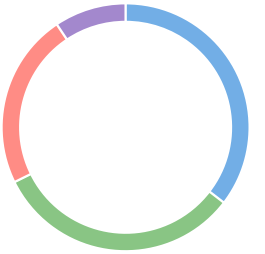
#2

- **Cement and clinker supplier** *to the Australian construction industry*

#4

- **Concrete and aggregates producer** *building presence in major markets*

FY2017
Revenue by market*



34% Engineering
31% Residential
24% Non-residential
11% Mining operations

* Estimated share of FY2017 segmental revenue of $1,549m

Geographic and economic diversification supports returns

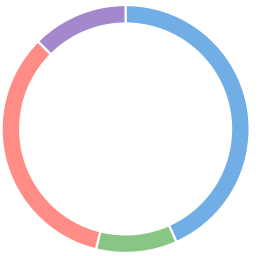
Operations

- Cement
- Lime
- Concrete and Aggregates
- Concrete Products

FY2017 Revenue by state*

WA	19%
NSW	21%
VIC	27%
SA	13%
QLD	16%
Other	4%

FY2017
Revenue by product group*

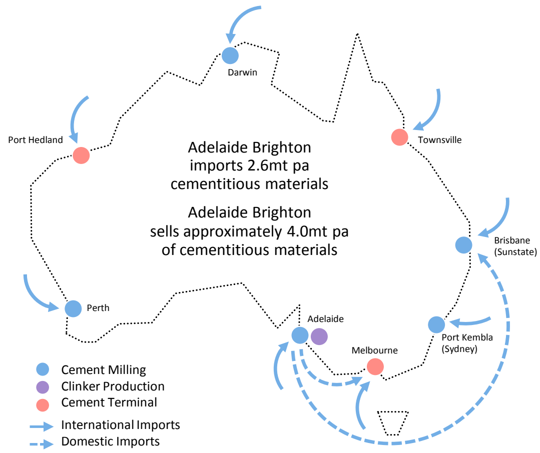


41% Cement
11% Lime
39% Concrete and Aggregates
9% Concrete Products

* Percentage of FY2017 segmental revenue of $1,549m

Cement production, import and distribution – efficient manufacture and import model

- Cement sales volume increased 7.6%; prices and margins increased
- Continued strong east coast demand and growth in SA (Northern Connector underway)
- Demand stable in WA and NT
- Energy costs increased; higher gas costs; lower electricity costs on new 5 year renewable contract
- Import costs increased on higher shipping and materials costs and weaker A$
- Angaston rationalisation and laboratory centralisation delivering benefits
- Cement mill bearing failure at Birkenhead plant largely offset by receipt of settlement for an unrelated claim on refractory supplier
- New domestic shipping contract - $2.0m benefit in 2018, rising to $2.5m annually from 2019



Unique lime business – one of largest in the world

- One of largest and lowest cost operations globally – total capacity 1.5m tonnes per annum
- Lime sales volumes stable compared to 1H17
- Import pressures remain but Adelaide Brighton continues to defend its market position with reliable, high quality, cost competitive domestic production
- Lime selling prices slightly lower due to contractual pricing arrangements that reflect energy cost savings previously achieved
- Higher coal costs from 1 January 2018, temporarily impacted margins ahead of customer contract price reset in 2H18
- Low cost operations to benefit from long term growth of globally competitive WA alumina industry and the wider resources sector

Concrete and Aggregates – growth continues

- Concrete volumes increased more than 20% on 1H17 — excluding 2017 acquisitions, volumes up 7%
- All markets improved — eastern states strongest
- Concrete margins improved, prices increased ahead of inflation compared to 1H17
- Aggregate volumes increased in line with concrete volumes — strong markets and acquisitions
- Lower average aggregate margins due to supply of low value fill to major projects
- Margins up in high value aggregates; volumes to improve as projects progress
- The 2017 acquisitions in Victoria, South Australia and Northern Territory performed to expectations
- Well established organic growth strategy of taking long term positions on strategic quarry resources and assets that complement existing operations
- Development approval for Austen Quarry modification confirmed — sales volume limit increase from 1.2mtpa to 1.6mtpa and improved flexibility of operating hours

