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Adelaide Brighton Ltd
ACN 007 596 018

17 August 2017

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

Dear Sir/Madam

Results for announcement to the market – half year ended 30 June 2017

We attach Appendix 4D Half Year Report in accordance with Listing Rule 4.2A and management discussion covering the half year ended 30 June 2017 for release to the market.

Yours faithfully

MRD Clayton
Company Secretary

For further information please contact:
Luba Alexander
Group Corporate Affairs Adviser
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Results for announcement to the market

Company name:	Adelaide Brighton Limited
ABN:	15 007 596 018
Reporting period:	Half year ended 30 June 2017
Previous corresponding period:	Half year ended 30 June 2016
Release date:	17 August 2017

				A$m
Revenue from continuing operations	**up**	4.7%	**to**	718.4
Earnings before interest and tax (EBIT)	**down**	8.2%	**to**	101.7
Net profit for the period attributable to members	**down**	10.9%	**to**	68.7

Dividend	Amount per security		Franked amount per security
	Current period	Previous corresponding period	
Interim ordinary dividend	8.5¢	8.5¢	100%
Interim special dividend	–	4.0¢	–

Record date for determining entitlements to the interim dividend	4 September 2017
Payment date for interim dividend	5 October 2017

	30 June 2017	30 June 2016
Net tangible asset backing per ordinary share	$1.39	$1.41

Dividend Reinvestment Plan
The Adelaide Brighton Limited Board advises that the Company's Dividend Reinvestment Plan remains suspended until further notice.

Key Points

- Revenue of $718.4 million, up 4.7% compared to previous corresponding period (pcp) reflecting strong east coast markets and the acquisition of Central Pre-Mix in Victoria
- Reported EBIT of $101.7 million, down 8.2%, affected by a number of one-off items
- Underlying EBIT, which excludes restructuring and transaction costs, declined 2.7% to $108.5 million
- Underlying EBIT was impacted by:
  - $4.8 million (8%) increase in energy costs;
  - $3.6 million associated with a temporary cement quality issue in South Australia; and
  - Additional $3.3 million relating to a compulsory scope change in remediation related to the closure of our North Melbourne concrete plant.

  However, this was offset by reduced shipping, material procurement costs and improved foreign currency rates totalling $4.6 million compared to the pcp.
- Reported net profit (NPAT) of $68.7 million, down 10.9%
- Underlying NPAT of $74.5 million, down 4.0%
- Excluding property profits, underlying NPAT of $74.4 million, down 2.7%
- Operating cash flow down 20.9% to $77.2 million, impacted by working capital increase late in half to fund sales growth
- Gearing[1] increased to 34.3% (23.6% at 31 December 2016), in part due to concrete and aggregates acquisitions and growth capex
- Basic earnings per share (EPS) declined 10.9% to 10.6 cents, underlying EPS 11.5 cents
- Interim ordinary dividend of 8.5 cents per share, franked to 100%, in line with pcp
- Full year underlying NPAT excluding property is anticipated to be in the range of $188 million to $198 million.

[1] Net debt/equity

Financial Summary

Statatutory basis	6 months ended 30 June		
($ million)	**2017**	**2016**	**% change pcp**
Revenue	**718.4**	686.0	**4.7**
Depreciation and amortisation	(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)	8.5	8.5	
Special dividends per share – fully franked (cents)	–	4.0	
Net debt[3] ($ million)	407.4	345.4	
Gearing[4] (%)	34.3%	29.1%	

Underlying basis[5]	6 months ended 30 June		
($ million)	**2017**	**2016**	**% change pcp**
Revenue	**718.4**	686.0	**4.7**
Depreciation and amortisation	(41.5)	(40.1)	3.5
Earnings before interest and tax ("EBIT")	**108.5**	111.5	**(2.7)**
Net finance cost	(5.5)	(6.1)	(9.8)
Profit before tax	**103.0**	105.4	**(2.3)**
Tax expense	(28.5)	(27.8)	2.5
Net profit after tax	**74.5**	77.6	**(4.0)**
Non-controlling interests	–	–	–
Net profit attributable to members ("NPAT")	**74.5**	77.6	**(4.0)**
Basic earnings per share (EPS) (cents)	11.5	12.0	(4.2)

[2] Net finance cost is the net of finance costs shown gross in the Income Statement with interest income included in revenue
[3] Net debt is calculated as total borrowings less cash and cash equivalents
[4] Net debt/equity
[5] Underlying results have been adjusted for significant items. An explanation of the adjustments and reconciliation to statutory results is provided on page 11

Summary of Results

Net profit after tax

In the half year ended 30 June 2017, a number of one-off costs impacted net profit after tax (NPAT), which declined 10.9% to $68.7 million. These included $4.8 million after tax for a temporary cement product quality issue and an increase in remediation costs at a concrete plant and $5.8 million after tax for transaction and rationalisation costs. Underlying NPAT, which excludes the $5.8 million of rationalisation and transaction costs but includes the other items, declined 4.0% to $74.5 million.

Revenue

Revenue of $718.4 million increased by 4.7% on 1H16, or 1.3% excluding the March 2017 acquisition of Central Pre-Mix Concrete (Central). Revenue growth excluding acquisitions reflected healthy demand in New South Wales, Victoria, Queensland and South Australia offsetting weakness in Western Australia and Northern Territory.

Selling prices improved in cement, concrete, aggregates, and concrete products, although average realised cement prices continued to be affected by a change in geographic mix.

Earnings before interest and tax

Earnings before interest and tax (EBIT) declined 8.2% to $101.7 million. Underlying EBIT, which excludes restructuring and transaction costs declined 2.7% to $108.5 million. The Central acquisition added approximately $1 million to EBIT before transaction costs.

