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10 February 2005

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

Dear Sir/Madam

**RESULTS FOR YEAR ENDED 31 DECEMBER 2004**

We attach copies of slides being shown by Mark Chellew, Managing Director of Adelaide Brighton, during briefings for analysts on the company's financial results for the year ended 31 December 2004.

Yours faithfully

**MRD Clayton**  
Company Secretary



Adelaide Brighton Ltd



**Full Year Result**

**December 2004**



10 February 2005



Adelaide Brighton Ltd

# Overview

**Mark Chellew**

**Managing Director**



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2

## Agenda

- **Performance highlights**
- **Strategy overview**
- **Market overview**
- **Divisional reviews**
- **Financials**
- **Outlook**



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## Performance highlights

- **Record net profit after tax: 17.0% increase to \$67.5m**  
(Before tax consolidation benefit)
- **Increase in sales revenue of 10.5%**
- **16.8% increase in earnings per share to 12.5 cents**
- **Final dividend of 4 cents: 25% increase in total dividend for 2004 to 7.5 cents, franked to 100%**
- **First full year earnings from C&M \$8.6m EBIT**
- **One off tax consolidation benefit of \$14m**



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## Performance highlights

- Half year commitments delivered
- Second half volumes met forecast
- Plant maintenance programs completed successfully
  - Second half production exceeded expectation
- Cement pricing benefit from Q4 increases
  - Q4 pricing implemented progressively
- Full year consensus NPAT exceeded
- Delivery of second half PBT
  - First half PBT and minorities \$38.4m, second half \$56.5m



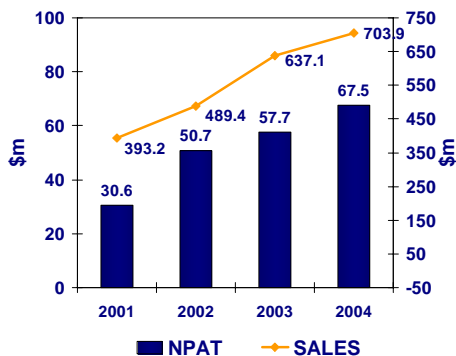
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5

## Performance highlights: Sales and profit growth 2001 - 2004

ABC's growth 2001 - 2004



- Continued increase through both acquisitive and organic growth & operational improvement
- Full year C&M 2004
- PTL Divestment 1 Jan 2004

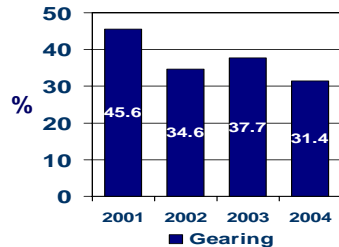


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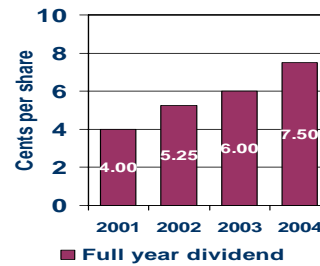
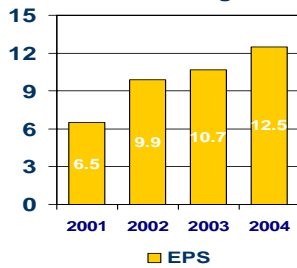


6

## Performance highlights: Shareholder returns



- Gearing reduced to 31.4% (net debt/equity)
- EPS increased to 12.5 cents, up 16.8%
- 25% increase in dividend to 7.5 cents
- Further Increase in payout ratio to 60.2%



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## Strategy Overview

- **Focused and relevant vertical integration**
  - Downstream Concrete & Concrete Products
  - Upstream into Aggregates
- **Lime business development**
  - Alumina, steel and mining sector growth
- **Operational improvement**
  - Plant capacities
  - Alternative fuels