Concrete Products – stronger second half expected

- Revenue increased 4.1% on 1H17
- Volumes increased, driven by demand in the New South Wales market, offsetting a weaker Queensland market
- Average prices increased more than CPI, with improvement across all regions following strong focus on pricing outcomes
- Reduced production volumes impacted fixed cost recovery and led to a slight decline in EBIT, despite higher revenue
- Ongoing plant upgrades to reduce energy costs and lift efficiencies
- Focus on product innovation and developments of new market segment opportunities

Joint ventures – solid performance

Joint Venture		Contribution $m 1H18	Contribution $m 1H17	Change
ICL (50%)	Cement distribution • Victoria and New South Wales remain strong • Price increases	8.1	7.6	6.6%
Sunstate Cement (50%)	Cement milling and distribution • Improved volumes and prices • Market remains competitive	6.1	5.3	15.1%
Others (50%)	Cement, concrete and aggregates	5.8	5.3	9.4%
Total	Overall increased contribution	**20.0**	**18.2**	**9.9%**

Financial summary

6 months ended 30 June	2018 $m	Restated 2017 $m	Change pcp %
Revenue	807.2	722.9	11.7
Depreciation, amortisation and impairments	(43.7)	(41.5)	5.3
Earnings before interest and tax (EBIT)	122.5	106.2	15.3
Net finance cost	(6.7)	(5.5)	21.8
Profit before tax	115.8	100.7	15.0
Tax expense	(31.3)	(28.9)	8.3
Net profit after tax	84.5	71.8	17.7
Non-controlling interests	–	–	–
Net profit attributable to members	84.5	71.8	17.7
Basic earnings per share (cents)	13.0	11.0	18.2
Interim ordinary dividend – fully franked (cents)	9.0	8.5	
Interim special dividend – fully franked (cents)	4.0	–	
Net debt ($ millions)	414.5	407.4	
Net debt to equity (%)	33.7	34.3	
Leverage ratio (times)	1.1	1.2	
ROFE underlying (%)	18.0	17.2	

- Reported NPAT up 17.7%
- Revenue up 11.7% — up 7.7% excluding acquisitions
- Reported EBIT up 15.3% with Underlying EBIT up 9.3%
- Tax rate 27.0%
- Operating cash flow up 39.4%
- Net debt $414.5m at lower end of target range:
  - Net debt/book equity 33.7%
  - Net debt/EBITDA 1.1 times
- Conservative gearing, flexible balance sheet and strong shareholder returns
- Interim ordinary dividend of 9.0 cents and interim special dividend of 4.0 cents, franked 100%

Underlying EBIT margin

Key drivers	Margin %
Cement • Volumes improved – stronger SA and east coast, stable WA and NT • Pricing better than costs	↑
Lime • Lime prices lower on pricing mechanism with alumina customers reflecting historical costs • Coal costs up • Pricing better 2H18 as recovery comes through	↓
Concrete • Concrete margins improved; volumes up >20%, selling prices up ahead of costs	↑
Aggregates • Aggregate margins declined, solely due to sale of lower value products	↓
Concrete Products • Volumes stable and improved pricing • Lower production impacted fixed cost recovery	↓
JV and associate contribution improved 9.9% • ICL – volumes and prices better • Sunstate – improved pricing and higher volumes	↑

- Underlying EBIT margin declined slightly from 15.6% to 15.3%
- Cement margin improved, stronger volumes and price increases better than costs
- Lime margin down slightly due to higher coal costs and lag in pricing mechanism; pricing better in 2H18
- Concrete margin improved, volumes and prices improved above CPI
- Aggregates margin down, solely due to sales of lower value fill products to early stage of major projects
- Concrete Products margin lower, but stronger second half expected
- Joint operations improved on volume in east coast cement markets and improved prices

Improved underlying earnings

6 months ended 30 June % change versus PCP	Underlying	Underlying excluding acquisitions
Revenue	11.7	6.9
Earnings before interest and tax	9.3	8.0
Net profit after tax	9.8	8.5

