



Adelaide Brighton Ltd

Full Year Result 2005

15 February 2006



Adelaide Brighton Ltd

Overview

Mark Chellew
Managing Director



Agenda

- **Results highlights**
- **Strategy overview**
- **Market overview**
- **Divisional review**
- **Financials**
- **Outlook**



Results highlights

- **Record net profit after tax before tax consolidation: 10.8% increase to \$87.8m (pcp \$79.3m)**
- **5.0% increase in sales revenue to \$725.2m**
- **11.0% increase in earnings per share to 16.2 cents**
- **Final dividend of 6.25 cents**
- **40.0% increase in total dividend to 10.5 cents, franked to 100%**
- **C&M result depressed by weaker sales margins in NSW**
- **Increased capital investments as projected in half year outlook**



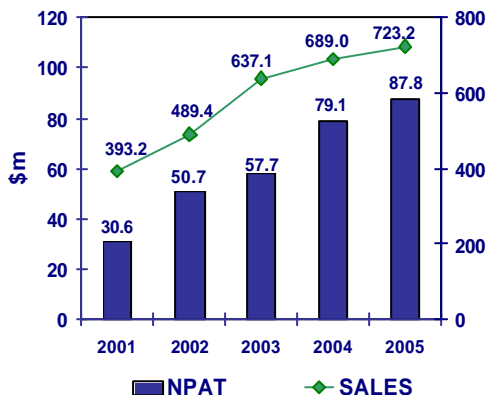
Performance highlights

- Robust cement sales WA, SA & NT resource sectors
- Cement price benefit from first half increases in major markets – WA, SA & NT
- Lime demand below expectations due to HISmelt delays and alumina sector off-take interruptions
- Excellent operating performance
 - Record output from Birkenhead
 - Angaston kiln 3 improvement
 - Import and JV supply logistics optimised
- Emerging fuel and materials price inflation
- Alternative fuels – full scale combustion commenced



Performance highlights: Sales and profit growth 2001 – 2005

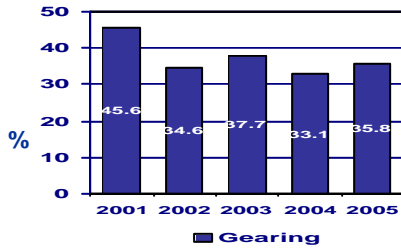
ABC Growth 2001 - 2005



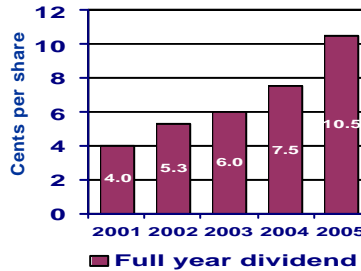
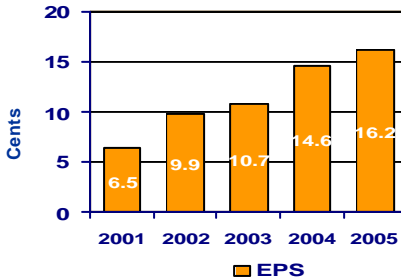
- 2004 and 2005 AIFRS adjusted
- 2004 before \$14.0m tax consolidation benefit
- 2005 before \$3.1m tax consolidation benefit



Performance highlights: Shareholder returns



- Gearing increase to 35.8% (33.1%)
- EPS increase to 16.2 cents, up 11.0%
- 56.2% increase in final dividend to 6.25 cents
- 40.0% increase in full year dividend to 10.50 cents
- Further increase in payout ratio to 62.6% (64.8% pre tax consolidation) v 51.7% in pcp



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Strategy overview

- **Focused and relevant vertical integration**
 - Downstream concrete and concrete products
 - Upstream into aggregates and sand
- **Lime business development**
 - Resource sector demand in WA & NT
- **Operational improvement**
 - Plant performance
 - Alternative fuels and materials