Reduced shipping and material procurement costs and improved foreign currency rates assisted EBIT by $4.6 million compared with the pcp. However, this was more than offset by a $4.8 million (8%) increase in energy costs. EBIT was also impacted by $3.6 million of costs associated with the temporary cement quality issue in South Australia and a compulsory scope change in remediation related to the closure of our North Melbourne concrete plant of a further $3.3 million.

Margins

Volume growth in cement, concrete and aggregates combined with an improvement in selling prices for concrete, aggregates and concrete products supported operating margins in the period. Contributions from joint venture operations were also higher. However, the cement quality and concrete plant remediation costs resulted in a decline in the underlying EBIT margin to 15.1% from 16.3% in the pcp.

Cash flow and debt

Operating cash flow decreased $20.4 million to $77.2 million. Working capital increased due to a lift in sales late in the half, while payments for tax, acquisitions and restructuring also impacted net cash flow. Net debt increased $62.0 million on the pcp and net debt to equity gearing was 34.3% at period end.

Dividends

The Board declared an interim ordinary dividend of 8.5 cents per share franked to 100%. This is in line with the ordinary dividend in 1H16. The pcp included a special dividend of 4.0 cents per share. The Record Date for the interim dividend is 4 September 2017 with payment on 5 October 2017.

Review of Operations

Demand Overview

Demand in east coast markets, particularly Melbourne and Sydney, improved in 1H17 driven by residential activity and infrastructure projects. Multi-residential activity remained robust in both these cities, while construction of detached dwellings also supported volumes. Early stage works on a number of major transport infrastructure projects assisted demand in the period.

South east Queensland construction demand improved, led by the Gold Coast and Sunshine Coast markets. Demand was supported in South Australia by the commencement of several major infrastructure projects.

Major infrastructure projects in South Australia and on the east coast are expected to support demand over the next few years.

Cement demand in Western Australia and the Northern Territory was lower due to weak residential and non-residential activity.

Lime sales volumes were stable compared to pcp. Sales volumes to the alumina sector in Western Australia improved slightly, while Northern Territory volumes declined slightly due to high levels of rainfall early in the year which impacted customers' operations.

Cement and Clinker

Sales – East coast market remains strong

Total cement and clinker sales volumes increased 3% compared to the first half of 2016. Owing to the demand factors discussed above volumes improved in Queensland, New South Wales, Victoria and South Australia, while they declined in Western Australia and the Northern Territory.

Market prices improved, particularly in the eastern states. Increased cement demand in east coast markets contributed to reduced average realised cement prices due to increased sales to our distributor in Victoria and New South Wales. However, this was also reflected in higher joint venture earnings.

Operations – Increased energy costs and temporary cement quality issue

Electricity costs negatively impacted earnings by circa $4 million compared to 1H16. The overall impact of higher energy prices on Adelaide Brighton has been significantly mitigated through strategies such as alternative fuels, use of alternative cementitious products and demand management.

In April 2017, the Birkenhead plant experienced a temporary issue with the quality of cement. Adelaide Brighton has been proactive in determining the cause, addressing the issue and managing the impact on customers. Nonetheless, Adelaide Brighton incurred $3.6 million in costs during the half for rectification.

The quality issue arose due to lower grade feed making its way into the cement milling process. Fixes to inventory management and quality processes were made to address the issue. Production and quality returned to normal shortly after the incident.

Adelaide Brighton is Australia's largest importer of cement clinker and other cementitious materials. Import profitability improved by $4.6 million before tax compared to 1H16 due to reduced shipping and material procurement costs and the strengthening Australian Dollar decreasing the cost of imported product.

Lime

Sales – Volumes in line with prior period

Lime sales volumes were stable compared to 1H16. Imports of lime have continued in limited quantities, however Adelaide Brighton's efficient Western Australian lime production facilities and distribution network support the competitiveness of our offering to customers.

The average lime selling prices were lower as a result of the pricing mechanisms with long term alumina customers that take into account lime production cost savings (mainly from reduced natural gas prices) in 2016.

Operations – Margins remain strong

Lime margins declined slightly, with operational efficiencies offsetting the impact of lower selling prices to the Western Australian alumina sector. The main lime production operation at Munster in Western Australia has maintained its cost competitive position thanks to cost savings in energy, maintenance and transportation.

Concrete and Aggregates

Sales – Higher concrete volumes

Concrete volumes, including the contribution from the Central acquisition, increased significantly over 1H16 across all markets as residential demand remained strong in the eastern states and conditions improved in the South Australian market. Concrete prices improved across all markets compared to 1H16.

Aggregate volumes were slightly down on 1H16 due to reduced volumes of lower value sales compared to pcp and reduced volumes to projects in the northern New South Wales region. Other than this, market demand was otherwise up in all other areas. Infrastructure projects in South Australia also assisted volumes. Price increases were above CPI in all markets and particularly strong in Sydney.

Operations – Acquisitions add scale to operations

Concrete and Aggregate revenue, EBIT and EBIT margins all improved significantly as a result of higher volumes, strong pricing outcomes and control of costs.

Revenue and EBIT were further enhanced by the acquisition of the Central premix concrete and aggregates business on 1 March 2017

On 28 June 2017 Adelaide Brighton acquired Davalan Concrete (Davalan), an Adelaide based concrete business which operates four concrete plants in the Adelaide market. Davalan will contribute to earnings from July 2017.

Subsequent to half year end, Adelaide Brighton also acquired the concrete and aggregates assets of Holcim in the Northern Territory. The acquisition comprises four concrete plants and two quarries and complements Adelaide Brighton's market leadership position in the Territory.

These three acquisitions are consistent with Adelaide Brighton's long term vertical integration strategy and add scale to the existing concrete and aggregates operations, as well as adding synergies in overhead, logistics and raw materials.

Concrete Products

Sales – Mixed demand across regions

Concrete Products revenue declined 3.9% on 1H16. Pricing improved and sales to the retail sector remain positive. Sales volumes were weaker early in the half year due to seasonal factors and were impacted by the timing of large projects, which have been delayed to the second half of the year.

