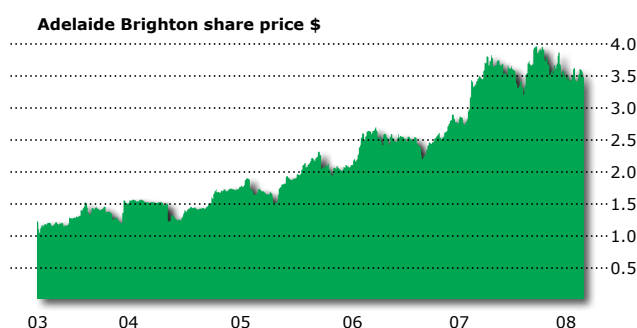


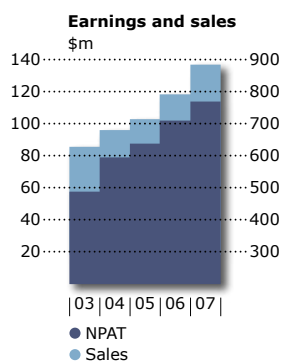
MANAGING DIRECTOR'S STATEMENT

Adelaide Brighton delivered its seventh consecutive year of profit growth and shareholder returns based on the continued strength of its markets, improved operating performance and the further development of its core strategies.

2007 performance Adelaide Brighton delivered a further record result for the year with a net profit after tax of \$113.9 million, an 11.5% increase over 2006. The underlying earnings before interest and tax grew by 15.1% to \$171.3 million on the basis of an 11.8% growth in sales and improved operating margins. Continued sales growth in our core markets increased revenues to a record \$888.4 million, underpinned by an increase in cement and lime sales and the emerging aggregates position in New South Wales. Driven by higher demand from the residential, infrastructure and engineering sectors, cement sales increased in all states except New South Wales, which weakened further during the year. Adelaide Brighton's lesser exposure to the New South Wales market mitigated the impact on the overall Company result. The New South Wales weakness however, had a direct impact on the performance of C&M Brick which derives nearly half of its sales income from this state. The resources sector continued its growth in Western Australia and began an emerging growth trend in South Australia and the Northern Territory, further increasing the demand for lime (calcium oxide), an important compound in the alumina, steel, copper, nickel and uranium ore refining processes. Lime sales increased by 6.5% during the year with over one million tonnes of lime supplied to the resources sector.



The continuous supply of consistent, high quality lime is a key unique attribute for Adelaide Brighton in being able to meet peaks in customer demand from the West Australian market. This is achieved through the scale of the Company's lime kilns at Munster and the Dongara kiln, north of Perth, and the ability to switch two of the Munster cement kilns to lime manufacture on an as needs basis. In its second largest lime market, Northern Territory, Adelaide Brighton's lime sales also grew on increased resource sector demand resulting in the Mataranka lime plant increasing its output to capacity. In order to meet customer demand in the second half year, it was necessary to supplement Northern Territory demand, at reduced margins, with supply from the Angaston plant in South Australia. An important factor in meeting the increased cement demand was the extension of the Company's clinker and cement supply chain from south east Asia. Additional product and freight contracts were secured during the year in order to meet future projected cement demand. The cost of imported cement has increased due to rising freight prices, which remain at close to cyclically high levels and underlying product cost increases, in particular on energy and fuel, in the Asian manufacturing bases. In Australia, energy and fuel costs have also risen acutely with gas pricing and supply and electricity pricing being key inflationary drivers in Western Australia and South Australia respectively. These price increases, together with fundamental escalation in materials, plant and spare parts costs, have driven the need to recover costs through cement sales price increases which were realised at, or close to, inflationary levels in all markets. The Company also commenced increasing lime margins to levels sufficient to sustain future capacity investment with price increases achieved at above inflationary levels during the year as some short and medium term lime supply contracts matured.