- Excluding acquisitions completed in 2017 from both 1H2017 and 1H2018, underlying EBIT increased 8.0% on revenue growth of 6.9%
- Acquisitions are performing in line with expectations
- Improved performance in the business excluding the 2017 acquisitions

Operating cash flow

6 months ended 30 June	2018 $m	Restated 2017 $m
Net profit before tax	115.8	100.7
Depreciation, amortisation and impairment	43.7	41.5
Income tax payments	(42.3)	(42.3)
Change in working capital	(3.8)	(14.5)
Net loss on sale of assets	0.2	0.3
Other	(6.0)	(8.5)
Operating cash flow	107.6	77.2
Stay in business capex	(25.7)	(27.0)
Asset sales	1.2	5.0
Development capex	(24.9)	(77.0)
Dividends	(104.0)	(100.7)
Other	3.1	4.1
Net cash flow	(42.7)	(118.4)

- Record 1H17 operating cash flow a highlight of result
- Strong revenue growth complemented by working capital management
- Debtors reduced, despite 11.7% increase in revenue
- Compared to 1H17, stay in business capex stable, while development capex declined
- Dividend paid up, including payment of final special dividends in both periods
- Days outstanding declined to 47.9 days from 51.8 days at Dec 17 year end

Working capital

	June 2018 $m	Restated December 2017 $m	Variance %
Trade and other receivables (including JV's)	240.9	241.0	0.0
Inventories: Cement and Lime	105.3	103.6	1.6
Concrete and Aggregates	28.5	29.6	(3.7)
Concrete Products	40.9	41.1	(0.5)
Total inventory	174.7	174.3	(0.2)
	June 2018 $m	**June 2017 $m**	**Variance %**
Bad debt expense	0.6	0.4	50.0

- Trade debtors balances declined despite the higher revenue in the period, resulting in a decrease in debtor days outstanding
- Sustainable improvements to processes and management of debtors
- Inventories at more normal levels following increase at December 2017

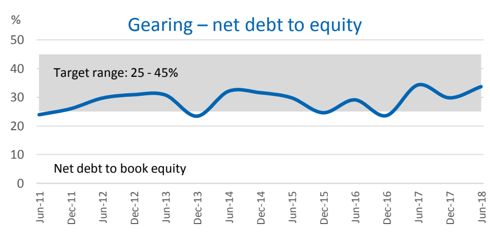
Balance sheet and capital management

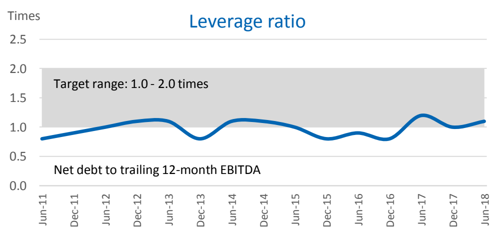
Capital management goals

- Efficient balance sheet to optimise shareholder returns — prudent debt level
- Flexibility to fund capital projects and acquisitions
- Investment grade to optimise funding cost
- Distribute surplus capital in an efficient manner — Special dividends and other options considered

Target net debt

- Board considers two measures:
  - Net debt to book equity of 25% to 45%
  - Leverage ratio of 1.0 to 2.0 times
- Leverage Ratio a responsive measure of debt serviceability
- Upper end of range prudent and investment grade
- Near the top of the range – DRP; near bottom of range – capital return
- No fundamental change in the approach to capital management, dividends or investment decisions





Creating value through disciplined approach

Acquisitions

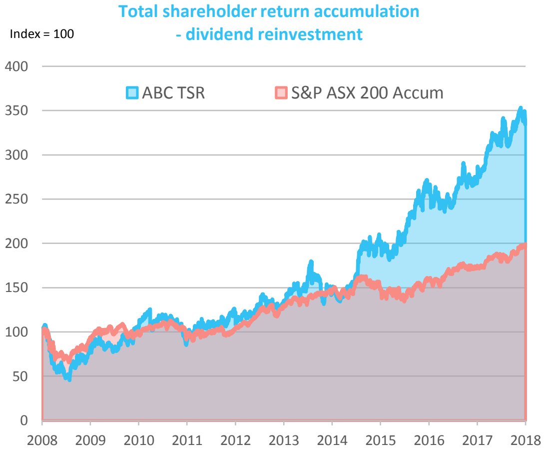
- $260m in acquisitions over last 5 years
- Blended 6.7 times current year EBITDA
- Synergy benefits from back office savings, transport and materials pull through
- Met targets, diversified earnings and provided integration benefits