Operations – volumes expected to be stronger in H2

Concrete Products EBIT decreased from $3.8 million in 1H16 to $2.9 million in 1H17 due to lower sales volumes.

Adelaide Brighton has made significant improvements to the operating efficiency of the concrete products business. There are further efficiency opportunities in medium term from tolling, general improvements and transport efficiencies.

After a long period of industry underinvestment, product innovation offers exciting new revenue opportunities, a number of which have supported sales in recent years.

The business is also a growing customer for our cement, sand and aggregates businesses and the Company remains optimistic about outlook given a likely ramp up of commercial projects in the second half and the further business improvement in the medium term.

Joint Arrangements and Associates

Independent Cement and Lime Pty Ltd (ICL) (50%)

ICL is a specialist supplier of cement and cement blended products to a wide variety of industries and retail outlets throughout Victoria and New South Wales and is Adelaide Brighton's distributor in those markets. Sales volumes improved due to the continued demand across Victoria and New South Wales. ICL's contribution increased 61.7% on pcp, leveraging the stronger volumes, contribution from its reinvestment in slag grinding operations and price growth.

Sunstate Cement Limited (Sunstate) (50%)

Sunstate is a joint venture with a cement milling, storage and distribution facility at Fisherman Islands, Port Brisbane. Slightly higher volumes and improved prices led to a 6% increase in net profit contribution from Sunstate to $5.3 million.

Mawson Group (Mawsons) (50%)

Mawsons is the largest premixed concrete and quarry operator in northern regional Victoria, and also operates in southern regional New South Wales. Mawsons is a significant aggregates producer in the region, holding number one and number two positions in the markets it serves. Strong relationships with customers assisted the improvement in concrete and aggregate volumes despite mixed demand in regional markets.

Aalborg Portland Malaysia Sdn. Bhd. (Aalborg) (30%)

Aalborg manufactures and sells white cement and clinker for the domestic Malaysian markets and exports to Australia and markets throughout south east Asia. Higher energy costs led to slightly lower contribution to equity accounted earnings.

Strategic Developments

Adelaide Brighton continues a successful long term strategy to grow shareholder returns through investment in three key areas:

1. Cost reduction and operational improvement across the Company;
2. Growth of the lime business to supply the resources sector in Western Australia, South Australia and the Northern Territory; and
3. Focused and relevant vertical integration into downstream aggregates, concrete, logistics and masonry businesses.

Cost reduction has remained a theme with the rationalisation of speciality cement production at the Angaston, South Australia operation during the half.

Given energy market dynamics, managing energy costs across the Adelaide Brighton operations remains an important focus and a significant opportunity for shareholder value creation.

The lime business continues to benefit from a strong focus on costs and efficiency. The business is well positioned for long term growth in resources sector demand.

Vertical integration has contributed significant growth to the Company in the last five years. The three acquisitions in downstream premixed concrete and upstream aggregate businesses completed in 2017 have added highly strategic positions and scale to Adelaide Brighton's operations. These transactions were completed on attractive financial metrics and are expected to deliver accretive returns in year one (excluding transaction costs).

1 Cost reduction and operational improvement

Competitive import infrastructure

Adelaide Brighton remains Australia's largest importer of cementitious materials (cement, clinker and blast furnace slag) utilising more than two million tonnes of imported product per annum.

This industry leading position enhances supply chain efficiency in procurement, transport, storage and distribution. The use of imported materials allows the supply of competitively priced product into a range of markets where demand exceeds the Company's manufacturing capacity. It enables Adelaide Brighton's domestic production assets to operate at full utilisation, which underpins its competitive position and shareholder returns.

The import strategy is supported by long term agreements with two Japanese suppliers for grey clinker, Aalborg for white clinker and a major Japanese trading house for supply of granulated blast furnace slag.

Energy efficiency a key focus

Adelaide Brighton has a proactive strategy designed to manage energy costs and operating risks through measures that include:

- A portfolio approach to energy supply and procurement benefits, including participating in a buying group with major electricity users in South Australia;
- Reduced medium term energy consumption through operational improvement, such as the latest cement rationalisation at Angaston in South Australia;
- Increased use of alternative fuels to reduce reliance on traditional sources, with the aim of substituting 30% of fuel supply in South Australia in the medium term;
- Increased use of alternative cementitious materials;
- Short term consumption management through operational adjustments;
- A proactive approach to cost recovery in the marketplace, supported by vertical integration, and through partnership contracts with long term customers; and
- Hedging and other financial strategies, where it adds value for shareholders.

The rationalisation of oil well cement production at Angaston in South Australia has improved the energy efficiency of the South Australian cement operations.

The Company has in recent years foreshadowed the tightening of the South Australian gas market and the prospect of increasing gas prices.

The outlook for South Australian gas prices is uncertain with the tightening of the local market in recent years contrasted by sharp declines in international and some interstate gas markets, such as Western Australia. Adelaide Brighton has sought to maintain diversity and flexibility in gas supply arrangements to take advantage of the evolving landscape and emerging opportunities to improve energy costs.

Alternative fuels have been a key focus for reducing reliance on traditional energy sources and lowering costs over the last decade. An expansion of alternative fuel capacity at Birkenhead is now complete and we are targeting substitution of greater than 30% of the South Australian energy requirement of 6 petajoules per annum.

In May 2017, the ACCC granted interim authorisation to allow major energy users, including Adelaide Brighton, to jointly tender for the reliable supply of electricity at competitive prices. The group, which accounts for around 15 per cent of electricity demand in South Australia, is reviewing a range of options.

Land sales program to improve capital utilisation

Adelaide Brighton has been actively engaged in selling and preparing for sale properties released by its operational rationalisation and improvement program. Since the beginning of 2013, proceeds from the property sale program have totalled $86 million.