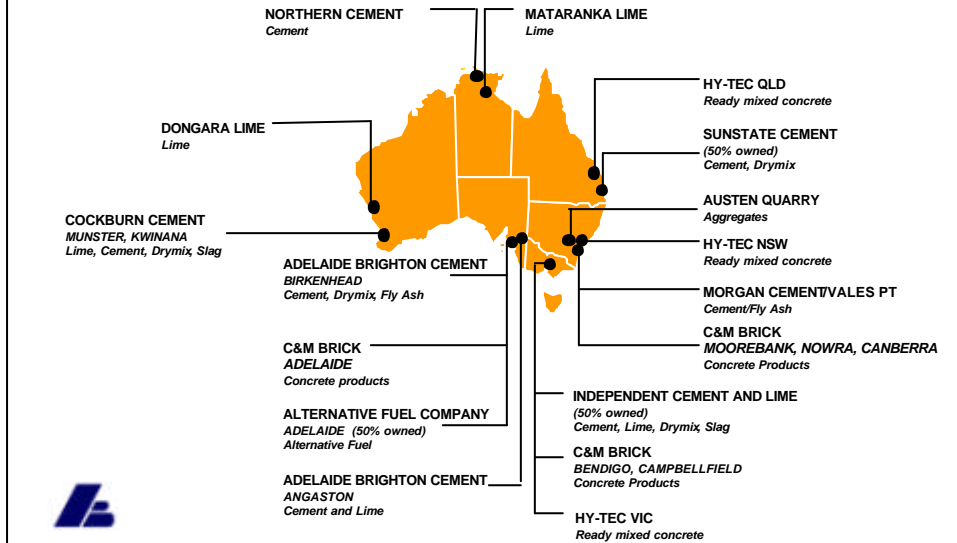
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Strategy Overview

Adelaide Brighton's geographical spread



Strategy overview

- **Strategic downstream positions established**
- **Aggregate development underway**
- **Emerging position in sand**
- **Long term Australian growth**
 - Construction from residential, commercial and infrastructure
 - Resource sector in WA, SA & NT
- **Long term import positions established**



Strategy: Lime business development

- Future projected steady growth from resource sector
- Additional 300kt+ over next three years
- ABL capacity through process optimisation
- ABL cement kiln capacity allows conversion to lime
- Continued focus on lime quality and supply flexibility



Strategy: Performance improvement

- **ABC & CCL Cement and Lime**
 - Continued improvement in plant performance
 - Record output from Birkenhead > 1.3m tonnes clinker
 - Angaston kiln 3 return on 2004 & 2005 investments
 - Munster lime capacity increased further through operational improvements
 - Morgan Port Kembla asset base secured: \$15.1m purchase of site and plant
 - Birkenhead \$5.6m alternative fuel plant commissioned Q4
 - Alternative Fuel Co JV
 - Shredder upgrade to 15tph supply capability
 - Gate fee currently suppressed due to alternate landfill capacity



Strategy: Performance improvement

- **Aggregates and concrete**
 - Phase 1 of Austen Quarry investment complete
 - Full commissioning Q2 2006
 - Commercial scale production began Q4 2005
 - Aggregate and manufactured sand supply for internal use only
 - Common systems established across Hy-Tec
 - Finance: control and consistent management information
 - Operations: quality control, efficient batch to invoice interfaces
 - Continued focus on quality, mix design and material cost



