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17 August 2017

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 2017 - presentation

We attach copy of slides being shown by Martin Brydon, Chief Executive Officer of Adelaide Brighton Ltd, during briefings on the Company's financial result for the half year ended 30 June 2017.

Yours faithfully

MRD Clayton
Company Secretary

For further information please contact:
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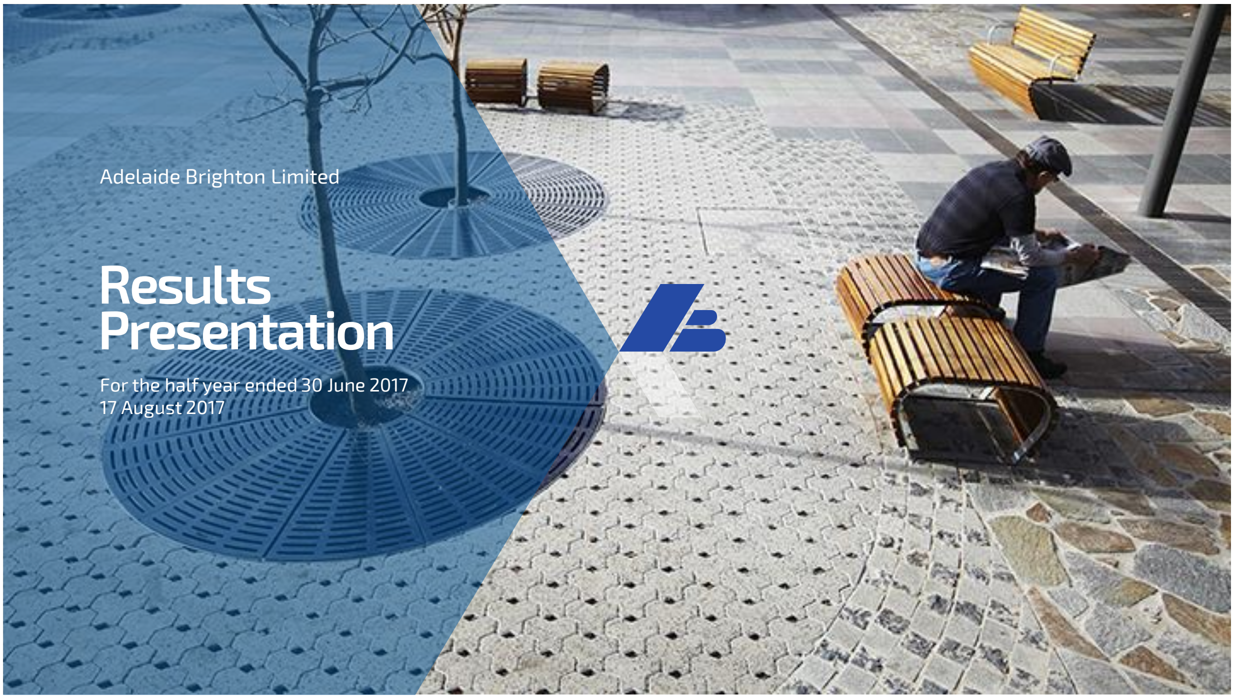

Adelaide Brighton Limited
Results Presentation
For the half year ended 30 June 2017
17 August 2017


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

Geographic and product diversification strategy underpins returns

Revenue $718.4m ▲ 4.7%	NPAT attributable to members $68.7m ▼ 10.9%	Underlying NPAT attributable to members $74.5m ▼ 4.0%
Basic EPS 10.6c ▼ 10.9%	Interim ordinary dividend 8.5c unchanged	Underlying EBIT $108.5m ▼ 2.7%

Results highlights 1H17

- Revenue growth of 4.7% despite weakness in WA and NT
- Concrete and aggregates now a significant earnings contributor
- Strong east coast markets
- Margins lower in cement and concrete products, slightly lower in lime and higher in concrete and aggregates
- Joint ventures earnings up 26%
- Reported NPAT down 10.9% due to number of one-offs including transaction and restructuring costs and product quality issue
- Underlying NPAT (excluding transaction and restructuring costs) down 4.0%
- Underlying NPAT excluding property down 2.7%
- Operating cash flow impacted by working capital increase to fund strong sales late in the half
- $64.9m in concrete and aggregates acquisitions in half
- Conservative gearing, flexible balance sheet and strong shareholder returns
- Interim ordinary dividend of 8.5 cents

