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17 August 2017

The Manager
Market Announcements
Australian Securities Exchange Limited
20 Bridge Street
SYDNEY NSW 2000

Dear Sir/Madam

Adelaide Brighton half year report to 30 June 2017 – media statement

We attach a media statement covering Adelaide Brighton's half year report to 30 June 2017 for release to the market.

Yours faithfully

MRD Clayton
Company Secretary

For further information please contact:

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MEDIA STATEMENT

17 August 2017

ADELAIDE BRIGHTON ANNOUNCES HALF YEAR RESULTS - ORDINARY INTERIM DIVIDEND MAINTAINED AT 8.5 CPS -

Leading construction materials and lime producer Adelaide Brighton (ASX: ABC) today reported financial results for the half year ended 30 June 2017, maintaining the interim ordinary dividend at 8.5 cents per share, franked to 100%[1].

Statutory Net Profit After Tax (NPAT) was $68.7 million for the half, representing Basic Earnings Per Share (EPS) of 10.6 cents, compared to 11.9 cents in the previous corresponding period (pcp).

Underlying NPAT, which excludes restructuring and transaction costs, was $74.5 million, down 4.0% on pcp. Underlying Earnings Before Interest and Tax (EBIT) declined 2.7% to $108.5 million versus pcp.

Softer earnings reflected several one-offs including the impact of a temporary cement quality issue and additional costs relating to a compulsory scope change in remediation related to the closure of our North Melbourne concrete plant and weaker demand in WA and NT.

Revenue for the period was $718.4 million, 4.7% higher than pcp, or 1.3% excluding the impact of revenue from the acquired Central Pre-Mix (Central) concrete and aggregates business. The improved revenue reflected a buoyant construction environment in east coast states.

FINANCIAL SUMMARY – Statutory basis	**6 months ended 30 June**		
($ million)	**2017**	**2016**	**% change pcp**
Revenue	**718.4**	686.0	**4.7**
Depreciation, amortisation and impairments	(41.5)	(40.1)	3.5
Earnings before interest and tax (“EBIT”)	**101.7**	110.8	**(8.2)**
Net finance cost[2]	(5.5)	(6.1)	(9.8)
Profit before tax	**96.2**	104.7	**(8.1)**
Tax expense	(27.5)	(27.6)	(0.4)
Net profit after tax	**68.7**	77.1	**(10.9)**
Non-controlling interests	–	–	–
Net profit attributable to members (“NPAT”)	**68.7**	77.1	**(10.9)**
Basic earnings per share (EPS) (cents)	10.6	11.9	(10.9)
Ordinary dividends per share – fully franked (cents)[1]	8.5	8.5	
Net debt[3] ($ million)	407.4	345.4	
Gearing[4] (%)	34.3%	29.1%	

Notes: 1. Record Date is 4 September 2017, with payment on 5 October 2017. 2. Net finance cost is gross finance costs in the Income Statement net of interest income included in revenue. 3. Net debt is calculated as total borrowings less cash and cash equivalents 4. Net debt/equity.

RESULTS SUMMARY

- Revenue grew 4.7% to $718.4 million, supported by the Central acquisition in Victoria
- Revenue excluding the Central acquisition grew 1.3%, reflecting healthy demand in NSW, Victoria, Queensland and SA, offsetting weakness in WA and NT
- Net profit after tax (NPAT) declined 10.9% to $68.7 million, while Underlying NPAT, which excludes the $5.8 million of rationalisation and transaction costs, declined 4.0% to $74.5 million
- Earnings before interest and tax (EBIT) declined 8.2% to $101.7 million while Underlying EBIT declined 2.7% to $108.5 million
- Net debt increased $62 million on pcp, with $65 million invested in concrete and aggregates acquisitions during the half
- Interim ordinary dividend declared was in line with pcp at 8.5 cents, fully franked

Operational overview

Revenue of $718.4 million for the half year ended 30 June 2017 increased 4.7% on pcp, driven by ongoing strength in the Victorian, New South Wales and Queensland construction markets and an improvement in the South Australian market. This was partly offset by lower cement demand in Western Australia and the Northern Territory, due to weak residential and non-residential activity. Demand for lime in Western Australia and in Northern Territory was stable.

