Adelaide Brighton Ltd

ANNUAL GENERAL MEETING

15 MAY 2008

CHAIRMAN'S ADDRESS: MR MALCOLM KINNAIRD *AO*

For the year 2007, Adelaide Brighton reported its seventh consecutive year of profit growth, and a further year of record net profit.

The result was underpinned by continued strength of its markets, improved operating performance and the further development of its core strategies.

The notable features of 2007 were:

- A record net profit after tax of $113.9 million, an 11.5% increase over 2006.
- Sales revenue of $884.4 million, a 11.8% increase over 2006.
- An 11.7% increase in earnings per share to 21.0 cents.
- A total ordinary fully franked dividend for the year of 15 cents, a 20% increase over the previous year, and
- A special dividend of 3.5 cents per share, fully franked.

The increased 2007 full year and special dividend together with the appreciation of the share price during the year, delivered a 30% total shareholder return for 2007.

It is particularly pleasing for the management and Board to note that Adelaide Brighton ranked as number one, ahead of other Australian public companies in the ASX200, in the seven year Total Shareholder Return Performance Report as compiled by Link Market Services.

Adelaide Brighton continues to expand its position as a leading company in the Australian building materials sector. This success is a result of the consistent execution of the Company's strategic plan, the continued growth in our core markets and the consistency of our operating performance.

Looking to the future, we forecast further measured growth in our lime and cement markets over the next decade and continue to focus on the longer term decisions which will position Adelaide Brighton to optimise its future performance.

Mark Chellew our Managing Director will cover these issues in more detail shortly, but I would highlight here the importance of meeting the future projected growth in demand for cement and lime through the expansion of the capacity of our existing assets as the key drivers for our future growth. Specifically, our ability to the meet the future demand for lime resulting from the growth in the Australian resources sector, both in Western Australia and in South Australia, will be a key attribute in our future performance.

I would also like to acknowledge the efforts of our Mark Chellew, together with his executive management team and all Adelaide Brighton employees. The responsive culture of the company together with the reliability, proficiency, experience and skills of Adelaide Brighton's employee base continues to be a key asset and contributor to our performance record.

I would now like to hand over to Mark Chellew, who will review the Company's operational performance, the strategic issues facing the Company and the outlook for 2008.

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MANAGING DIRECTOR'S ADDRESS: MR MARK CHELLEW

Thank you Chairman, good morning ladies and gentlemen.

2007 Result

2007 proved to be a further successful year for Adelaide Brighton as the Company delivered its seventh consecutive year of sales and profit growth. This result was particularly satisfying given the numerous external challenges both faced and overcome during the year.

Sales revenue increased by 11.8% to $888 million as a result of further increases in demand from the resources sector and continued strong demand in the engineering, infrastructure construction sectors. Our emerging aggregates positions are also beginning to make a material contribution to sales revenue and profit contribution.

Earnings before income tax and interest expenses increased by 15.1% to $171.3 million and the net profit after tax increased to a $113.9 million, an 11.5% increase over 2006 and a further record result for the Company. This profit growth provided the basis for sustained strong cash flows and the 20% increase in the ordinary dividend to 15 cent per share. In assessing our capital management structure, the Board again declared a special dividend of 3.5 cents per share. This was lower than the 2006 special dividend due to the $61 million of business asset acquisitions made during 2007, which I will cover shortly, and the desire of the Board to keep gearing within their 40% - 60% range, particularly within the current tight credit markets.

Adelaide Brighton returned a 30.4% total shareholder return in 2007 and has now delivered a 28.4% compound annual growth rate in shareholder return since 2002.

Cement and Lime

Cement sales increased further in our core markets of South Australia, Western Australia, Victoria, Northern Territory and Queensland through continued demand from the resources and engineering and infrastructure sectors. This demand was met by the output from our cement plants in Birkenhead, Angaston and Munster which effectively operated at capacity for the year.

Input cost pressures and specifically energy costs, continue to be a key issue for the cement industry both in Australia and internationally. As a result, cement price increases were sought and achieved during the year in order to recover these input cost pressures and maintain overall gross margins.

Lime demand has continued its upward progression toward our five year volume forecasts having increased by 6.5% during the year and on track to meet years two to five of our projections.

We continue to make progress in increasing lime prices as longer term supply contracts expire. These increases have become necessary in order to recover the acute energy price inflation in Western Australia and to raise margins to a level which can sustain future capacity investment in lime producing assets.

The rising demand for cement was satisfied by consistent plant operating performance, in particular increased cement output from Birkenhead in South Australia, and also through additional imports of cement and clinker. Munster cement kiln 3 was switched to lime production for six weeks during the third quarter of last year in order to meet peak periods of market demand for lime. The resulting loss in cement output was met through additional imports into Kwinana.

Cement and clinker availability in south east Asia tightened further during 2007 as a result of increased regional demand and reduced exports from China. The latter arose as the Chinese Government continued its programme of closing down inefficient, energy intensive plant and reducing export subsidies.