Demand environment – supportive

NSW
Demand strong
- Residential strong
- Non-residential up
- Infrastructure

Outlook: **Strong**

VIC
Demand strong
- Led by multi-residential
- Non-residential improving
- Infrastructure in pipeline

Outlook: **Strong**

WA
Construction weaker
- Residential and non-residential weak
- Resources subdued
- Lime stable

Outlook: **Stabilising**

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

Outlook: **Strengthening**

SA
Return to growth
- Major infrastructure projects commenced with solid pipeline

Outlook: **Strengthening**

NT
Demand weaker
- Construction of major resource projects completed
- Lime stable

Outlook: **Weaker**

Adelaide Brighton is a 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*

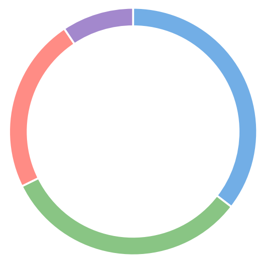
#2

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

#4

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

FY2016 Revenue by market



34%	Engineering
31%	Residential
22%	Non-residential
13%	Mining operations

Geographic and economic diversification supports returns

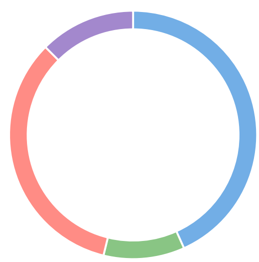
Operations

- Cement
- Lime
- Concrete and Aggregates
- Concrete Products

FY2016 Revenue by state*

WA	22%
NSW	21%
VIC	21%
SA	14%
QLD	17%
Other	5%

FY2016 Revenue by product group

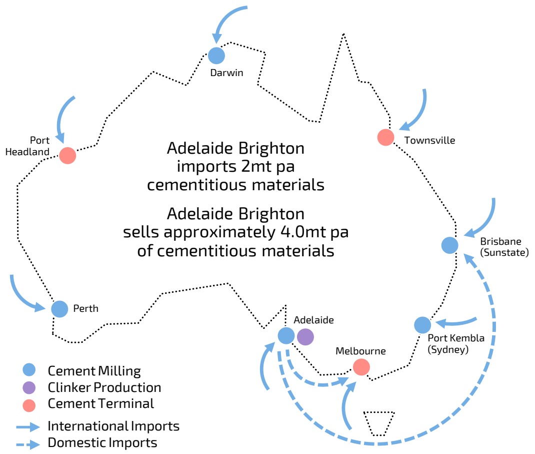


45%	Cement
11%	Lime
35%	Concrete and Aggregates
9%	Concrete Products

Cement production, import and distribution

Efficient manufacture and import model

- Cement and clinker sales volume increased 3%
- Continued strong east coast demand and growth in South Australia
- Demand declined further in Western Australia and the Northern Territory
- Selling prices increased; average price lower due to geographic mix; also reflected in higher JV earnings
- Energy costs up $4.8m but mitigation helped
- Import costs declined $4.6m: procurement, currency
- Quality issue $3.6m impact: now fully resolved
- Angaston rationalisation to reduce energy consumption and improve returns



Concrete and Aggregates – success story

- Vertical integration strategy – share of revenue more than doubled in 5 years
- Concrete volumes increased significantly over 1H16 – market growth and Central acquisition
- Concrete prices improved across markets
- Aggregate volumes down slightly on 1H16 due to reduced volumes of low value product and lower volumes to projects in northern NSW
- SA transport infrastructure projects commenced
- Price increases > CPI in all markets – Sydney strong
- Revenue, EBIT and margins in existing business improved significantly on higher volumes, strong pricing outcomes and control of costs
- South Australia and Queensland acquisitions made in 2014 and 2015 performing ahead of expectations
- Central Pre-Mix as expected since March acquisition

Concrete and aggregates growth – vertical integration acquisitions

- Concrete and aggregates strategic acquisitions – $85.5m investment
- 6.9x EBITDA with accretive returns in year 1 (excluding transaction costs)
- Revenue and EBIT enhanced in 1H17 by March acquisition of Central Pre-Mix :
  - 5 concrete plants and 1 quarry serving Melbourne metro market
- Davalan, late June, strengthens leading SA position:
  - 4 concrete plants in Adelaide
  - Highly complementary; adds scale and synergies in overhead, logistics and raw materials
- NT concrete and aggregates acquired July:
  - 4 concrete plants and 2 quarries
  - Strong integrated business near bottom of cycle
- Davalan and NT acquisitions will benefit 2H17

