

Investor News

Adelaide Brighton Investor News

June 2016

From the CEO and Managing Director

It was a pleasure to meet many of our shareholders at the recent Annual General Meeting in Adelaide and to share with you the Company's achievements of 2015 and the robust outlook for this great business.

Demand for our major materials is expected to remain strong this year given healthy residential activity, the start of major infrastructure projects and growing lime demand in the resources sector.



I have been talking for some time about an expected increase in spending on infrastructure as both state and federal governments look to improve services and support economic growth. You will recall that infrastructure spending was a highlight of the May Federal Budget, with new spending announced for roads, rail and dams. This spending will directly benefit Adelaide Brighton and its shareholders.

A large number of infrastructure projects are currently underway in South Australia, Adelaide Brighton's home state and the location of our most important asset, the Birkenhead cement works. We have invested in upgrading Birkenhead, a reflection of our confidence in the growth prospects of the Company and our confidence in South Australia. The article on the next page explores the strong, ongoing bond between the state and Adelaide Brighton, whose origins go back to 1882.

We are playing a vital part in building the state's future, including training the next generation of engineers through our long running work experience program for university students (page 4).

Last year's financial results continued to validate the course the Company is taking. Dividends paid to shareholders were raised from 17c to 27c a share, including special dividends worth 8c a share. Adelaide Brighton posted record revenue and net profit after tax of \$207.9 million, while at the same time reducing debt. The result was boosted by our ongoing program of surplus land sales.

Adelaide Brighton's earnings continue to be supported by the Company's ongoing operational improvement program, including improvements in safety, such as the award winning initiatives undertaken at Hy-Tec quarries in New South Wales, as outlined on page 4.

The outlook is bright for your Company. Prudent capital management will continue to be an important part of maintaining a strong, efficient balance sheet for Adelaide Brighton, while we retain the flexibility to fund long term growth. We remain well resourced and well positioned to capitalise on the significant opportunities ahead.

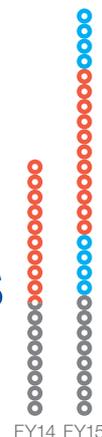
Martin Brydon

FY2015
Dividends

27cps

Fully franked

● Special 8.0c
● Final 11.0c
● Interim 8.0c



FY2015
Financial Highlights

- **Record NPAT**
up 20.4% to \$207.9 million
- **Record revenue**
up 5.6% to \$1.41 billion, supported by residential construction and acquisitions

Shareholder
calendar

- **31 August**
2016 Half year result and dividend announcement

p2 Building the Great State of South Australia

South Australia and Adelaide Brighton: a partnership built on strong foundations

Given Adelaide Brighton's name references the capital, it's reasonable to assume strong ties and a shared history with the great state of South Australia. It remains an important driver of shareholder returns, home to production assets and important markets.

Since the first production of "Portland" cement in 1882, Adelaide Brighton has made a major contribution to South Australia's development by providing the basic raw materials for production, construction and economic growth.

Adelaide Brighton's most important cement production facility is at Birkenhead, in the north west area of Adelaide. In fact, our Birkenhead and Angaston plants are the only cement works in the state and two of only five fully integrated cement plants in Australia. From South Australia the Company supplies cement and related products to local and interstate markets.

The Birkenhead plant is world class and reflects Adelaide Brighton's confidence in South Australia as a major production location. The Company continually invests in the Birkenhead plant. Our \$60 million investment a few years ago included:

- » Increasing cement grinding capacity, ensuring a higher proportion of value add is undertaken in South Australia
- » Upgrading ship loading facilities at the Birkenhead wharf to incorporate best available dust collection technology
- » Installing a slag dryer and storage facility (slag is a by-product of the steel making industry which replaces primary cement materials and reduces the carbon footprint of the cement manufactured)
- » Expanding the raw material feed system and relocation of raw material open stockpiles under cover

In keeping with the state's innovation ethos, Adelaide Brighton has also increased the productivity and performance of its business with:

- » Gas fired kilns, with a reduced carbon footprint compared to coal
- » Sophisticated gas and electricity management



▼ Birkenhead today

- » Alternative fuels – e.g. using carbon powder and process engineered fuel, typically commercial and industrial demolition waste and primarily timber based, as substitutes for gas
- » Utilising fly ash, granulated blast furnace slag and innovative backfill products

Adelaide is also head office for the Company, one of Australia's largest construction materials businesses with more than 1400 employees nationally and annual revenue exceeding \$1.4 billion. Adelaide Brighton is the number two Australian cement producer, the largest cement importer into Australia, the leading Australian lime producer, the largest Australian concrete products business and holds major positions in concrete and aggregates in the markets in which it operates.

In South Australia, Adelaide Brighton holds the number one position in cement and number two position in aggregates and premixed concrete, through Direct Mix Concrete and Southern Quarries. As such, it operates at all stages of the supply chain for materials supplied to construction and resources projects throughout South Australia.

