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Adelaide Brighton Ltd
ACN 007 596 018

28 February 2018

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

Dear Sir/Madam

Results for announcement to the market – full year ended 31 December 2017

We attached Preliminary Final Report (Appendix 4E) in accordance with Listing Rule 4.3A and management discussion covering the year ended 31 December 2017 for release to the market.

Yours faithfully

MRD Clayton
Company Secretary

For further information please contact:
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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:	Financial year ended 31 December 2017
Previous corresponding period:	Financial year ended 31 December 2016
Release date:	27 February 2018

				A$m
Revenue from continuing operations	**up**	11.7%	**to**	1,560.0
Earnings before interest and tax	**up**	0.2%	**to**	266.5
Net profit for the period attributable to members	**down**	2.3%	**to**	182.0

Dividends	Amount per security		Franked amount per security
	Current period	Previous corresponding period	
Final ordinary dividend	12.0¢	11.5¢	100%
Final special dividend	4.0¢	4.0¢	100%
Interim ordinary dividend	8.5¢	8.5¢	100%
Interim special dividend	-	4.0¢	-

Record date for determining entitlements to the final dividend	3 April 2018
Payment date for final dividend	13 April 2018

Annual General Meeting

Pursuant to listing rule 3.13.1 notice is hereby given that the 2018 Annual General Meeting of Adelaide Brighton Ltd will be held on Thursday 17 May 2018 at the InterContinental Adelaide, North Terrace, Adelaide, SA, commencing at 10.00 am.

	31 Dec 2017	31 Dec 2016
Net tangible asset backing per ordinary share	$1.46	$1.46

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 $1,560.0 million, up 11.7% compared to the previous corresponding period (pcp), supported by acquisitions and improved demand for construction materials
- Reported EBIT of $266.5 million, up 0.2%, impacted by a number of one-off costs
- Underlying EBIT up 7.8% to $288.8 million. Improvement due to:
  - Higher construction materials volumes and pricing;
  - Operational improvements and lower import costs; and
  - Acquisitions completed during the year.

  Partially offset by:
  - $3.6 million associated with a one-off 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; and
  - Costs associated with the Company's limestone carrying vessel; and
  - Higher energy costs.
- Excluding property profits, underlying EBIT increased 7.0% to $277.7 million
- NPAT down 2.3% to $182.0 million, impacted by a number of one-off items
- Underlying NPAT up 5.4% to $197.7 million
- Excluding property earnings, underlying NPAT of $189.3 million, up 5.3%
- Operating cash flow decreased 9.7% to $224.2 million
- Gearing[1] increased to 29.8% at year end, due to acquisitions
- Final ordinary dividend of 12.0 cents per share, franked to 100%, up 4.3%
- Final special dividend of 4.0 cents per share, franked to 100%, in line with the pcp
- Total FY2017 dividends 24.5 cents, representing a payout of 87.5% on EPS
- Basic earnings per share declined 2.4% to 28.0 cents, while underlying basic EPS rose 5.2%
- Excluding property profits, underlying EPS up 5.1% to 29.1 cents

[1] Net debt/equity

Financial Summary

Statutory basis	12 months ended 31 December		
($million)	**2017**	**2016**	**% change pcp**
Revenue	**1,560.0**	**1,396.2**	**11.7**
Depreciation, amortisation and impairments	(82.5)	(78.1)	5.6
Earnings before interest and tax ("EBIT")	**266.5**	**266.1**	**0.2**
Net finance cost[1]	(12.1)	(11.5)	5.2
Profit before tax	**254.4**	**254.6**	**(0.1)**
Tax expense	(72.3)	(68.4)	5.7
Net profit after tax	**182.1**	**186.2**	**(2.2)**
Non-controlling interests	(0.1)	0.1	(200.0)
Net profit attributable to members ("NPAT")	**182.0**	**186.3**	**(2.3)**
Basic earnings per share ("EPS") (cents)	28.0	28.7	(2.4)
Dividends per share – fully franked (cents)	24.5[2]	28.0[2]	(12.5)
Net debt[3] ($ million)	371.6	288.5	28.8
Gearing (%)[4]	29.8%	23.6%	
Return on funds employed[5] – reported	16.7%	17.5%	

Underlying basis[6]	12 months ended 31 December		
($million)	**2017**	**2016**	**% change pcp**
Revenue	**1,560.0**	**1,396.2**	**11.7**
Underlying depreciation and amortisation	(82.5)	(78.1)	5.6
Underlying earnings before interest and tax	**288.8**	**268.0**	**7.8**
Net finance cost	(12.1)	(11.5)	5.2
Underlying profit before tax	**276.7**	**256.5**	**7.9**
Underlying tax expense	(78.9)	(69.0)	14.3
Underlying net profit after tax	**197.8**	**187.5**	**5.5**
Non-controlling interests	(0.1)	0.1	(200.0)
Underlying net profit attributable to members	**197.7**	**187.6**	**5.4**
Basic earnings per share - underlying (cents)	30.4	28.9	5.2
Return on funds employed – underlying	18.1%	17.6%	

[1] Net finance cost is the net of finance costs shown gross in the Income Statement with interest income included in revenue.
[2] Includes special dividends of 4.0 cents per share for FY 2017 and 8.0 cents per share for FY 2016.
[3] Net debt is calculated as total borrowings less cash and cash equivalents.
[4] Net debt/equity.
[5] Return on funds employed = EBIT/average monthly funds employed.
[6] Underlying results have been adjusted for significant items. An explanation of the adjustments and reconciliation to statutory results is provided on page 13.

