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23 February 2017

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

Dear Sir/Madam

Adelaide Brighton full year result to 31 December 2016 – media statement

We attach a media statement covering Adelaide Brighton's full year result to 31 December 2016 for release to the market.

Yours faithfully

MRD Clayton
Company Secretary

For further information please contact:

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[Type text]

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MEDIA STATEMENT

23 February 2017

ADELAIDE BRIGHTON ANNOUNCES INCREASED FINAL DIVIDEND

Leading construction materials and lime producer Adelaide Brighton (ASX: ABC) today reported results for the full year ended 31 December 2016, declaring an increased final ordinary dividend of 11.5 cents per share and a final special dividend of 4.0 cents per share, both franked to 100%[1].

Net Profit After Tax (NPAT), which includes property transactions, was $186.3 million for the period, representing Basic Earnings Per Share (EPS) of 28.7 cents.

Excluding property transactions, NPAT for the full year was $178.4 million, up 3.1% compared to the previous corresponding period (pcp). Also excluding property transactions, Earnings Before Interest and Tax (EBIT) rose 1.6 % to $257.7 million versus pcp, reflecting slightly better operating margins overall and a strong contribution from joint ventures.

Revenue of $1,396.2 million was 1.2% lower than pcp, reflecting reduced cement demand in Western Australia and the Northern Territory. However, a buoyant construction environment in the eastern states lifted demand for cement, clinker, concrete and aggregates in those markets.

FINANCIAL SUMMARY	**12 months ended 31 December**		
($ million)	**2016**	**2015**	**% change pcp**
Revenue	**1,396.2**	**1,413.1**	**(1.2)**
Depreciation, amortisation and impairments	(78.1)	(77.8)	0.4
	266.1	**298.6**	**(10.9)**
Net finance cost[2]	(11.5)	(13.0)	(11.5)
Profit before tax	**254.6**	**285.6**	**(10.9)**
Tax expense	(68.4)	(77.8)	(12.1)
Net profit after tax	**186.2**	**207.8**	**(10.4)**
Non-controlling interests	0.1	0.1	-
	186.3	**207.9**	**(10.4)**
Basic earnings per share (EPS) (cents)	28.7	32.0	(10.3)
Dividends per share – fully franked (cents)	28.0[4]	27.0[4]	3.7
Net debt[3] ($ million)	288.5	297.2	(2.9)
Gearing (%)[5]	23.6%	24.6%	
Return on funds employed [6] – inc property	17.5	19.8	
Return on funds employed [6] – exc property	16.9	16.8	

Notes: 1. Record Date is 28 March 2017, with payment on 12 April 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. Includes special dividends of 8.0 cents per share for FY 2016 and 8.0 cents per share for FY 205. 5. Net debt/equity. 6. Return on funds employed = EBIT/average monthly funds employed.

RESULTS SUMMARY

- Revenue declined 1.2% to $1,396.2 million, due to reduced cement demand in Western Australia and Northern Territory, partly offset by strong eastern states demand for cement, clinker, concrete and aggregates. Group revenue increased slightly, excluding the impact of lower freight revenue.
- EBIT was down 10.9% to 266.1 million and NPAT down 10.4 % to $186.3 million, due to fewer property transactions in the year
- Excluding property profits, NPAT up 3.1% to $178.4 million and, excluding property transactions, EBIT up 1.6% to $257.7 million on higher margins
- Operating cash flow up 8.0 % to $248.4 million and gearing declined to 23.6% at year end
- Basic EPS declined 10.3% but, excluding property profits, EPS increased 3.0%
- Final ordinary dividend of 11.5 cents and final special dividend of 4.0 cents, fully franked

Operational overview

Revenue of $1,396.2 million for the full year ended 31 December 2016 was 1.2% lower than in 2015. While the residential and non-residential construction market remained solid in Victoria, New South Wales and Queensland, cement demand declined sharply in Western Australia and the Northern Territory, given weak residential and non-residential activity and lower resource project volumes. However, demand for lime in Western Australia and in the Northern Territory was stable.