The outlook is bright for construction in South Australia over the next two to three years. Major infrastructure projects such as the Torrens to Torrens South Road Upgrade, the Darlington Upgrade, Northern Connector Project and the O-Bahn City Access Project have boosted the demand outlook for construction materials in the state. Adelaide Brighton is also supporting Adelaide CBD hotel construction and the impending Riverbank Precinct projects.

"We've been in Adelaide for 134 years," Executive General Manager for Marketing and International Trade Michael Miller says. "It is our intention to be there at least as long again, for the benefit of South Australia and all our stakeholders."



▲ Birkenhead 1931

Founded 1882

Adelaide Brighton began in South Australia 134 years ago

The Birkenhead Plant supplied 3,500 tonnes of cement for the Riverbank Bridge ▼



3000 jobs are directly and indirectly supported by Adelaide Brighton in South Australia, including 800 in the north west area of Adelaide and more than 200 in the Barossa

(2014 study by *Economic Research Consultants*)

We are also developing the next generation of engineers through annual work experience placements for South Australian university students (see story on p4)

Our operations in South Australia

- Cement
- Lime
- Concrete
- Aggregates
- Concrete Products



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Current major South Australian infrastructure projects

- » Torrens to Torrens South Road Upgrade – a 4km section of non-stop roadway
- » O-Bahn City Access Project – a dedicated bus tunnel and centrally aligned priority bus lanes into the CBD
- » Darlington Upgrade Project – major road upgrade of Adelaide’s North-South Corridor
- » Adelaide Riverbank Precinct – Adelaide Convention Centre Extension
- » Northern Connector Project – non-stop motorway connecting the Northern Expressway and South Road Superway



Building the next generation of engineers

Studying engineering can be heavy on theory, but Adelaide Brighton gives a select number of university students the chance to get their hands dirty each year and gain valuable practical experience through its long running student vacation program.



▼ 2015 students Elliot, Alexandra, Matthew and Alice

“It’s pretty unique in giving students a real responsibility in project based work.”

The program, which has been operating at Adelaide Brighton for three decades, introduces engineering students to a heavy industrial setting and allows them to put into practice the knowledge and skills they have learned in their degree.

Coordinator of the program, Process Kiln Engineer Daniel Mellor, says places in the program are highly sought after because there are a limited number of engineering work experience opportunities in South Australia and most of those are roles with consultancies. “It’s pretty unique in giving students a real responsibility in project based work,” Mr Mellor says.

Students are based at either the cement plants at Birkenhead or Angaston. The placements run for 12 weeks and the students are paid a wage. In the most recent program, the Company accepted three students from Adelaide University and another from the University of SA.

Mr Mellor says the program is deliberately rigorous and emphasises practical problem solving. Students are each given three or four projects to complete during their time, working under the close guidance of senior managers, and must present their results on each project to management, followed by a final report.

Many students say they take away a better understanding of the importance of good communication in the workplace and how to work in a team. Alice Peters, who is studying a Bachelor of Chemical Engineering and Finance, worked on a range of projects from trials for a new raw kiln feed, optimising the life span of bag filters, through to interrogating stock discrepancies. “I’ve developed my communication skills and understanding of the collaboration within a manufacturing facility like Birkenhead to identify and implement solutions to resolve problems,” Ms Peters says.

Contact details

Head office

Adelaide Brighton Ltd
Level 1, 157 Grenfell Street
Adelaide SA 5000

GPO Box 2155
Adelaide SA 5001
Telephone (61 8) 8223 8000
E: adelaidebrighton@adbri.com.au



Safety First at our quarries

A constant focus on safety is in Adelaide Brighton’s DNA and the Company’s Lost Time Injury Frequency Rate has more than halved in the past five years.

CEO Martin Brydon told investors earlier this year, “We choose the safe option all the time and... it’s through our actions that we can influence others.”

At Adelaide Brighton, everyone owns safety – employees are encouraged to take ownership for safety and innovation to help reduce injuries. In our Concrete and Aggregates Division at the Hy-Tec Yarrabee Road Quarry near Port Macquarie in New South Wales, maintenance and production employees identified and implemented a solution to the hazardous manual task of

changing liners on a roller cone crusher. Cone crusher liners could only be changed by a worker wielding a 13kg sledgehammer for up to two hours to release a large cone nut. The Hy-Tec Team re-engineered the cone nut and installed a new platform for the worker, to make the task safer and more efficient.

The solution to changing of liners on a roller cone crusher has not only had a positive impact at our Yarrabee Road Quarry and Hy-Tec nationally, but at quarries around Australia. The initiative won the team the judges and people’s choice awards in the New South Wales Mine Safety Participatory Ergonomics Program for the best ergonomic initiative.