Summary of results

Net profit after tax

Reported net profit after tax attributable to members (NPAT) for the year ended 31 December 2017 declined 2.3% to $182.0 million due to the impact of doubtful debts, acquisition costs and restructuring expenses. Underlying NPAT of $197.7 million was 5.4% higher than 2016. Property sales contributed $8.4 million to NPAT, compared to $7.9 million in 2016.

Revenue

Revenue of $1,560.0 million was 11.7% higher than in 2016, as a result of improved demand for construction materials in South Australia and the eastern states and the contribution from acquisitions which added 5.8% to revenue.

Earnings before interest and tax

Earnings before interest and tax (EBIT) increased 0.2% from the prior year to $266.5 million on an EBIT margin of 17.1%. On an underlying basis, EBIT grew 7.8% to $288.8 million on an EBIT margin of 18.5%.

Margins

Underlying EBIT margins excluding property declined due to higher energy costs, the impact of quality issues at the Birkenhead site earlier in the year, higher site remediation costs and the acquisition of lower EBIT margin businesses. Joint arrangements and associate earnings increased from $30.9 million in 2016 to $37.8 million in 2017 reflecting improved demand and higher construction materials prices on the east coast of Australia.

Operating cash flow and debt

Operating cash flow decreased 9.7% from the prior year to $224.2 million, due to higher tax payments and lower cash conversion. Property sales contributed $13.9 million to cash flow, bringing sales in the last four years to $97 million. The estimate of the sales value of the remaining property pipeline over the next decade exceeds $100 million. Gearing of 29.8% at year end remains at the lower end of the target range.

Earnings per share

Earnings per share (EPS) of 28.0 cents.

Dividends

A final ordinary fully franked dividend of 12.0 cents per share and a fully franked special dividend of 4.0 cents per share were declared, bringing total dividends for FY 2017 to 24.5 cents fully franked. The record date for the final 2017 dividend is 3 April 2018 with payment on 13 April 2018.

The special dividend takes into consideration Adelaide Brighton's strong cash flow, low gearing, current capital expenditure outlook and availability of franking credits.

Strategic developments

Three acquisitions were completed in 2017 in line with the strategy of focused value added vertical integration in the concrete and aggregates businesses. Through an ongoing cost reduction program, $11 million in new savings were delivered in 2017, including $3 million in energy costs savings. In addition to this, import costs were $12 million less than pcp due to lower materials costs and currency. Adelaide Brighton's rolling operational improvement program across all parts of the business will continue in 2018.

Review of Operations

Demand Overview

East coast markets remained strong supported by robust residential activity in Victoria, New South Wales and Queensland, and increased non-residential building and infrastructure[2] activity. The South Australian market was also lifted by infrastructure demand.

Activity in New South Wales and Victoria improved versus the prior year, with non-residential building and transport infrastructure projects adding to demand.

South east Queensland markets continue to improve, particularly the Gold Coast and Sunshine Coast regions. Increasing South Australian demand was driven by several infrastructure projects despite reduced demand from mining operations.

Western Australia cement demand stabilised in the second half compared to the previous corresponding period, following a significant decline over the last two years. Northern Territory demand declined further across the territory, although regional infrastructure projects provided some offset.

Overall demand for lime moderated slightly in both Western Australia and the Northern Territory.

Cement and clinker

Sales – Significant volume growth despite subdued WA and NT demand

Cement and clinker sales volume increased 9% compared to 2016, assisted by a particularly strong second half. Strong volume growth continued in 2017 in Queensland, Victoria and New South Wales.

Volume in Western Australia and Northern Territory declined in the first half but stabilised in the second half to be modestly lower for the year. Cement sales in South Australia improved, supported by the ramp up of major infrastructure projects in the second half.

While cement selling prices increased ahead of CPI across almost all markets, weighted average cement prices were stable due to geographic mix changes.

Operations – Operational improvement continues

Cement margins declined due to higher energy costs, a cement quality issue in the first half and higher costs related to the Company's limestone vessel in the second half. Higher volumes on stable average prices lifted revenue.

Electricity costs in the cement and clinker operations increased by circa $4 million compared to 2016. 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, demand management and long-term contracts.

In April 2017, the Birkenhead plant experienced a temporary issue with the quality of cement which incurred rectification costs of $3.6 million during the first half. 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 and production and quality returned to normal shortly after the incident.

Additional costs of $3 million were incurred in the second half of 2017 associated with maintenance of the Company's limestone carrying vessel the MV *Accolade II*.

Operational efficiencies in cement and lime delivered $8 million in 2017, including $2.8 million with the rationalisation of Angaston oil well cement and laboratory facilities. Further savings of $1 million from these projects expected in 2018.

[2] Non-residential building includes education, health, office, retail, hotels and factories, while infrastructure includes roads, bridges and railways.

Adelaide Brighton is Australia's largest importer of cement clinker and other cementitious materials supplying approximately 2.4 million tonnes of imported product in 2017. Import profitability improved by $12 million before tax compared to 2016 due to reduced shipping and material procurement costs and the higher Australian dollar.

