Level 1
157 Grenfell Street
Adelaide SA 5000

GPO Box 2155
Adelaide SA 5001

Adelaide Brighton Ltd
ACN 007 596 018

Telephone (08) 8223 8000
International +618 8223 8000
Facsimile (08) 8215 0030
www.adbri.com.au

28 February 2018

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

Dear Sir/Madam

Adelaide Brighton full year result to 31 December 2017– media statement

We attach a media statement covering Adelaide Brighton's full year result to 31 December 2017 for release to the market.

Yours faithfully

MRD Clayton
Company Secretary

For further information please contact:

Luba Alexander
Group Corporate Affairs Adviser
Telephone 0418 535 636
Email luba.alexander@adbri.com.au

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MEDIA STATEMENT

28 February 2018

ADELAIDE BRIGHTON ANNOUNCES INCREASED FINAL DIVIDEND

Leading construction materials and lime producer Adelaide Brighton (ASX: ABC) today reported results for the full year ended 31 December 2017, declaring an increased final ordinary dividend of 12.0 cents per share and a final special dividend of 4.0 cents per share, both franked to 100%.

Record revenue of $1,560 million was 11.7% higher than the prior corresponding period (pcp) and, excluding the 2017 acquisitions was up 5.9 %, reflecting strong demand in east coast markets, improving demand in South Australia and stabilising demand in Western Australia.

Net Profit After Tax attributable to members (NPAT) was $182.0 million for the period, representing Basic Earnings Per Share (EPS) of 28.0 cents. Underlying NPAT, which excludes the impact of one off provisions, acquisition costs and restructuring expenses, was up 5.4% to $197.7 million, compared to pcp. Property sales contributed $8.4 million to NPAT, compared to $7.9 million in 2016.

Earnings Before Interest and Tax (EBIT) rose 0.2% to $266.5 million versus pcp. Underlying EBIT grew 7.8% to $288.8 million on an underlying EBIT margin of 18.5%.

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

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

Results summary

- Revenue was up 11.7% to $1,560.0 million, reflecting strong demand across residential, non–residential and infrastructure projects in Victoria, NSW and Queensland, increasing infrastructure demand in South Australia, and contributions from acquisitions.
- Reported EBIT rose 0.2% to $266.5 million and NPAT was down 2.3% to $182.0 million, with higher volumes and prices, operational improvements, lower import costs and acquisitions completed in 2017 being offset by a number of one-off items.
- Excluding transaction costs, restructuring expenses and an additional doubtful debt provision involving underpayment for products supplied, underlying EBIT was up 7.8% to $288.8 million and excluding property earnings, underlying NPAT was up 5.3% to $189.3 million.
- Operating cash flow fell 9.7% to $224.2 million and gearing increased to 29.8% at year end.
- Basic EPS declined 2.4% but, excluding property profits, underlying EPS was up 5.2%.
- Final ordinary dividend of 12.0 cents, up from 11.5 cents in the prior year, and a special dividend of 4.0 cents, fully franked.

Operational overview

East coast markets remained strong supported by infrastructure activity and robust residential and increased non-residential building. Transport infrastructure projects added demand in Victoria, NSW and South east Queensland. South Australian was also lifted by infrastructure demand. Cement demand stabilised in Western Australia but demand in the Northern Territory declined. Acquired businesses performed to expectations and contributed 5.8% to sales revenue.

Excluding property transactions, underlying EBIT margins declined, impacted by higher energy prices, a one off cement quality issue in the first half, higher site remediation costs and the acquisition of lower EBIT margin businesses.

Cement and clinker sales volume increased 9% in 2017, following a strong second half, and driven by volume growth in Queensland, Victoria and New South Wales, while cement sales in South Australia improved. Cement selling prices increased ahead of CPI in most markets but weighted average prices were stable due to geographic mix changes.

