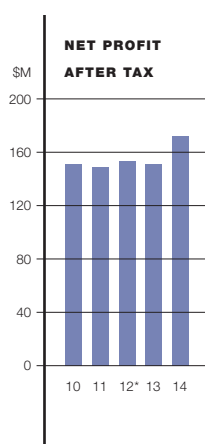


Chairman's Report

In 2014 Adelaide Brighton recorded strong growth in sales and earnings and continued to reward shareholders through higher dividends. The Company increased net profit after tax (NPAT) by 14.3% over 2013, to a record \$172.7 million. We also reported record revenue of \$1,337.8 million, 8.9% higher than the previous corresponding period (pcp).



LES HOSKING
CHAIRMAN



* In line with changes to accounting policies effective 1 January 2013, comparative numbers for 2012 have been restated

Year in review

This very pleasing result was based on increased volumes in most divisions and markets, price increases and savings from operational efficiencies. Volumes and revenue increased in our cement division on the back of healthy demand from residential and resources projects in Western Australia, the Northern Territory, New South Wales and Queensland. South Australian demand was subdued while Victorian demand eased. Lime volumes reduced in the first half of 2014 due to a decline in demand from gold miners and the suspension of operations at a major customer in the Northern Territory, which resumed production in the second half of the year. The Concrete Products Division achieved very strong earnings growth after much hard work to optimise this business.

Adelaide Brighton declared a fully franked final dividend of 9.5 cents per share, 0.5 cents higher than the pcp, which made for a full year dividend of 17 cents a share, also fully franked.

The Group's balance sheet remains strong, aided by healthy cash flows in 2014, which enabled us to keep gearing at a lower than expected ratio of 31.7%.

Strategy

In 2014 Adelaide Brighton made important strides in furthering its long term growth strategy, which is reflected in the strength of our financial results and shareholder returns. This strategy has three complementary elements: operational improvement, increasing vertical integration through value accretive acquisitions and development of the highly efficient lime business.

Our operational improvement program has vastly enhanced our competitive position in the last decade, substantially reducing costs and streamlining the business, and enabling us to compete more effectively in our key markets. In the past three years alone we have saved \$50 million through this program.

Our acquisition strategy continues to strengthen our vertically integrated business model, enabling us to participate throughout the entire value chain, from the raw material stage through to finished products in buildings and infrastructure projects. We spent \$172 million in 2014 securing highly valuable and strategic aggregate and concrete businesses in South Australia and Queensland which will deliver synergies and enhance future earnings. Organic growth and growth through profitable acquisitions remain important strategies for increasing shareholder value and we will continue to seek out opportunities in a measured and low risk manner.

Adelaide Brighton also continues to be a leading, low cost supplier of lime to the resources sector. We have very strong, long term supply relationships in the alumina sector and are well positioned to take advantage of the next upswing in the non alumina sector. We have made a significant investment in the past two years to improve production capacity and environmental performance in our lime business. The upgrade of our lime kilns in Munster, Western Australia, has led to an increase in our production capacity by 250,000 tonnes per annum in 2014.

(\$ million)	2014	2013	
Revenue	1,337.8	1,228.0	
Depreciation, amortisation and impairments	(75.0) ¹	(70.6)	
Earnings before interest and tax	247.5	222.7	
Net finance cost ²	(15.0)	(14.1)	
Profit before tax	232.5	208.6	
Tax expense	(59.9)	(57.5)	
Net profit after tax	172.6	151.1	
Non-controlling interests	0.1	-	
Net profit attributable to members	172.7	151.1	
Return on funds employed ³ (%)	17.7	17.0	
Basic earnings per share ("EPS") (cents)	26.9	23.7	
Dividends per share - fully franked (cents)	17.0	19.5 ⁴	
Net debt ⁵ (\$ million)	359.8	248.0	
Net debt/equity (%)	31.7	23.4	

¹ Includes impairment charge of \$2.0 million.

² Net finance cost is the net of finance costs shown gross in the Income Statement with interest income included in revenue.

³ Return on funds employed = EBIT/average monthly funds employed.

⁴ Includes special dividend of 3.0 cents

per share in 2013.

⁵ Net debt is calculated as total borrowings less cash and cash equivalents.

Leadership

In May 2014 Martin Brydon, a long term serving executive of the Company, was promoted to the position of Chief Executive Officer (CEO) following the retirement of Managing Director, Mark Chellew. Martin has brought more than 30 years industry experience to the role, including nine years as Executive General Manager of the Group's Cement and Lime business.

The transition of leadership responsibilities has been smooth. Martin has taken the reins of the business firmly while continuing to implement our proven strategy. He is supported in this by an experienced and talented senior management team.

Safety performance

We put the safety and health of our employees and contractors at the forefront of everything we do. The Company is committed to achieving a safe, productive and healthy work environment through the continued enhancement of our safety standards and systems and through cultural change. In 2014 we recorded a lost time injury frequency rate (LTIFR) of 1.8, reflective of a sound safety culture across the business.

We are also ensuring this safety culture is embedded in our recently acquired businesses.

Board and governance

The Board is committed to conducting business ethically and in accordance with high standards of corporate governance. Adelaide Brighton believes its policies and practices are consistent in all substantial respects with good corporate governance practice in Australia appropriate for the circumstances of the Company, including the ASX Corporate Governance Council's Principles and Recommendations (2nd Edition).

The Company has reviewed and refreshed its Code of Conduct, Board Charter and Relationship with Management, Independence of Directors, Group Delegated Authorities and the Health, Safety and Environment Policy. It continues to review its corporate governance practices, including to take into account the ASX Corporate Governance Council's Principles and Recommendations (3rd Edition).

Sustainability and the environment

Adelaide Brighton understands the importance of operating its business sustainably, working with its employees, supply chain, customers and local communities in a manner that is consistent with this objective. During 2014, Adelaide Brighton worked on consolidating the benefits from our sustainability efforts.

Following the completion of the investment in dust filters at the Munster site, 2014 represents the first full year that the environmental benefits have been achieved.

In addition to the benefits from this investment, further work on the site has been undertaken in the areas of odour and noise. Similar initiatives are underway at other sites and further details are contained in our Sustainability Report.

The Company believes that a proactive approach to sustainability, working with our local communities, government and regulatory bodies optimises outcomes for both our stakeholders and Adelaide Brighton. With this in mind, the Company continually challenges its performance in order to achieve improved results.

Risk management

Adelaide Brighton's risk management framework is a key factor in sustaining the Group's ongoing performance. The Board's Audit, Risk and Compliance Committee oversees the Company's risk management framework, encapsulating financial, operating, regulatory and environmental risks. These risks are reviewed and mitigation strategies modified on a regular basis to ensure that changes in risk are managed appropriately.

In conclusion

On behalf of your Directors, I acknowledge the hard work and commitment of the executive management team and all employees over the last year during what has been challenging market conditions. I also thank our customers, shareholders and joint venture partners for their continuing loyalty and support.