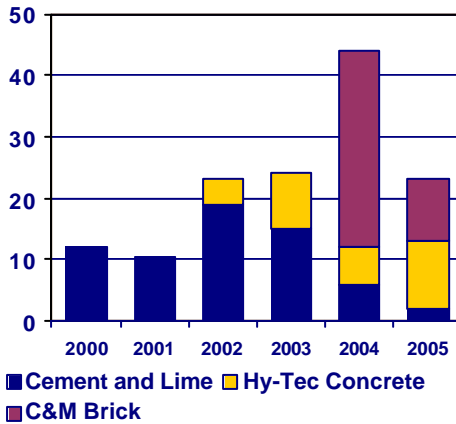
Strategy: Performance improvement

- **C&M Brick**
 - Plant upgrades now complete, though adverse impact on 2005 operating costs
 - Campbellfield wet cast plant commissioning protracted
 - Continued high cost of interstate product transfers
 - Demonstrable improvement in safety performance
 - Action plans implemented to reduce labour cost base



Safety performance: Lost time injuries trend

Lost time accidents



- Continued improvement
- Underlying improvement in Workers' Compensation costs
- C&M: major improvement
- Record performance in Cement and Lime – 2 LTI's
- Hy-Tec increase - vehicle accidents



Adelaide Brighton Ltd

Market overview



Cement demand

- **Increased demand over 2004**
 - Resource sector WA SA & NT
 - Construction demand in WA
- **Weaker sales in NSW impacted C&M and Hy-Tec**
- **Continued strong demand in Victoria & Queensland**
- **Increasing sales of mining cement to resource sector**
- **Benefit from 2005 cement price increases from Q2 2005 in SA & WA and Q4 in Vic, Qld & NSW**
- **Strong performance from JV's**
- **Long term import contracts both competitive and flexible**
 - Clinker and cement
 - Key to meeting increased demand



Lime demand

- **ABL is a key strategic low cost supplier to resource sectors in WA, SA and NT**
- **Level demand due to HISmelt delays and variable take from alumina sector in WA during the year**
- **Quality improved with resulting margin benefit**
- **NT increase, Ranger expansion**
- **Demand will increase to +300kt pa over the next four years**





Divisional performance



ABC & CCL Cement & Lime operations

- **Further improvement in operating performance**
 - 4.1% improvement in total clinker output
 - Birkenhead record clinker and cement output
 - Angaston success kiln 3 output
 - Munster lime kiln uptime improvement
 - Munster clinker output lower due to the carry forward of the 2004 shutdown
 - Mataranka output increase led by market demand
 - Improved logistic performance, stability of supply & imports



ABC & CCL Cement & Lime operations

▪ ABC & CCL Cement and Lime

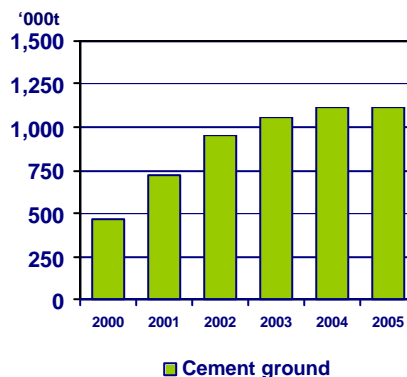
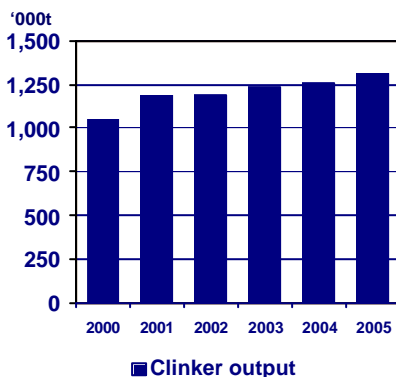
- Safety record improvement –
 - Birkenhead no reportable accidents in two years
 - Munster zero lost time injuries (LTI) 2005 – first time
 - Kwinana, Mataranka, Dongara LTI free in 2005
 - Just two LTI's reported in during the year
 - Bottom line impact - lower workers' compensation costs
 - Self insured status retained WA and SA

- Environmental focus
 - Munster Electrostatic Precipitator \$8.9m investment
 - Munster clinker handling reduces fugitive dust
 - Birkenhead limestone storage and handling improvements
 - Increase in alternative fuel waste combustion