Concrete and Aggregate revenue and margins improved significantly, driven by higher volumes, stronger prices and control of costs. Sales volumes for concrete increased by more than a third because of strong demand in the eastern states and acquisitions. Aggregates volumes also benefited from increased South Australian infrastructure demand. Like for like concrete prices increased 3% and aggregates prices rose by more than 5% on increasing demand for high quality product.

Overall demand for lime moderated slightly in both Western Australian and the Northern Territory. Adelaide Brighton's highly cost competitive operations place it in a strong position to supply the market over the long term.

Concrete Product earnings decreased due to lower volumes and resulting lower production efficiency but investment in a new sleeper walling plant will drive efficiencies and sales growth in the medium term.

The Australian joint venture operations have benefited from the strong demand in east coast states for cement, clinker, concrete and aggregates.

Adelaide Brighton CEO and Managing Director Martin Brydon said the strong revenue growth in 2017 shows Adelaide Brighton is well positioned to capture the benefits of growing demand across residential, non-residential and infrastructure in Victoria, NSW, Queensland and South Australia and the stabilisation of demand in Western Australia.

"Adelaide Brighton saw record top line growth of 11.7% in 2017. We did have to absorb some unexpected doubtful debt provisions, but on an underlying basis that revenue growth translated to net profit growth of 5.5%", Mr Brydon said.

"We believe our focus on cost controls and operational improvements, our commitment to investing in our vertical integration strategy, combined with what we expect to be a period of strong demand will support attractive shareholder returns," he said.

Strategic developments

Adelaide Brighton continues to pursue its long term growth strategy with ongoing investment in cost reduction and operational improvement; growth of the lime business to supply the Australian resources sector and vertical integration opportunities 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. Progress was made on managing energy costs with new gas and electricity contracts in place in South Australia at competitive prices.

Overall, $11 million in new savings were delivered in 2017, including $3 million in energy costs savings. In addition, import costs were $12 million less than pcp due to lower materials costs and currency.

Vertical integration has been an important driver of growth, improving geographic and industry diversification and enhancing the utilisation of existing Adelaide Brighton assets. Three acquisitions were completed in 2017 on attractive financial metrics. These businesses have added scale to our existing operations and synergies in overhead, logistics and raw materials, and are performing as expected to add value in year one (excluding transaction costs).

Outlook

Adelaide Brighton expects major infrastructure projects and increasing building and construction activity to drive strong demand for construction materials in 2018, particularly on the east coast and in South Australia with demand stabilising in Western Australia and the Northern Territory.

This improved demand profile is expected to result in higher sales volumes for cement and clinker, as well as premixed concrete and aggregates, a business that will also benefit from further sales from the 2017 acquisitions, and an improved performance at our joint venture operations.

Strengthening demand and utilisation are expected to support above CPI price increases in cement, aggregates, concrete and concrete products in the first half of 2018.

Import competition is anticipated to result in a marginal decline in lime volumes in 2018 although prices are scheduled to improve under contractual arrangements.

Import costs are likely to be $3 million higher in 2018, while energy costs are expected to increase by $6 million, although much of this can be passed to customers under existing contractual arrangements. There will be further savings from the cement rationalisation and operational improvement program.

“We anticipate growing demand will underpin a positive 2018 for Adelaide Brighton. We will continue to pursue operational improvements and invest in the business, with capital expenditure expected to be between $100 million and $110 million next year.”

“We constantly strive to maximise shareholder returns, the ordinary and special dividend payments in April will be the most we’ve paid in a single tranche, while maintaining a flexible balance sheet that can fund long term growth opportunities. Prudent capital management remains key to delivering consistent shareholder returns”

“There is strong demand in the industry and we have a proven growth strategy and business model, of course the ‘one-offs’ in 2017 remind us there are always risks, but the outlook for 2018 looks positive.” Mr Brydon said.

For further information please contact:
Luba Alexander, Group Corporate Affairs Adviser
Telephone: +61 (0) 418 535 636
Email: luba.alexander@adbri.com.au