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

ADELAIDE BRIGHTON INVESTOR NEWSLETTER

Attached for release to the market is a copy of an investor newsletter dispatched to Adelaide Brighton Ltd shareholders today.

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Investor News

Adelaide Brighton Investor News

April 2015



From the CEO

The past year has been a rewarding year for Adelaide Brighton shareholders with record profits and revenue achieved.

Just as importantly, however, the story underlying the financial results shows how our structure and strategy enable us to continue to grow and perform well.



Our vertically integrated structure and our ability to participate in markets at different stages of the value chain make Adelaide Brighton a resilient business that is well placed to take advantage of new growth opportunities, whether organically or by acquiring new businesses.

To recap on our results for the 12 months to end of December 2014, we made a record net profit after tax of \$172.6 million which was 14.2% higher than the previous year. Total revenue was \$1337.8 million, also a record, up 8.9%.

The final dividend for 2014 of 9.5cps is an increase on the 2013 final dividend.

This good result was driven by stronger revenue from the supply of cement, concrete and aggregates. We benefited from healthier construction markets, especially in New South Wales and Queensland, winning new business and increasing supply to existing customers. But we were also able to improve margins in this business through increases in prices and operational improvements.

We are the second largest supplier of cement and cement-related products in Australia and the largest importer. We have distribution channels for cement in every mainland capital city. So where there are opportunities to supply we are well placed to benefit.

For example, despite a contract in South Australia not being renewed from this year, we secured a new contract with that same customer for a related cement product and won new contracts with others.

I also want to single out our Concrete Products Division, which makes pavers, bricks and high-end masonry products. It has reinvented itself since the post-GFC slump in the Australian construction industry, and in 2014 posted an impressive 190% increase in earnings.

Cutting costs through operational improvements is a key part of our strategy. We have saved circa \$50 million in the past three years alone by making our operations more efficient.

The outlook for the remainder of 2015 is positive for your company. We expect demand for our products to remain about the same or above last year's levels and to continue to benefit from our long term Operational Improvement Program. We will also keep a keen eye on any opportunities to make acquisitions that will enhance shareholder returns.

Martin Brydon

Shareholder calendar

- **16 April:**
FY2014 final dividend payment
- **27 May:**
2015 Annual General Meeting
- **20 August:**
2015 Half year result and dividend announcement

FY2014 financial highlights

NPAT:

\$172.6m

up 14.2% from FY2013

Revenue:

\$1,337.8m

up 8.9% from FY2013

Final Dividend

9.5cps

Fully franked,
up 5.6% from FY2013

Laying the foundations for a strong business

The Concrete Products Division almost tripled earnings in 2014.



Machine laid paving opens up new applications



Versaloc mortarless building system

Concrete Products Division EBIT increase in FY2014:

190%

Adelaide Brighton's Concrete Products Division, which goes by the trade name Adbri Masonry, has shown how innovation in this sector can produce big benefits for the customer, while also delivering higher returns to the Group and to shareholders.

Last year, the Division's returns grew faster than any other, with earnings surging 190%.

Adbri Masonry is Australia's largest manufacturer of concrete masonry products, servicing key eastern seaboard and South Australian building and construction markets.

While masonry is a smaller business, it is an important link in the chain that strengthens the overall Group, buying cement and other raw materials internally, for example.

CEO Martin Brydon says the big increase in earnings in 2014 was the result of many years of hard work to find innovative product and supply solutions that have made the business much more efficient and opened up new markets.

"This hasn't come about in the past three or four years, it's been a long journey of hard work," Mr Brydon says.

Success has rested partly on driving a much more efficient business, mothballing inefficient production facilities, upgrading machinery and contracting other manufacturers to produce masonry where it makes economic sense to do so, known as production tolling.

But the turnaround of the business has also been due to diversifying the product range and introducing smart new products, like the Versaloc mortarless building system. Versaloc is sturdy enough to use even in large, multi-storey buildings and has therefore opened up new markets in residential and commercial construction.

Similarly, Adbri Masonry has also moved quickly to using machines to lay pavers, which has allowed them to be used in large applications where hand laying is less efficient but where pavers are a lower maintenance solution than bitumen, such as port facilities and truck yards.

Adbri Masonry has also developed and extended its range of high end, higher margin masonry products with offerings like Euro Stone (pictured), which has an exposed aggregate surface to highlight the natural stone within.

"We're responding to the trend towards people wanting that professional, designer look around their home," Mr Brydon says.



