Adelaide Brighton Ltd

ANNUAL GENERAL MEETING

19 MAY 2010

CHAIRMAN'S ADDRESS: MR MALCOLM KINNAIRD *AC*

Adelaide Brighton reported a record net profit after tax of $123.1 million, a 2.0% increase over the previous year. This excellent result was achieved through strengthening the balance sheet, maintaining asset utilisation and a strong focus on operating efficiency.

A fully franked final dividend of 8.0 cents per share was declared, bringing the full year dividend to 13.5 cents per share.

During 2009, Adelaide Brighton continued to progress its strategic plans. The move into concrete, aggregates and concrete products in the eastern states has ensured the pull through of cement sales and the stability of cement demand in our manufacturing base. We will continue to focus on the longer term decisions which will allow Adelaide Brighton to optimise future performance and deliver continued growth in shareholder return.

I retire as Chairman and Director of this Company at the end of this meeting. My time with Adelaide Brighton has been rewarding and I have particularly enjoyed the relationships I have been able to develop with the management team and members of the Board. I would also like to thank the loyal Adelaide-based shareholders particularly many of you who are here today.

Adelaide Brighton is a good company which maintains an ethical and open character. This appointment has been the highlight of my public company service. I leave knowing the business is in very competent hands and wish all of our team well.

Upon my retirement the Board has agreed that Chris Harris will replace me as Chairman. Chris is well known and highly regarded by the investment community and will ensure that the high standards set by our company will be maintained.

I would like to acknowledge our Managing Director, Mr Mark Chellew, for his leadership over the past eight years. Together with the senior management team they have built a base of high calibre employees, established consistent processes and developed and implemented strategies to bring the Company to its current strong performance level.

I would now like to hand over to Mark, who will review the Company's operational performance, the strategic issues facing the Company and the outlook for 2010.

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MANAGING DIRECTOR'S ADDRESS: MR MARK CHELLEW

Thank you Chairman and good morning ladies and gentlemen.

Adelaide Brighton is a major construction materials and lime producer in Australia with significant positions supplying the construction and minerals processing industries.

In the past decade, the Company has had a consistent long term strategy, which has seen both our competitive position improve significantly and strong shareholder returns when compared to our peers. We continue to believe the Australian industry offers attractive long term fundamentals and it remains our focus for growth.

In the near term, following a volatile 2009, the economic environment appears to be improving and this is assisting the earnings outlook in our key markets. In the year ahead, we continue to see good opportunities for further returns enhancement although there are also some challenges.

In 2009, with the economy affected by the Global Financial Crisis, the operating environment was difficult. Despite that, Adelaide Brighton achieved another increase in earnings through a combination of margin management, the successful implementation of the Profit Optimisation Plans and a significant reduction in borrowings and interest costs.

As the Chairman noted, we reported a 1.9% increase in net profit after tax to $123.1 million. This record result is somewhat encouraging given a decline in sales revenue over 2008, primarily due to weaker cement and concrete demand. Adjusting for the acquisition of Hanson Building Products, underlying sales revenue declined by around 7% on 2008 levels.

Group earnings before interest and tax margin increased slightly to 18.8% as a result of higher selling prices, improved product mix and $15 million of cost reductions achieved through the Profit Optimisation Plan.

The institutional equity raising and Share Purchase Plan undertaken during the year enabled us to reduce borrowings in a period of great economic uncertainty. Combined with lower bank interest rates, this cut our interest expense significantly, supporting an 8.6% increase in profit before tax to $168.6 million.

However, the increased capital base contributed to a 2009 reduction in earnings per share to 20.4 cents, despite the slightly higher net profit after tax. As highlighted by the Chairman, dividends were modestly lower, reflecting reduced earnings per share, although total shareholder returns remained strong in 2009. In the past decade, annual shareholder returns have averaged 28%, placing your Company in the top 2 of the ASX200 and well ahead of the peer group.

Operational review

As you are probably aware, Adelaide Brighton is a leading Australian construction materials and lime producer with strong positions in its key businesses. In summary, your Company:

- Holds the No. 1 position in lime manufacture, supplying the minerals processing and construction sectors supported by low cost production in the key Western Australian market.