Demand in New South Wales, Victoria, south-east Queensland and South Australia was buoyed by residential and infrastructure projects. Commercial building also improved in Victoria and New South Wales, while mining demand assisted South Australian volumes.

Excluding property transactions, EBIT margins were helped by price increases, cost reduction initiatives and stronger joint venture earnings. These more than offset a number of negatives including lower cement sales volumes, electricity supply disruptions in South Australia and higher import costs due to the lower Australian dollar.

Revenue and margins improved in the Concrete and Aggregates business thanks to healthy demand, price increases and cost reductions. The Concrete products business continued to lift margins through operational improvements and price increases. Lime margins increased strongly due to lower energy, transport and contractor costs and price increases.

The Company's joint venture operations, which are involved in the production and distribution of cement, clinker, concrete and aggregates on the east coast of Australia, also delivered a strong increase in profit contribution in 2016.

Energy in South Australia had an unfavourable pre-tax impact of $13 million versus pcp. $9 million of this was a result of market wide disruptions to electricity supply in that state. The disruptions caused higher electricity and gas prices, production losses at Adelaide Brighton plants and subsequent reduced sales to customers whose production facilities were temporarily suspended.

Adelaide Brighton CEO and Managing Director Martin Brydon said the 2016 results testify to the robustness and resilience of Adelaide Brighton's diversified business model and to the soundness of the Group's long-term growth strategy.

"The reduction in demand that we experienced in WA and NT in 2016 was offset by strength in other states, supported by our relentless focus on costs and returns," Mr Brydon said.

"The contribution from our investment in aggregates in the last three years is a feature of the 2016 results and reflects the realisation of our long-term vertical integration strategy as a major contributor to shareholder returns," he said.

Strategic developments

Consistent with Adelaide Brighton's acquisition strategy, Mr Brydon announced that Adelaide Brighton has agreed to purchase Central Pre-Mix (Central), an integrated concrete and aggregate operation serving the metropolitan Melbourne market, for $61 million.

The acquisition is expected to be completed next month, lifting Adelaide Brighton's downstream presence and providing a strategic position in the attractive Melbourne market.

"Central is a high quality operation, with five concrete plants and a hard rock aggregate quarry," said Mr Brydon. "It provides scale to our concrete and aggregates business in Melbourne and we are confident it will be a sound bolt-on investment," he said.

Mr Brydon noted that other planned strategic initiatives are expected to continue to support returns for the balance of 2017 and beyond. These include:

- Cement rationalisation at Angaston in South Australia
- A focus on energy consumption, 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 to those achieved in 2016.

It is expected that demand in Western Australia and the Northern Territory will stabilise and that demand in South Australia will improve due to major infrastructure projects.

Cement and clinker demand on the east coast is expected to benefit from increasing demand from infrastructure projects. Sales volumes of premixed concrete and aggregates are likely to increase this year due to infrastructure projects on the east coast and South Australia. The Central acquisition will add further sales.

Price increases have been announced for the first half of 2017 in cement, aggregates, concrete and concrete products

A number of factors are supportive of higher prices including strengthening demand and capacity utilisation.

Lime sales volumes are expected to be higher in 2017, with improved margins from lower costs.

Import costs are expected to be lower than 2016 due to savings in shipping, materials purchasing and favourable foreign currency outcomes. Foreign currency exchange rates for the expected cost of cement, clinker and slag imports have been hedged through to October 2017.

Proceeds from property sales could be $10- 15 million over the next two years.

"2017 is expected to see strong demand for most Adelaide Brighton products, particularly on the east coast, improved pricing and further efficiency improvements

"Our strategy remains to focus on operational excellence, lime growth and downstream expansion. The Central purchase comfortably meets our acquisition criteria and we will continue to look for further bolt-on opportunities where they add value for shareholders.

"Our business and strategy are sound and we will strive to maintain attractive growth and returns to shareholders while retaining a strong balance sheet," Mr Brydon said.

For further information please contact:
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