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18 August 2005

Company Announcements Office  
Australian Stock Exchange Limited  
20 Bridge Street  
Sydney NSW 2000

Dear Sir/Madam

**RESULT FOR THE HALF YEAR ENDED 30 JUNE 2005**

We attach copies of slides being shown by Mark Chellew, Managing Director of Adelaide Brighton, during briefings for analysts on the company's financial result for the half year ended 30 June 2005.

Yours faithfully

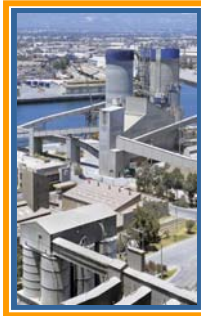
**MRD Clayton**  
Company Secretary



Adelaide Brighton Ltd

## Half Year Result June 2005

18 August 2005



## Agenda

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





Adelaide Brighton Ltd

## Overview

**Mark Chellew**  
**Managing Director**

Half Year Result June 2005

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## Performance highlights

- Net profit after tax \$38.3m - up 17.1%
- Increase in sales revenue to \$350.4m - up 8.6%
- Strong demand from WA and resources sector
- EBIT at \$59.2m - up 17.9%
- Earnings per share 7.1cents - up 20.3%
- Interim dividend 4.25 cents, fully franked - up 21.4%

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## Performance highlights - AIFRS

- **June half year accounts prepared for the first time under AIFRS**  
(Australian equivalents to International Financial Reporting Standards)
- **Main impact: Cessation of amortisation of goodwill partially offset by increased interest expense**
- **Prior year comparatives adjusted**  
(Dec 2004 \$11.2m goodwill charge reversed)
- **AIFRS has no impact on the future cash flows of Adelaide Brighton**

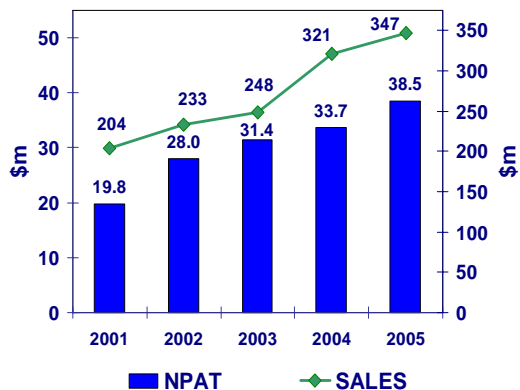
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## Sales and profit growth – First half result 2001 - 2005

ABC Growth First Half 2001 - 2005



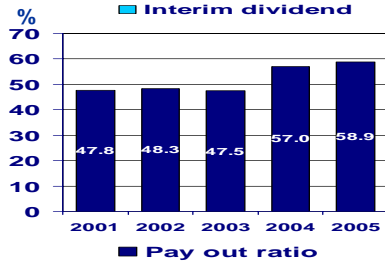
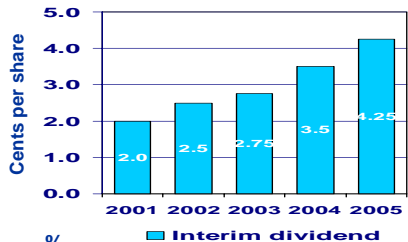
- 2001 - 2003 NPAT also adjusted for goodwill amortisation AIFRS
- Continued robust demand in core ABL markets / segments
- Growth in cement volumes
- Operational and logistics improvements

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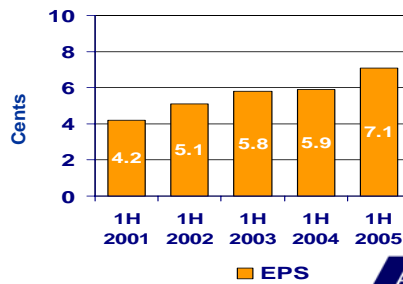
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## Performance highlights: Shareholder returns