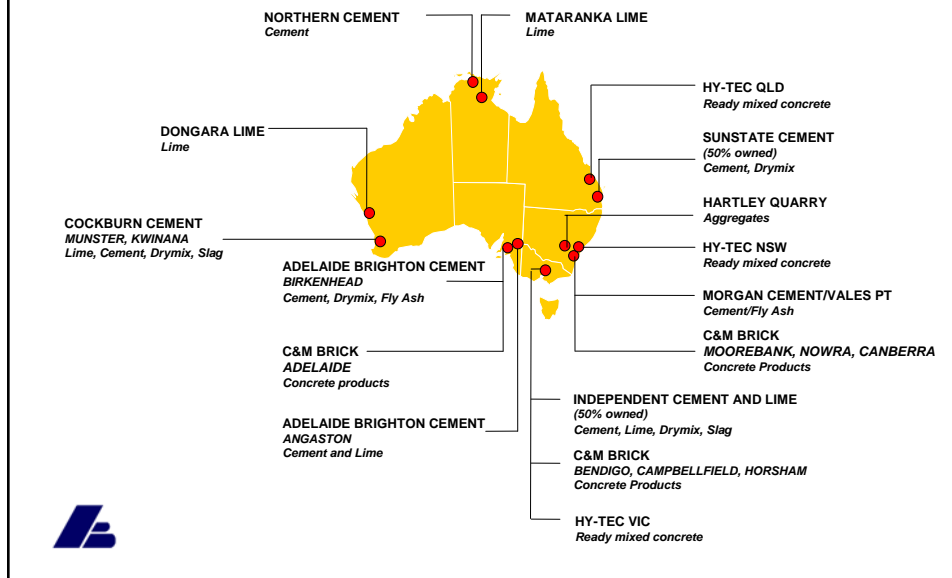


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## Strategy Overview

### Adelaide Brighton's geographical spread



## Strategy: Vertical integration

- **Strategic positioning improved through downstream acquisitions in concrete masonry products**
- **Backward integration into aggregates**
- **Long term growth sectors**
  - Queensland & New South Wales markets
  - Renovations
  - Non residential construction activity



## Strategy: Lime business development

- Future projected steady growth from resource sector
- Additional 200kt+ over next three years
- ABL capacity improvements through process optimisation
- ABL cement kiln capacity conversion to lime
- Continued focus on lime quality



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11

## Strategy: Performance improvement

- **ABC & CCL Cement & Lime**
  - Continued focus upon plant performance
  - Birkenhead \$6m alternative fuel investment underway
  - Alternative fuel JV upgraded equipment installed
  - Mainstream fuel consumption beginning H2 2005
- **C&M Brick**
  - Moorebank, Newcastle and Adelaide upgrades nearing completion
  - Nowra plant NSW fully commissioned
  - Plants will have full range production capability reducing freight costs
- **Hy-Tec Concrete**
  - Consolidated standard systems development
  - Concrete mix design optimisation
  - Significant progress upon safety performance



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12

## Strategy: Cost & environmental

- **Birkenhead alternative fuel use**
  - Black sand
  - Demolition wood waste
  - Carbon powder
- **Annualised savings target \$8m over 2001 base**
- **JV the Alternative Fuel Company Pty Ltd**
- **Overall alternative fuel usage - wood**
  - 4 tph in pilot phase, target 10 tph H2 2005
  - 16 tph in full scale, 33% substitution
- **\$8.0m investment in kiln 5 ESP at Munster**
- **Birkenhead three year emission improvement programme**



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13



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## Market overview



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14

## Cement demand

- Continued strong demand in WA and Qld
- Softening of sales in Q4 2004 NSW
- Demand in Victoria maintained
- Increasing sales of backfill binder cements to mining industry in Southern & Western Australia
- Benefit from increased cement prices from Q4 2004
- Strong performance from JV's
- Increased ABC cement imports principally for JV's



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15

## Lime demand

- Level demand as key expansions delayed into 2005
- Underlying strong demand continues from the mining and resource sectors
- Continued focus on lime quality to improve margins
- ABL a key strategic low cost supplier to resource sector