Euro Stone has an exposed aggregate surface to highlight the natural stone within

Northern Cement named Manufacturer of the Year

- Adelaide Brighton subsidiary Northern Cement has won the Manufacturer of the Year Award at the Northern Territory Chief Ministers 2014 Export and Industry Awards.
- Northern Cement was recognised for its recent investment in bagging automation at its Darwin plant.

Cement, wherever it's needed

Adelaide Brighton is the largest importer of cementitious products in Australia.

This is the basis of the Company's ability to supply cement and clinker at low cost and into all major markets in Australia, whether for a housing development in Fremantle or a new high-rise office block in downtown Brisbane.

The Company's imports of cement reached 2 million tonnes in 2014, about half of its needs and approximately 20% of the Australian market.

Adelaide Brighton's cement manufacture and import capability

- International imports
- Domestic imports

- Cement Milling
- Clinker Production
- Cement Terminal



Adelaide Brighton has an unrivalled network of import terminals around the country that brings in cement by ship from Japan and the company's joint venture in Malaysia.

The company's import capability allows it to maximise efficiency by operating local cement manufacturing plants, such as at Birkenhead in Adelaide, at full capacity and using imports to fill the growth in demand, wherever in the country that may be. It can quickly and cheaply ship imported cement to markets all around the country. No other company has that advantage in Australia.

Acquisitions have been an important strategy in expanding this network. The purchase of the BM Webb Construction Materials business in 2014, including its cement import operations, expanded Adelaide Brighton's cement distribution footprint into north Queensland.

The import strategy is supported by long term supply agreements with two Japanese manufacturers of grey clinker and Aalborg Portland Malaysia, which supplies premium white clinker, which is mixed with aggregate to make white concrete for use in prestige construction projects and decorative work.

The year 2014 was a good one for Cement, which makes up more than half of Adelaide Brighton's revenue. Sales revenue rose in most mainland states amid improving conditions in the residential and commercial construction sectors. New contracts were signed with customers in Western and South Australia.

Cement also contributed positively to the Group's overall profit, aided by price increases in cement and lower costs achieved through Adelaide Brighton's Operational Improvement Program (see page 4).

Operational improvement delivers circa \$50 million over 3 years

Adelaide Brighton's Operational Improvement Program (OIP), has already delivered circa \$50 million in benefits in the past three years, including almost \$20 million in 2014, and will further support earnings in 2015 and beyond.

OIP savings in FY2014

Corporate restructure:

\$4.0m

Munster cement rationalisation:

\$5.0m

Energy:

\$4.9m

Other initiatives:

\$5.8m

GEO Martin Brydon says the nature of Adelaide Brighton's business made operational improvements a core strategy for maximising earnings. "The scale of our operations and its vertically integrated structure means that even small improvements have an important impact over time and flow down to other parts of the value chain," Mr Brydon says.

The OIP focuses on increasing efficiency, cutting fuel costs, upgrading plant and equipment and reducing corporate overheads.

The biggest project of recent years has been the upgrade of the plant at Birkenhead in Adelaide to expand cement milling capacity by 750,000 tonnes per year or by around 40%.



▼ Birkenhead 1931 ▼ 1953

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Birkenhead celebrating 100 years

Last year Adelaide Brighton Cement marked 100 years of cement manufacture at the Birkenhead Plant at Port Adelaide in South Australia. Since its early and humble beginnings the Birkenhead plant has changed significantly and through a series of innovations and expansions over the years has become one of the most energy efficient plants in Australia. The Birkenhead plant has been a contributor to the local, state and Australian economy and infrastructure for over a century – a great South Australian story of which the company is very proud.

The upgrade delivered \$1.1 million in benefits in 2014, on top of the \$8 million of benefits the previous year, the first year of the expansion. There is more upside in coming years.

Operational improvement not only has financial benefits for Adelaide Brighton, it often has environmental benefits for the surrounding communities. The upgrade of the ship loader at Birkenhead and installation of bag house filters on two kilns at Munster in Western Australia, for example, reduced emissions of dust. The company is also mindful of its carbon footprint and the need to reduce it, working constantly to reduce fuel and energy use, reducing costs in this area by \$4.9 million in 2014.

Increasing the use of recycled materials is another element of the efficiency drive. The use of blast furnace slag in cement, an alternative raw material sourced from the steel processing industry not only saves money, it repurposes a waste product.



▼ 2014

Did you know?

- The Birkenhead Plant commenced operation on its current site in 1914. Its location adjacent to the deep water of Port of Adelaide allows access to shipping facilities, good proximity to customers and labour resources.
- The Birkenhead Plant cement production capacity is approximately 1.7 million tonnes per annum.