



Adelaide Brighton Ltd December 2011 full year result

16 February 2012



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Agenda

- Performance highlights
- Strategy development
- Divisional review
- Financials
- Outlook



Overview

Mark Chellew
Managing Director and CEO



Performance highlights

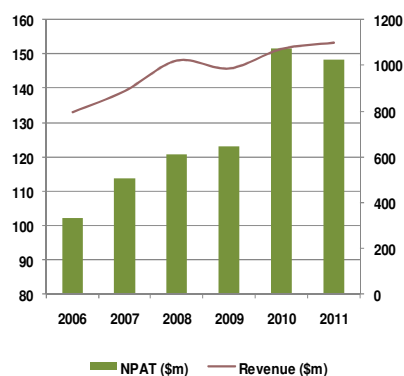
\$m	31 Dec 2011	31 Dec 2010	% change
Revenue	1,100.4	1,072.9	2.6
EBIT	223.4	216.2	3.3
PBT	206.4	202.2	2.1
NPAT attributable to members	148.4	151.5	(2.0)
Cents			
EPS	23.3	23.9	(2.2)
Final dividend	9.0	9.0	-
Full year ordinary dividend	16.5	16.5	-
Full year special dividends	-	5.0	

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Revenue and earnings



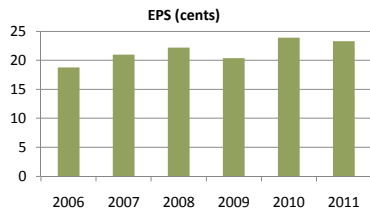
- Record revenue of \$1,100.4 million, up 2.6%
- Project work in SA and WA offset weakness in the residential sector
- EBIT increased 3.3% to a record \$223.4 million
- Margins improved as price increases and cost management offset cost pressures
- Higher Australian dollar had a positive impact on import margins
- Net finance costs \$17.0 million – \$3.0 million higher than pcp due to higher levels of debt and interest rates
- NPAT decreased marginally by 2.0% due to higher effective tax rate

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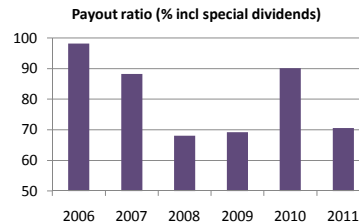
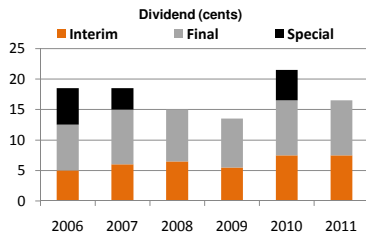
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Shareholder returns



- EPS 23.3 cps, down 2.2%, tax driven
- Total 2011 dividend of 16.5 cps, fully franked
- Special dividend not declared due to higher capital expenditure on growth
- 2011 total dividend payout ratio of 70.8%



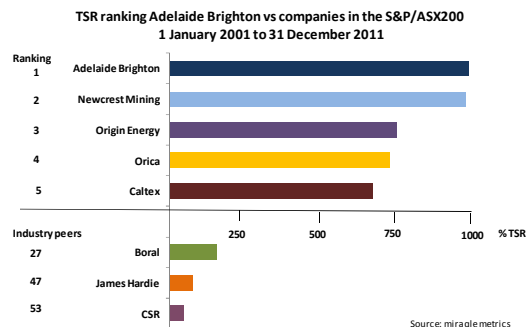
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Total shareholder return

- A decade long transformation into national construction materials supplier and the leading supplier of lime to the resources sector
- Returns underpinned by the rationalisation of production capacity, reinvestment in cement and lime manufacturing and measured downstream growth
- Improved cost structure and competitive position have supported consistent growth in shareholder value



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Key profit drivers

- Demand from mining and projects in SA and WA offset a weak residential sector
- Sales in Victoria were strong, increased in line with the market
- Price increases in most products in line with expectations
- Favourable geographic and industry spread supported demand
- Lime demand generally in line with prior year
- Cost management programs delivered benefits of \$23 million helping offset increased costs of energy and labour
- Effective management of energy costs: electricity demand management, direct participation in the gas Short Term Trading Market and use of record levels of alternative fuels
- Benefit from higher Australian dollar on import margins

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Consistent long term strategy

- Consistent strategy over the last decade has supported long term shareholder returns:
 - » Cost reduction and operational improvement
 - » Lime development
 - » Focused and relevant vertical integration
- Cement – investment to expand milling capacity
- Lime – capacity expansion and improvements in environmental performance
- Downstream acquisitions - four acquisitions in 2011