Lime

Sales – Volumes slightly lower

Lime sales volumes were slightly down on 2016 due to reduced sales to the non-alumina sector. Imports continue to be a threat, but Adelaide Brighton's highly cost competitive operations place it in a strong position to supply the market in the long term.

Average lime selling prices were lower because of the pricing mechanisms with long term alumina customers that take into account lime production costs savings. Intensifying competition form importers constrained prices in the non-alumina sector in 2017.

Operations – Costs stable in 2017

Lime margins declined slightly because of the lower average prices, while operating costs were marginally higher following significant improvements in the prior year.

Prices are subject to inflationary increases in 2018 under long term contract arrangements. In addition, rising energy costs, mainly coal, anticipated in 2018 will be reflected in contract price mechanisms over subsequent periods.

Concrete and Aggregates

Sales – Strong eastern state markets and acquisitions lift sales

Sales volumes for concrete increased by more than one-third in 2017 because of strong demand in the eastern states and acquisitions. Excluding acquisitions, concrete volume increased strongly supported by buoyant demand in Victoria, New South Wales and Queensland and strengthening infrastructure demand in South Australia. Like for like concrete prices increased 3%.

Aggregates volumes also were strong in 2017 due to acquisitions. A recovery in South Australian infrastructure demand offset reduced project volumes in other markets. Aggregates price increased by more than 5% reflecting price increases and strengthening demand for high quality product and a reduction in sales of lower value products.

Sydney aggregates returns continue to be supported by the expiry of traditional reserves and increasing reliance on product from new operations further from the market. Adelaide Brighton's New South Wales quarry operations are competitively positioned to supply demand growth in Sydney and benefit from strengthening prices as prices increase over time to reflect the higher transport costs faced by many suppliers.

Operations – Acquisitions add scale to operations

Concrete and Aggregates revenue, EBIT and EBIT margins all improved significantly in FY2017 as a result of higher volumes, stronger prices and control of costs, partially offset by $3.3 million of costs relating to a compulsory scope change in remediation related to the closure of our North Melbourne concrete plant.

Revenue and EBIT were further enhanced by the acquisition of three business during 2017:

- Central Pre-Mix Concrete and Quarry, a Melbourne based integrated concrete and aggregate operation on 1 March 2017;
- Davalan Concrete, an Adelaide based concrete business on 28 June 2017; and
- The concrete and aggregates assets of Holcim in the Northern Territory on 28 July 2017.

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. The acquired businesses are performing in line with expectations.

Concrete Products

Sales – Weaker multi-residential

Revenue decreased 1.1% to $147.6 million. Concrete Products EBIT decreased from $11.4 million in 2016 to $10.2 million in 2017 due to lower sales volumes and resulting lower production efficiency.

Sales and earnings are traditionally weighted to the second half, but 1H17 EBIT was also impacted by wet weather and delayed projects which recovered in the second half helping to offset weakness in the multi-residential sector.

Operations – Production efficiency

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

Adelaide Brighton made a $3 million investment during 2017 in an automated sleeper walling plant located in Stapylton, Queensland, which offers significant operating efficiencies and sales growth potential in new market segments.

The Concrete Products business is also a growing customer for our cement, sand and aggregates businesses and the Company remains optimistic about outlook given the impact of the new sleeper walling plant and opportunities for business improvement in the medium term.

Joint arrangements and associates

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

ICL is a specialist supplier of cementitious products throughout Victoria and New South Wales.

Continued strength in construction activity across the New South Wales and Victoria markets led to higher volumes. Higher selling prices, strong demand and an easing of input cost pressures supported a 40% increase in profit contribution from $10.5 million to $14.7 million after tax. The 2H17 contribution was 22% higher than 2H16. ICL benefited late in 2H17 from a price rise to recoup higher input costs.

Sunstate Cement Limited (Sunstate) (50%)

Sunstate is a joint venture between Adelaide Brighton (50%) and Boral (50%) with a cement milling, storage and distribution facility at Fisherman Islands, Port Brisbane.

Sunstate's contribution to Group earnings increased by 8.1% from $11.0 million to $11.9 million as demand across south east Queensland remained healthy. Volumes, prices and margins were all higher than the prior corresponding period. The 2H17 contribution was up 10% on 2H16.

Mawson Group (Mawsons) (50%)

Mawsons is the largest premixed concrete and quarry operator in northern regional Victoria, and also operates in southern New South Wales. Mawsons is an important aggregates producer in the region, generally holding the number one or number two position in the markets it serves. Earnings again improved significantly as strong demand to major projects lifted volumes and margins.

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

APM manufactures and sells white cement and clinker for the domestic Malaysian market and exports to Australia and markets throughout south east Asia. Earnings from APM declined as result of higher costs from energy.

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 continued in 2017 with the rationalisation of speciality cement production at the Angaston, South Australia operation.

Managing energy costs across the Adelaide Brighton operations remains an important focus and a significant opportunity for shareholder value creation. Important progress was made in a number of areas in 2017 to improve energy efficiency and security.

The lime business continues to benefit from a strong focus on costs and efficiency, although after several years of significant cost improvements, costs stabilised in 2017. Competing importers remain active in major markets. With its unique cost position, proximity to major customers, long term environmental approvals and strong customer relationships, the business is well positioned to remain the leading lime supplier to the Australian Resources sector and has the capacity to support further significant growth in the industry over the medium to long term.

