Finance report

Adelaide Brighton paid a special dividend supported by strong operating cash flow and a decline in net debt to below the target range.

Sales and profits

In 2013, Adelaide Brighton revenue increased by 3.8% to $1,228.0 million. Infrastructure projects in South Australia and resource projects in Western Australia and the Northern Territory offset weakness in non-residential and residential construction. Residential demand began to improve late in the year, most notably in New South Wales. Across main product lines, volume growth was mixed. Lime, cement and clinker volume was largely stable, while concrete volume increased and aggregates and concrete products volumes were slightly lower than 2012.

Net profit after tax (NPAT) declined 1.2% to $151.1 million. Excluding a $7.6 million fair value accounting gain in the previous year, NPAT increased by $5.8 million or 3.9% on 2012. Earnings before interest and tax (EBIT) increased 0.3% to $222.7 million. Higher input costs were balanced by modest price increases, operational efficiency and benefits from capital investment. Energy costs increased by approximately 10% on 2012, due largely to rising electricity costs in South Australia.

Contributions from joint ventures and associate declined due to difficult markets in Victoria and Queensland, depressing earnings from Independent Cement and Lime and Sunstate Cement. Competitive pressures in these markets inhibited price increases to recover rising costs. Demand improved in the second half of the year in Queensland but Victoria remained depressed due to subdued residential demand.

EBIT margin

Group EBIT margin declined from 18.8% to 18.1% in 2013. Excluding the fair value accounting gain in 2012, EBIT margins were stable.

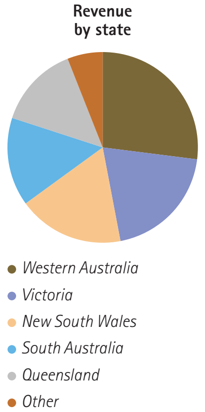
In the wholly owned operations, EBIT margins were flat or higher across all major product groups. Lime margins increased due to higher prices and the operational benefits of recent capital investment. Cement margins were stable with prices and volumes flat. An $8 million EBIT benefit from cement milling upgrades at Birkenhead was offset by input cost increases.

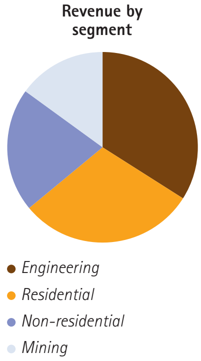
Overall, cost savings and the recently completed major capital program delivered EBIT benefits of $20.2 million in 2013, which was a key factor in maintaining margins amid rising energy costs.

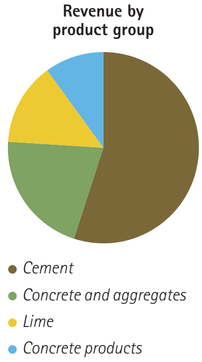
Shareholder returns

Adelaide Brighton declared a final ordinary dividend for 2013 of 9.0 cents per share and a special dividend of 3.0 cents per share, both franked to 100%. Including the ordinary interim dividend of 7.5 cents per share paid in October 2013, total 2013 dividends are 19.5 cents per share. This is 18.2% higher than total dividends declared for 2012.

The 2013 dividend payout ratio of 82.3% of net profit is higher than the Board's target payout range of 65% to 75%. The high payout ratio is supported by strong cash flow and a decline in gearing to 23.4% at year end, which is below the target range of 25% to 45% net debt to equity.







The special dividend also takes into consideration Adelaide Brighton's capital expenditure outlook and the availability of franking credits.

EBIT return on funds employed declined from 18.0% to 17.0% in 2013 reflecting the recent significant capital expenditure program, the benefits of which have only been partially realised. Further improvements to earnings from the program are expected. Adelaide Brighton's returns continue to exceed the cost of capital.

Adelaide Brighton has maintained strong total shareholder return (capital appreciation plus dividends) over the last decade compared to its peer group, which has supported S&P ASX 100 Index inclusion since 2012.

Cash flow

Operating cash flow increased by $40.4 million to $227.3 million due to stronger underlying operating performance and management of working capital. Working capital, including provisions, decreased from December 2012 primarily due to the timing of cash flow related to the carbon tax. An increase in trade and other debtors of $12.2 million, as a result of higher sales and a slight increase in debtor days, was largely offset by an increase in trade and other creditors of $10.4 million.

Capital expenditure decreased from $150.0 million to $67.9 million in 2013 as a result of the commissioning of major projects. Asset sales contributed $6.5 million to cash flow, largely from the initial projects in the $130 million land sale program. Expenditure on development projects and acquisitions declined from $90.6 million to $14.6 million. Stay in business capital expenditure of $52.3 million represents 74% of depreciation and amortisation.

Borrowings

Net debt decreased by $62.5 million to $248.0 million and net debt to equity gearing declined to 23.4%.

The Company renegotiated its credit facilities during 2013, extending the maturity and reducing the credit margins paid on the facility. The $500 million of total facilities have the following maturity profile:

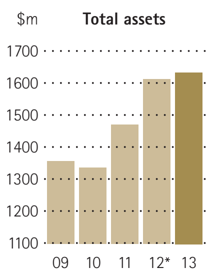
Facility expiry date	*Facility value*
1 July 2015	$300 million
1 July 2016	$200 million

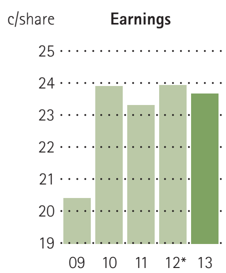
Interest and taxation

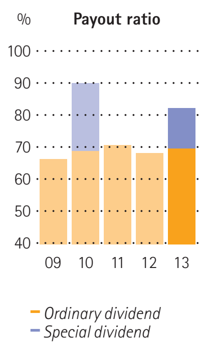
Net finance costs of $14.1 million were $0.5 million lower than 2012. This was due to lower average borrowings and lower interest rates. Capitalised interest also declined due to the completion of the $112 million capital expenditure program.

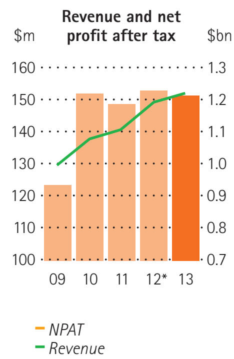
Tax expense of $57.5 million increased by $2.9 million in 2013. The effective tax rate of 27.6% was up from 26.3% in 2012 as a result of the non-taxable gain on acquisition of $7.6 million recognised in 2012. Adelaide Brighton's underlying average tax rate approximates the Australian corporate rate of 30%. Equity accounted earnings from joint ventures and associate reported in the Group results reduces the reported tax rate to the range of 27% to 28% in most years.

Michael Kelly
Chief Financial Officer









** In line with changes to accounting policies effective 1 January 2013*