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16

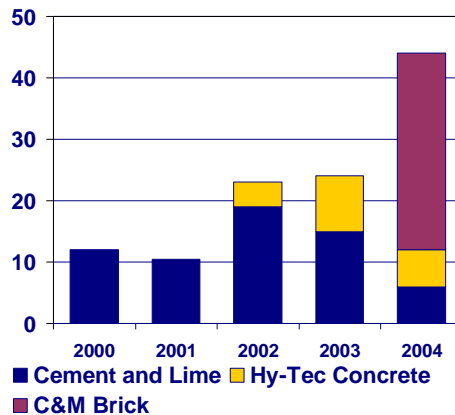


## Divisional performance



## Safety performance: Lost time injuries trend

Lost time accidents



- Record low for Cement and Lime
- Birkenhead accident free in 2004
- ABL standards adopted in Hy-Tec Concrete (2002 part year)
- C&M measurements now in place
- Significant potential to improve



## ABC & CCL Cement & Lime Operations

- **Record clinker outputs from all operations**
  - 4.1% improvement in total clinker output
- **Birkenhead cement milling continued improvement**
- **Higher freight costs for imports borne by ABL**
  - Logistics pressures - shipping availability & freight rates
- **Tightening of import availability - cement and clinker**
  - Long term supply contracts essentially in place
- **Significant improvement in safety record: LTIFR 6**



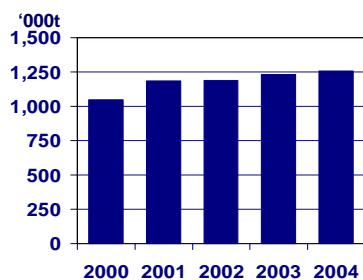
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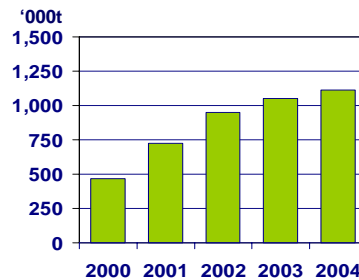
19

## ABC Cement & Lime operations

- **Birkenhead: Record production of clinker and cement in 2004**



■ Clinker output



■ Cement ground



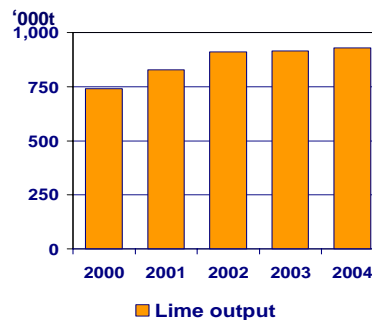
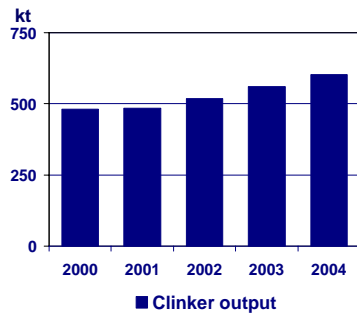
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20

## CCL Cement & Lime production

- WA record clinker and lime production
- Further potential to exceed 1.0m tonnes lime



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21

## Cement & Lime key developments

- Capital investment to improve uptime & increase capacity
- Woodman Point jetty & reclaimer upgrade completed
- Successful transition to contract dredging in WA
- Pt Kembla mill upgrade underway
- WA, NT & Angaston, SA three year EBAs agreed
- Environmental improvement programmes SA & WA



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22

## Imported cement

- **Tightening of import availability - cement and clinker**
  - Long term supply contracts in place
- **Higher input costs driving Asian price increases**
- **Shipping rates projected to remain at current high levels**
- **Higher Australian \$ softened the impact on ABC's import margins**



