

In 2013, Adelaide Brighton's successful execution of its long term strategy continued to deliver strong returns for shareholders and ensured the Company remained well positioned for continued solid performance.

Year in review

I am pleased to report that Adelaide Brighton achieved net profit after tax (NPAT) of \$151.1 million for the year to 31 December 2013, a slight decline of 1.2%. This result was achieved on record revenue of \$1,228.0 million, up 3.8% on the previous year.

The Board is pleased with this result in an environment of subdued housing and commercial construction activity that prevailed for much of the year, particularly on the east coast of Australia.

Weakness in east coast construction was once again offset by the infrastructure and resource sectors in South Australia, Western Australia and the Northern Territory, where your Company has market leading positions.

Excluding a one-off tax gain in the previous year, our underlying net profit rose 3.9%, which is encouraging given we are yet to see the full benefit of our major capital investment program and signs of an improving housing market were only in evidence late in the year.

Total fully franked dividends declared for 2013 were 19.5 cents per share, which is comprised of ordinary dividends of 16.5 cents and a special dividend of 3.0 cents.

Record cash flow in 2013 was reflected in a decline in gearing to 23.4%. Our strong balance sheet provides capacity to fund value enhancing acquisitions, organic growth opportunities and where financial circumstances allow, to continue to investigate and implement capital management activities to maximise shareholder returns.

Strategy

Adelaide Brighton's successful strategy which combines operational improvement, development of its lime business and vertical integration remains unchanged. It is the cornerstone of continued strong returns to shareholders.

In 2013, execution of this strategy has included further diversifying the product range and enhancing Adelaide Brighton's unique position in lime supply to the resources sector. Additionally, ongoing investment in the reliability and sustainability of our key cement and lime production assets has delivered significant results.

Vertical integration through the development of quarry and premixed concrete operations has further improved the Company's competitive position in the highly integrated Australian market.

Moreover, the establishment of the Company's industry leading network of import facilities with favourable long term international supply arrangements has underpinned competitiveness, efficiency and returns on capital.

A key priority for the Board is enhancing long term shareholder value through growth. In this regard, Adelaide Brighton will continue to pursue organic and acquisitive growth in a measured and low risk manner in order to maximise long term shareholder value.

Leadership

In December 2013, the Board announced that Adelaide Brighton's long serving Managing Director and Chief Executive Officer, Mark Chellew, would retire following the 2013 Annual General Meeting. At the time of the announcement, Martin Brydon, Adelaide Brighton's then Executive General Manager Cement and Lime, was promoted to the Deputy CEO role and he will become the Chief Executive Officer following Mr Chellew's retirement. Martin brings to the CEO role more than 30 years industry experience, including his leadership of the Cement and Lime business for the past nine years.

Over nearly 13 years in charge of Adelaide Brighton, Mark has been one of the most successful ASX listed company chief executives and generated significant value for our shareholders.

This is reflected in Adelaide Brighton's number two ranking in the S&P/ASX200 Accumulation Index (excluding GICS Financials, BHP Billiton, Rio Tinto, Newcrest Mining) for total shareholder return between July 2001 and June 2013. This represents total shareholder return growth over the period of around 1200%.

In his time at Adelaide Brighton, Mark's achievements have been considerable and the impact of his leadership and established business relationships will be enduring. On behalf of the Board, I thank Mark for his dedication and commitment.

Through this period Mark has built an exceptional senior management team with significant depth and experience. Together with the priority the Board has placed on succession planning, Martin's transition to the role of Chief Executive will be seamless for the company, its employees, its customers and suppliers.

Safety performance

The safety and health of our employees and contractors is core to every aspect of our business. The Company is committed to achieving a safe, productive and healthy work environment through the continued progress of its safety standards, systems and change in culture. Our progress is reflected in the improvement in safety outcomes measured in lost time injury frequency rate (LTIFR). In 2013, we recorded an LTIFR of 1.7, a significant annual improvement over each of the last two years.

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 with good corporate governance appropriate for its current circumstances, including the ASX Corporate Governance Council Principles and Recommendations.

The Directors continue to monitor and evaluate the composition of the Board to ensure the appropriate balance and range of experience and skills. The Board holds meetings at a range of Company sites across Australia in order to provide Directors with exposure to the diversity of the Group's operations and geographic spread.

The Board engages with key stakeholders in order to ensure remuneration policies are transparent and appropriate to maximise long term growth in shareholder returns. The Nomination, Remuneration and Governance Committee of the Board engaged a consulting firm to advise on remuneration to ensure both best practice and legal requirements were met.

Sustainability and the environment

Adelaide Brighton is committed to sustainable operations by conducting its business responsibly and in a manner designed to protect employees, adjacent communities and the natural environment.

We do this by continually analysing our activities and considering the needs of all stakeholders to identify key opportunities for improvement and sustainable development.

That is, our economic success and licence to operate is bolstered by a focus on sustainability and the environment.

For example, the recent \$46 million investment in the two lime kilns at Munster, Western Australia, to limit particle emissions from the site, benefited not only the environment and local community but also resulted in an increase in the kilns' production capacity by 25% and delivered important operational improvements. Adelaide Brighton continued its program of proactive community, government and regulatory authority engagement during the year. This is an important part of our relationship with communities adjacent to our operations, specifically our major manufacturing sites at Birkenhead and Angaston (South Australia) and Munster (Western Australia).

The Company's focus on management of energy sources and uses has also delivered significant benefits. Since 2009, increases in the cost of energy, including gas, electricity and the carbon tax incurred by Adelaide Brighton have increased costs by more than \$40 million, an increase of more than 40%. Over this period, Adelaide Brighton has limited its energy costs, use of energy and carbon emissions through fuel switching and the use of alternative fuels and, in so doing, mitigated approximately \$27 million in potential energy cost increases.

Risk Management

Adelaide Brighton's risk management framework is a key factor in the Group's ongoing profitable performance. The Audit, Risk and Compliance committee of the Board 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 reflected appropriately.

People

On behalf of your Directors, I acknowledge the hard work and commitment of all employees over the past year.

Again, I thank Mark Chellew for his dedication and strong leadership of Adelaide Brighton, and Martin Brydon for building on his already admirable 30 years of service to Adelaide Brighton by accepting the opportunity to lead our great company through its next stage of growth.

Finally, I thank our customers, shareholders and joint venture partners for their continuing loyalty and support.



Les Hosking
Chairman