- Interim dividend increased to 4.25c – up 21.4%
- Half year EPS increase to 7.1c - up 20.3%
- Dividend payout ratio maintained
- 30.7% CAGR TSR since 2001



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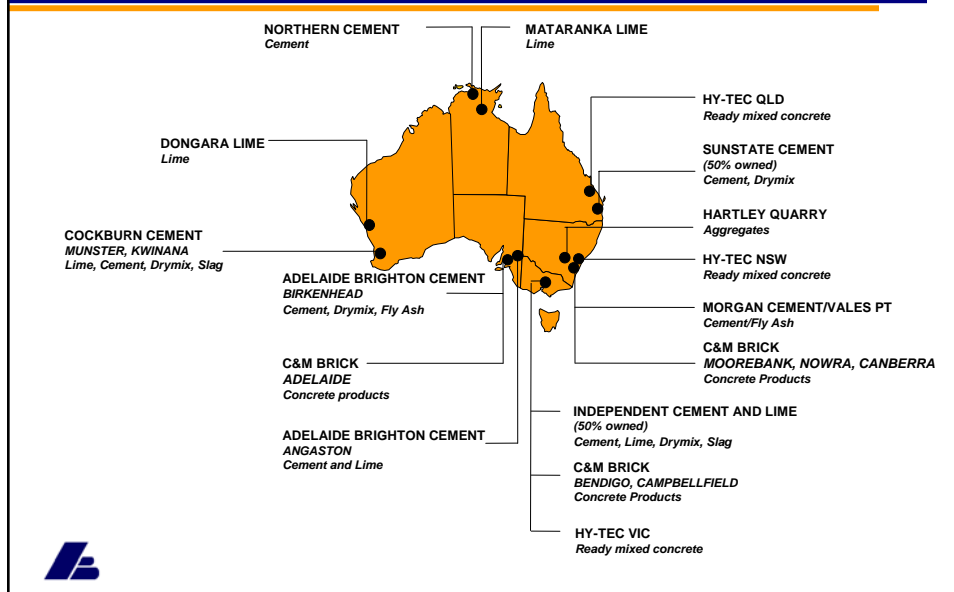
## Strategy overview

- **Focused and relevant vertical integration**
  - Downstream concrete - cement pull through
  - Concrete products - long term growth value added sector
  - Aggregates - Austen Quarry and tuck in acquisitions
  - Geographic and market spread - balanced portfolio, leverage
- **Lime business development**
  - Alumina, steel and mining sector growth
  - Annual volume growth to an additional 300kt+ by 2009
- **Operational improvement**
  - Plant utilisation, import logistics optimisation
  - Alternative fuels and materials Birkenhead / Angaston

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## Strategy - Adelaide Brighton geographical spread



## ABL Divisions



## Cement demand

- 2005 to date - some weakening in residential demand
- WA the exception - continued robust demand
- NSW heavily affected:
  - Impact on C&M Brick and Hy-Tec concrete
  - Recent signs of bottoming in June
- Queensland soft - affected by exceptional rainfall
- Resource sector increases in WA and SA - mining cements
- Demand in Victoria level

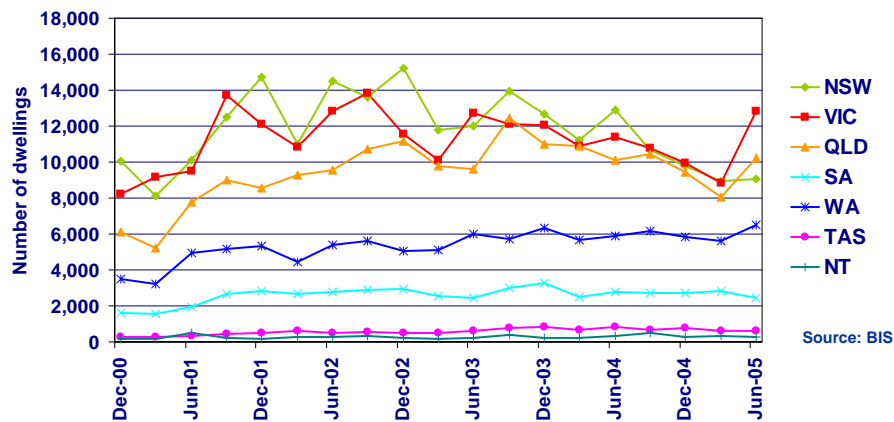
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## Market drivers – housing approvals