Central Campbellfield site

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 with slight decline in NT balanced by slight increase in WA
- Average selling prices lower due to a pricing mechanism with major customers that reflects recent production cost savings (mainly natural gas in 2016)
- Reduced cost of gas in WA further improves competitiveness of local manufacture
- Imports continue in limited quantities to the gold and other minerals sector
- Lime margins slightly lower due to alumina contracts which reflect energy cost savings in 2016
- Low cost operations well-positioned for long term growth of competitive WA resources sector

Concrete Products – stronger second half expected

- Revenue down 3.9% on 1H16 with improved pricing offset by lower volumes
- Retail sales remained positive but commercial sector down due to project timing. Weaker sales early in the year due to seasonal factors
- EBIT decreased to $2.9m in 1H17 due to lower volumes
- Further efficiencies in medium term from tolling, general improvements and transport
- Product innovation offers exciting new revenue opportunities
- A growing customer for our cement, sand and aggregates businesses
- Optimistic on outlook given commercial projects in the second half and opportunity for further business improvement in the medium term

Joint ventures – strong growth

Joint Venture		Contribution $m 1H17	Contribution $m 1H16	Change
ICL (50%)	Cement distribution • Demand across Victoria and New South Wales remains strong • Margins improved; price increases	7.6	4.7	62%
Sunstate Cement (50%)	Cement milling and distribution • Improved volumes and prices • Market remains highly competitive	5.3	5.0	6%
Others (50%)	Cement, concrete and aggregates	5.3	4.8	10%
Total	Overall increased contribution	**18.2**	**14.5**	**26%**

Financial summary

6 months ended 30 June	2017 $m	2016 $m	Change pcp %
Revenue	718.4	686.0	4.7
Depreciation, amortisation and impairments	(41.5)	(40.1)	3.5
Earnings before interest and tax (EBIT)	101.7	110.8	(8.2)
Net finance cost	(5.5)	(6.1)	(9.8)
Profit before tax	96.2	104.7	(8.1)
Tax expense	(27.5)	(27.6)	(0.4)
Net profit after tax	68.7	77.1	(10.9)
Non-controlling interests	–	–	–
Net profit attributable to members	68.7	77.1	(10.9)
Basic earnings per share (cents)	10.6	11.9	(10.9)
Interim ordinary dividend – fully franked (cents)	8.5	8.5	–
Interim special dividend – fully franked (cents)	–	4.0	
Net debt ($ millions)	407.4	345.4	
Gearing (%)	34.3%	29.1%	

- Revenue up 4.7% (or 1.3% excluding Central acquisition)
- Reported EBIT down 8.2% but Underlying EBIT down just 2.7%
- Tax rate 28.5%
- Net debt $407.4m and net debt to equity of 34.3%
- Cash flow impacted by working capital increased to fund strong sales late in half
- Significant acquisition activity in concrete and aggregates
- Interim ordinary dividend 8.5 cents

Energy

Proactive strategy to mitigate energy costs

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

SA electricity supply risk expected to decline

- Higher electricity prices expected to increase costs \$8m over 2017
- New electricity generation capacity announced is expected to lower supply risk going forward:
  - New capacity represents circa 25% of South Australian demand
  - Engie/Origin reinstate Pelican Point to full operation increasing generation by 24MW in 2017
  - SA Government commissioning backup turbine capacity by summer 2017/18
  - AGL installing 210MW gas generation by 2019 to replace aging Torrens Island
  - Likely that world's largest lithium ion battery will be constructed in SA

Underlying EBIT margin

Key drivers	Margin %
Cement • Volumes improved – stronger SA and east coast, weaker WA and NT • Higher market prices offset by higher proportion of sales to JV distributors • Costs – energy and quality issue offset the benefit of lower materials costs of \$4.6m	↓
Lime • Average prices lower due to pricing mechanism with alumina customers reflecting lower lime production costs in 2016 • Volumes and costs stable	↓
Concrete and Aggregates • Volume better, selling prices up significantly and cost discipline • North Melbourne rehabilitation costs \$3.3m • Central added to earnings – in line with expectations	↑
Concrete Products • Volumes lower due to timing of major projects and weaker sales early in year • Improved pricing	↓
JV and associate contribution improved by \$3.6m or 28% • ICL – volumes and prices better • Sunstate – improved pricing and higher volumes	↑