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Operational improvement continues

■ Operational improvement

- » Adelaide Brighton has an ongoing focus on cost management across the Group, with particular emphasis on energy efficiency and reduction of its carbon footprint
- » Clinker and lime manufacturing facilities running at capacity
- » The company will continue to evaluate its domestic footprint compared to the potential enhancement of import flexibility
- » Expansion of Birkenhead cement milling capacity
- » Investment in Munster lime Kiln 6 brings capacity benefits and environmental improvements



Operational improvement continues

■ Cost Management Programs delivered benefits of \$23 million in 2011, offsetting significant increases in energy (+9%) and labour (+4%)

- » Management of fuels and energy
 - Record use of alternative fuels at Birkenhead
 - Gas purchases on the spot market
 - Electricity demand management
- » Maintenance
 - Careful management of maintenance and shutdown programs
- » Raw materials
 - Increased use of supplementary cementitious materials
- » Labour
 - 3% Reduction in underlying employee numbers - overheads, sales, distribution, production



Operational improvement in cement

- Expansion of Birkenhead (South Australia) cement milling capacity
 - » \$60 million for the expansion of cement milling capacity by 750,000 tpa
 - » Little carbon impact – clinker capacity maintained
 - » Reduce Group's reliance on imported cement
 - » Environmental benefits through improved dust collection from the upgrade of ship loading facilities
 - » Expected to improve EBIT by \$10–\$12 million per annum when completed in mid 2013
 - » Project is subject to planning approvals and renewal of long term supply contracts with ICL
 - » Planning approvals are well progressed



Lime development

- Lime capacity expansion and environmental improvements
 - » Approved \$34 million for two projects bringing environmental improvements and 100,000 tonnes per annum capacity at Munster, Western Australia
 - \$24 million to replace the kiln 6 electrostatic precipitator with a heat exchanger and bag filter to reduce dust emissions
 - \$10 million for a new cooler bag house to meet expected future demand from the resources sector in WA
 - Projects expected to be completed in 2012



Consistent long term strategy

- Focused and relevant vertical integration to underpin cement asset utilisation and drive returns through the value chain
 - » Four transactions completed in 2011 for a total consideration of \$48 million, which represents a multiple of 7.3 times estimated annualised 2011 EBITDA
 1. *KMM, Kingaroy Qld*
 - Concrete and aggregate business acquired in January 2011 expected to benefit from infrastructure and resource projects
 2. *Mundubbera, Queensland concrete business acquired in August 2011*
 3. *South Coast Equipment, south of Wollongong NSW*
 - Concrete business acquired in March 2011
 - Well positioned to benefit from long term population growth in this region
 - Secures cement sales from Port Kembla operations



Consistent long term strategy

4. *Hammercrete, south east Qld and northern NSW*
 - Purchase of high quality assets, completed in July 2011
 - Hard rock quarry with approved volume limit of 500,000 tpa and reserves in excess of 20 years – services Gold Coast, southern Brisbane and northern NSW
 - Three concrete plants - Gold Coast, Brisbane and Toowoomba
 - Well positioned to benefit from projects and long term population growth
- » Adelaide Brighton continues to evaluate potential acquisitions, with the expansion of our aggregates position being a key factor in future strategic growth



Contract renewal

- Cement supply agreement formalised with major cement customer:
 - » Covers SA and WA cement supply until 31 Dec 2012
 - » The customer has the option of extending supply in SA to 31 Dec 2013 – we remain cautiously confident of this option being exercised
- Lime supply contract with major WA alumina producer formally executed (in line with Heads of Agreement)
 - » Effective from 1 July 2011 and covers supply for periods ranging between five and ten years
 - » Some of the contracted volume is not committed, which opens the possibility of imports from other suppliers
- Supply to ICL agreed in principle subject to ICL unit-holder approval
 - » Cautiously confident that supply arrangements which expire at the end of the first quarter of 2013, will be renewed on not materially different terms



Divisional reviews



Cement

- Excluding loss of circa 50% cement supplied to major WA customer, sales of cement increased marginally in 2012
- Increased demand from mining, resources and projects in WA and SA offset reduced residential activity
- Strong cement sales in Victoria, in line with the market
- Marginal increases in average cement net selling price
- Cement margins improved as benefits from cost management helped offset labour and fuels/energy costs
- Clinker kiln capacity fully utilised, with our largest clinker kiln at Birkenhead, SA running at close to record production levels while utilising a record quantity of alternative fuels
- Sales volumes in excess of domestic production met through successful long term import strategy
- Strong Australian dollar improved import margins by circa \$4 million versus pcp