Vertical integration has been an important driver of growth in the last five years. It has improved geographic and industry diversification and supported the utilisation of existing Adelaide Brighton assets. Three transactions were completed in 2017 on attractive financial metrics, which are performing to expectations to deliver accretive returns in year one (excluding transaction costs).

1 Cost reduction and operational improvement

Energy efficiency

Energy remains a key area of strategic focus given significant opportunity to improve the security and competitiveness of the operations. Adelaide Brighton's proactive energy strategy is designed to manage energy costs and operating risks through measures that include:

- A portfolio approach to energy supply and procurement benefits;
- Reduced medium term energy consumption through operational improvement, such as the 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 Company has in recent years foreshadowed the tightening of the South Australian gas market and the prospect of increasing gas prices. The tightening of the market contrasted sharp declines in many international and some interstate gas markets, such as Western Australia.

Adelaide Brighton has sought to maintain diversity and flexibility in energy supply arrangements to take advantage of the evolving landscape and emerging opportunities to improve energy costs.

In December 2017, Adelaide Brighton further strengthened its energy supply portfolio with the signing of new gas and electricity contracts in South Australia. Adelaide Brighton has entered into an agreement with Beach Energy Limited for the supply of gas to its South Australian operations.

Adelaide Brighton has also entered into an agreement with Infigen Energy Limited for the supply of its electricity requirements to the Birkenhead and Angaston cement manufacturing plants and Klein Point Quarry on the Yorke Peninsula in South Australia.

The new agreements with Beach and Infigen provide our South Australian operations with continued certainty of energy supply at competitive prices and underpin the Company's leading position in this important market.

In addition to energy supply agreements, the rationalisation of oil well cement production at Angaston in South Australia improved the energy efficiency of the South Australian cement operations in 2017.

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 2018, Adelaide Brighton expects energy costs in its cement and lime business to increase by $5 to $6 million compared to 2017. In South Australia, savings are expected in electricity but higher gas costs are anticipated, while in Western Australia, coal costs are also anticipated to increase.

Operational improvement program

The rationalisation of laboratory facilities and speciality cement production at the Angaston facility, leveraging the extensive importation network of the Group, will result in annualised EBIT savings of approximately $3.8 million, of which approximately $2.8 million was achieved in 2017. Earnings were adversely impacted in 2017 by one-off charges associated with this initiative of $3.3 million before tax. These one-off costs are excluded from underlying earnings measures.

Competitive import infrastructure

Rationalisation of Australian clinker production in the face of steady demand growth, has seen imported cementitious products grow to represent in excess of 30% of Australian supply. In the absence of domestic clinker production growth, due to cost advantages of large scale international manufacture, imports are expected to continue to grow in the long term.

Adelaide Brighton remains Australia's largest importer of cementitious materials (cement, clinker and blast furnace slag) utilising more than 2.4 million tonnes of imported product in 2017. This leading position enhances supply chain efficiency in procurement, transport, storage and distribution.

This allows Adelaide Brighton to deliver competitively priced product into a range of markets where demand exceeds the Company's manufacturing capacity. It further enables company owned domestic production assets to operate at full utilisation with the import operations responding to changes in demand. This underpins the 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 on favourable terms.

Adelaide Brighton continues to invest in import infrastructure to underpin its competitive position, to grow the import business, and ensure it remains a leading supplier into key markets. As the construction industry moves to greater reliance on imported cementitious materials there may be competing investments in import infrastructure to address some of this demand growth.

Adelaide Brighton will maintain a measured approach to growing and operating its import infrastructure. Industry leading scale, efficient supply, established markets and strong customer relationships mean Adelaide Brighton is well placed to enhance its position as an importer and continue to grow long-term shareholder value.

Land sales program

Adelaide Brighton has been actively engaged in selling and preparing for sale properties released by the rationalisation and improvement program. In many cases, this includes re-zoning to realise greater value over time.

Since the beginning of 2013, cash proceeds from the property program total $97 million. This includes transactions in 2017 that realised $13.9 million in cash proceeds and $8.4 million NPAT.

One of these transactions, which was previously anticipated for settlement in late 2017 or early 2018, closed in late December 2017 and as a consequence no significant land transactions or profits are now expected from the program before 2019.

Estimated proceeds from the sale of properties in the next 10 years could realise in excess of $100 million with an expected EBIT margin on these sales of circa 85% and an effective tax rate of approximately 20%.

2 Lime growth

Continuous improvement to underpin long term returns

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. 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. The industry remains among the lowest cost alumina producers in the world, underpinning its long term growth. In the medium term, lime demand is expected to move in line with refinery capacity expansion as well as the expansion of the broader Western Australian resources sector.

In the last three years, Adelaide Brighton has made operational improvements, expanded capacity and achieved cost savings to the lime business that have further improved the competitiveness of the business and the opportunity for long term growth.

After several years of cost reductions, costs stabilised in 2017. The lime business has a continuous improvement program that examines opportunities for: further cost savings; improvements in resource and operational security; and enhancing customer relationships.

Competition continues from imported lime for use in the non-alumina resources sector. Adelaide Brighton's scale and unique cost structure underpins its position in the industry over the long-term. Nonetheless, import competition has the potential to pressure sales to the non-alumina sector in the absence of significant market growth, particularly if the Australian dollar continues to strengthen.