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23

## Hy-Tec Concrete

- **Steady progress in all markets though softer Q4**
- **Margin constrained sales price gains offset by increased sand and aggregate prices**
- **Major CBD contracts successfully supplied**
- **Hy-Tec meeting strategic objectives**
  - Key cement pull through in Queensland and Victoria
  - Long term NSW & QLD market growth
- **Queensland performance exceeded expectations**



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24

## C&M Brick

- C&M on track with acquisition plans
- \$8.6m 2004 EBIT includes \$1.1m of consolidation costs
- Key strategic objective growing masonry products' share of the construction sector
- Upgrades of former Rocla plants complete Q1 2005
- Nowra NSW plant commissioned in 2004
- C&M product range now distributed from all locations
- Successful introduction of new 'Lytec' lightweight block and 'Wet cast' product range
- Safety reporting now in place - significant potential for improvement

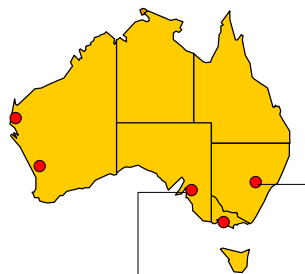


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25

## Aggregates and recycling



Alternative Fuel  
Co JV

Hartley Quarry  
Aggregate reserves

- Hartley Quarry estimated 200 million tonnes reserves
- \$28m investment commenced
- Stage one output mid 2006
- Alternative Fuel Co JV established, full capacity second half 2005
- Limestone in WA & Ag-lime Vic



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26



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# Financial results

**Andrew Poulter**

**Chief Financial Officer**



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27

## Summary earnings

Year ended 31 December A\$m	2004	2003	Change %
Sales Revenue	<b>703.9</b>	637.1	<b>10.5</b>
EBITDA	<b>168.5</b>	159.1	<b>5.9</b>
EBIT	<b>107.0</b>	97.0	<b>10.3</b>
Net interest	<b>(12.1)</b>	(12.6)	<b>4.0</b>
Profit before tax	<b>94.9</b>	84.4	<b>12.4</b>
Tax expense	<b>(26.2)</b>	(25.8)	<b>(1.6)</b>
Net profit after tax before tax consolidation	<b>68.7</b>	58.6	<b>17.0</b>
Minority Interest C&M	<b>(1.2)</b>	(0.9)	
Net Profit attributable to members	<b>67.5</b>	57.7	<b>17.0</b>
Tax consolidation benefit	<b>14.0</b>	-	
Net Profit after tax consolidation benefit	<b>81.5</b>	57.7	<b>41.2</b>

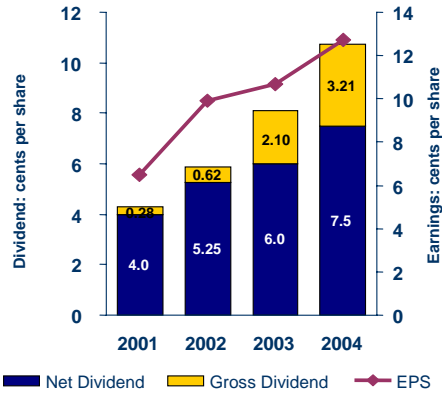


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28

## Earnings per share and dividend



- 25% increase in full year dividend to 7.5 cents fully franked (Final 4.0 cents)
- Gross full year dividend 10.7 cents
- Pay out ratio up to 60.2% (pcp 56.3%)
- Dividend cover 1.7 (pcp 1.8)
- 16.8% increase in EPS over pcp
- TSR 30.4% CAGR since 2001