Lime

- Overall, lime demand generally in line with prior year
- The temporary suspension of operations at a major customer in the Northern Territory impacted on volumes in the first half (sales resumed mid 2011)
- Margins improved as price increases and efficiency improvements more than covered input cost pressures
- Lime kilns fully utilised at Munster WA, Angaston SA and Mataranka NT
- Threat of small scale lime imports into WA remains
- Cautiously confident of long term position given low cost structure



Concrete and Aggregates

- Premixed concrete and aggregates volumes increased, largely as a result of four acquisitions completed during 2011
- Aggregate sales benefited by supply to the Pacific Highway upgrade
- Aggregate profit growth supported by higher plant throughput
- Use of alternative raw materials, management of mix designs and mixer truck utilisation underpinned control of concrete production costs
- Concrete and aggregate pricing increased in line with expectations



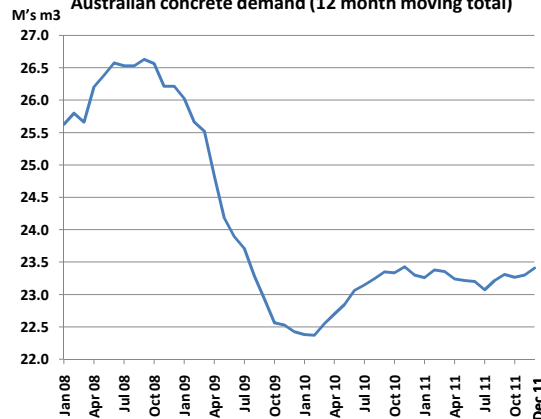
Concrete Masonry Products

- Adbri Masonry revenue down by 9%
- Full year EBIT of \$1.8 million down from \$3.8 million
- Trading conditions remain difficult in all masonry markets due to soft housing and commercial activity
- Continued weakness in the Queensland market and wet weather on the east coast early in 2011
- Overhead and production cost savings and adjustments to plant output helped offset the decline in sales volumes
- Intense competition and excess capacity in the industry
- Programs to achieve further savings in costs and develop innovative and lower cost products



Market demand

Australian concrete demand (12 month moving total)



- Concrete market peaked in mid 2008 after seven years of growth
- Downturn of about 15% over approximately 18 months
- Recovery plateaued in 2011
- Projects offsetting weakness in commercial and residential
- National concrete market expected to remain flat in 2012

Source: ABS

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Financial results

Michael Kelly
Chief Financial Officer

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Summary earnings

12 months ended 31 December	2011 \$m	2010 \$m	Change %
Revenue	1,100.4	1,072.9	2.6
EBITDA	281.2	269.0	4.5
EBIT	223.4	216.2	3.3
Net interest	(17.0)	(14.0)	21.4
Profit before tax	206.4	202.2	2.1
Tax expense	(58.0)	(50.8)	14.2
Non-controlling interests	-	0.1	-
Net profit attributable to members	148.4	151.5	(2.0)

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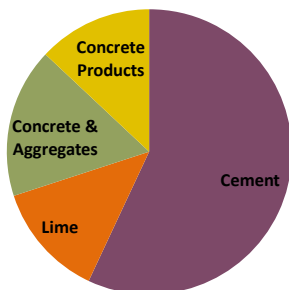
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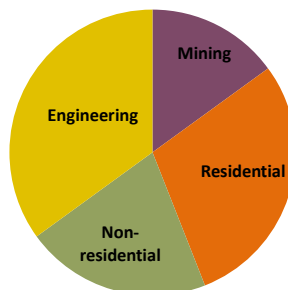
Adelaide Brighton revenue analysis

- 70% of revenue from Cement and Lime operations
- Exposure to engineering and mining sectors supported 2011 volume growth
- WA and SA are key geographic markets