3 Downstream integration

Further downstream acquisitions

Adelaide Brighton continues to pursue its strategy of acquiring quality concrete and aggregates 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 the ability to capture a greater share of the construction materials production and distribution value chain.

Continuing this strategy, during the year Adelaide Brighton made three acquisitions:

- Central Pre-Mix Concrete and Quarry, an integrated concrete and aggregates operation with five concrete plants and a hard rock aggregate quarry serving the metropolitan Melbourne market, the largest premixed concrete market in Australia;
- Davalan Concrete, an independent concrete operator in the greater Adelaide market; and
- Holcim's Northern Territory concrete and aggregates business, consisting of four concrete plants, two operating quarries and access to further potential quarry sites via mining leases.

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 $85.2 million, including transaction costs of $5 million, represent a year one EBITDA multiple of 6.8.

These purchases provide 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 quarry business. The acquired businesses also offer operating synergies with the existing Melbourne and Adelaide operations and the prospect of further bolt on investments to enhance the overall regional position.

Overall, the performance of the businesses is in line with expectations.

Financial Review

Cash flow and borrowings – gearing remains conservative

Operating cash flow decreased by $24.2 million to $224.2 million in 2017. The decrease was attributable to lower cash conversion of revenues and increased tax payments partially offset by an increase in dividends from joint ventures.

Working capital increased $22.2 million as a result of acquisitions and timing of receipts and import shipments at year end. Doubtful debt provision increased by $18.3 million, including the additional provision for doubtful debts discuss on page 12.

Capital expenditure of $169.3 million, including $80.2 million on acquisitions, was $82.8 million higher than the prior year. Stay in business capital of $60.1 million represents 73% of depreciation and amortisation. Development capital declined $7.8 million to $29.0 million as organic projects started in the prior year were finalised. Cash proceeds from the sale of assets of $17.7 million includes $13.9 million from the disposal of land.

Dividends paid to shareholders decreased 13% to $156.0 million due to lower special dividend payments in 2017.

Net debt increased $83.1 million, with net debt to equity gearing increasing to 29.8% from 23.6% over the year as a result of acquisitions. Gearing remains at the lower end of the target range of 25% - 45%.

Provision for doubtful debts

In late 2017 Adelaide Brighton became aware of certain financial discrepancies which relate to transactions whereby it has been underpaid for products supplied. The Company has now completed its analysis with the assistance of forensic accountants KPMG and as a result the 2017 EBIT result includes $17.1 million provision for the non-recovery of amounts due and $0.6 million for legal, accounting and other investigation costs.

While the financial impact of the discrepancies has been quantified, investigations are continuing. Adelaide Brighton is also continuing its efforts to recover amounts due.

The matter was identified under Adelaide Brighton's existing compliance and risk management systems and processes. The Company has taken steps to strengthen these further in light of this issue.

Finance costs and tax expense

Net finance costs increased from $11.5 million to $12.1 million in 2017 as a result of a slight increase in borrowing margins and higher average net debt.

Tax expense of $72.3 million increased from $68.4 million in 2016 and represents an effective tax rate of 28.4% (2016: 26.9%). The increased effective tax rate is due to the recognition of capital losses in the prior year and the true-up of the prior year tax return.

Dividends – strong shareholder returns

A final ordinary dividend of 12.0 cents per share (fully franked) and a final special dividend of 4.0 cents per share (fully franked) have been declared. This takes total dividends declared with respect to FY2017 to 24.5 cents per share, fully franked, compared to 28.0 cents per share (fully franked) with respect to FY2016.

The ordinary dividend payout ratio with respect to FY2017 against Underlying EPS is 67.4% and together with the special dividend, the dividend payout ratio is 80.6%, compared to 96.9% in 2016.

The record date for determining eligibility to the final ordinary dividend is 3 April 2018 and the payment date is 13 April 2018.

The special dividend is consistent with Adelaide Brighton's long held strategy to distribute surplus capital to shareholders, where prudent to do so, while maintaining an efficient and resilient capital structure. The payment of the special dividend reflects Adelaide Brighton's strong cash flows, current capex plans and low balance sheet gearing compared to the target range.

Reconciliation of underlying profit

"Underlying" measures of profit exclude significant items of revenue and expenses 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.

Full year ended 31 December $ million	**2017**			2016		
	Profit before tax	**Income tax**	**Profit after tax**	Profit before tax	Income tax	Profit after tax
Statutory profit	**254.4**	**(72.3)**	**182.1**	254.6	(68.4)	186.2
Rationalisation	**3.3**	**(1.0)**	**2.3**	-	-	-
Other restructuring	**0.8**	**(0.3)**	**0.5**	1.9	(0.6)	1.3
Acquisition expenses	**5.0**	**-**	**5.0**	-	-	-
Fair value gain	**(4.5)**	**-**	**(4.5)**	-	-	-
Doubtful debts	**17.7**	**(5.3)**	**12.4**	-	-	-
Underlying profit	**276.7**	**(78.9)**	**197.8**	256.5	(69.0)	187.5

Rationalisation of cement production

Cement production and laboratory facilities in South Australia were rationalised in 2017. As part of the rationalisation, employee redundancy costs of $3.3 million were recognised (2016: $nil).

Other restructuring costs

Redundancies and one-off employment costs were $0.8 million (2016: $1.9 million) for the period. These costs result from staff restructuring within the Group.