Organic growth

- >$100m in organic growth in last 5 years
- Generally lower risk and higher return

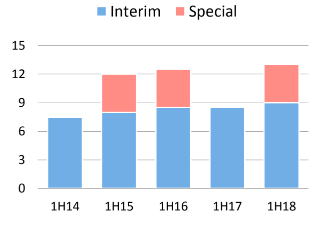
Property

- Program released $97m over 5 yrs
- >$100m proceeds expected over next decade



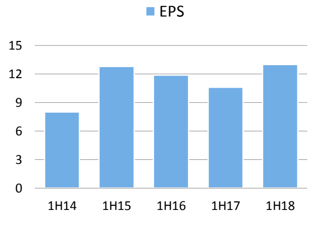
Shareholder returns

Dividend (cents)



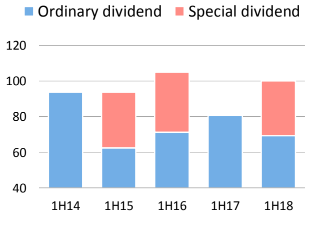
- Interim ordinary dividend increased to 9.0 cents (fully franked)
- 4.0 cents special dividend (fully franked)

EPS (cents)



- Basic EPS 13.0 cents
- Underlying EPS 13.1 cents

Payout ratio %



- Target payout for ordinary dividend remains 65% – 75% of basic EPS

Management changes

CEO and Managing Director

- In May 2018, Martin Brydon informed the Board of his intention to retire towards the end of 2018
- A globally recognised search firm has been appointed to lead the search
- Interview process of internal and external candidates has commenced
- Board expects to make a further announcement in Q4 2018

Chief Financial Officer

- Michael Kelly, Chief Financial Officer, has resigned effective 3 November 2018
- A formal search for his successor is underway

Adelaide Brighton's highly focused strategy

Consistent long term strategy delivering returns		
1	Cost reduction and operational improvement across the business	• Best practice operational performance • Import strategy to maximise asset utilisation • Focus on energy usage and procurement
2	Grow the lime business to supply the resources sector	• Unique resource and cost position • Long term customer contracts and growth • Continuous improvement to maintain cost leadership
3	Focused and relevant vertical integration	• Operational performance to realise long term value • Targeting strategic aggregates positions • Strong emphasis on shareholder value creation

2018 Outlook

Sales

- Stronger demand for construction materials anticipated in SA and the east coast; stable demand in WA and NT
- Cement sales volume anticipated to be higher than full year 2017
- Concrete and aggregates sales volumes expected to be higher than full year 2017
- Lime sales volumes expected to be similar to 2017
- Lime prices expected to improve in 2H18 compared to 1H18

Earnings

- Joint venture operations in Australia to continue to benefit from strong demand and price increases
- Import costs to increase by $3m over 2018 on higher materials costs
- Energy costs anticipated to increase $6m in 2018 but much of this passed on to customers under long term arrangements
- No significant land sales expected in 2018
- Aim to maintain balance sheet flexibility and maximise returns to shareholders
- Underlying NPAT of $200m to $210m

Building shareholder value – clear process

Drivers of business and shareholder value

Financial performance
Delivering attractive return on capital

Market leadership
Maximise operating efficiencies

Capital management
Optimise utilisation of capital and returns

Governance and social licence
Licence to operate for our shareholders and stakeholders

