



Zlatko Todorovski
Chairman

On behalf of all Directors, it is my pleasure to present you with the 2018 Annual Report for Adelaide Brighton Ltd. The year ended 31 December 2018 was a year of strong operational performance for your Company. Revenue increased 4.6% to \$1,630.6 million, reflecting the benefit of acquisitions made in 2017 as well as demand across the residential, non-residential and infrastructure sectors and stable lime demand. Your Company reported net profit after tax of \$185.3 million and basic earnings per share of 28.5 cents, both up 1.4% on the prior year.

Although the final profit result was slightly below our initial market guidance due to weather impacts and timing of customer activity, we are pleased with how the management team responded to these and other challenges throughout the year.

Adelaide Brighton continues to deliver against its long term strategy of cost reduction and operational improvement; growth of the lime business and vertical integration into downstream aggregates, concrete, logistics and masonry businesses.

Capital management

The Board continues to take the view that capital surplus to the Company's requirements to implement its strategy should be returned to shareholders through an efficient capital management mechanism. The Board has utilised special dividends in this regard, which has contributed to strong total shareholder returns.

A final ordinary dividend of 11.0 cents per share and final special dividend of 4.0 cents per share were declared for 2018, bringing total dividends declared to 28.0 cents per share, fully franked, for 2018, representing a payout ratio of 98.2%.

Leadership

These results were achieved during a period of leadership transition for Adelaide Brighton and are a testament to the strength of your business and the resilience of its people.

On behalf of the Board and all shareholders, I would once again like to extend thanks to former CEO and Managing Director, Martin Brydon. Martin announced his retirement at last year's AGM following a distinguished 30-year career with Adelaide Brighton. He has delivered exceptional results over his tenure, both as CEO and Managing Director and as a member of the senior executive team. In addition, Martin was very flexible in accommodating the Board's request for him to continue in his role to ensure a smooth and seamless transition to new leadership - including deferring his retirement plans. Martin has been an integral part of the Adelaide Brighton growth story and we wish him all the best for the future.

We have been delighted to welcome Nick Miller as Adelaide Brighton's new CEO in January 2019. Nick is a high calibre and experienced Managing Director and CEO, including Managing Director and

Chief Executive Officer of Fulton Hogan from 2010 to 2017, and more recently at Broadspectrum (a subsidiary of Ferrovial Group) who operate within the civil construction, major project and asset management industries. I encourage you to read Nick's review of 2018 performance within this report.

During the year, we were also pleased to promote Brett Brown to the role of Executive General Manager Concrete and Aggregates. Brett has over 20 years' experience in the construction materials industry and joined Adelaide Brighton through our acquisition of Direct Mix Concrete and Southern Quarries in 2014. His internal promotion underscores the quality of operational experience within our ranks and the pathways to promotion that Adelaide Brighton can offer.

We are also looking forward to welcoming our new Chief Financial Officer, Theresa Mlikota, in April 2019. Theresa is a highly regarded finance executive with 30 years' experience in resources and construction (including CFO roles at Ausdrill Limited, Fulton Hogan, Thiess, Macmahon Holdings and Barminto Ltd).

The addition of Nick and Theresa compliment Adelaide Brighton's highly experienced and skilled management team, which will support the Company's continued development and growth. With high quality assets, a positive culture and great people, we are excited about the opportunities before us to further enhance shareholder value.

Board Composition and Board Governance Framework

In 2018, Graeme Pettigrew and Les Hosking retired from the Board. On behalf of the Board and all shareholders, I thank them both for their significant contribution. Martin Brydon also retired from the Board in January 2019.

During the year, Vanessa Guthrie joined the Board as an independent non-executive Director and Geoff Tarrant joined as non-executive Director and nominee of the Barro Group. I look forward to working with them going forward.

The majority of the Board remains independent, which is consistent with the Principles and Recommendations of the ASX Corporate Governance Council. Your Board has a strong mix of skills, experience and perspectives that are appropriate to our long term strategy to build shareholder value.