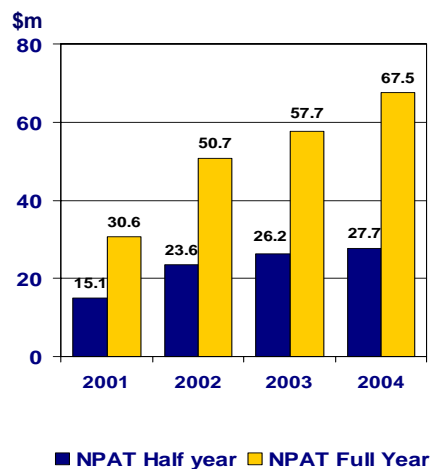


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29

## Profit growth – half & full year



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



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30

## Taxation Expense 2004

- **Tax expense \$26.2m (\$25.8m)**
  - Effective rate 27.6% (32.7%)
  - Final recognition of core, prior year net losses
  - Benefit of higher Sunstate JV dividend franking credits
  
- **Tax Consolidation Benefit**
  - One off, \$14.0m reduction in the 2004 tax charge
  - Results from \$46.6m step up in depreciated asset values
  - Future increase in tax depreciation & lower tax payment
  - Progressive use of pre acquisition Premier Hy-Tec losses



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31

## Gross margins & returns

12 months to 31 December (\$m)	Dec 04	Dec 03
Sales	<b>703.9</b>	637.1
EBITDA	<b>168.5</b>	159.1
Gross profit	<b>155.8</b>	142.7
Administration	<b>60.2</b>	54.0
NPAT before tax consolidation benefit	<b>68.7</b>	58.6
Minority interest	<b>(1.2)</b>	(0.9)
Net profit to members	<b>67.5</b>	57.7
Net assets	<b>620.8</b>	575.6
Gross profit margin	<b>23.2%</b>	23.4%
EBITDA Margin	<b>23.9%</b>	25.0%
Return on net assets	<b>11.1%</b>	10.2%

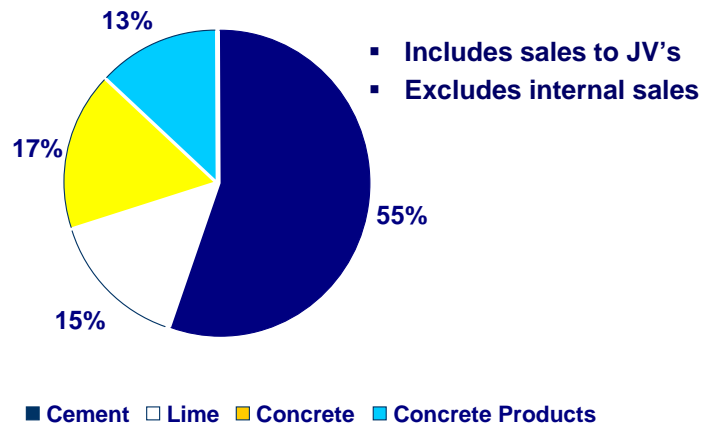


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32

## Turnover segmentation 2004



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33

## Joint ventures

- Improved NPAT, principally from Sunstate
- ICL modest improvement 2004 higher legal costs and input cement prices

ABL 50% Share 12 months ended 31 December (\$m)	Dec 04	Dec 03	Variance %
Sales	162.7	144.3	12.75
EBITDA	25.0	21.5	16.3
NPAT	15.8	12.9	22.5
Net ABL investment	48.4	45.8	5.7
Profit margin	9.7%	8.9%	
Return on investment	32.6%	28.1%	



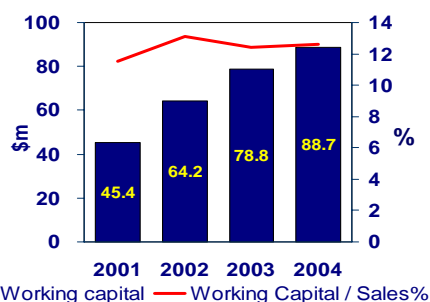
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34

## Return on net assets & working capital

- 7.8% increase in net assets to \$621m
- 8.8% increase in RONA to 11.1%
- ABL target 15%
- Full year benefit C&M v 2003
- PTL divestment benefit
- Working capital increase C&M / Hy-Tec
- Working capital / sales ratio level
- Significant improvement in debtor days
- \$0.4m provision for Sons of Gwalia
- Higher cement inventories Q4 output