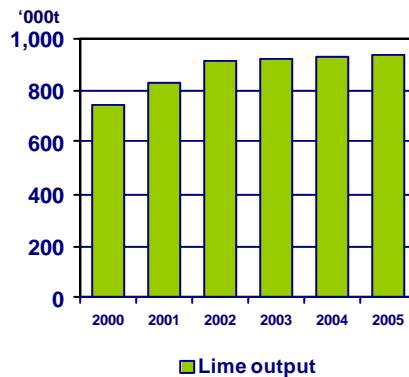
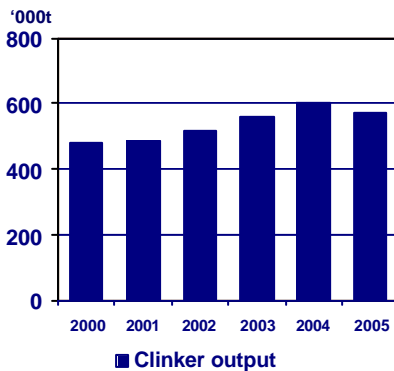
ABC Cement & Lime operations

- Birkenhead: record production of clinker and cement in 2005
- Reduction in H1 major shutdown by six days



CCL Cement & Lime operations

- WA clinker 2004 shutdown carry forward into Q1 2005
- Further potential to exceed 1.0m tonnes lime



Cement & Lime key developments

- Further capital investment to improve kiln uptime and increase capacity
- Morgan Cement operations lease buyout of Port Kembla
- Successful transition to contract dredging in WA
- WA, NT & Angaston, SA three year EBA's agreed
- Three year environmental improvement programmes in SA & WA



Imported clinker & cement

- **Tight import availability – cement and clinker**
 - Long term supply contracts in place
 - Import competition low due to strong vertical integration
- **Higher input costs sustain Asian pricing**
- **Shipping rates have fallen but remain above ABL contracts**
- **A\$ strength has assisted ABL's import margins**



Hy-Tec concrete

- **NSW price strength and volume weakness**
- **Price competition in Victoria**
- **Weaker volumes in QLD, Q1 weather impact**
- **Hy-Tec delivering on its strategic objectives**
 - Competitive base in Eastern states
 - Cement pull through in QLD and VIC
 - Long term NSW & QLD market growth
- **Austen Quarry 200m tonnes of potential reserves**
- **\$18m Phase 1 complete**
- **Developing sand positions in WA and NSW**



C&M Brick key issues

- C&M now well positioned for 2006 improvement
- Timing of the NSW market recovery is a key factor
- Plant investments are complete:
 - Operational and distribution efficiencies
 - Full product range available economically to all markets
- Further product development potential
- Price improvement driven by inflationary cost pressures
- 2005 performance versus 2004 major variances as follows:



C&M Brick EBIT 2005 v 2004

	\$m
Major impact in 2005 from NSW market weakness	} (1.4)
Shift in sales mix to lower margin contract volumes	
Base prices level though weaker overall due to sales mix	
Material cost increases cement, sand and aggregates	(0.6)
Other inflationary net cost increases (labour, freight, fuel)	(1.3)
Adelaide plant rebuild completed: Horsham closed	
Labour cost base reduced: one off redundancy costs	(0.7)
Safety performance improvement: reduced insurance cost	0.4
Operational transition: one off cost increases	(1.0)
Prior year expenses taken in 2005	(0.6)
Total 2005 v 2004	(5.2)





