In 2014 Adelaide Brighton enjoyed healthy growth in revenue, earnings before interest and tax (EBIT) and net profit after tax attributable to members (NPAT). Revenue increased 8.9% to $1,337.8 million. NPAT increased 14.3% to a record $172.7 million. EBIT grew by 11.1% to $247.5 million.

MICHAEL KELLY
CHIEF FINANCIAL OFFICER

Sales and profits

Sales growth was achieved on rising volumes and prices in cement, clinker, concrete, aggregates and concrete products. Earnings declined in lime due to lower sales volumes. Input costs continued to increase but this was largely offset by excellent outcomes from operational improvement programs.

Contribution from joint ventures and associate entities declined due to difficult markets affecting Independent Cement and Lime (ICL) in Victoria, offset by a better contribution from Sunstate Cement in Queensland. Competitive pressures in Victoria inhibited price increases by ICL to recover rising costs.

Underlying NPAT increased 8.5% to $166.5 million and underlying EBIT also rose by 8.5% to $245.2 million.

'Underlying' measures of profit exclude significant items of revenue and expenses in order to highlight the underlying financial performance across reporting periods. The items excluded from underlying measures in 2014 contributed a net gain of $6.2 million after tax and $2.3 million before tax:

> Rationalisation of clinker production at the Munster site
> Corporate restructuring costs
> Acquisition costs
> Gain on acquisition from fair value accounting
> Successful litigation outcome.

Interest costs increased only marginally on higher debt related to acquisitions. This was due to the combination of lower borrowing margins and underlying interest rates.

Net profit was assisted by a lower effective tax rate due to the non-taxable accounting gain. Excluding this item, the effective tax rate was 27.9%.

Adelaide Brighton's underlying average tax rate approximates the Australian corporate rate of 30%. Equity accounted after tax earnings from joint ventures and associate entities reported in the Group results reduces the reported tax rate to the range of 27% to 28% in most years.

EBIT margin

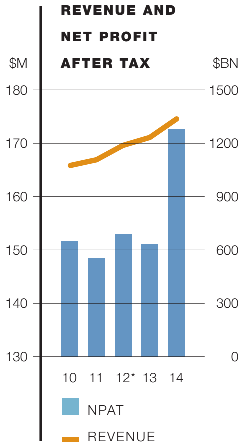
Group underlying EBIT margin was stable at 18.3% compared with 18.4% in 2013. EBIT margins remained healthy on a revenue base in 2014 that was significantly larger than the prior year.

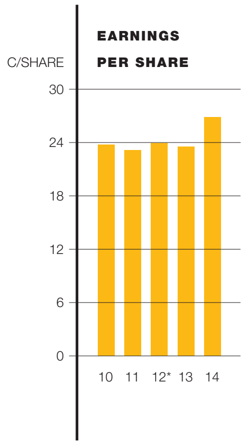
In the wholly owned operations, EBIT margins improved in cement and clinker, concrete and aggregates and concrete products, supported by volume and price growth in these businesses.

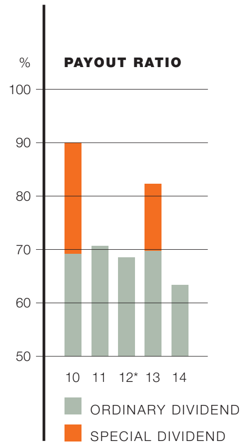
Margins in lime declined due to a 7% reduction in volume and a lower average price as the mix shifted away from higher priced non-alumina sector volume, although margins stabilised in the second half of the year.

The contribution from the equity accounted joint ventures declined $2.5 million due largely to weakness in our joint venture, Independent Cement and Lime Pty Ltd, in the challenging Victorian market.

The devaluation of the Australian Dollar against Adelaide Brighton's major trading currencies of the US Dollar and the Japanese Yen reduced import profitability by approximately $5 million in 2014 compared to 2013.







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

Operational improvement programs delivered benefits of $19.7 million in 2014. Key initiatives were a corporate restructure, the Munster clinker rationalisation and energy efficiency programs.

Shareholder returns

A final ordinary dividend of 9.5 cents per share (fully franked) was declared, an increase of 0.5 cents per share on the 2013 final ordinary dividend. Fully franked dividends totalled 17.0 cents per share in 2014 compared to 19.5 cents in 2013, which included a special dividend of 3.0 cents per share.

Underlying return on funds employed improved from 17.2% to 17.5% in 2014. 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.

The Dividend Reinvestment Plan has been suspended given better than expected cash flow and gearing outcomes since the major acquisitions were completed in 2014.

Cash flow and debt

Cash flow was ahead of expectations in the second half and, as such, gearing finished the year lower than anticipated.

While operating cash flow declined by $33.3 million to $194.0 million in 2014, this was largely due to non-recurring items from an acceleration of the income tax payments system and carbon tax related payments.

Development capital expenditure of $174.4 million in 2014 included $155.6 million in acquisitions in concrete and aggregates in north Queensland and South Australia.

Excluding acquisitions, capital expenditure totalled $60.4 million in 2014, a decline of $6.5 million from 2013 following the completion of organic growth projects.

One of the benefits of the rationalisation and improvement program is the release of surplus land assets. Adelaide Brighton has a land portfolio that is expected to release a total of $130 million in cash in the medium to long term.

The Group is actively engaged in preparing these properties for sale to maximise value. The program has delivered approximately $16 million in revenue since the beginning of 2013, including a sale that contributed $9 million in cash and $1 million profit before tax in 2014.

Due to strong second half cash flow, net debt increased by a lower than expected $111.8 million to $359.8 million. Net debt to equity gearing of 31.7% at year end was well within the targeted range of 25% to 45%.

The Company refinanced debt facilities during 2014, increasing the term and lowering borrowing margins. Total facilities were increased by $40 million to $540 million with the following maturity profile:

January 2018	January 2019
$330 million	$210 million

To maximise shareholder returns, Adelaide Brighton seeks to ensure the balance sheet is efficiently utilised while retaining the flexibility to fund the long term growth strategy as opportunities are identified.