In 1H17, property sales added $0.1 million to net profit after tax and $1.5 million in proceeds. For the full year 2017 property transactions are expected to deliver cash proceeds of $14 million and NPAT of $8 million.

Including these 2017 transactions, the portfolio of properties targeted for sale could realise proceeds in excess of $120 million over the next 10 years. The EBIT margin on these sales is anticipated to be circa 85% with an effective tax rate of approximately 20%. Sale proceeds over the next two years could be in the range of $30 million to $40 million.

2 Lime growth

Efficient operations with strong competitive position

Adelaide Brighton's Munster, Western Australia, lime business is underpinned by low cost mineral resources secured by a State Agreement Act and long term statutory approvals. In the long term, demand growth in lime is driven by the globally competitive Western Australian resources sector.

The Munster lime plant is a low cost operation with two lime kilns, currently at 80% operating capacity, which are among the largest globally.

The Western Australian alumina sector represents about 70% of Western Australian lime demand and remains among the lowest cost alumina producers in the world, underpinning its long term growth. In the medium term lime demand is expected to grow in line with refinery capacity expansion and the Western Australian resources sector.

3 Downstream integration

Further acquisitions in concrete and aggregate businesses

Adelaide Brighton continues to pursue its strategy of acquiring quality concrete and aggregate businesses that enhance its long term competitive position and shareholder value. Over the last decade it has built a concrete and aggregates business of scale that offers strong regional positions and strategic aggregates reserves that underpin returns to shareholders.

The business is complementary to the cement and lime operations and provides attractive diversification benefits as well as value creation through cost synergies, logistics benefits and raw materials pull through.

Continuing this strategy, in March 2017 Adelaide Brighton completed the acquisition of Central, an integrated concrete and aggregate operation with five concrete plants and a hard rock aggregate quarry serving the metropolitan Melbourne market, the largest premixed concrete market in Australia.

Central provides access to strategically located and high quality assets, entry to the Melbourne aggregates market and an increase in the scale of Adelaide Brighton's concrete and aggregates business in Melbourne. The acquired business also offers operating synergies with the existing Melbourne operations and the prospect of further bolt on investments to enhance the overall regional position.

Davalan, acquired late in June 2017, operates four concrete plants in the Adelaide market which are highly complementary to existing South Australian hard rock and sand operations. The business offers overhead savings and raw materials supply efficiencies, and secures Adelaide Brighton's market leadership across all of its major products in South Australia.

In late July 2017, Adelaide Brighton acquired the concrete and aggregates operations of Holcim in the Northern Territory (Northern Territory business), comprising four concrete plants and two quarries.

The Northern Territory business acquisitions complement Adelaide Brighton's market leadership position in cement and represents an opportunity to acquire a strong integrated business near the bottom of the demand cycle. While the resources sector remains challenged, the outlook for the Northern Territory market is attractive given major military projects. The Davalan and Northern Territory acquisitions will benefit the second half results.

These three transactions completed in 2017 are in line with the Company's strategy of focused value added vertical integration in the concrete and aggregates businesses. Total acquisition costs of the three businesses of $85.5 million, including transaction costs, represent a year one EBITDA multiple of 6.9. The acquisitions will be earnings accretive (excluding transaction costs of $5.0 million) for the full year 2017.

The premixed concrete and aggregates acquisitions in 2014 and 2015 in South Australia and Queensland continue to exceed earnings expectations with a positive outlook.

Adelaide Brighton continues to pursue downstream integration opportunities where it adds value for shareholders with a particular focus on strategic aggregate positions.

Financial Review

Cash flow and borrowings – strong cash flow and balance sheet

Cash flow from operations decreased by $20.4 million on 1H16 to $77.2 million as a result of payments for significant items (acquisition and rationalisation costs), the final payment of 2016 tax and timing of customer receipts.

Net working capital increased $11.9 million largely to fund strengthening sales late in the half. Trade debtors increased, however debtor days remain consistent with the prior year. This was partially offset by an increase in accounts payable balances.

Capital expenditure of $104 million includes stay in business capex of $27 million, development projects of $12 million and acquisitions of $65 million.

Proceeds from the sale of assets were $5.0 million, an increase of $3.1 million on pcp. Dividend payments increased by $3.4 million over 1H16 as a result of the higher final dividend for 2016.

The lower operating cash flow and acquisition expenditure meant that net debt of $407.4 million was $62 million higher than 30 June 2016. This represents a net debt to equity gearing ratio of 34.3%, which is within the target range of 25% to 45%.

Funding facilities – extension of maturity

Adelaide Brighton has funding facilities with major lenders of $540 million, of which $70 million is unutilised. Facility maturity was extended during the half year at attractive lending margins, with $330 million facility scheduled to mature in January 2018 being extended to now mature in January 2021. Existing facilities have the following maturity:

Maturity	**Limit**
January 2019	$210 million
January 2021	$330 million

The Company's low gearing, strong cash flow and consistent returns provide it with considerable funding flexibility.

Finance cost and tax – lower effective tax rate

Net finance costs of $5.5 million were $0.7 million lower than the first half of 2016. The reduction was due to low market interest rates, an increase in capitalised interest on qualifying capital projects and the recognition of foreign exchange losses in 1H16.

The effective tax rate increased from 26.4% to 28.5% due to the reduced contribution from property, which brought down the average tax rate in 1H16, and the impact of non-deductible acquisition transaction costs in 1H17. Adelaide Brighton continues to expect its effective tax rate to be in the range of 27% to 28%, although this may be lower in periods when capital losses related to property sales are recognised.

Dividends

The Board has declared an interim ordinary dividend of 8.5 cents per share (8.5 cents pcp) representing an ordinary dividend payout ratio of 80.6%. The pcp included a special dividend of 4.0 cents per share.

The record date for the interim ordinary dividend is 4 September 2017 with payment on 5 October 2017.