Australian dwelling approvals



Source: BIS

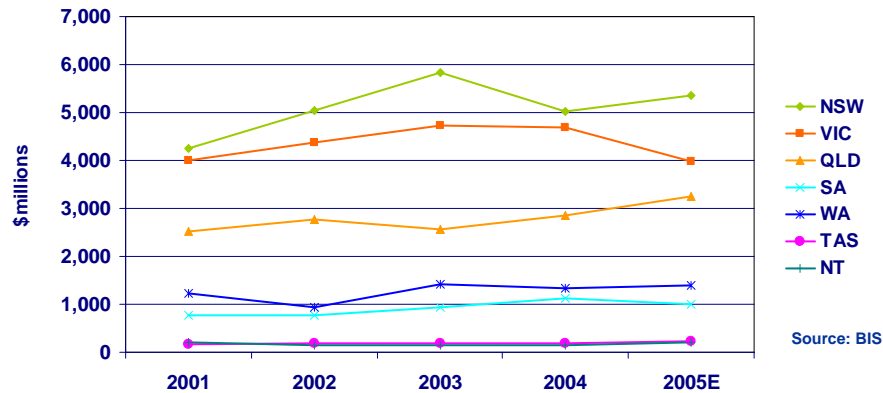
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## Market drivers – Commercial & engineering spending

Value of non-dwelling building



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## Strategy: Performance and cost improvement

- **ABC & CCL Cement & Lime**
  - Continued focus on plant performance
  - Birkenhead \$6m investment in alternative fuels handling Q4 2005
  - Alternative fuel JV upgraded Q2 recent operational success
  - Mainstream fuel consumption beginning Q4 2005
- **C&M Brick**
  - Newcastle and Adelaide upgrades Q3 2005 completion
  - Nowra plant NSW fully operational
  - Full range production capability reducing supply cost
  - Safety performance improvement
- **Hy-Tec concrete**
  - Consolidated operating and control systems
  - Concrete mix design optimisation

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## Environmental improvement

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- **\$8.8m investment in kiln 4 electrostatic precipitator at Munster**
  - Successful July implementation
  - Best available technology solution
- **Birkenhead three year \$12m emission improvement programme**
  - Fugitive dust
  - Raw materials handling
- **Woodman Point \$6m shellsand washing plant**
  - Bore water reduction



Adelaide Brighton Ltd

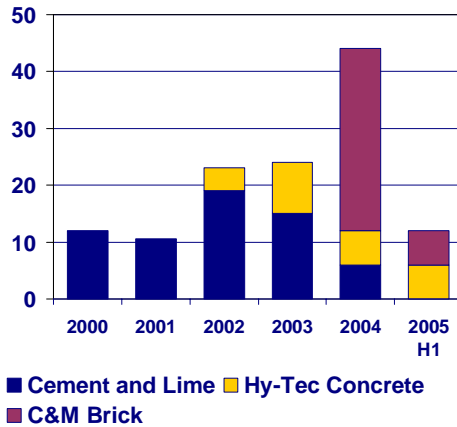
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## Divisional review



## Safety performance: Lost time injuries trend

Lost time accidents



- Zero LTI first half Cement & Lime
- Birkenhead accident free in 2004 and six months in 2005
- Hy-Tec three vehicular accidents
- C&M measured progress
- Potential for significant further improvement

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## ABC & CCL Cement & Lime operations