- Underlying EBIT margin declined from 16.3% to 15.1% in half
- Cement margins impacted by:
  - Electricity costs \$4m
  - Temporary cement product quality issue in April 2017 \$3.6m
  - Change in sales mix
  - Partially offset by \$4.6m lower import costs
- Lime margins down slightly due to lag in pricing mechanism
- Concrete and Aggregates margins up on higher volumes and prices, despite additional \$3.3m property rehab costs
- Joint operations improved on volume in east coast cement markets and improved prices

Operating cash flow

6 months ended 30 June	2017 $m	2016 $m
Net profit before tax	96.2	104.7
Depreciation, amortisation & impairment	41.5	40.1
Income tax	(42.3)	(38.2)
Change in working capital	(10.0)	(0.4)
Net loss/(gain) on sale of assets	0.3	0.1
Other	(8.5)	(8.7)
Operating cash flow	77.2	97.6

- Operating cash flow impacted by reduced profit before tax compared to pcp but also timing of sales late in period

Working capital

		June 2017 $m	December 2016 $m	Variance %
Trade and other receivables (including JV's)		241.8	204.6	18.2
Inventories:	Cement and Lime	93.7	96.1	(2.5)
	Concrete and Aggregates	21.4	21.9	(2.3)
	Concrete Products	40.9	42.2	(3.1)
Total inventory		156.0	160.2	(2.6)
		June 2017 $m	**June 2016 $m**	**Variance %**
Bad debt expense		0.4	0.1	300.0

- Key working capital metrics all stable and healthy
- Days sales outstanding stable
- Lift in sales in last two months of half required increased working capital at period end

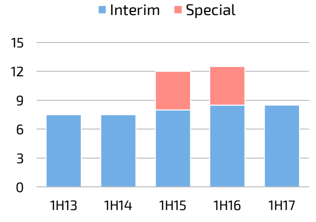
Net cash flow

6 months ended 30 June	2017 $m	2016 $m
Operating cash flow	77.2	97.6
Capital expenditure – stay in business	(27.0)	(29.7)
Proceeds of sale of assets	5.0	1.9
Free cash flow	55.2	69.8
Capital expenditure – acquisitions and investments	(64.9)	–
Capital expenditure – development	(12.1)	(25.1)
Joint Venture and other loans	0.6	0.6
Dividends paid – Company's shareholders	(100.7)	(97.3)
Proceeds on issue of shares	3.5	4.0
Net cash flow	(118.4)	(48.0)

- Total capital expenditure of $104m includes:
  - Stay in business $27m
  - Development $12m
  - Acquisitions $64.9m (includes Central and Davalan
- Total bank facility $540m:
  - $330m maturity extended to January 2021
  - $210m maturity January 2019

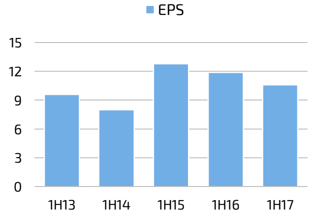
Shareholder returns

Dividend (cents)



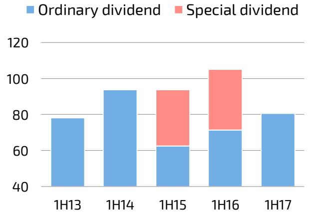
- Interim ordinary dividend unchanged at 8.5 cents (fully franked)
- No special dividend

EPS (cents)