Reconciliation of underlying profit

"Underlying" measures of profit exclude significant items of revenue and expenses, such as the costs related to restructuring, rationalisation and acquisitions, in order to highlight the underlying financial performance across reporting periods. Profits from the Company's long term land sales program are included in underlying profit despite the timing being difficult to predict.

The following table reconciles underlying earnings measures to statutory results.

Half year ended 30 June $ million	**2017**			2016		
	Profit before tax	**Income tax**	**Profit after tax**	Profit before tax	Income tax	Profit after tax
Statutory profit	**96.2**	**(27.5)**	**68.7**	104.7	(27.6)	77.1
Rationalisation of cement production	**2.5**	**(0.8)**	**1.7**	–	–	–
Corporate restructuring costs	**0.5**	**(0.2)**	**0.3**	0.7	(0.2)	0.5
Acquisition expenses	**3.8**	**–**	**3.8**	–	–	–
Underlying profit	**103.0**	**(28.5)**	**74.5**	105.4	(27.8)	77.6

Rationalisation of cement production

Cement production at the Angaston site was rationalised in 2017. As part of the rationalisation, employee redundancy costs of $2.5 million were recognised (2016: $nil).

Corporate restructuring costs

Redundancies and one-off employment costs were $0.5 million (2016: $0.7 million) for the period. These costs result from staff restructuring within the Group.

Acquisition expenses

Costs recognised as an expense in the Administration costs line of the income statement in 2017 were $3.8 million (2016: $nil). The costs associated with the two acquisitions completed, including stamp duty, legal and other consulting costs, fluctuate with transaction activity.

Outlook

In 2017, sales volumes of cement and clinker are expected to be higher than 2016. Stronger demand in South Australia and the east coast is anticipated to more than offset weaker markets in Western Australia and the Northern Territory. Lime sales volumes are likely to be similar to 2016.

Sales volumes of premixed concrete and aggregates are expected to increase this year due to infrastructure projects on the east coast and South Australia. The Central, Davalan and Northern Territory acquisitions will add further sales in Melbourne, South Australia and Northern Territory.

Concrete and aggregate prices are anticipated to increase in 2017. Slightly lower lime prices are likely as cost savings from the prior year are reflected in the pricing formula to the alumina sector.

While market prices for cement are anticipated to further improve in 2017, the average selling price achieved for the full year will be impacted by changes in geographic mix.

Prices to Joint Ventures will improve from 1 July 2017 as a result of a pricing formula which reflects higher energy costs in South Australia in the prior year. Nonetheless, the earnings contribution from Joint Venture operations is likely to continue to grow due to higher prices and better volumes on the east coast.

The previously announced rationalisation of specialty cement production at the Angaston plant in South Australia is expected to reduce costs by $3 million pre-tax in 2017 and subsequent years. A decline in shipping and materials procurement costs, and favourable foreign currency outcomes are expected to lower full year import costs by $10 million pre-tax.

Electricity prices will be higher than 2016. Should electricity prices remain at current levels, electricity costs are expected to be $8 million pre-tax higher than 2016.

Significant items of $9 million pre-tax are anticipated in the full year, including transaction costs on the Central, Davalan and the Northern Territory acquisitions and South Australian cement rationalisation costs.

Total capital expenditure for the full year is expected to be approximately $190 million, including a range of stay in business expenditure, growth projects as well as acquisitions.

Adelaide Brighton is on track to realise $120 million over the next 10 years from the surplus land sales program. Property sales targeted for 2017 could realise $14 million, resulting in profit before tax of $10 million and NPAT $8 million.

In the second half of 2017 Adelaide Brighton is expected to benefit from product price increases, operational improvement and higher sales of cement, concrete and aggregates sales to infrastructure projects in South Australia and the east coast, including the initial stage of the Northern Connector project in Adelaide. Concrete Products will benefit from sales to major commercial developments in the second half.

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

Martin Brydon

CEO and Managing Director
17 August 2017

For further information: Luba Alexander, Group Corporate Affairs Adviser
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The Directors present their report on the consolidated entity ("the Group") consisting of Adelaide Brighton Ltd ("the Company") and the entities it controlled at the end of, or during, the half year ended 30 June 2017.

Directors

The Directors of the Company at any time during or since the end of the half year and up to the date of this report are:

LV Hosking
RD Barro
GF Pettigrew
KB Scott-Mackenzie
AM Tansey
Z Todorcevski
M Brydon

Review of operations

A review of the operations of the Group during the half year ended 30 June 2017 is set out on pages 2 to 12 of this report.

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 26.

Rounding off

The Company is of a kind referred to in ASIC Corporations (Rounding in Financial / Directors' Reports) instrument 2016/191, relating to the "rounding off" of amounts in the Directors' Report and financial report. In accordance with that instrument, amounts in the Directors' Report and financial report have been rounded off to the nearest hundred thousand dollars unless otherwise stated.

Dated at Sydney this 17th day of August 2017.

This report is made in accordance with a resolution of the Directors.

M. Brydon

Martin Brydon
CEO and Managing Director

Consolidated income statement

For the half year ended 30 June 2017
$million

	Notes	**2017**	2016
Revenue from continuing operations	3	**718.4**	686.0
Cost of sales		**(490.7)**	(446.0)
Freight and distribution costs		**(95.3)**	(99.7)
Gross profit		**132.4**	140.3
Other income	3	**1.3**	4.3
Marketing costs		**(10.3)**	(10.6)
Administration costs		**(37.3)**	(35.1)
Finance costs		**(6.2)**	(6.9)
Share of net profits of joint venture and associate entities	6	**16.3**	12.7
Profit before income tax		**96.2**	104.7
Income tax expense		**(27.5)**	(27.6)
Net profit for the half year		**68.7**	77.1
Net profit attributable to:			
Equity holders of the Company		**68.7**	77.1
Non-controlling interests		**–**	–
		68.7	77.1
		Cents	Cents
Earnings per share for profit from continuing operations attributable to the ordinary equity holders of the Company:			
Basic earnings per share		**10.6**	11.9
Diluted earnings per share		**10.5**	11.8

The above consolidated income statement should be read in conjunction with the accompanying notes.