- **Sales and marketing**
  - Selective increases in first half bagged cement pricing
  - Further cement price rises announced for final quarter 2005
  - Five year supply agreement to BHP – Olympic Dam
  - Lime volumes level – capacity expansion delays
- **Operational improvement**
  - Birkenhead shutdown completed early July - 23 days v 31 days
  - Munster shellsand dredging outsourcing improved efficiency
  - Clinker output further improvement in operating efficiency
  - Birkenhead alternative fuels handling - permitted increase to 15tph
- **Environmental improvement**
  - Birkenhead 3 year \$12m investment
  - Munster kiln 4 ESP

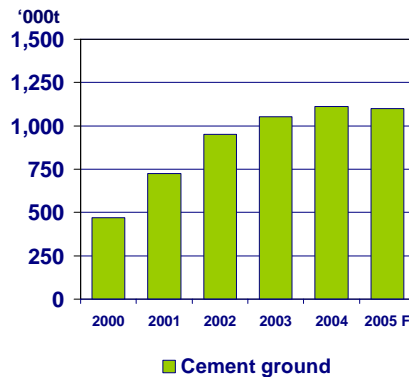
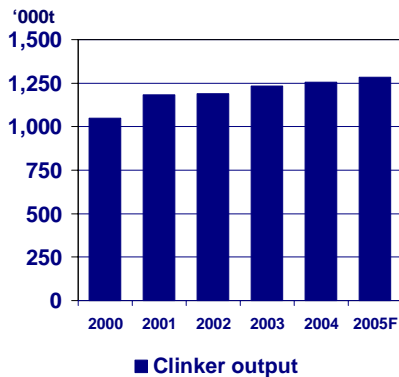
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## ABC Cement & Lime operations

- Birkenhead: further improvement in kiln efficiency
- Tonnage increase displaces imports improving margins



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## Concrete - Hy-Tec

- NSW market weakness
- Queensland weather limited demand
- Victoria pricing pressures
- Centralised systems - batch software upgrades
- Margins compressed with raw material cost increases
- Positive trials with Austen Quarry rock

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## Concrete products - C&M Brick

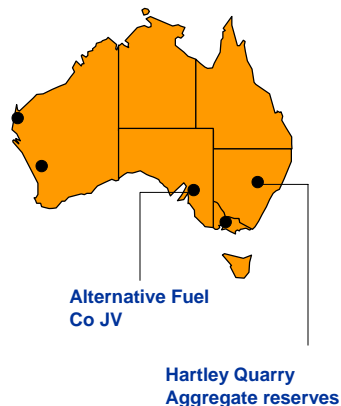
- NSW market weakness impacted pricing
- \$1.4m operating profit includes \$0.9m one off costs
  - Horsham closure and further consolidation redundancies
- Second half 2005 price increases announced
- Moorebank and Newcastle plant upgrades
- Adelaide upgrade and planned closure of Horsham
- Wetcast product range introduction - labour intensive
- Safety improvements underway

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## Aggregates and recycling



- Austen Quarry trial crushing showing positive results
- \$28m investment phase one - \$14m
- Commissioning expected late 2005 with full scale commercial supply commencing in 2007
- Alternative Fuel Co JV processing plant upgraded
- Limestone in WA & Ag-lime Victoria

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## Financial Results

**Andrew Poulter**  
**Chief Financial Officer**

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## Summary earnings

6 months ended 30 June A\$m	2005	2004	Change %
Sales revenue	<b>350.4</b>	322.6	<b>8.6</b>
EBITDA	<b>82.2</b>	74.2	<b>10.7</b>
EBIT	<b>59.2</b>	50.2	<b>17.9</b>
Net interest	<b>(6.7)</b>	(7.4)	<b>(9.5)</b>
Profit before tax	<b>52.5</b>	42.8	<b>22.7</b>
Tax expense	<b>(14.2)</b>	(10.1)	<b>40.6</b>
Net profit after tax	<b>38.3</b>	32.7	<b>17.1</b>
Profit from discontinued operations		1.5	
Minority interest C&M	<b>(0.2)</b>	(0.5)	
Net profit attributable to members	<b>38.5</b>	33.7	<b>14.2</b>