Operating performance continues to be a fundamental driver behind the improvement in earnings with consistent high levels of output being achieved from all cement and lime plants. Our core plants are now operating at, or close to capacity. Growth is being sustained by increasing supplies of imported cement and the improvement of plant output beyond rated capacity levels. A clearly defined operational improvement programme has been set in place which has begun to deliver output improvement and cost down benefits during 2007. Hy-Tec delivered a further record profit during the year despite the continued weakness in demand in New South Wales and rising costs of concrete materials. Improved demand in Queensland, a continued focus on improvement in distribution efficiencies and the optimisation of concrete mix designs were key factors in delivering the 2007 Hy-Tec result. The growth of the Austen Quarry to an economic operating scale was achieved during the year, primarily through the switch of aggregate supply to selected internal



*Cockburn Cement's
Munster cement
and lime plant*

Hy-Tec Sydney plants and the sale of secondary road base materials to local markets. C&M Brick had a challenging year with the core New South Wales market depressed by lower market demand and a new market entrant. While some sales price recovery was seen, the volume decline had a material impact on the overall divisional result. C&M's Victorian operations performed better, though were impacted by a \$1.1 million inventory write down relating to the prior year. Actions were taken to reduce the division's cost base in the 2007 final quarter at a cost of \$2.2 million putting the division on a firmer footing for an improvement in operating performance in 2008. Normalising these impacts, the underlying 2007 earnings before interest and tax for C&M Brick was \$5.3 million in 2007 compared to \$7.7 million in 2006.

Strategic development The Company made further progress during the year on the delivery of its strategy of selective downstream integration into concrete, aggregates and sand, growth in lime and operational improvement. Following a review of regional growth market potential and business opportunities, the Hurd Haulage Pty Ltd, Kancon and Port Minimix businesses were acquired to form an integrated aggregate and concrete business in the Port Macquarie region. The returns from these successful businesses will be improved by the pull through benefits of supply of aggregates and sand from the Hurd Haulage quarries and the future infrastructure growth of this emerging regional corridor. In late 2007, Adelaide Brighton announced the acquisition of a 50% share in Mawsons, a long established quarry and concrete business located in northern Victoria.

In addition to progressing the Company's vertical integration strategy, this acquisition provides Adelaide Brighton with an important profitable position in a growth market and the benefit from the introduction of additional human capital skills and operational experience in quarrying and concrete manufacturing and supply. With regard to our lime development strategy, the growth in lime demand during 2007 was in line with long term forecasts as additional resource sector capacity was brought on-stream. Consistent with prior year projections, we forecast an increase in lime demand by an additional 300,000 tonnes by the end of 2012. The Company will continue to monitor lime pricing in the context of expiring longer term contracts over the next four years and will realise margin growth through the recovery of manufacturing cost inflation and further improve margins to the levels required to sustain future long term investment in the lime manufacturing operations.



*Austen Quarry
at Hartley in
New South Wales*

Outlook In 2008, cement demand is projected to continue to be robust with volumes ahead of 2007. The rate of growth in Western Australia is expected to level out during the year with continued strong demand in Queensland, Victoria and South Australia. Demand in New South Wales continues to be depressed by the extremely low levels of residential activity and our operations are being managed to expect no market recovery during 2008. South east Asia cement availability remains tight and the underlying high product and shipping costs will continue to offset the strength in the Australian dollar. These forces, together with the continued input price pressures on labour, materials, fuel and energy costs, will allow for future price increases across all product sectors. In conclusion, the Company continues to be pleased with its operational performance and the delivery of increasing shareholder returns. The Company's national geographical spread and continued exposure to the engineering, infrastructure and resource sectors will continue to provide Adelaide Brighton with a unique competitive position in the Australian construction materials and resource sectors. Through the delivery of its consistent strategies and effective capital management, the Company expects further growth in profitability and shareholder return in 2008.

A handwritten signature in black ink, appearing to read 'M. Chellew', written in a cursive style.



*Mark Chellew
Managing Director*