Consolidated statement of comprehensive income

For the half year ended 30 June 2017
$million

	2017	2016
Net profit for the half year	**68.7**	77.1
Other comprehensive income		
Items that may be reclassified to profit or loss		
Exchange differences on translation of foreign operations	**(0.4)**	0.8
Changes in the fair value of cash flow hedges	**(0.9)**	(0.8)
Income tax associated with these items	**0.3**	0.2
Items that will not be reclassified to profit or loss		
Actuarial gain / (losses) on retirement benefit obligation	**1.7**	(1.6)
Income tax associated with these items	**(0.5)**	0.5
Other comprehensive income for the half year, net of tax	**0.2**	(0.9)
Total comprehensive income for the half year	**68.9**	76.2
Total comprehensive income for the half year is attributable to:		
Equity holders of the Company	**68.9**	76.2
Non-controlling interests	**–**	–
Total comprehensive income for the half year	**68.9**	76.2

The above consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

Consolidated balance sheet

As at 30 June 2017
$million

	Notes	30 June 2017	31 December 2016
Current assets			
Cash and cash equivalents		**61.8**	21.5
Trade and other receivables		**241.8**	204.6
Inventories		**156.0**	160.2
Assets classified as held for sale		**1.8**	3.8
Total current assets		**461.4**	390.1
Non-current assets			
Receivables		**34.1**	34.4
Retirement benefit asset		**3.7**	2.3
Joint arrangements and associate		**158.4**	151.2
Property, plant and equipment		**1,026.5**	978.4
Intangible assets		**286.5**	270.3
Total non-current assets		**1,509.2**	1,436.6
Total assets		**1,970.6**	1,826.7
Current liabilities			
Trade and other payables		**138.1**	117.0
Borrowings		**0.5**	0.4
Current tax liabilities		**3.3**	15.4
Provisions		**37.0**	31.9
Other liabilities		**4.0**	3.3
Total current liabilities		**182.9**	168.0
Non-current liabilities			
Borrowings		**468.7**	309.6
Deferred tax liabilities		**87.6**	89.9
Provisions		**43.4**	39.0
Other liabilities		**0.1**	0.1
Total non-current liabilities		**599.8**	438.6
Total liabilities		**782.7**	606.6
Net assets		**1,187.9**	1,220.1
Equity			
Contributed equity		**732.3**	731.4
Reserves		**0.6**	2.9
Retained profits		**452.5**	483.3
Total equity attributable to equity holders of the Company		**1,185.4**	1,217.6
Non-controlling interests		**2.5**	2.5
Total equity		**1,187.9**	1,220.1

The above consolidated balance sheet should be read in conjunction with the accompanying notes.

Consolidated statement of changes in equity

For the half year ended 30 June 2017
$million

	Attributable to owners of Adelaide Brighton Ltd				Non-controlling interests	Total Equity
	Contributed Equity	Reserves	Retained Earnings	Total		
Balance at 1 January 2017	**731.4**	**2.9**	**483.3**	**1,217.6**	**2.5**	**1,220.1**
Profit for the half year	–	–	68.7	68.7	–	68.7
Other comprehensive income for the half year	–	(1.0)	1.2	0.2	–	0.2
Total comprehensive income for the half year	**–**	**(1.0)**	**69.9**	**68.9**	**–**	**68.9**
Deferred hedging gains and losses and costs of hedging transferred to the carrying value of inventory purchased in the period	–	(0.7)	–	(0.7)	–	(0.7)
Transactions with owners in their capacity as owners:						
Dividends provided for or paid	–	–	(100.7)	(100.7)	–	(100.7)
Executive Performance Share Plan	0.9	(0.6)	–	0.3	–	0.3
	0.9	(0.6)	(100.7)	(100.4)	–	(100.4)
Balance at 30 June 2017	**732.3**	**0.6**	**452.5**	**1,185.4**	**2.5**	**1,187.9**
Balance at 1 January 2016	729.2	1.2	474.3	1,204.7	2.6	1,207.3
Profit for the half year	–	–	77.1	77.1	–	77.1
Other comprehensive income for the half year	–	0.2	(1.1)	(0.9)	–	(0.9)
Total comprehensive income for the half year	–	0.2	76.0	76.2	–	76.2
Deferred hedging gains and losses and costs of hedging transferred to the carrying value of inventory purchased in the period	–	0.6	–	0.6	–	0.6
Transactions with owners in their capacity as owners:						
Dividends provided for or paid	–	–	(97.3)	(97.3)	–	(97.3)
Executive Performance Share Plan	1.1	(0.3)	–	0.8	–	0.8
	1.1	(0.3)	(97.3)	(96.5)	–	(96.5)
Balance at 30 June 2016	730.3	1.7	453.0	1,185.0	2.6	1,187.6