Adelaide Brighton imported over one million tonnes of cementitious product - cement, clinker and slag - in 2007 and put in place an additional long term contract for clinker supply from Japan in order to meet both current and projected market demand. Imported product costs continue to rise driven by increased energy and shipping costs. While our long term contracts provide some protection against these inflationary pressures, rising import parity prices together with increased input costs in Australia, continue to place upward pressure on domestic cement prices.

This inflationary increase in manufacturing cost has put in context the importance of the company's Cement and Lime Operational Improvement Programme which is now embedded within the Division and has begun to deliver real bottom line benefit. The first key investment in this programme was the installation of the number six kiln coal milling handling and firing system at Munster. This $19 million investment was completed at the end of December and has substituted a large part of Munster kiln six gas consumption with coal.

This investment has been essential in maintaining the operating capacity of the Munster lime plant in the face of the projected gas shortages in the Western Australian market. This shortage has been driven by an unprecedented increase in demand for gas and the constraints imposed by the Bunbury Dampier pipeline. In addition to securing an essential supply of kiln fuel to the plant, the use of pulverised coal, a common fuel utilised in the cement industry worldwide, will also be a key factor in mitigating the rising cost of natural gas which has risen by over 100% over the last three years.

Other key operational improvements underway are the capacity improvements on lime kiln six at Munster, where a series of bottlenecks are being eliminated as part of a wider goal of increasing lime capacity by 25%. These benefits, which will be progressively delivered over the next three years, will allow Munster to meet the projected future increases in lime demand and avoid the long term switching of cement capacity to lime production.

Concrete and Aggregates

Our Hy-Tec concrete operations delivered another record result despite yet further weakening of the market in New South Wales. Demand grew in Hy-Tec's other core markets of south east Queensland and Victoria.

This improvement was achieved through continued focus on the optimisation of concrete mix designs using a higher percentage of alternative raw materials and the improvement of distribution efficiencies. Hy-Tec continued to improve the balance of its mixer truck fleet using a higher proportion of lorry owner drivers.

During the year, the Company made its first move into the north east coastal market of New South Wales with the acquisition of Hurd Haulage, an integrated aggregate and ready mixed business which operates two quarries in this emerging regional market. Subsequently two concrete companies, Port Mini Mix and Kancon, were acquired later in the year and Hastings Concrete in early 2008. These businesses have now been integrated into the Hy-Tec Concrete and Aggregates Division and are delivering forecast earnings.

The Austen Quarry was further developed during the year and is now operating close to its targeted output. In addition to internal sales to the Hy-Tec New South Wales ready mixed plants, the quarry is also shipping to its local market.

Concrete Products

The 2007 performance of C&M Brick, our concrete block, brick and paver business was disappointing with the company being unable to sustain its prior year improvement as a result of difficult markets in New South Wales and Victoria. A combination of weaker demand and a new market entrant in New South Wales had a significant impact on C&M Brick's earnings, as historically 50% of their revenues are come from this state. Victoria also weakened on lower residential demand. The bright spot was South Australia, where stable volumes and improved margins from higher value products and improved plant efficiencies increased earnings over 2006.

While the headline result showed a $6.8 million decline in earnings before interest and tax to $2.0 million, the 2007 result included $2.2 million in restructuring and redundancy costs and a $1.1 million inventory devaluation relating to 2006. The underlying normalised result was $5.3 million earnings before interest and tax versus $7.7 million in the prior year.

I will now give a brief overview of the Company strategy and give an update on our progress.

Focused and selective downstream integration

The Company continued to follow its strategic plan of building a focused, vertically integrated business with limited downstream positions in ready mixed concrete, sand and aggregates and concrete masonry products.

In addition to the aggregates position established through Hurd Haulage in New South Wales, the Company acquired a 50% ownership in Mawsons, a mid sized independent aggregates and concrete company based in Cohuna in regional northern Victoria. This acquisition gives Adelaide Brighton an important position in an emerging regional market, long term reserves of high quality aggregates, and operating and quarrying skills which will complement the emerging Hy-Tec aggregates business.

Lime and cement development

The lime market in Western Australia has begun its next phase of growth. Based on projected resource sector expansions, Adelaide Brighton forecasts a 300,000 tonne increase in lime demand in its markets in Western Australia, Northern Territory and South Australia over the next five years. Our projections were recently endorsed by the announcement by BHP that it is going ahead with the expansion of its Worsely alumina refinery in Western Australia. This $2.2 billion expansion will increase the capacity of the refinery by approximately one third and result in an additional annual demand for 60,000 tonnes of lime progressively over 2011 and 2012.

The planning and investment to ensure raw materials availability, plant capacity and the management of the supply chain will be key factors in Adelaide Brighton's future growth over this period. The scale of our Munster operations, the interchangeability of our cement kilns for lime manufacture and our cement import flexibility, are key unique attributes that will enable us to maintain uninterrupted demand to the resources sector in Western Australia over this growth period.

The Company continues to review lime pricing in the context of expiring longer term supply contracts and contracts with volume ceilings. Adelaide Brighton will seek to achieve future price increases which will both recover manufacturing cost inflation and improve margins to the levels required to sustain future long term capital investment in the lime operations. In pursuit of this strategy lime price increases of circa 9% were realised in 2007.