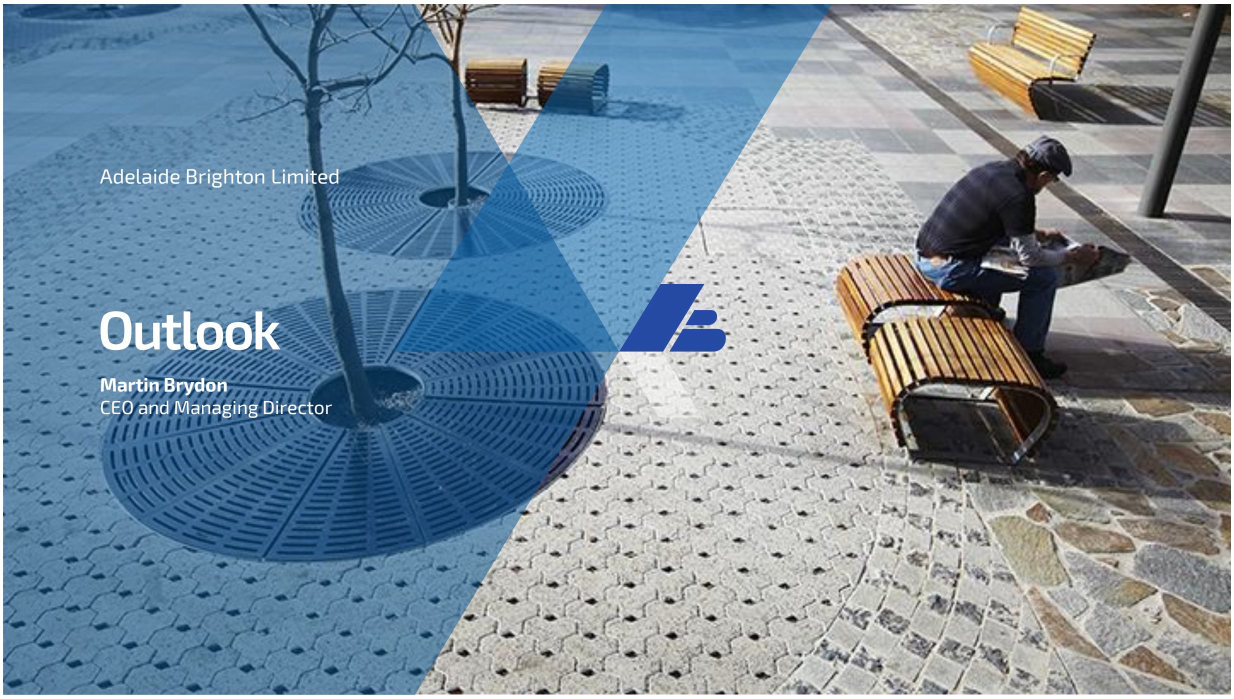


- Basic EPS 10.6 cents
- Underlying EPS 11.5 cents

Payout ratio %



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



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

Operational improvement and growth investment

Operational improvement

- Ongoing improvement key driver of value
- Greater than $85m annualised savings in 5 years from rationalisation and improvement
- Rationalisation of Angaston oil well cement to deliver $3m in annual savings
- $10m savings in 2017 from transport, shipping and materials purchasing
- Strong focus on energy costs including alternative fuels, procurement and consumption

Acquisitions

- More than $300m in acquisitions in 5 years
- Have met returns targets, diversified earnings and provided benefits to other businesses

Organic growth

- Invested more than $200m in low risk/high return organic growth projects in the last 5 years

Property – capital management

- Operational improvement program released more than $85m surplus land in 4 years
- More than $120m in proceeds expected in next decade from program