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

Consolidated statement of cash flows

For the half year ended 30 June 2017
$million

	Notes	**2017**	2016
Cash flows from operating activities			
Receipts from customers (inclusive of goods and services tax)		**752.4**	758.4
Payments to suppliers and employees (inclusive of goods and services tax)		**(637.8)**	(627.7)
Joint venture distributions received		**8.7**	6.7
Interest received		**0.4**	0.4
Interest paid		**(5.8)**	(6.3)
Other income and receipts		**1.6**	4.3
Income taxes paid		**(42.3)**	(38.2)
Net cash inflow from operating activities		**77.2**	97.6
Cash flows from investing activities			
Payments for property, plant, equipment and intangibles		**(39.1)**	(54.8)
Payments for acquisition of businesses, net of cash acquired		**(64.9)**	–
Proceeds from sale of property, plant and equipment		**5.0**	1.9
Loans to joint ventures and other related parties		**0.3**	0.3
Repayment of loans from other parties		**0.3**	0.3
Net cash (outflow) from investing activities		**(98.4)**	(52.3)
Cash flows from financing activities			
Proceeds from issue of shares		**3.5**	4.0
Proceeds from borrowings		**158.8**	59.7
Dividends paid to Company's shareholders	4	**(100.7)**	(97.3)
Net cash (outflow)/inflow from financing activities		**61.6**	(33.6)
Net increase in cash and cash equivalents held		**40.4**	11.7
Cash and cash equivalents at the beginning of the half year		**21.5**	33.3
Net impact of foreign exchange on cash		**(0.1)**	–
Cash and cash equivalents at the end of the half year		**61.8**	45.0

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

Notes to the financial statements

For the half year ended 30 June 2017

1 Basis of preparation of half year report

This condensed consolidated interim financial report for the half year reporting period ended 30 June 2017 has been prepared in accordance with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*.

This condensed consolidated interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 31 December 2016 and any public announcements made by Adelaide Brighton Ltd during the interim reporting period in accordance with continuous disclosure requirements of the *Corporations Act 2001*.

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period.

2 Segment reporting

(a) Description of segments

Management has determined the operating segments based on the reports reviewed by the CEO and Managing Director. These reports are evaluated regularly in deciding how to allocate resources and in assessing performance.

The two reportable segments are based on the product groupings and have been identified as follows:

- Cement, Lime, Concrete and Aggregates
- Concrete Products

The operating segments, Cement, Lime, Concrete and Aggregates individually meet the quantitative thresholds required by AASB 8 as well as meeting the aggregation criteria allowing them to be reported as one segment. In considering aggregation of these segments, management assessed revenue growth and gross margin as the economic indicators to determine that the aggregated operating segments share similar economic characteristics.

Concrete Products meets the quantitative threshold and is therefore reported as a separate segment.

Joint arrangements and associates related to the reportable segments form part of the above two reportable segments.

The major end use of Adelaide Brighton's products includes residential and non-residential construction, engineering construction, alumina and steel production and mining sectors within Australia.

Notes to the financial statements

For the half year ended 30 June 2017

2 Segment reporting (continued)

(b) Segment information provided to the CEO and Managing Director

The segment information provided to the Chief Executive Officer for the reportable segments is as follows:

Half year 2017 $million	Cement, Lime, Concrete and Aggregates	Concrete Products	Unallocated	Total
Total segment operating revenue	**838.1**	**69.0**	**–**	**907.1**
Inter-segment revenue	**(38.5)**	**–**	**–**	**(38.5)**
Revenue from external customers	**799.6**	**69.0**	**–**	**868.6**
Depreciation and amortisation	**(34.4)**	**(3.9)**	**(3.2)**	**(41.5)**
EBIT	**115.6**	**2.9**	**(16.8)**	**101.7**
Share of net profits of joint venture and associate entities	**16.3**	**–**	**–**	**16.3**

Half year 2016 $million	Cement, Lime, Concrete and Aggregates	Concrete Products	Unallocated	Total
Total segment operating revenue	764.7	71.8	–	836.5
Inter-segment revenue	(37.1)	–	–	(37.1)
Revenue from external customers	727.6	71.8	–	799.4
Depreciation and amortisation	(33.8)	(4.2)	(2.1)	(40.1)
EBIT	124.5	3.8	(17.5)	110.8
Share of net profits of joint venture and associate entities	12.7	–	–	12.7

Sales between segments are carried out at arms length and are eliminated on consolidation.

The operating revenue assessed by the CEO and Managing Director includes revenue from external customers and a share of revenue from the joint ventures and associate in proportion to the Group's ownership interest, excluding freight, interest and royalty revenue. A reconciliation of segment operating revenue to revenue from continuing operations is provided as follows:

	Consolidated	
$million	**2017**	2016
Total segment operating revenue	**907.1**	836.5
Inter-segment revenue elimination	**(38.5)**	(37.1)
Freight revenue	**40.3**	60.1
Other product revenue	**2.8**	–
Interest revenue	**0.7**	0.8
Royalties	**0.2**	0.4
Elimination of joint venture and associate revenue	**(194.2)**	(174.7)
Revenue from continuing operations	**718.4**	686.0

Notes to the financial statements

For the half year ended 30 June 2017

2 Segment reporting (continued)

(b) Segment information provided to the CEO and Managing Director (continued)

The CEO and Managing Director assesses the performance of the operating segments based on a measure of Earnings Before Interest and Tax (EBIT). This measurement basis excludes the effect of net interest. A reconciliation of the EBIT to operating profit before income tax is provided as follows:

$million	Consolidated	
	2017	2016
EBIT	**101.7**	110.8
Net finance cost	**(5.5)**	(6.1)
Profit before income tax	**96.2**	104.7

3 Operating profit

Revenue from continuing operations		
Sale of goods	**717.5**	684.8
Interest revenue	**0.7**	0.8
Royalties	**0.2**	0.4
	718.4	686.0
Other income		
Net (loss) related to sale of property, plant and equipment	**(0.3)**	(0.1)
Rental income	**0.4**	1.5
Miscellaneous income	**1.2**	2.9
Total other income	**1.3**	4.3
Revenue and other income	**719.7**	690.3
Finance cost		
Interest and finance charges	**6.1**	6.4
Unwinding of the discount on restoration provisions and retirement benefit obligation	**0.5**	0.5
Exchange loss on foreign exchange contracts	**–**	0.2
Gross finance cost	**6.6**	7.1
Interest capitalised in respect of qualifying assets	**(0.4)**	(0.2)
Total finance cost recognised in the income statement	**6.2**	6.9
Less interest revenue	**(0.7)**	(0.8)
Net finance cost	**5.5**	6.1

