Finance report

In 2016 Adelaide Brighton grew net profit after tax (NPAT) (excluding property) despite a modest decline in revenue and earnings before interest and tax (EBIT). Revenue fell 1.2% to $1,396.2 million. EBIT declined 10.9% to $266.1 million. NPAT, excluding property earnings, grew 3.1% to $178.4 million.

Sales and profits

Revenue of $1,396.2 million was 1.2% lower than in 2015, due to reduced demand for cement from residential and resource construction projects in Western Australia and the Northern Territory, which offset stronger demand in the eastern states and South Australia. Excluding the impact of lower freight revenue, Group revenue increased slightly in 2016.

Adelaide Brighton's long term strategy has positioned the Company to be resilient to the cyclical nature of construction markets. Excluding property profits, NPAT grew 3.1%. This was despite a decline in sales volume of 20% in Western Australia and the Northern Territory, and electricity market disruptions which impacted profit before tax by $9 million.

Reported NPAT attributable to members for the year ended 31 December 2016 declined 10.4% to $186.3 million, primarily due to lower property profits compared to the previous corresponding period. Property contributed $7.9 million to NPAT, compared to $34.9 million in 2015.

Earnings before interest and tax (EBIT) decreased 10.9% from the prior year to $266.1 million on an EBIT margin of 19.1%. Excluding property profits, EBIT grew 1.6% on 2015 to $257.7 million, while the EBIT margin improved from 17.9% in 2015 to 18.5% in 2016.

EBIT margins excluding property were assisted by price increases, cost initiatives and higher joint venture earnings. These more than offset the impact of lower cement volumes and electricity supply disruptions in South Australia. Import costs were higher due to the weaker Australian dollar.

Joint venture arrangements and associate earnings increased 44% to $30.9 million in 2016, reflecting improved demand and higher cement prices on the east coast of Australia and higher production in the Malaysian specialty cement operations.

Net finance costs decreased from $13.0 million to $11.5 million in 2016 primarily due to the continuation of low underlying market interest rates.

Tax expense of $68.4 million decreased $9.4 million from 2015 and represents an effective tax rate of 26.9%. Excluding property profits or one-off impacts, the Group's ongoing tax rate is expected be in the range of 27% to 28%.

Due to the absence of one-off items, Underlying NPAT was the same as Reported NPAT in 2016.

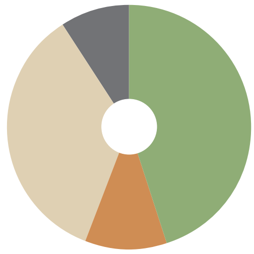
EBIT margins

Excluding property profits Group EBIT margin increased to 18.5% compared with 17.9% in 2015.

This increase in margins reflected lower costs, higher prices and an improved contribution from our joint venture operations.

Cement margins declined due to a 4% reduction in volume (driven by Western Australia and Northern Territory) and higher energy and import costs. Energy market disruptions in South Australia lifted cement operating costs by $9 million. However, an increase in the use of alternative fuels and transport efficiencies provided some offset.

Lime margins improved on stable volume, higher prices and markedly lower energy costs. Transport and contractor costs were also improved following contract renegotiation.



Revenue by product group

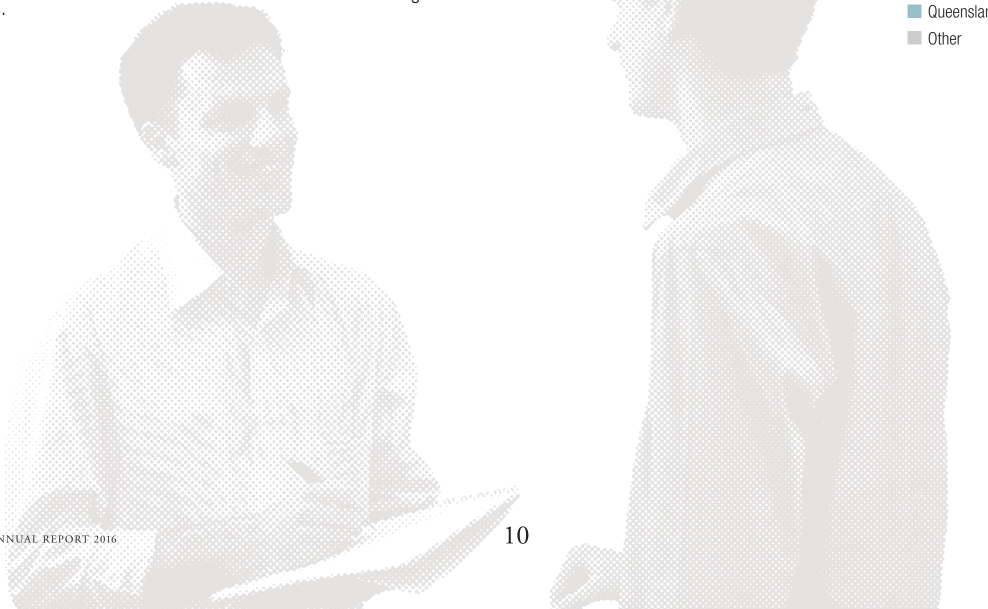
- Cement
- Lime
- Concrete and aggregates
- Concrete products

