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Downstream acquisitions in South Australia and Queensland and renewal of long term cement supply agreement

Adelaide Brighton Limited today announced the acquisition of two integrated aggregates and premixed concrete businesses located in South Australia and Queensland. Together with the recently announced acquisition of the Penrice Quarry at Angaston, these represent a total investment by the Company of \$174 million. These acquisitions are consistent with the strategy of developing strong downstream positions in vertically integrated construction materials markets.

Direct Mix Concrete / Southern Quarries, South Australia (“DMC”)

In South Australia, Adelaide Brighton has entered into a contract to purchase DMC, the largest independent aggregates and premixed concrete supplier to the Adelaide building, construction and infrastructure market. DMC operates 13 concrete plants under its Direct Mix brand and operates significant hard rock quarry and sand operations under its Southern Quarries brand. Southern Quarries enjoys a strong number two position in the Adelaide aggregates and sand market.

The acquisition will provide Adelaide Brighton with a significant integrated concrete, hard rock, sand and transport operation that complements the Company’s cement and lime operations in South Australia. Adelaide Brighton is the existing supplier of cement to Direct Mix.

The business is well positioned with long term hard rock and sand reserves, which are cost competitive into South Australian metropolitan and regional markets. A number of major competing aggregate sources are expected to reach the end of their economic life over the next 5 to 10 years, underpinning the strategic attraction and long term value of the quarry assets.

The DMC Sellicks and Price quarries produce in excess of one million tonnes per annum of hard rock and sand, supplying all of the internal aggregates and sand requirement of the Direct Mix premix business.

Sellicks has in excess of 65 million tonnes of approved resource giving it a life greater than 50 years with significant freehold buffer land surrounding the quarry. The Price sand operation contains over 30 years of reserves.

Direct Mix produces in excess of 200,000 cubic metres of premixed concrete from three metropolitan and ten regional plants.

This acquisition complements Adelaide Brighton's leading position in the South Australian cement market securing a significant volume of cement pull through as well as providing overhead synergy benefits.

Penrice Quarry - Angaston, South Australia

Adelaide Brighton has now completed the acquisition of the Angaston quarry assets from Penrice. With long term reserves representing in excess of 30 years of useful life, the Penrice Quarry supplies approximately one million tonnes per annum of high quality industrial minerals and aggregates.

The quarry represents a strong strategic fit for Adelaide Brighton supplying raw materials for lime, oilwell and white cement manufacture at the Group's Angaston plant. The acquisition is also highly complementary to the Direct Mix and Southern Quarries market positions, providing a significant source of aggregates for the premixed concrete and civil markets to Adelaide's north.

Renewal of long term cement supply agreement, South Australia

In July 2014, Adelaide Brighton executed a long term supply agreement with the remaining major independent premixed concrete producer in South Australia. The agreement secures the cement supply to this long-standing customer until mid 2021 on similar terms to the previous supply agreement and underpins utilisation at the Birkenhead cement works.

BM Webb Construction Materials, Queensland ("Webb")

In Queensland, Adelaide Brighton acquired the concrete, quarry, sand, transport and cement operations of Webb in May 2014. The operations are located in and around Townsville, and include a concrete plant, a limestone quarry, cement operation (importing bulker bagged cement and fly ash), a sand reserve and transport operations.

The acquisition establishes a fully vertically integrated construction materials position in the high growth north Queensland region. The business currently produces approximately 60,000 cubic metres of concrete per annum and has hard rock reserves in excess of 50 years as well as significant sand reserves.

The acquisition may provide the opportunity for Adelaide Brighton to expand its cement distribution into the north Queensland market.

Financial impact

The total acquisition purchase price for the three transactions of \$174 million, including related transaction costs, represents an anticipated year one EV/EBITDA multiple of 9.8x and will be EPS accretive¹ in FY14 and onwards.

The acquisitions will be funded with existing cash and available facilities. Pro forma post acquisition gearing (net debt to equity) is expected to be at the upper end of target range of 25%-45%.

Strategic implications

Adelaide Brighton's consistent approach of investing for improvement and growth and returning surplus capital has supported strong total shareholder returns for more than a decade.

The key elements of the Adelaide Brighton strategy have been:

- (1) cost reduction and continuous improvement across the business;
- (2) grow the lime business to supply the resources sector in WA, SA and NT; and
- (3) focused and relevant vertical integration into downstream concrete, aggregates and masonry businesses.

The Company has recently completed a \$112 million investment program to improve capacity, efficiency and sustainability in the Cement and Lime Division. Previous downstream acquisitions have established a strong market position in the eastern states in concrete and aggregates.

Adelaide Brighton CEO, Martin Brydon said, "The acquisitions announced today align with our long term strategy. The Direct Mix and Southern Quarries businesses provide a scale entry to the South Australian concrete, hard rock and sand market. It offers a privileged, well located hard rock quarry resource with more than 50 years of reserves, it protects the sales of cement already supplied by Adelaide Brighton, and it provides overhead synergy benefits."

"The Penrice Quarry acquisition secures long term reserves of high quality industrial minerals and aggregates in excess of 30 years and complements the DMC market position, providing a significant source of aggregates to premixed and civil markets in Adelaide's north."

"The Webb acquisition offers the opportunity to expand into the attractive north Queensland market with the ability to import and distribute cement into this market."

The DMC transaction is expected to complete in August 2014 while the Webb and Penrice transactions completed in May 2014 and July 2014 respectively.

¹ Based on the expected operating results for the businesses being acquired, excluding the impact of transaction costs.

ADELAIDE BRIGHTON LIMITED (ASX CODE: ABC) IS A LEADING CONSTRUCTION MATERIALS AND LIME PRODUCING GROUP OF COMPANIES WHICH SUPPLIES THE AUSTRALIAN INFRASTRUCTURE, BUILDING AND RESOURCES INDUSTRIES. THE COMPANY HAS 1400 EMPLOYEES AND MARKET LEADING POSITIONS IN CEMENT AND CLINKER, LIME AND CONCRETE PRODUCTS AND IS AN EMERGING FORCE IN PRE-MIXED CONCRETE AND AGGREGATES. ADELAIDE BRIGHTON IS THE LARGEST IMPORTER OF CEMENTITIOUS MATERIALS INTO AUSTRALIA AND THROUGH ITS EFFICIENT IMPORT SUPPLY CHAIN HAS ACCESS TO EVERY MAINLAND CAPITAL CITY MARKET.

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