During 2018, we made some changes to the way we organise Board priorities and time to better reflect Adelaide Brighton's

> objectives:

People and Culture Committee - The People and Culture Committee replaces the former Nomination, Remuneration and Governance Committee, reflecting our commitment to prioritise our people

> and set the culture from the top.

Safety, Health, Environment and Community Committee - The Safety, Health and Environment Committee has been expanded to now also reflect the focus we have always had on the communities in which we operate.

The Board monitors and reports on sustainability performance and is responding to increasing expectations of our stakeholders on the disclosure of our sustainability risks. The Board is assessing the impact of climate change in accordance with recommendations of the Financial Stability Board's Task Force on Climate-related Financial Disclosures (TCFD) and proposes reporting on TCFD as part of the Company's 2019 Sustainability Report.

In March 2019, your Board announced that Raymond Barro would transition to the role of Chairman after the 2019 Annual General Meeting. Raymond has significant industry experience and has made a great contribution to Adelaide Brighton as both a Director and as a long term representative of our major shareholder.

Your Board also confirmed that all Directors recognise the importance of effective independent Board oversight for the benefit of all shareholders, in line with ASX Corporate Governance Council recommendations. As a result, your Directors have agreed a Board Governance Framework that ensures Adelaide Brighton's future Board composition will remain majority independent for the foreseeable future (four independent Directors, three Barro Group nominees).

Furthermore, the Governance Framework includes an enhanced Board Protocol - Potential Conflicts and Interests governing interactions between the business interests of Adelaide Brighton and the Barro Group. I will take on the role of Lead Independent Director and Deputy Chairman following this year's AGM. In this role, I will continue to ensure that conflicts of interest are addressed and managed as agreed

between Barro Group and the independent Directors according to the Board Protocol - Potential Conflicts and Interests.

The independent Directors are pleased with this outcome, which ensures stability, and are strongly of the view that this is in the best interests of all shareholders. With this framework in place, I look forward to working with Raymond to ensure a smooth transition of the Chairmanship.

Conclusion

On behalf of your Directors, I acknowledge the hard work of all our employees in 2018, a year in which Adelaide Brighton delivered record revenues and strong dividends.

Adelaide Brighton takes its responsibilities as a corporate citizen very seriously. We have strong employment and safety practices, have maintained a strong focus on reducing our emissions while improving energy efficiency and we work closely with local communities, government and regulatory bodies to ensure our business is sustainable.

I would like to thank all our shareholders, our joint venture partners and, of course, our customers for their continuing support of Adelaide Brighton.

Financial Summary

(\$ million)	2018	2017 ¹
Revenue ¹	1,630.6	1,559.6
Earnings before interest, tax, depreciation and amortisation	352.8	350.1
Depreciation and amortisation	(87.4)	(82.5)
Earnings before interest and tax	265.4	267.6
Net finance cost ²	(14.4)	(12.1)
Profit before tax	251.0	255.5
Tax expense	(65.8)	(72.7)
Net profit after tax	185.2	182.8
Non-controlling interests	(0.1)	0.1
Net profit attributable to members	185.3	182.7
Underlying net profit after tax	191.0	198.4
Underlying net profit after tax excluding property	190.1	190.0
Basic earnings per share ("EPS") (cents)	28.5	28.1
Ordinary dividends per share - fully franked (cents)	20.0	20.5
Special dividends per share - fully franked (cents)	8.0	4.0
Net debt ³ (\$ million)	424.8	371.6
Leverage ratio (times) ⁴	1.2	1.1
Gearing ⁵ (%)	34.1	29.8
Return on funds employed ⁶ - reported (%)	16.1	16.7

¹ Restated numbers are due to a change in accounting policy on adoption of AASB15 Revenue from Contracts with Customers applied from 1 January 2018. As a result of the changes, prior year financial statements were restated.

² Net finance cost is the net of finance costs shown gross in the Income Statement with interest income included in other income.

³ Net debt is calculated as total borrowings less cash and cash equivalents.

⁴ Leverage ratio is net debt / trailing 12 months EBITDA.

⁵ Net debt/equity.

⁶ Return on funds employed = EBIT/average monthly funds employed.