Financial Results

Andrew Poulter
Chief Financial Officer

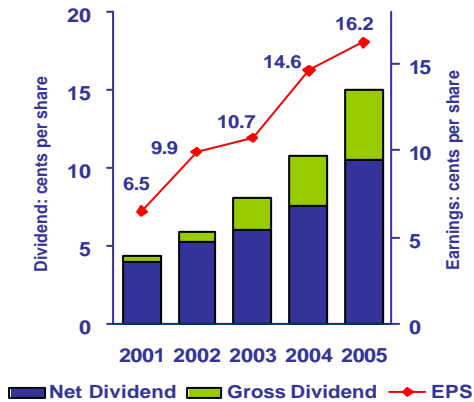


Summary earnings

Year ended 31 December	2005	2004	Change
A\$m			%
Sales revenue	723.2	689.0	5.0
EBITDA	181.6	171.5	5.9
EBIT	134.1	119.6	12.1
Net interest	(14.0)	(14.7)	(4.8)
Profit before tax	120.1	104.9	14.5
Tax expense	(32.3)	(25.8)	25.2
Net profit after tax before tax consolidation	87.8	79.1	11.0
Profit from discontinued operations	-	1.3	-
Minority interest C&M	-	(1.1)	-
Net profit attributable to members	87.8	79.3	10.8
Tax consolidation benefit	3.1	14.0	
Net profit after tax consolidation benefit	90.9	93.3	(2.6)



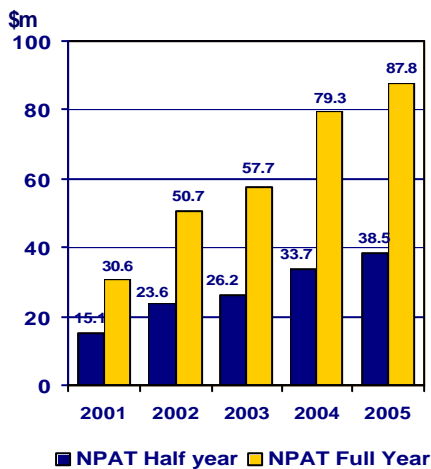
Earnings and dividend per share



- Full year 10.5 cents, fully franked (pcp 7.5 cents)
- Gross dividend 15.0 cents (pcp 10.7 cents)
- Pay out ratio increased to 62.6% (pcp 51.7%)
- Dividend cover 1.5 (pcp 2.0)
- Consistent increase in EPS (2003 & prior pre AIFRS)



Profit growth – half and full year



- Suppressed first halves due to the timing of maintenance programmes
- Some sales seasonality for cement and concrete products
- NPAT stated before tax consolidation benefit in 2004 & 2005



Tax expense 2005

- **Tax expense \$32.3m (\$25.8m)**
 - Effective rate 26.9% (24.6%)
 - 2004 took benefit from \$2.0m provision release (26.5%)

- **Tax consolidation benefit:**
 - Additional one-off \$3.1m reduction in 2005 charge after \$14.0m reduction in 2004 tax charge
 - Results from the detailed step up in depreciated asset values
 - Future increase in tax depreciation and lower tax payments
 - Smaller future benefits are possible when the detailed returns are filed

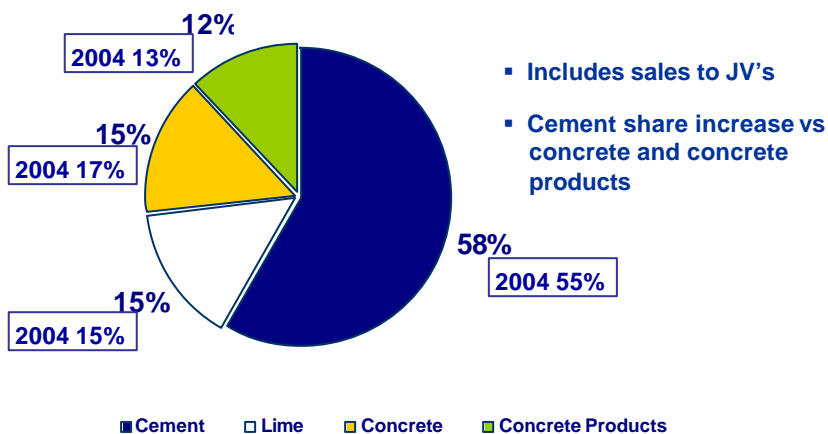


Gross margins and returns

12 months to 31 December (\$m)	Dec 05	Dec 04
Sales	723.2	689.0
Gross profit	158.1	146.6
Administration / Marketing	49.5	48.5
NPAT before tax consolidation benefit	87.8	79.1
Gross profit margin	21.9%	21.3%
NPAT margin	12.1%	11.5%
Net assets	634.0	588.9
Return on net assets	13.8%	13.4%