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## AIFRS Impact 1

- No future cash flow impact for ABL
- 2005 P&L impact:
  - \$11.2m benefit - cessation of amortisation of goodwill
  - \$2.7m charge - increase in interest expense
- AIFRS compliance from transition date 1 January 2004
  - Opening balance sheet changes impact equity
  - Prior year comparatives changed for 30 June and 31 December
- Major impact upon ABL
  - AASB 112 Income taxes
  - AASB 119 Employee benefits
  - AASB 136 Impairment of assets
  - AASB 137 Provisions, contingent liabilities and assets
- Minor impact upon ABL
  - AASB 2 Share based payments - ABL expensed historically
  - AASB 139 Financial Instruments - mark to market in P&L



## AIFRS Impact 2

### Adjustments to Equity

	1 Jan 2004 \$	31 Dec 2004 \$
<b>Consolidated equity under AGAAP</b>	<b>575,268</b>	<b>620,783</b>
Goodwill amortisation: ABL	-	10,186
JV's	-	996
Impairment brand name	(762)	(712)
Retirement benefit obligations	(2,972)	(580)
Share based payments	-	175
Income tax	(33,394)	(32,182)
Long lived assets remediation	(7,565)	(8,009)
Financial instruments	(215)	(105)
<b>Consolidated equity under AIFRS</b>	<b>530,720</b>	<b>590,552</b>



## AIFRS Impact 3

### AASB 112 Income taxes

- Balance sheet approach use for deferred tax calculations  
(Deferred tax calculation = difference between the 'book' and 'tax' carrying value of fixed assets x 30%)
- Key assets affected are non tax depreciable assets:
  - Asset revaluations and specifically for ABL Mineral reserves
  - Certain pre 1990 buildings and structures
- Impact: \$33.394m reduction in equity on transition
- Partly offset by \$4.515m deferred tax assets
  - Future income tax benefit remediation costs - \$3.241m
  - Future income tax benefit retirement benefit obligations - \$1.274m



## AIFRS Impact 4

### AASB 119 Employee benefits

- All employee benefits now included
  - Previous standard AASB 1028 excluded superannuation
- ABL's defined benefit plan surpluses and deficits now recognised on the balance sheet
- More exacting discount factor used in NPV actuarial valuation
  - 10 year bond rate versus expected investment returns
  - ABL had previous 2% surplus now \$4.246 deficit at 1 January 2004
- Impact 2005 - \$2m annual charge to interest for unwinding of NPV discounting
- ABL has elected to recognise actuarial gains and losses through retained earnings
- AASB 112 Deferred tax asset 30% x \$4.246m = \$1.274m
- AASB 119 Net plan deficit taken to retained earnings \$2.972
- Plan surpluses for 2004 and 2005 taken to retained earnings



## AIFRS Impact 5

### AASB 137 Provisions, contingent liabilities and assets

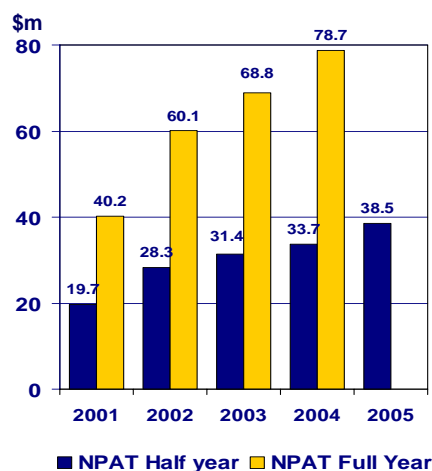
- Under AASB 1044 provisions associated with retirement or disposal of long lived assets were excluded
- Key impacts on operating plants and quarries
- ABL's policy was to provide for costs on closure eg Geelong
- AASB 137 excludes the offset of income derived from closures (\$3.424m)
- Standard now requires provision where an obligation exists
- Current obligation inflated to closure date discounted to NPV
- \$10.8m net remediation provision recognised at 1 January 2004
- AASB 112 deferred tax asset  $\$10.806 \times 30\% = \$3.241\text{m}$
- 2005 interest charge of \$0.7m for unwinding of NPV discount