Risk management
Balance sheet, operational risks and organisational

Adoption of AASB 15
– Revenue from Contracts with Customers

- AASB 15 adopted from 1 January 2018; restated comparatives for the 2017 financial year
- In a limited number of circumstances, required to recognise revenue on a different basis
- This primarily relates to contracts with stepped pricing applying to a contract year, where the contract year is different to Adelaide Brighton's financial reporting period
- The standard has no impact on cash flow, nor total revenue recognised from any contract over the life of the contract
- Overall impact on the full year is not expected to be material
- However, the effect of the standard change is that more profit has been recognised in the first half of the financial year and less profit will be recognised in the second half
- Impact on Reported NPAT for 1H18 and 1H17:

Increase / (decrease) $ million	2018	2017	Year over year variance
1H	2.4	3.1	(0.7)

Underlying profit

Underlying basis	6 months ended 30 June 2018 $m	Restated 2017 $m	Change pcp %
Revenue	807.2	722.9	11.7
Depreciation and amortisation	(43.7)	(41.5)	5.3
Earnings before interest and tax	123.5	113.0	9.3
Net finance cost	(6.7)	(5.5)	21.8
Profit before tax	116.8	107.5	8.7
Tax expense	(31.6)	(29.9)	5.7
Net profit after tax	85.2	77.6	9.8
Non-controlling interests	–	–	–
Net profit attributable to members	85.2	77.6	9.8
Basic earnings per share (cents)	13.1	11.9	10.1

- Underlying profit includes property profits but excludes transaction and restructuring costs

Reconciliation of underlying profit

Half year ended 30 June $ million	2018			2017		
	Profit before tax	Income tax	Profit after tax	Profit before tax	Income tax	Profit after tax
Statutory profit	**115.8**	**(31.3)**	**84.5**	100.7	(28.9)	71.8
Doubtful debts	**1.0**	**(0.3)**	**0.7**	–	–	–
Rationalisation of cement production	–	–	–	2.5	(0.8)	1.7
Corporate restructuring costs	–	–	–	0.5	(0.2)	0.3
Acquisition expenses	–	–	–	3.8	–	3.8
Underlying profit	**116.8**	**(31.6)**	**85.2**	107.5	(29.9)	77.6

- Additional costs of $1m relating to associated costs of doubtful debts issue identified in 2H17
- Employee redundancy costs of $2.5m associated with Angaston site rationalisation in pcp
- Redundancy and one-off employment costs of $0.5m in pcp – staff restructuring within the Group
- Costs of $3.8m associated with acquisitions in 2017

Finance expense

6 months ended 30 June	2018 $m	Restated 2017 $m
Interest charged	7.7	6.1
Unwinding of the discount on restoration provisions and retirement benefit obligation	0.5	0.5
Interest capitalised in respect of qualifying assets	(0.6)	(0.4)
Total finance expense	7.6	6.2
Interest income	(0.9)	(0.7)
Net finance expense	6.7	5.5
Interest cover (EBIT times)	18.3	19.3

- Net finance costs of $6.7m were $1.2m higher than the first half of 2017
- The increase was due to an increase in market interest rates and higher average borrowings

Energy

Energy cost mitigation strategy

- Portfolio approach to energy supply
- Reduced medium term consumption through operational improvement
- Alternative fuels – targeting > 30% of 6PJ consumption in SA in medium term
- Short term electricity demand management
- Use of alternative cementitious materials
- Financial strategies, where it adds value

Energy costs expected to be $6m higher in 2018

- Benefit from lower SA electricity costs in 2018 due to new 5 year contract for electricity from renewables and a reduction in WA gas costs from 4Q18
- Offset by higher coal costs in WA and gas costs in SA

Adelaide Brighton brands

Concrete and Aggregates

HY-TEC
CENTRAL
Penrice Quarry & Mineral
DIRECT MIX CONCRETE
Davalan Concrete
PENINSULA QUARRIES
SOUTHERN QUARRIES

Cement and Lime

Adelaide Brighton Cement Ltd
COCKBURN CEMENT
MCI
Northern Cement
Swan Cement

Concrete Products

adbri MASONRY

Joint Ventures

MAWSONS
batesford quarry

Joint Ventures

Sunstate Cement Ltd.
aalborgportland
Independent Cement and Lime Pty. Ltd

Joint Ventures

Burrell Mining Services

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