Revenue by market

- Non-residential
- Residential
- Engineering
- Mining operations

Revenue by state

- Western Australia
- South Australia
- Victoria
- New South Wales
- Queensland
- Other



Strong volume, higher prices and lower transport costs contributed to an expansion in concrete and aggregates margins. This business now represents 35% of group revenue.

Concrete Products returns were 20% higher (excluding property), supported by higher prices and lower costs following restructuring of the business over recent years.

The profit contribution from joint venture operations increased 44% in 2016 driven by healthy demand, cost improvements and higher prices.

The devaluation of the Australian Dollar against Adelaide Brighton's major trading currencies, the US Dollar and the Japanese Yen, reduced import profitability by approximately $7 million before tax in 2016 compared to 2015.

Operational improvement programs delivered benefits of $16 million (pre-tax) for the 2016 year compared to 2015. Key initiatives included the renegotiation of energy and supplier contracts and operating cost and energy efficiency programs.

Shareholder returns

A final ordinary dividend of 11.5 cents per share (fully franked) and a final special dividend of 4.0 cents per share (fully franked) has been declared. The full year fully franked dividend of 28.0 cents is 3.7% higher than 2015. The ordinary dividend payout ratio is 70%.

Excluding property, return on funds employed increased from 16.8% to 16.9%. Adelaide Brighton's returns continue to exceed its cost of capital.

Adelaide Brighton has delivered top quantile Total Shareholder Return over the last decade. The Company has been included in the S&P/ASX100 Index since 2012.

The Dividend Reinvestment Plan remains suspended given the Company's strong cash flows and low gearing.

Cash flow and debt

Operating cash flow increased 8.0% from the prior year to $248.4 million, driven by improved operating profit and stronger cash conversion. Working capital increased modestly. Debtor days sales outstanding declined and doubtful debt provision was lower.

Capital expenditure was $86.5 million. Stay in business capital of $49.7 million represents 64% of depreciation and amortisation. Stay in business expenditure was higher than prior corresponding period with $19.2 million spent on concrete plants in Sydney that are being relocated due to urban growth.

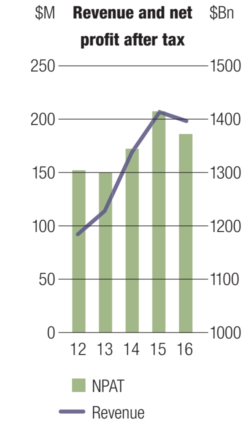
Development capital increased $2.3 million to $36.8 million for organic projects that will improve costs and expand production capacity.

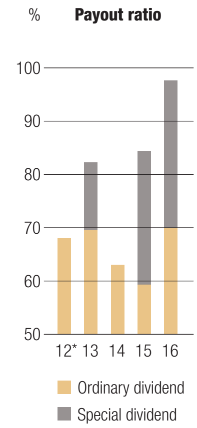
Cash proceeds of $23.2 million from the sale of assets includes $20.6 million from the disposal of property. So far, we have realised $85 million in proceeds from property sales since 2013 and we believe there is more than $120 million further to come in the next decade.

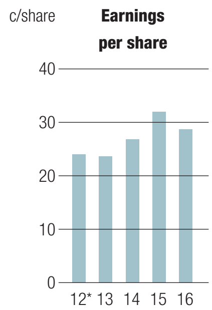
Dividends paid to shareholders increased 28% to $178.5 million. Despite this, strong cash flow contributed to a reduction in net debt of $8.7 million to $288.5 million and net debt to equity gearing declined from 24.6% to 23.6% over the year. This is slightly below the targeted gearing range of 25% to 45%.

To maximise shareholder returns, Adelaide Brighton seeks to ensure the balance sheet is efficiently utilised while retaining the flexibility to fund its long term growth strategy as opportunities are identified.

Michael Kelly
Chief Financial Officer







** In line with changes to accounting policies effective 1 January 2013, comparative numbers for 2012 have been restated*