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## Profit growth – half and full year



- AIFRS Adjusted adding back goodwill amortisation
- Continued half yearly growth
- Munster lime kilns 5 & 6 maintenance in second half year

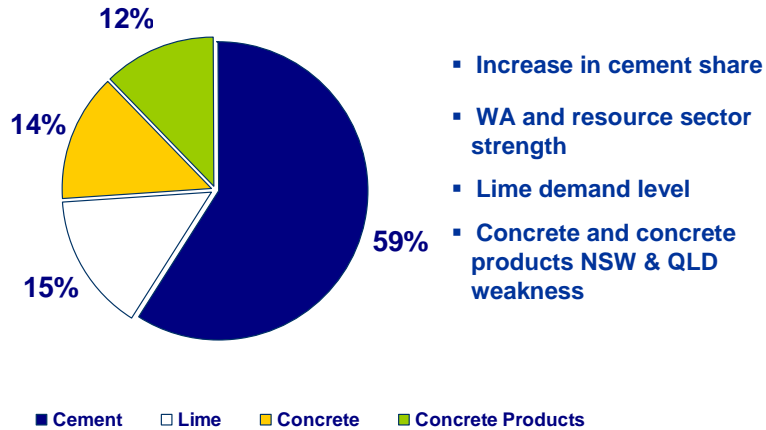
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## Turnover segmentation to June 2005

### Sales to outside entities & to JV's

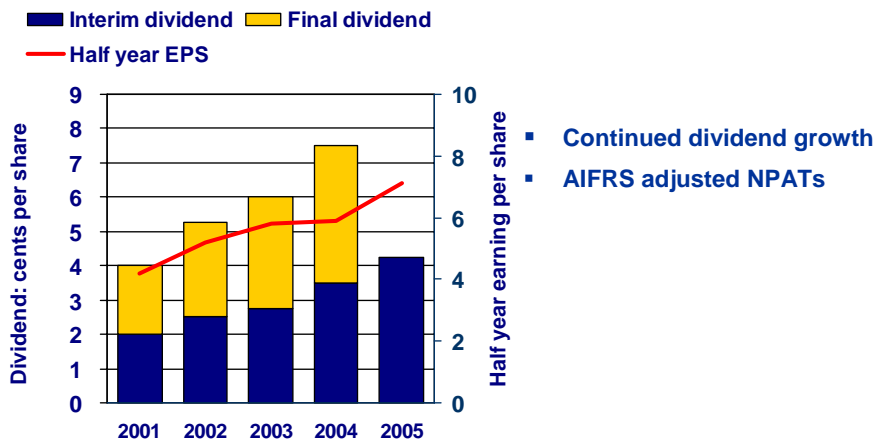


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## Earnings and dividend per share



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## Joint ventures

- Independent Cement & Lime Pty Ltd
- Sunstate Cement Ltd

ABL 50% Share 6 months ended 30 June (\$m)	June 05	June 04	Variance %
Sales	81.1	77.7	4.4
EBITDA	13.3	12.9	(2.7)
NPAT	8.9	8.0	11.8
Net ABL investment	51.7	47.8	8.1
Profit margin	11.0%	10.2%	
Return on investment	34.3%	33.0%	

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## Cash flow to 30 June 2005

- \$8.2m increase in debt from 31 December 2004
- Decrease in free cash flow to \$14.4m (2004 \$32.1)
- Planned investment / environmental capital
- 2003 final dividend delayed – second half 2004