Turnover segmentation 2005



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Cash flow

- Further increase in operating cash flow
- Reduction in Free Cash flow due to capital programme
- ICL and Alternative fuel JV investments

12 months 31 December (\$m)	Dec 05	Dec 04
Cash flow from operations	123.4	115.7
Capital expenditure	(102.7)	(50.1)
Proceeds from asset sales	2.9	0.7
Payments for controlled entities	(6.0)	(5.8)
Proceeds from sale PTL	-	6.2
Free cash flow	17.6	66.7
Investments in JV's	(4.3)	(6.9)
Dividends paid	(45.8)	(37.5)
Net debt inflow (outflow)	(32.5)	22.3

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Capital investment

- **Capital expenditure \$102.7m (2004 \$50.1m)**
 - Underlying sustaining investment \$32.5m
 - \$21m investment in the purchase of previously leased Port Kembla and Mascot sites
 - Austen Quarry Phase 1 \$18.4m
 - Birkenhead alternate fuel handling \$5.6m
 - Munster ESP \$8.9m
 - Plant operational improvements Munster and Angaston
 - C&M plant upgrades Adelaide and Newcastle
 - Strategic sand asset acquisition
- **Depreciation \$47.0m (2004 \$51.5m)**
 - Sustaining and development at depreciation levels
 - Lower major component asset depreciation e.g. WA barges
- **Continuing investments into 2006 (\$80m)**
 - Austen Quarry Phase 2
 - Birkenhead environmental
 - Munster lime kiln 5



Joint ventures

- **Independent Cement & Lime Pty Ltd & Sunstate**
- **Improved distribution efficiency v 2004**

ABL 50% Share Year ended 31 Dec (\$m)	2005	2004	Variance %
Sales	169.7	162.3	4.6
EBITDA	29.0	25.0	16.0
NPAT	19.6	16.8	16.7
Net ABL investment	53.6	49.4	6.5
Profit margin	11.5%	10.4%	
Return on investment	36.6%	34.0%	



Balance sheet: borrowings and gearing

- Net debt comfortably within existing \$260m facilities
- Medium term refinancing proceeding for 31st March 2006

		Dec 05	Dec 04
Net debt	(\$m)	226.8	195.1
Interest	(\$m)	(14.0)	(14.7)
Gearing - Net debt / equity		35.8%	33.1%
Gearing - Net debt / debt + equity		26.3%	24.9%
Net debt / EBITDA		1.2	1.1
Interest cover (EBIT)	(times)	9.6	8.1
Net tangible assets / share	(cents)	\$0.87	\$0.78



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Outlook

Mark Chellew
Managing Director



Outlook – market

- **Cement demand in 2006 expected to remain at current levels**
 - Potential second half weakening in SA, offset by recovery in NSW
 - Infrastructure demand increasing
- **Resource sector cement demand will continue at current high levels**
- **Cement import availability will remain tight and prices holding**
- **Basis for further cement price increases in 2006 to recover base energy labour, energy and material price inflation**
- **Demand increases for lime from resource sectors in WA and NT**



Outlook – operations

- **Alternative fuels established shredded wood waste and carbon powder**
- **Further alternative fuels under consideration**
- **Import cement long term supply contracts in place**
- **Capital investment reduction to circa \$80m**
- **Continued investment in environmental programmes**
- **Continue to evaluate smaller acquisitions to improve downstream strategic positions**





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