Sales in New South Wales, Victoria, south east Queensland and South Australia were buoyed by demand from residential and infrastructure projects.

EBIT margins were impacted by a short term cement quality issue, additional remediation costs, higher energy costs, and reduced WA and NT cement demand.

On the positive side, earnings and margins were higher in the concrete and aggregates business, underpinned by strong volume growth and rising prices. Cement margins were assisted by a reduction in import costs and an increase in the contribution from joint ventures. Lime margins continue to remain attractive.

Adelaide Brighton CEO and Managing Director Martin Brydon said that while there were several challenges in the first half of 2017, the results reflect the resilience of Adelaide Brighton's diversified business model and the success of the long term growth strategy.

"The reduction in demand in WA and NT has been offset by continuing strength on the east coast, supported by concrete and aggregates acquisition in South Australia," Mr Brydon said.

"We now have a geographically balanced business that is more resilient to cyclical swings in demand in any one market.

"Our increased vertical integration has resulted in value creation through cost synergies, logistics benefits and raw materials pull through," he said.

Strategic developments

Vertical integration has contributed significant growth in the last five years and the implementation of this strategy has continued in 2017 with $85.5 million in bolt-on acquisitions. Adelaide Brighton has acquired three downstream premixed concrete and upstream aggregate businesses that have added highly strategic positions and scale to the Company's existing operations on attractive financial metrics.

"We are excited about these acquisitions in concrete and quarries that complement our operations in Victoria, SA and NT," said Mr Brydon.

"The Central Victorian business we acquired in March has performed as expected and we are confident in its prospects with the ongoing strengthening in the Victorian market.

"The Davalan Concrete operations in South Australia fits exceptionally well with the quality South Australian concrete and aggregates assets we acquired in 2014. This acquisition gives us a market leading position in concrete and aggregates in a State where the demand outlook is also improving.

"The Northern Territory concrete and aggregate acquisition is a perfect fit for our cement business in a market we believe offers very good long term prospects," he said.

Mr Brydon noted that other key strategic initiatives for the balance of 2017 and beyond include:

- Specialty cement rationalisation at Angaston in South Australia
- A focus on energy consumption, risk management and procurement
- Further sales of surplus land over the next decade of more than $120 million

Outlook

Mr Brydon said that, for the 2017 full year, the Company expects sales volumes of cement and clinker to be higher than in 2016.

Stronger demand in South Australia and on the east coast is anticipated to more than offset weaker demand in WA and the NT.

Sales volumes of premixed concrete and aggregates are projected to increase this year due to infrastructure projects on the east coast and in SA. The recent business acquisitions will add further sales in Victoria, SA and the NT.

Prices are expected to increase in 2017, particularly in premixed concrete and aggregates. The earnings contribution from Joint Venture operations is likely to continue to grow due to higher prices and better volumes on the east coast.

Price rises, volume growth, rationalisation benefits, reduced import costs, and land sales are anticipated to be positive for margins, but partly offset by rising electricity prices.

Full year underlying NPAT excluding property is anticipated to be in the range of $188 million to $198 million.

"We had a strong finish to the first half and are looking forward to improved earnings in the second half, with strong demand anticipated on the east coast as well as favourable pricing and further efficiency benefits.

"Our strategy remains to focus on operational excellence, lime growth and downstream expansion. We will look for further bolt-on opportunities where they add value for shareholders.

"We are pleased to continue to reward shareholders with healthy ordinary dividends while maintaining a strong balance sheet and at the same time making significant investment in growth," Mr Brydon said.

For further information please contact:

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