Acquisition expenses and fair value gain

Costs recognised as an expense in the Administration costs line of the Income Statement in 2017 were $5.0 million (2016: $nil). The costs associated with the three acquisitions completed, including stamp duty, legal and other consulting costs, fluctuate with transaction activity. These acquisitions also resulted in a fair value gain on acquisition of $4.5 million.

Doubtful debts provision

The increased doubtful debts provision described on page 12 is not considered to be a part of normal trading and therefore excluded from underlying profit.

Outlook

In 2018, Adelaide Brighton expects strong demand for construction materials, particularly on the east coast and South Australia, improved pricing and further efficiency improvements.

Sales volumes of cement and clinker are anticipated to be higher in 2018. Demand is expected to be stable in Western Australia and the Northern Territory and improve in South Australia due to major infrastructure projects. Building and construction activity is also expected to lift cement and clinker demand along the east coast.

Improved demand on the east coast and South Australia is anticipated to also lift sales volumes of premixed concrete and aggregates. The 2017 acquisitions will add further sales in 2018.

Price increases have been announced for the first half of 2018 in cement, aggregates, concrete and concrete products. Strengthening demand and utilisation are supportive of higher prices.

Concrete prices are expected to increase by more than CPI, while aggregate prices are anticipated to increase significantly above CPI, particularly as the industry moves to supply from further afield.

Lime sales volumes are expected to be marginally lower in 2018 due to import competition in the non-alumina sector, although prices are anticipated to improve under contractual arrangements.

Joint venture operations in Australia are anticipated to continue to benefit from stronger demand and higher prices on the east coast.

Import costs are likely to be $3 million higher in 2018 with increased materials costs offset by favourable foreign currency outcomes. Exchange rates for imports have been hedged to September 2018.

Further savings from the Angaston cement rationalisation and the rolling operational improvement program are expected to improve costs in 2018.

Energy costs are anticipated to increase by $6 million in 2018, with higher gas and coal costs being partially offset by lower electricity costs. Much of this will be passed on to customers under long term contractual arrangements.

Estimated proceeds from the sale of land in the next 10 years could realise in excess of $100 million but, due to project timing, no significant land sales under the program are expected until 2019.

Capital expenditure of $100-110 million is anticipated in 2018, including $50-60 million of stay in business capex.

To maximise shareholder returns, Adelaide Brighton seeks to ensure the balance sheet is efficiently utilised while retaining the flexibility to fund long term growth as opportunities are identified. Prudent capital management remains an important part of this approach.

Martin Brydon

CEO and Managing Director

28 February 2017

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Income statement

For the year ended 31 December 2017
$million

		Consolidated	
	Notes	**2017**	2016
Revenue from continuing operations	3	**1,560.0**	1,396.2
Cost of sales		**(1,009.9)**	(885.8)
Freight and distribution costs		**(243.8)**	(195.5)
Gross profit		**306.3**	314.9
Other income	3	**19.6**	14.5
Marketing costs		**(20.7)**	(21.9)
Administration costs		**(72.3)**	(68.4)
Finance costs		**(13.6)**	(13.0)
Share of net profits of joint ventures and associate accounted for using the equity method	7	**35.1**	28.5
Profit before income tax		**254.4**	254.6
Income tax expense		**(72.3)**	(68.4)
Profit for the year		**182.1**	186.2
Profit attributable to:			
Owners of the Company		**182.0**	186.3
Non-controlling interests		**0.1**	(0.1)
		182.1	186.2
		Cents	Cents
Earnings per share for profit from continuing operations attributable to the ordinary equity holders of the Company:			
Basic earnings per share	5	**28.0**	28.7
Diluted earnings per share	5	**27.9**	28.6

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

Statement of comprehensive income

For the year ended 31 December 2017
$million

	Consolidated 2017	2016
Profit for the year	**182.1**	186.2
Other comprehensive income		
Items that may be reclassified to profit or loss		
Exchange differences on translation of foreign operations	**0.4**	(0.9)
Changes in the fair value of cash flow hedges	**-**	1.3
Income tax relating to these items	**-**	(0.4)
Items that will not be reclassified to profit or loss		
Actuarial gain / (loss) on retirement benefit obligation	**1.9**	1.7
Income tax relating to these items	**(0.6)**	(0.5)
Other comprehensive income for the year, net of tax	**1.7**	1.2
Total comprehensive income for the year	**183.8**	187.4
Total comprehensive income for the year attributable to:		
Owners of the Company	**183.7**	187.5
Non-controlling interests	**0.1**	(0.1)
Total comprehensive income for the year	**183.8**	187.4