- We hold the No 2 position in cement and clinker supply to the Australian construction and resource sectors with efficient production in the growth states of Western Australia and South Australia.

- We are the No 1 Australian cement and clinker importer, importing a significant amount of our cementitious product requirements each year. We have secure long term supply contracts and an unmatched distribution network with competitive access to all mainland capital city markets and key regional centres.

- We have the No. 1 market share in concrete masonry products in Australia and are the No 4 producer of premixed concrete and aggregates.

These positions help us to optimise the utilisation of our asset base and support strong shareholder returns through the demand cycle. Operational diversity and flexibility were key drivers of our 2009 earnings performance in what was a difficult year for the industry.

Adelaide Brighton's cement markets declined 11% in 2009 – less than the overall decline in the national market, which was in the order of 15%. Through our leading positions in cement and lime we have greater exposure to resource sector demand in Western Australia and South Australia and less exposure to Queensland and New South Wales, the two states showing the largest drop in demand last year.

We managed the tougher conditions by flexing our capability of importing cementitious materials. This ensured our clinker kilns in South Australia and Western Australia continued to produce at capacity, maintaining margins as the mix shifted in favour of our own higher margin locally manufactured products.

This flexibility represents a significant improvement in our competitive position over the past decade.

Lime sales in 2009 were sustained through continued demand growth in the key alumina and gold sectors, offsetting softening demand in sectors like construction, steel and nickel. The dedicated lime kilns at Munster, Angaston, Mataranka and Dongara operated at optimum capacity and we switched Munster Cement Kiln 2 to lime manufacture for a six week campaign. The flexibility and cost structure of our leadership position in lime is a competitive advantage.

Lime prices increased by an average 6% in 2009, reflecting efforts to recoup higher input costs. The price increases supported margins at levels required to justify sustainable long term investment in lime production assets.

2009 had its operational challenges. In May, our limestone carrying vessel *Accolade II* collided with the Klein Point loading jetty in South Australia. Immediate implementation of risk management plans resulted in the supply of limestone to Birkenhead being maintained with no loss in output. Operations returned to normal in September and the overall financial impact of the incident was minimised by insurance cover.

Turning now to concrete and aggregates: demand for concrete was down about 15% in 2009, with weaker sales across all of Hy-Tec's markets in South East Queensland, Sydney and Melbourne. The Concrete and Aggregates Division, however, delivered an improvement in earnings. Cost increases were broadly recovered through higher prices while quarry volumes improved as a result of road contract work in the Blue Mountains and Port Macquarie regions. Aggregate price increases were, on average, better than inflation.

Average prices for concrete increased in line with inflation; however some pricing pressure was evident towards the end of the year. Concrete margins were helped by using alternative raw materials as part of a long term sustainability and efficiency program.

In Concrete Products, 2009 was a definitive year with the successful completion of the final steps in the merger of C&M Brick and Hanson Building Products under the Adbri Masonry brand.

This consolidated our position as Australia's market leader in concrete products trading in five key markets – Queensland, New South Wales, Victoria, South Australia and Tasmania.

There was a significant drop in demand for concrete products in 2009, mainly due to lower residential construction activity. Demand was down by an estimated 25% with some regional markets in north Queensland declining as much as 50%. Despite this, the Division traded at break-even for the first half, after incurring one-off costs for restructure and rationalisation.

Savings were generated from the merger by rationalising head office and support functions to Stapylton in Queensland and by reviewing state support structures and plant capacities to reflect long term regional demand.

The combination of the merger benefits and price increases enabled Concrete Products to achieve its $4.4 million earnings before interest and tax target in the second half.

Looking at our joint venture operations, Sunstate Cement in Queensland, Independent Cement and Lime in Victoria and Mawsons in regional Victoria and southern regional New South Wales continued to make an important contribution to the Group result, reporting a combined $27.6 million net profit, down $3.0 million over the previous year.

The decrease was largely due to lower profits from Sunstate Cement, driven by weaker regional cement demand, increased transfer pricing of clinker and pricing pressure from a new entrant.

Despite lower demand in Victoria and New South Wales, Independent Cement and Lime maintained earnings.