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35

## Cash flow to 31 December 2004

- \$16.1m increase in tax paid over 2003, \$8.5m reduction in A/P
- \$9.0m capital work in progress carry forward to 2005

12 months (\$m)	Dec 04	Dec 03
Cash flow from operations	115.7	127.9
Capital expenditure	(50.1)	(60.7)
Proceeds from asset sales	0.7	1.0
Free cash flow	66.3	68.2
Investments	(6.5)	(62.4)
Equity raising	-	-
Dividends paid	(37.5)	(29.8)
Net debt inflow (outflow)	22.3	(24.0)



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36

## Capital investment

- **Capital expenditure \$50.1m (2003 \$60.7m)**
  - Jetty & reclaimer upgrade at Woodman Point in WA
  - Angaston raw materials handling & despatch upgrade
  - C&M Nowra plant and three plant upgrades
- **Depreciation \$51.3 (2003 \$52.3m)**
  - Sustaining and development spend at depreciation level
- **Continuing investments into 2005**
  - Birkenhead alternative fuels handling
  - Pt Kembla mill upgrade
  - Munster & Birkenhead environmental
  - C&M Adelaide plant upgrade
  - Hartley Quarry



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37

## Balance sheet: Borrowings & Gearing

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

		<b>Dec 04</b>	Dec 03
Net debt	(\$m)	<b>195.1</b>	217.1
Interest	(\$m)	<b>( 12.1)</b>	(12.6)
Gearing - Net debt / equity		<b>31.4%</b>	37.7%
Gearing - Net debt / debt + equity		<b>24.3%</b>	27.4%
Net debt / EBITDA		<b>1.2</b>	1.4
Interest cover EBIT	(times)	<b>8.8</b>	7.7
NTA/share	(cents)	<b>\$0.86</b>	\$0.76



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38

## Outlook - IFRS Impact

- ABL has adopted IFRS effective 1 January 2005. ABL has assessed the impact of IFRS on its accounts and notes the following four key areas:
  - Cessation of the Amortisation of goodwill (2004 \$10.2m). Now replaced by more rigorous impairment test of 'cash generating units'
  - Share based payments must be expensed
  - Hedging exposures must now be recognised through profits using 'mark to market' positions
  - Long lived assets. 'Pay as you go' accrual process for remediation no longer permitted
  - ABL already conducts detailed post acquisition valuations and does not predict any material impact
  - No impact. ABL has always prudently expensed Executive Share Plan costs over the period of the award
  - ABL takes short term hedging only (three month positions on imports) - little material impact
  - Costs must be recognised up front and can no longer be accrued over the asset life. Relates to ABC's raw material reserves:
    - Geelong - fully provided for
    - Woodman Point - shell sand self remediation
    - Klein Point SA - shallow quarry - remediation current
    - Rapid Bay SA - to be evaluated



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39



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## Outlook

Mark Chellew

Managing Director



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40

## Outlook - Market

- Cement demand in 2005 expected to continue at similar level to 2004, although January continued to be soft in NSW
- Demand from commercial, engineering and infrastructure sectors is expected to offset the softening residential sector
- Import availability will continue to tighten & prices strengthen
- Basis for further price increases in 2005, though these will be considered in the light of the impact of additional capacity
- Demand for lime from mining and resource sectors projected to show steady growth



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## Outlook - Operations

- Further progress on operational performance optimising output
- Increased focus on logistics
- Import cement long term supply contracts essentially in place
- Capital investment increases due to the Pt Kembla mill & Hartley Quarry
- Continued investment in environmental programmes
- Full scale alternative fuels at Birkenhead in second half year
- Continue to evaluate smaller 'tuck in' acquisitions to improve strategic position



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**Full Year Result**

**December 2004**

10 February 2005