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

Balance sheet

As at 31 December 2017
$million

	Consolidated	
	2017	2016
Current assets		
Cash and cash equivalents	**57.6**	21.5
Trade and other receivables	**241.0**	204.6
Inventories	**174.3**	160.2
Assets classified as held for sale	**1.9**	3.8
Total current assets	**474.8**	390.1
Non-current assets		
Receivables	**37.3**	34.4
Retirement benefit asset	**3.5**	2.3
Joint arrangements and associate	**160.3**	151.2
Property, plant and equipment	**1,037.2**	978.4
Intangible assets	**299.9**	270.3
Total non-current assets	**1,538.2**	1,436.6
Total assets	**2,013.0**	1,826.7
Current liabilities		
Trade and other payables	**145.8**	117.0
Borrowings	**0.3**	0.4
Current tax liabilities	**9.8**	15.4
Provisions	**33.8**	31.9
Other liabilities	**15.1**	3.3
Total current liabilities	**204.8**	168.0
Non-current liabilities		
Borrowings	**428.9**	309.6
Deferred tax liabilities	**86.0**	89.9
Provisions	**45.0**	39.0
Other liabilities	**0.1**	0.1
Total non-current liabilities	**560.0**	438.6
Total liabilities	**764.8**	606.6
Net assets	**1,248.2**	1,220.1
Equity		
Contributed equity	**733.1**	731.4
Reserves	**1.9**	2.9
Retained profits	**510.6**	483.3
Capital and reserves attributable to owners of the Company	**1,245.6**	1,217.6
Non-controlling interests	**2.6**	2.5
Total equity	**1,248.2**	1,220.1

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

Statement of changes in equity

For the year ended 31 December 2017
Consolidated
$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 year	-	-	182.0	182.0	0.1	182.1
Other comprehensive income	-	0.4	1.3	1.7	-	1.7
Total comprehensive income for the year	-	0.4	183.3	183.7	0.1	183.8
Deferred hedging gains and losses and costs of hedging transferred to the carrying value of inventory purchased in the period	-	(0.9)	-	(0.9)	-	(0.9)
Transactions with owners in their capacity as owners:						
Dividends provided for or paid	-	-	(156.0)	(156.0)	-	(156.0)
Executive Performance Share Plan	1.7	(0.5)	-	1.2	-	1.2
	1.7	(0.5)	(156.0)	(154.8)	-	(154.8)
Balance at 31 December 2017	733.1	1.9	510.6	1,245.6	2.6	1,248.2
Balance at 1 January 2016	729.2	1.2	474.3	1,204.7	2.6	1,207.3
Profit for the year	-	-	186.3	186.3	(0.1)	186.2
Other comprehensive income	-	-	1.2	1.2	-	1.2
Total comprehensive income for the year	-	-	187.5	187.5	(0.1)	187.4
Deferred hedging gains and losses and costs of hedging transferred to the carrying value of inventory purchased in the period	-	0.9	-	0.9	-	0.9
Transactions with owners in their capacity as owners:						
Dividends provided for or paid	-	-	(178.5)	(178.5)	-	(178.5)
Executive Performance Share Plan	2.2	0.8	-	3.0	-	3.0
	2.2	0.8	(178.5)	(175.5)	-	(175.5)
Balance at 31 December 2016	731.4	2.9	483.3	1,217.6	2.5	1,220.1

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

Statement of cash flows

For the year ended 31 December 2017
$million

	Notes	Consolidated **2017**	2016
Cash flows from operating activities			
Receipts from customers (inclusive of goods and services tax)		**1,661.3**	1,536.1
Payments to suppliers and employees (inclusive of goods and services tax)		**(1,379.4)**	(1,239.1)
Joint venture distributions received		**26.4**	18.6
Interest received		**1.6**	1.5
Interest paid		**(13.0)**	(12.1)
Other income and receipts		**8.6**	6.2
Income taxes paid		**(81.3)**	(67.2)
Income taxes refunded		**-**	4.4
Net cash inflow from operating activities		**224.2**	248.4
Cash flows from investing activities			
Payments for property, plant and equipment		**(89.1)**	(86.5)
Payments for acquisition of businesses, net of cash acquired		**(80.2)**	-
Proceeds from sale of property, plant and equipment		**17.7**	23.2
Loans to joint ventures and other related parties		**(3.1)**	(2.0)
Repayment of loans from other parties		**0.6**	0.6
Net cash (outflow) from investing activities		**(154.1)**	(64.7)
Cash flows from financing activities			
Proceeds from issue of shares		**3.5**	4.0
Proceeds from borrowings		**118.5**	-
Repayment of borrowings		**-**	(21.0)
Dividends paid to Company's shareholders	4	**(156.0)**	(178.5)
Net cash (outflow)/inflow from financing activities		**(34.0)**	(195.5)
Net increase in cash and cash equivalents		**36.1**	(11.8)
Cash and cash equivalents at the beginning of the year		**21.5**	33.3
Net impact of foreign exchange on cash and cash equivalents		**-**	-
Cash and cash equivalents at the end of the year		**57.6**	21.5

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

Notes to the financial statements

For the year ended 31 December 2017

1 Accounting policies

This report has been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board and the *Corporations Act 2001*. It has been prepared under the historical cost convention, except for the circumstances where fair value has been applied as detailed in the accounting policies.

The accounting policies adopted are consistent with those of the previous financial year.

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 following two reportable segments have been identified:

- 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 margins 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 markets of Adelaide Brighton's products include residential and non-residential construction, engineering construction, alumina and steel production and mining.

