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Chief Financial Officer

The adoption of Profit Optimisation Programs and continued focus on maximising cash flow enabled Adelaide Brighton to maintain earnings during 2009, despite a decline in cement demand in the Australian construction materials sector. Increased cash flow, together with effective capital management strategies, reduced year end gearing to 19.6%, providing balance sheet flexibility for future acquisitions.

### Profits

The Company returned net profit after tax of \$123.1 million, despite an underlying \$10.9 million (31.5%) increase in income tax expense. Profit before tax rose by \$13.3 million to \$168.6 million (a 8.6% increase over 2008), assisted by an \$18.6 million reduction in finance costs, as lower borrowings were complemented by successive reductions in the cash rate.

### EBIT margins

EBIT margins increased slightly to 18.8% (18.5% pcp). This improvement was supported by higher selling prices, cost reductions and a mix shift away from lower margin imported products. The impact of one off items on EBIT was relatively small. Redundancy costs and Klein Point costs were offset by property profits and the recovery of previously expensed land holding costs.

### Shareholder return

A final dividend of 8.0 cents per share was declared, resulting in a total fully franked dividend of 13.5 cents per share. The dividend payout ratio of 69.2% was maintained around the middle of the Board's preferred range of 65% - 75%.

The increase in issued shares from the institutional equity raising and the Share Purchase Plan saw a drop in earnings per share from 22.2 cents to 20.4 cents. Following the successful capital raising, the Company suspended the Dividend Reinvestment Plan effective from the final 2009 dividend. Return on equity eased from strong 2008 levels as a result of the equity raising.

Since 2000, Adelaide Brighton has delivered an average annual total shareholder return of 28.2%.

### Cash flow and borrowings

Operating cash flow increased by 25.3% to \$188.1 million as a result of continued working capital management, constrained capital expenditure and the divestment of non-core property assets.

Trade receivables (\$146.0 million) and debtor days were both in line with the previous year. This result was further complemented by a reduction in bad debt expense, with no material customer failures during the year. Inventory levels were reduced by \$8.3 million to \$107.8 million, through tight control over engineering spare parts.

Capital expenditure was \$43.1 million for the year - a significant reduction over previous years - and limited to the completion of work in progress and essential maintenance investment.

Recognising the potential risks from credit market instability, the Company took the prudent step of raising capital through a combined \$111.0 million (net of transaction costs) institutional equity raising and Share Purchase Plan. In recognition of retail investor demand, the Share Purchase Plan was increased from \$15.0 million to \$28.5 million.

This capital raising, combined with tight cash flow management, resulted in net debt reducing by \$212.4 million to \$175.4 million. Year end gearing fell to 19.6% compared with 55.3% in the previous corresponding period.

Adelaide Brighton's borrowings comprise \$310 million two year credit facilities, maturing on 30 June 2010, and \$210 million three year facilities, maturing on 30 June 2011. The Company is currently assessing its financing needs and is in advanced discussions with its lead bankers - CBA, Westpac and NAB - with regard to the rollover of the existing \$310 million, two year facilities.

### Interest and taxation

Net finance expense fell by \$17.1 million to \$16.7 million due to lower levels of borrowing and the lower underlying cash rate. Interest cover increased to 11.1 times, compared with 5.6 times in 2008.

In the absence of the \$3.5 million in one off tax benefits realised in 2008, the 2009 tax expense reverted to the basic tax rate, offset by equity accounted joint venture net profits. The net result was a 26.9% tax rate (22.2% in 2008).

### Risk management

Currency values and interest rates remain Adelaide Brighton's key financial risks. The Company was able to take advantage of successive reductions in the cash rate during the first half of 2009. It adhered to its three month foreign exchange hedging policy throughout the year and benefited from lower imported cement costs due to the progressive rise in the Australian dollar.

The Company addressed a key systems risk during 2009 by replacing its business systems in the Corporate, Cement and Lime and Concrete Products Divisions with the SAP enterprise resource planning system. SAP was progressively introduced over the second half of the year and will be implemented in the Concrete and Aggregates Division during 2010 and 2011. Implementation risk was successfully managed and the system is expected to deliver benefits during 2010.