With regard to long term cement supply, negotiations are now well advanced for supply of cementitious materials to Rinker and Hanson in 2009 following the expiry of the current long term contract at the end of 2008.

The recent escalation of the Australian dollar to 20-year highs has had the potential for stimulating bulk bagged import activity. However, the increase in shipping costs to record highs during 2007 fully mitigated this impact. The difficulties of importing cement without the necessary scale and supply chain expertise were clearly demonstrated by the failure of the sole bulk bagged cement importer in early 2008.

Operational improvement

The operational improvement programme, focussed on improving the output from the core producing plants, is now embedded in the Cement and Lime Division.

Specific kiln and mill capacity improvement projects are underway and will continue over the next three years. When completed, these will deliver a 20% improvement in plant output and will involve an incremental $45 million capital investment over this period. The returns from the initial 'cost down' stages of this programme are being realised, with some $3.7 million benefit being delivered during 2007 - the first steps toward the delivery of $25 million annual earnings before interest and tax benefit by 2012.

This benefit will be realised progressively assuming projected increases in market demand are met by higher levels of our own manufactured product, displacing imported clinker, improved plant efficiencies from the increased uptime and reliability and through a programme of continuous cost reduction.

Joint ventures

The returns from our joint ventures, Sunstate Cement in Queensland and Independent Cement and Lime in Victoria, continued to make an important contribution to the Adelaide Brighton result reporting a combined $26.4 million profit contribution, a $4.8 million increase over the prior year.

Based on a rapidly expanding south east Queensland market, Sunstate Cement has now reached its effective operating capacity and an $80 million investment in the expansion of the clinker storage, cement milling and despatch silo infrastructure was begun in late 2007. This investment will be critical in meeting projected market demand over the next 10 years and will be operational from mid 2009.

Independent Cement and Lime continues to deliver improved performance based on a strong Victorian market and has also reached capacity constraints imposed by its cement storage facility shared with MCF, the Melbourne Cement Facility Joint Venture. As a result, additional storage capacity was installed during 2007 and this will become fully operational by mid 2008. This investment will provide additional flexibility to Adelaide Brighton's cement supply chain from Birkenhead, eliminating part cement shipments which have been necessary at times of unforecast peak demand.

Sustainability

Adelaide Brighton continues to focus on developing its key sustainability measures with all stakeholders in the core categories: environment, economic, social and governance. You will note the expansion of disclosure of our developments in these areas in the annual report.

In the environmental category we continue to monitor and participate in the discussions and developments leading up to the introduction of an Australian Emissions Trading Scheme, currently targeted for 2010.

Adelaide Brighton supports the introduction of emissions trading as a mechanism to provide the base for future greenhouse gas emission reductions. We also acknowledge that the cement and lime industry is emissions intensive and trade exposed to a future carbon impost and has been participating in the emissions trading debate through its industry affiliations the Cement Industry Federation and the National Lime Association of Australia and in its own right.

The extremely tight timeframe towards establishing an emissions trading scheme is now upon us, with Adelaide Brighton qualifying for mandatory compliance with the National Greenhouse and Energy Reporting requirements from 1 July this year. I am pleased to report that Adelaide Brighton has established the necessary systems for internal data capture and reporting protocols necessary for compliance with this scheme.

2008 outlook

Looking at 2008, based on first quarter activity and future demand projections, we forecast a 5% increase in cement and 3% increase lime volumes for this year. Cement demand has continued to increase overall, with growth in Western Australia expected to plateau during 2008 and the continued weakness in New South Wales offset by higher demand in Queensland, Victoria and South Australia. Any weakness in the residential sector is expected to be offset by continued growth in the engineering and infrastructure sectors. Expectations of recovery in New South Wales have again been pushed back, now into the first half of 2009.

The continued increase in global clinker pricing and high shiping rates will give further scope for the recovery of input cost pressures in Australia and cement price increases at or above inflationary levels are projected for 2008.

Input cost pressures continue specifically with regard to fuel, electricity, labour and raw materials and the importance of our operational improvement programme in mitigating fuel price increases will be an important contributor for 2008.

C&M Brick faced continued soft demand in New South Wales and steady demand in South Australia and Victoria in the first quarter and will continue to focus on operational improvements to optimise performance.

Hy-Tec concrete is showing further improvement as growth in south east Queensland and Victoria will offset the continued weak market in New South Wales. The 2007 acquisitions are performing to plan and will make a first time full year contribution during 2008.

Interest expense will increase by circa $8 million during 2008 as a result of the higher borrowings, an increase in the underlying cash rate and bank borrowing costs. The Company is in the final stages of negotiating the roll forward of its $480 million senior debt facilities which expire in March 2009 with its three major banks and has received credit approved offers to roll forward the debt for two and three year tranches.

Based on the above outlook, the Company expects further improvement on earnings for 2008 with net profit after tax expected to be between $118 million and $125 million.

Conclusion

In concluding, I would again like to acknowledge the guidance provided by the Board to myself and the executive management team over the last year. I would also like to take this opportunity to offer my thanks and appreciation to all employees in Adelaide Brighton for their ongoing commitment and contribution to the performance of the Company.

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