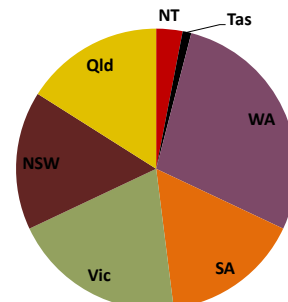
Revenue - product group



Revenue - by segment



Revenue - by state



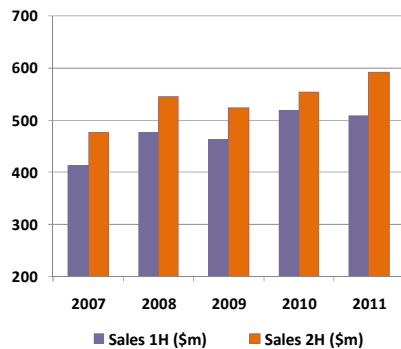
Source: estimated by ABL

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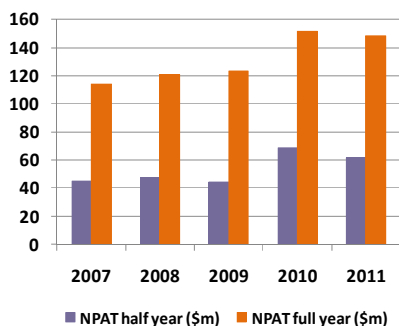
Revenue



- Typical 1H/2H revenue split is 48%/52%
- Key factors impacting this historically are:
 - » Seasonality - construction activity typically lower in January
 - » Changes in the broader construction cycle
 - » Timing of acquisitions
- 2011 1H/2H sales revenue split of 46%/54%
- Sales in 2H higher than typical due to:
 - » The acquisition of Hammercrete in July
 - » Price increases to a major lime customer effective from 1 July and
 - » Strong sales from projects towards the end of the year



NPAT – half and full year



- Profit typically higher in second half:
 - » Variation in sales per the last slide
 - » Shutdown expenditure typically weighted to first half
- 2H 2011 earnings were higher than 1H, with a greater spread than 2010:
 - » Significant maintenance activities in 1H
 - » price increases to a major lime customer effective from 1 July and
 - » strong demand from projects towards the end of the year and
 - » Better forex outcome in 2H



Joint ventures

ICL, Sunstate , Mawsons, Burrell Mining and Batesford Quarry

12 months ended 31 December ABL 50% share	2011 \$m	2010 \$m	Variance %
Sales	287.9	266.7	7.9
EBITDA	54.2	48.7	11.3
NPAT	35.7	32.1	11.2

- ICL: improved earnings due to
 - » Increased construction activity in Victoria, driven by major projects and
 - » Margin improvement due to improved pricing and cost control
- Sunstate Cement: revenue and earnings decline as a result of
 - » Weak construction activity in the south east Queensland market and
 - » Pricing pressures due to impact of an entrant into the market
- Mawsons: improved earnings from project and flood restoration work



Operating cash flow

12 months ended 31 December	2011 \$m	2010 \$m
Net profit before tax	206.4	202.2
Depreciation and amortisation	57.8	52.8
Income tax	(65.6)	(47.5)
Change in working capital	(29.0)	0.6
JV equity profit less dividend received	(9.5)	(15.2)
Other	(5.1)	(4.4)
Operating cash flow	155.0	188.5



Working capital

Year ended 31 December		2011	2010	Variance %
Trade and other receivables (including JVs)	\$m	168.9	153.3	10.2
Days sales outstanding	Days	46.2	46.2	-
Bad debt expense	\$m	(0.5)	(0.8)	(37.5)
Inventories: Cement and Lime	\$m	72.8	70.4	3.4
Concrete and Aggregates	\$m	16.0	11.0	45.5
Concrete Masonry Products	\$m	39.1	36.4	7.4
Total inventory	\$m	127.9	117.8	8.6



Net cash flow

12 months ended 31 December	2011 \$m	2010 \$m
Operating cash flow	155.0	188.5
Capital expenditure – stay in business	(54.5)	(41.5)
Proceeds from sale of fixed assets	1.6	4.5
Free cash flow	102.1	151.5
Capital expenditure - acquisitions	(47.6)	(1.2)
Capital expenditure – development	(36.8)	(9.0)
Investments and Joint Venture loans	3.2	(0.1)
Dividends paid – Company’s shareholders	(120.8)	(114.2)
Dividends paid – outside equity interest	(0.1)	-
Net cash flow	(100.1)	27.0

Total Capital Expenditure in 2011 of \$138.9 million



Finance expense

12 months ended 31 December	2011 \$m	2010 \$m
Bank interest charged	17.2	13.4
Unwinding of the discount on restoration provisions and retirement benefit obligation	3.1	2.9
Total finance expense	20.3	16.3
Interest income	(2.4)	(2.3)
Capitalised interest	(0.9)	-
Net finance expense	17.0	14.0
Interest cover (EBIT times)	13.1	15.4



Refinancing

- In 2011, the Company refinanced its existing bank debt facilities and increased its total debt facilities with three leading Australian banks to \$500m
- Additional funding will provide added financial flexibility going forward
- The maturity profile of facilities is now:

Facility amounts and maturity dates			
1 July 2013 \$m	1 July 2014 \$m	1 July 2015 \$m	Total \$m
200	140	160	500



Borrowings and gearing

Year ended 31 December		2011	2010
Net debt	(\$m)	248.4	148.4
Net interest for 12 month period ended 31 December	(\$m)	(17.0)	(14.0)
Gearing – net debt/equity	%	26.0	15.9
Net debt/EBITDA	Times	0.9	0.6
Net tangible assets/share	\$	1.22	1.19
Return on funds employed	%	19.4	20.0

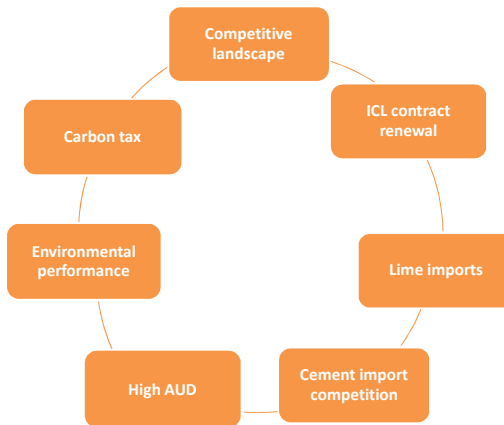


Mark Chellew
Managing Director and CEO



Key profit and operational challenges

- Industry remains highly competitive
- ICL contract renewal nearing completion
- Threat of small scale opportunistic lime imports in WA and strong AUD impacting pricing and potentially volume. Dumping case against WA lime importer initiated
- Cement import risk in NT and north west WA
- High AUD limits the scope for cost recovery for any domestic manufacturer
- Munster potential license changes (EPA license renewal 30 March 2012) and possible spend of \$10 to \$15 million for kiln 5 bag house filter
- Carbon tax impact on NPAT in 2012, circa \$2.7 million before mitigation



Carbon tax implications

- Adelaide Brighton is committed to lowering its carbon emissions and has significantly reduced its carbon footprint in Australia by:
 - » Using supplementary cementitious materials such as fly ash and slag
 - » Using alternative fuels and raw materials
 - » Implementing changes to cement standards
 - » Closing less efficient clinker facilities
 - » Developing its capability to import cementitious materials
- As a result of investment in import supply chain over the last 20 years, Adelaide Brighton is now the largest importer of cement and clinker into Australia
- This places the Company in a strong position relative to our domestic cement and clinker competitors to deal with the potentially rising cost of local production given the proposed introduction of a carbon tax



Carbon tax implications

- Estimated impact of carbon tax in 2012 of circa \$2.7 million profit after tax, before mitigation (circa \$5 million, before mitigation in the first 12 months of the scheme)
- Considering proposed carbon tax and high AUD, Adelaide Brighton expects it will significantly mitigate the impact of the carbon tax over the next five years by:
 - » Enhancing its import flexibility
 - » Reducing reliance on domestic manufacture
 - » Increasing the use of alternative fuels and cementitious substitutes
- Due to timing of contractual pricing clauses and planning for changes to import facilities, significant mitigation expected in 2013/2014
- The carbon tax is unlikely to have any material impact on the long term growth strategy:
 - » Operational improvement and asset utilisation
 - » Meeting the significant growth in lime demand from the resources sector
 - » Vertical integration into downstream concrete, aggregates and products markets



Outlook

- Adelaide Brighton anticipates demand for cement in 2012 to be similar to 2011 levels
- Demand remains robust in South Australia due to infrastructure and non residential projects and in Western Australia as a result of mining and resource projects
- Strong Australian dollar, competitive pressures and risk of imports in some markets may limit scope for price increases
- In 2012, lime sales volumes are expected to be marginally higher than 2011
- The threat of small scale cement and lime imports in Western Australia and the Northern Territory remains
- Benefit of improved pricing to major alumina customer in Western Australia, effective from 1 July 2011



Outlook

- Australian concrete market plateaued in 2011
- Concrete and aggregates pricing expected to improve further – increases notified effective 1 April 2012
- Weakness in the concrete masonry market is expected to continue in 2012 due to difficult conditions in the commercial and multi-residential sectors
- Significant land bank in WA, SA and Vic – over 2-10 years it is possible to realise circa \$100 million
- Continuation of successful long term growth strategy with investment in cement, lime and downstream operations
- Carbon tax impact on 2012 NPAT 2012 expected to be circa \$2.7 million, before mitigation
- Ongoing focus on cost management across the Group