Notes to the financial statements

For the year ended 31 December 2017

2 Segment reporting (continued)

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

The segment information provided to the CEO and Managing Director for the reportable segments is as follows:

31 December 2017 $million	**Cement, Lime, Concrete and Aggregates**	**Concrete Products**	**Unallocated**	**Total**
Total segment operating revenue	**1,401.4**	**147.6**	**-**	**1,549.0**
Inter-segment revenue	**(95.5)**	**-**	**-**	**(95.5)**
Revenue from external customers	**1,305.9**	**147.6**	**-**	**1,453.5**
Depreciation and amortisation	**(69.4)**	**(7.8)**	**(5.3)**	**(82.5)**
EBIT	**286.6**	**10.2**	**(30.3)**	**266.5**
Share of net profits of joint ventures and associate accounted for using the equity method	**35.1**	**-**	**-**	**35.1**
31 December 2016 $million				
Total segment operating revenue	**1,216.6**	**149.2**	**-**	**1,365.8**
Inter-segment revenue	**(74.9)**	**-**	**-**	**(74.9)**
Revenue from external customers	**1,141.7**	**149.2**	**-**	**1,290.9**
Depreciation and amortisation	**(65.1)**	**(8.4)**	**(4.6)**	**(78.1)**
EBIT	**287.8**	**11.4**	**(33.1)**	**266.1**
Share of net profits of joint ventures and associate accounted for using the equity method	**28.5**	**-**	**-**	**28.5**

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, 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	**1,549.0**	1,365.8
Inter-segment revenue elimination	**(95.5)**	(74.9)
Freight revenue	**89.5**	97.3
Other production revenue	**15.1**	6.0
Interest revenue	**1.5**	1.5
Royalties	**0.4**	0.5
Revenue from continuing operations	**1,560.0**	1,396.2

Notes to the financial statements

For the year ended 31 December 2017

2 Segment reporting (continued)

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

The CEO and Managing Director assesses the performance of the operating segments based on a measure of 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:

	Consolidated	
$million	**2017**	2016
EBIT	**266.5**	266.1
Net finance cost	**(12.1)**	(11.5)
Profit before income tax	**254.4**	254.6

3 Operating profit

Revenue from continuing operations		
Sales revenue	**1,558.1**	1,394.3
Interest revenue	**1.5**	1.5
Royalties	**0.4**	0.4
	1,560.0	1,396.2
Other income		
Net gain related to sale of property, plant and equipment	**10.4**	8.4
Fair value accounting gain on business acquisition	**4.5**	-
Rental income	**1.2**	2.9
Miscellaneous income	**3.5**	3.2
Total other income	**19.6**	14.5
Revenue and other income	**1,579.6**	1,410.7
Finance cost		
Interest and finance charges paid/payable	**13.5**	12.3
Unwinding of the discount on restoration provisions and retirement benefit obligation	**1.1**	1.1
Fair value (gain) on forward foreign exchange contracts at fair value through profit or loss	**-**	0.2
Total finance costs	**14.6**	13.6
Interest capitalised in respect of qualifying assets	**(1.0)**	(0.6)
Finance costs expensed	**13.6**	13.0
Less interest revenue	**(1.5)**	(1.5)
Net finance cost	**12.1**	11.5

The Group has a strategy of divesting of properties that are released from operational activities as a result a rationalisation and improvement program. During the year the Group realised a net gain on sale of properties of $11.1 million (2016: $8.4 million) which is recognised in other income.

Notes to the financial statements

For the year ended 31 December 2017

4 Dividends

$million	The Company 2017	2016
Dividends provided or paid during the 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
2017 interim dividend of 8.5 cents (2016 – 12.5 cents) per fully paid ordinary share, franked at 100% (2016 – 100%) paid on 5 October 2017	**55.3**	81.2
Total dividends paid in cash	**156.0**	178.5
Dividends not recognised at the end of the year		
Since the end of the year the Directors have recommended the payment of a final dividend of 12.0 cents and special dividend of 4.0 cents (2016 – ordinary dividend of 11.5 cents and special dividend of 4.0 cents) per fully paid ordinary share, franked at 100% (2016 – 100%). The aggregate amount of the proposed final dividend expected to be paid on 13 April 2018, not recognised as a liability at the end of the reporting period, is	**104.0**	100.7

5 Earnings per share

	Consolidated 2017 Cents	2016 Cents
Basic earnings per share	**28.0**	28.7
Diluted earnings per share	**27.9**	28.6

	Consolidated 2017 Number	2016 Number
Weighted average number of shares used as the denominator		
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	**650,067,492**	**649,395,882**
Adjustments for calculation of diluted earnings per share:		
Awards	**2,767,452**	**2,919,824**
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share	**652,834,944**	**652,315,706**

Notes to the financial statements

For the year ended 31 December 2017

6 Contingencies

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

$million	Consolidated 2017	2016
Guarantees		
Bank guarantees	**35.4**	24.1

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

7 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 %	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	Joint venture	50	50
Independent Cement & Lime Pty Ltd	Joint venture	50	50
Lake Boga Quarries 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

$million	Consolidated 2017	2016
Sunstate Cement Ltd	**11.9**	11.0
Independent Cement & Lime Pty Ltd	**14.7**	10.5
Other Joint Ventures and Associates	**8.5**	7.0
Share of profits equity accounted	**35.1**	28.5
Profit from Joint Operations	**2.7**	2.4
Total profit from joint arrangements and associates	**37.8**	30.9

Notes to the financial statements
For the year ended 31 December 2017

8 Events occurring after reporting date
No matter or circumstance has arisen since 31 December 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.

Audit statement

This report is based on accounts to which one of the following applies.

☐	The accounts have been audited.	☐	The accounts have been subject to review.
☑	The accounts are in the process of being audited or subject to review.	☐	The accounts have not yet been audited or reviewed.