6 months to 30 June (\$m)	June 05	June 04
Cash flow from operations	52.1	56.3
Capital expenditure	(38.2)	(24.5)
Proceeds from asset sales	0.5	0.3
Free cash flow	14.4	32.1
Investments / share issue	(1.0)	(7.2)
Proceeds from divestments		7.8
Dividends paid	(21.6)	-
Net debt inflow (outflow)	(8.2)	32.7

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## Balance sheet: borrowings and gearing

- Net debt within \$240m facilities
- Improved interest cover

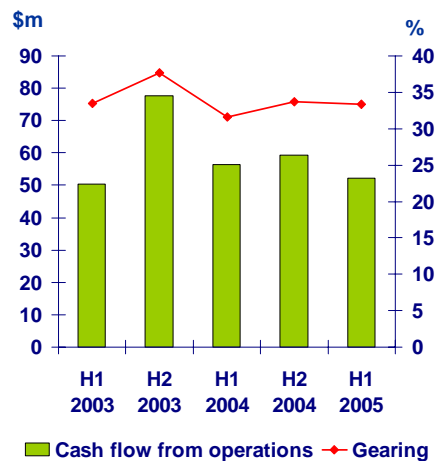
		June 05	June 04
Net debt	(\$m)	203.2	185.0
Interest	(\$m)	( 6.7)	(7.4)
Gearing - Net debt / equity (AIFRS)		33.4%	33.7%
Gearing - Net debt / debt + equity		25.1%	25.2%
Net debt / EBITDA		2.5	2.5
Interest cover (EBIT)	(times)	8.8	6.8
Net tangible assets / share	(cents)	\$0.82	\$0.71

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## Free cash flow and gearing: strong balance sheet



- Cash flow from operations \$52.1m (2004 \$56.3m)
- Improved interest cover 8.8 times (2004 6.8)
- Accounting gearing level at 33.4% (2004 33.7%)
- AIFRS impact 2% increase

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## Capital investment

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- **Capital expenditure \$38.2m (2004 \$24.5m)**
  - Birkenhead alternate fuel handling \$2.5m completion end Q3
  - Austen Quarry \$10.2m, first stage well advanced
  - C&M plant upgrades Adelaide, Newcastle \$6.0m
  - Cement environmental Munster kiln 4 ESP \$8.8m
- **Underlying sustaining expenditure under tight control**
- **Depreciation \$23.0m (2004 \$24.0m)**
- **Planned investments second half**
  - Woodman Point Shell sand washing plant
  - Commencement Port Kembla mill

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## Tax and interest

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- **Tax expense \$14.2m (\$10.1m)**
  - Effective rate 26.9% (\$23.6%)
  - \$2.0m residual losses brought to account in 2004
  - Future charges more uniform
- **Interest \$6.7m (\$7.4m)**
  - Lower average borrowings
  - Increased interest income JV's
  - Q1 2004 RMC plc loan
  - Additional \$2.7m full year charge in 2005 arising from AIFRS
- **Future additional charges arising from AIFRS**
  - Long lived asset remediation (\$0.7m)
  - Defined benefit plan (\$2.0m)

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## Outlook



### Outlook – market and profitability

- Cement demand in 2006 expected to continue at similar level to 2005
- Demand from commercial, engineering and infrastructure and resource sectors to offset declines in residential sector
- Further price increases announced for 2005; smaller benefit in 2005 progressive benefit in 2006 as contract pricing unwinds
- Demand for lime from mining and resource sectors projected to show steady growth
- 2005 NPAT, as measured under AIFRS, within the range \$82 - \$85m



## Outlook – operational performance

- Further progress on operational performance maximising output
- Import cement long term supply contracts in place and value adding in terms of price, quality and logistics
- Capital investment increases due to Pt Kembla mill and Austen Quarry
- Continued investment in environmental programmes at Birkenhead and Munster
- Full scale alternative fuels at Birkenhead from Q4

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## Half Year Result June 2005

18 August 2005