Notes to the financial statements

For the half year ended 30 June 2017

4 Dividends

$million	2017	2016
Dividends provided or paid during the half year		
2016 final dividend of 15.5 cents (2015 – 15.0 cents) per fully paid ordinary share, franked at 100% (2015 – 100%) paid on 12 April 2017	**100.7**	97.3
Total dividends paid in cash	**100.7**	97.3
Dividends not recognised at the end of the half year		
Since the end of the half year the Directors have declared the payment of an interim ordinary dividend of 8.5 cents (June 2016 – ordinary dividend of 8.5 cents and special dividend of 4.0 cents) per fully paid ordinary share franked at 100% (June 2016 – 100%). The aggregate amount of the proposed dividend expected to be paid on 5 October 2017, not recognised as a liability at the end of the half year, is	**55.3**	81.2

5 Equity

Securities issued – Issue of ordinary shares during the half year

	2017 Shares	2016 Shares	2017 $m	2016 $m
Shares issued under the Adelaide Brighton Ltd Executive Performance Share Plan	**618,396**	768,352	**0.9**	1.1

Notes to the financial statements

For the year half year ended 30 June 2017

6 Investments in joint arrangements and associate

Investments in joint arrangements are classified into Joint Ventures, which are accounted for in the consolidated financial statements using the equity method of accounting, and Joint Operations, which are accounted for using the proportional consolidation method. Associates are accounted for using the equity method.

Name of joint arrangement / associate	Nature of relationship	Ownership interest 2017 %	Ownership interest 2016 %
Aalborg Portland Malaysia Sdn Bhd	Associate	**30**	30
Batesford Quarry	Joint operation	**50**	50
Burrell Mining Services JV	Joint operation	**50**	50
EB Mawson & Sons Pty Ltd and Lake Boga Quarries Pty Ltd	Joint venture	**50**	50
Independent Cement & Lime Pty Ltd	Joint venture	**50**	50
Peninsula Concrete Pty Ltd	Joint venture	**50**	50
Sunstate Cement Ltd	Joint venture	**50**	50

Contribution to net profit before tax $million	**2017**	2016
Sunstate Cement Ltd	**5.3**	5.0
Independent Cement & Lime Pty Ltd	**7.6**	4.7
Other joint ventures and associates	**3.4**	3.0
Share of net profits of joint venture and associate entities	**16.3**	12.7
Profit from joint operations	**1.9**	1.8
Total profit from joint arrangements and associates	**18.2**	14.5

7 Contingencies

Details and estimates of maximum amounts of contingent liabilities are as follows:

Guarantees		
Bank guarantees - $ million	**34.0**	24.9

No material losses are anticipated in respect of the above contingent liabilities.

8 Acquisition of businesses

In line with Adelaide Brighton's business strategy of vertical integration, the Company has made two acquisitions during the half year:

1. On 1 March 2017 the Company acquired 100% of the operating assets of the Central Pre-Mix Concrete (Central) business, an integrated concrete and aggregate operation serving the metropolitan Melbourne market.
2. On 28 June 2017 the Company acquired the operating assets of the Davalan Concrete Pty Ltd business, an Adelaide based concrete business.

The purchase consideration paid in the half year was $64.9 million. There was no contingent consideration on the transactions.

The initial accounting for the acquisitions is not complete at 30 June 2017. Due to the timing of the acquisitions and the processes required to complete the fair value exercise, provisional fair values have been recognised in the balance sheet at 30 June 2017. The Company expects to complete the fair value accounting, with any differences recognised in the 31 December 2017 balance sheet.

The acquired businesses contributed revenues of $23.8 million and net profit before tax of $1.1 million to the group for the period since acquisition date to 30 June.

9 Events occurring after reporting date

No matter or circumstance has arisen since 30 June 2017 that has significantly affected, or may significantly affect:

(a) The Group's (consolidated entity) operations in future financial years, or
(b) The results of those operations in future financial years, or
(c) The Group's state of affairs in future financial years.

In the Directors' opinion:

(a) The financial statements and notes set out on pages 14 to 24 are in accordance with the *Corporations Act 2001*, including:

(i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
(ii) giving a true and fair view of the Group's financial position as at 30 June 2017 and of its performance for the half year ended on that date; and

(b) There are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable; and

This declaration is made in accordance with a resolution of the Directors.

Martin Brydon
CEO and Managing Director

Dated at Sydney on the 17th day of August 2017

Auditor's Independence Declaration

As lead auditor for the review of Adelaide Brighton Limited for the half-year ended 30 June 2017, I declare that to the best of my knowledge and belief, there have been:

(a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and

(b) no contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of Adelaide Brighton Limited and the entities it controlled during the period.

M. T. Lojszczyk
Partner
PricewaterhouseCoopers

Adelaide
17 August 2017

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Independent auditor's review report to the shareholders of Adelaide Brighton Limited

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Adelaide Brighton Limited (the Company), which comprises the balance sheet as at 30 June 2017, the statement of comprehensive income, statement of changes in equity, statement of cash flows and income statement for the half-year ended on that date, selected explanatory notes and the directors' declaration for Adelaide Brighton Limited Group (the consolidated entity). The consolidated entity comprises the Company and the entities it controlled during the half-year.

Directors' responsibility for the half-year financial report

The directors of the Company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Australian Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the consolidated entity's financial position as at 30 June 2017 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Adelaide Brighton Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001.*

Independent auditor's review report to the shareholders of Adelaide Brighton Limited (continued)

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Adelaide Brighton Limited is not in accordance with the *Corporations Act 2001* including:

1. giving a true and fair view of the consolidated entity's financial position as at 30 June 2017 and of its performance for the half-year ended on that date;

2. complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

PricewaterhouseCoopers

M. T. Lojszczyk
Partner

Adelaide
17 August 2017