The Mawsons ready mixed concrete and quarrying joint venture grew earnings supported by demand from the mining and infrastructure sectors in northern Victoria.

Strategic Development

Turning to strategy, Adelaide Brighton's approach remains consistent. In the past decade, the company has invested in cement, clinker and lime production; in major distribution and import facilities; in downstream users of cement such as premixed concrete and concrete products; and in associated businesses such as construction aggregates.

We see further opportunities, aided by growth in the resources sector, healthy Australian demographics and general infrastructure upgrades.

Firstly, our strategy will be to continue investing in downstream assets to support asset utilisation and to capture returns through selected vertical integration.

Secondly, we will seek to expand our lime production to meet attractive demand growth from the resources sector.

And thirdly, we will maintain our intense focus on operating efficiency and sustainability to underpin both our long term competitive position and returns.

Consolidation is expected to remain a key industry thematic, as it has in the past two decades and, as always, we will seek to participate where the opportunities make good sense.

Adelaide Brighton continually evaluates potential acquisitions but despite the uncertainties of the financial markets, unrealistically high valuation multiples have prevailed. While no substantial acquisitions were made during the year we completed the $2.6 million purchase of a sand deposit north west of Sydney, which will be an important supplier to the western Sydney market over the next decade.

The Austen and Hurd quarries have delivered steady earnings growth and are well positioned for market growth in western Sydney and mid north coast New South Wales. The expansion of the Company's aggregate base will continue to be a key factor in Adelaide Brighton's strategic growth.

Resource sector growth levelled during 2009 and, as a result, Adelaide Brighton deferred the second and third phases of the lime capacity expansion in Western Australia.

However, given more optimistic projections for the resumption of the growth cycle we have re-assessed the capacity expansion program and will consider progressively upgrading the Munster kiln capacity, a $30 million investment over the next two to four years. In addition, to meet projected demand in the Northern Territory, we are currently assessing an estimated $40 million investment in an additional lime kiln at Mararanka.

2010 Outlook

Addressing the outlook for 2010, our debt refinancing is nearing conclusion and our strong balance sheet has put us in a good position to continue our growth strategy.

Despite a healthy balance sheet and cash flow, Adelaide Brighton faces a number of challenges in the next 12 months.

This foreign exchange issue is important in the context of contract renewal negotiations due next year with major cement and lime customers. Additionally, there is evidence of emerging opportunistic import competition in lime. At this stage the impact on our business has been minor.

At the same time, cost pressures continue in the business, particularly for energy. Moreover, the resource sector appears to be leading growth over other areas like manufacturing and services. The potentially significant changes to the tax system have added an element of uncertainty to the long term outlook in resources.

The recent postponement of the Emissions Trading Scheme has delayed a potential major impost, but as we have said before, climate change policy will need to be addressed at some point will therefore remain a key focus for Adelaide Brighton. In that respect, operationally, Adelaide Brighton is not waiting to act on implementing strategies that manage our carbon footprint. We have active programs to more efficiently use energy and will be participating in industry dialogue regarding the Carbon Pollution Reduction Scheme.

Despite these challenges, trading in the first four months of the year has been better than expected. This is particularly so in our key markets of Western Australia and South Australia as resource and infrastructure projects have supported construction activity and therefore cement and lime demand.

It appears that this year national cement demand will be stronger than 2009 while concrete demand will be about the same. Lime volume is predicted to be flat to marginally higher in 2010. The downstream business of concrete and aggregates is performing reasonably well. The concrete masonry products division is operating near bottom of the cycle and is unlikely to show recovery until the commercial sector recovers in New South Wales and Queensland.

Given improved trading in the first part of the year, we expect 2010 net profit for Adelaide Brighton to be higher than 2009.

Conclusion

In concluding, I would like to acknowledge the guidance and support provided by the Board to the executive management team and myself.

I also thank our dedicated employees for their considerable efforts during 2009, which was a difficult year, but from which we have emerged a stronger company.

I would like to make particular reference to our outgoing Chairman Malcolm Kinnaird, and to thank him for the personal support and guidance he has given me over the past eight years.

Thank you Malcolm, the Company has benefited hugely under your chairmanship and I am sure I am speaking on behalf of all shareholders when I wish you all the very best in your retirement.

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