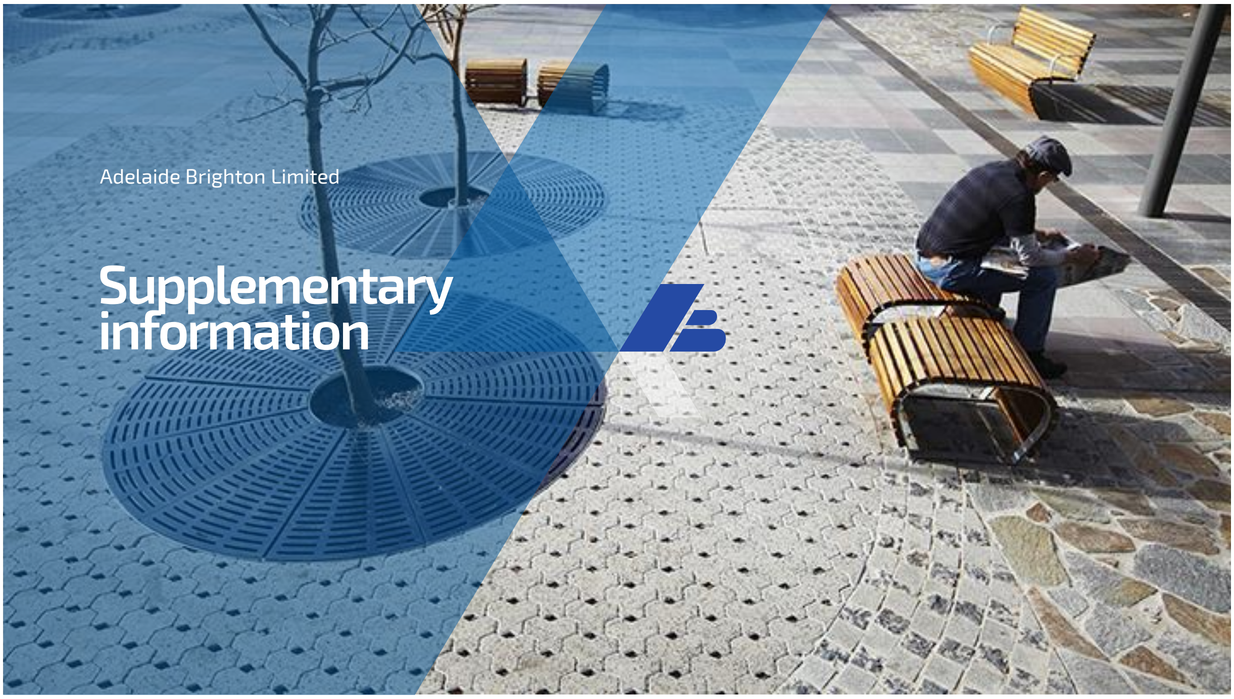
Outlook

Sales

- Sales volume of cement and clinker expected to increase in 2017
- Stronger demand in SA and the east coast to more than offset weaker markets in WA and NT
- Lime sales volumes expected to be similar to 2016
- Concrete and aggregates sales volumes expected higher on east coast and SA infrastructure
- Central, Davalan and NT acquisitions will add further sales in VIC, SA and NT
- Prices expected to increase in cement, premixed concrete and aggregates
- Average realised cement prices likely to continue to be impacted by geographic mix
- Lime prices to decline slightly due to pricing formula
- Concrete Products to benefit from sales to large commercial projects in 2H17

Earnings

- Growth expected to continue in joint ventures
- Rationalisation of Angaston cement to reduce costs by $3m in 2017 and subsequent years
- Shipping, materials purchasing and favourable foreign exchange to reduce import costs by $10m pre-tax in 2017
- At current market prices, electricity costs expected to be $8m pre-tax higher than 2016
- Significant items of $9m pre-tax anticipated in the full year: transaction and restructuring costs
- Property sale proceeds of $14m anticipated with $8m NPAT in 2017
- Full year underlying NPAT excluding property expected of $188m to $198m



Underlying profit

Underlying basis	6 months ended 30 June 2017 $m	2016 $m	Change pcp %
Revenue	718.4	686.0	4.7
Depreciation and amortisation	(41.5)	(40.1)	3.5
Earnings before interest and tax ("EBIT")	108.5	111.5	(2.7)
Net finance cost	(5.5)	(6.1)	(9.8)
Profit before tax	103.0	105.4	(2.3)
Tax expense	(28.5)	(27.8)	2.5
Net profit after tax	74.5	77.6	(4.0)
Non-controlling interests	–	–	–
Net profit attributable to members ("NPAT")	74.5	77.6	(4.0)
Basic earnings per share (EPS) (cents)	11.5	12.0	(4.2)

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

Finance expense

6 months ended 30 June	2017 $m	2016 $m
Interest charged	6.1	6.4
Exchange (gains)/loss on foreign currency forward contracts	–	0.2
Unwinding of the discount on restoration provisions and retirement benefit obligation	0.5	0.5
Interest capitalised in respect of qualifying assets	(0.4)	(0.2)
Total finance expense	6.2	6.9
Interest income	(0.7)	(0.8)
Net finance expense	5.5	6.1
Interest cover (EBIT times)	18.5	18.2

- Net finance costs of $5.5m were $0.7m lower than the first half of 2016
  - Due to low market interest rates; and
  - The recognition of foreign exchange losses in 1H16
- Total facilities $540m
- Facility maturity extended: $330m scheduled to mature in January 2018 extended to January 2021
- Balance of $210m matures January 2019

Adelaide Brighton Brands

Concrete & Aggregates

Cement & Lime

Concrete Products

Joint Ventures

Joint Ventures

Joint Ventures

Disclaimer

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