



**2008 ANNUAL GENERAL MEETING
Tuesday 16 September 2008
Chairman's Address**

Introduction

Good afternoon ladies and gentlemen and welcome to the 97th Alesco Annual General Meeting.

My name is Sean Wareing and I am your Chairman.

Before commencing proceedings I would like to introduce my fellow Directors.

From your left the Directors are Rob Aitken, Jim Hall, Barry Jackson, Mark Luby, Bob McKinnon, Ern Pope, our Managing Director, Justin Ryan and our Finance Director, Neil Thompson.

Also with us today is Luci Rafferty, our Company Secretary.

There are three major parts to today's meeting. Firstly, I will present a brief overview of the performance of the Company for the past financial year. I will then handover to Justin to discuss the results and business in greater detail. We will then proceed to the more formal part of the meeting to consider, discuss and vote on the resolutions set out in the Notice of Meeting.

At the end of the meeting, all shareholders and visitors are invited to join us for refreshments in the foyer outside.

I confirm that the Company Secretary has advised me that a quorum is present in person or by proxy and, accordingly, I declare the meeting open.

In addition to those shareholders present at today's meeting I can confirm that the holders of approximately 27million ordinary shares or 30% of the Company's shareholdings are represented by proxies.

2008 Trading environment

The past year has seen a marked change in the overall profile of Alesco – our sales revenue exceeded \$1billion for the first time, we created a fifth division – the Water Products and Services division - with the acquisition of the Total Eden McCracken's group in August 2007 and we now have over 3,000 employees.

During the first half of the 2008 financial year we enjoyed relatively buoyant trading conditions, particularly in Australia in the infrastructure and renovations markets, whilst the new housing markets in both Australia and New Zealand remained flat.

As you will be well aware, in August 2007 global markets began to be affected by the emerging US sub-prime crisis. The effect of this crisis steadily worsened over the remainder of calendar 2007 and into 2008 with increasing volatility being experienced in global debt and equity markets. Indeed, yesterday we witnessed an extraordinary day with Lehman Brothers, one of the oldest investment banks in America filing for bankruptcy and AIG one of America's largest insurance companies reportedly asking for US Federal Reserve assistance. Commentators have noted that this credit crunch has now become "a systemic banking system crisis in the United States."

Australia has not been immune from these effects and there has been a significant decline in local equity markets where, despite the resources boom, the benchmark ASX200 Index has fallen approximately 20% from a year ago and the cost of debt is significantly higher than a year ago.

Australia has enjoyed a relatively robust economy overall, reflecting the benefits of the resources boom fuelled by the growth of China. This has, to some degree, hidden the decline in business and consumer confidence which began to emerge in the second half of last financial

year, most particularly from early 2008 when the combination of higher interest rates, high personal debt, declining equity markets and rising fuel prices began to adversely affect consumption patterns.

Whilst we continued to experience strong demand in a number of market segments during the second half, and a particularly strong performance in our Scientific & Medical division, there was an undeniable softening of demand towards the end of the 2008 financial year. This softening has been confirmed by the recent release of the National Accounts for the year to June 2008 which, for the first time in 15 years, showed a decline in domestic consumption.

FY2008 Financial Results

Despite these challenges and uncertainties, the diversity in Alesco's industrial brands portfolio continued to deliver sustained earnings growth in the 2008 financial year and I am pleased to present to shareholders a seventh consecutive year of record underlying earnings per share – that is earnings per share before amortisation and significant items.

Key Highlights

[Slide show begins]

Sales revenue for the financial year ended 31 May 2008 increased by 45% to more than \$1 billion for the first time, driven by organic growth and the impact of recent acquisitions.

This revenue growth has combined with ongoing restructuring initiatives and improved operational effectiveness to produce a record result with net profit after tax up 31.8% to \$58 million.

Underlying earnings per share for 2008 increased by 12.8% to 83.8 cents per share.

The impact of the weak Australian and New Zealand new housing markets and the adverse weather on the east coast of Australia were cushioned by a few factors. These included the continuing strength in the infrastructure markets in Australia and a strong performance from the

Scientific & Medical division, as well as the Lincoln Sentry business which benefited from ongoing growth in the housing renovation sector.

Our compound annual growth rate for underlying earnings per share and dividends per share over the past five years is 14.5% and 20.8% respectively.

Looking to our other key financial ratios, the EBITA to sales ratio decreased slightly to 11.5% but remains above our target of 10%.

Return on net operating assets (before amortisation of intangibles and significant items) dropped slightly from 15.7% to 14.9% due to our acquisition activity, and return on equity also decreased from 15.8% to 13.6% predominantly driven by the acquisition of Total Eden McCracken's and the capital raising used to fund that acquisition.

I am pleased to report that Alesco continues to generate strong cashflows. The Group remains in a strong financial position, with net debt at the end of the financial year of \$319.8 million equating to gearing (on a net debt to net debt plus book equity basis) of 35%. This is below our stated target range of 40% to 50%, however, your Board believes it to be prudent in the current economic climate to maintain a more conservative level of gearing. EBITDA interest cover was at a strong 5.4 times, well in excess of our banking obligations.

During the year we refinanced \$80 million of facilities for a further three years. Our relationships with our lenders remain strong and supportive and we will continue to manage our debt facilities, in co-operation with our lenders, to maximise our returns to shareholders.

Dividends

Shareholders received total fully franked dividends for the year of 67 cents per share, up 5.5% from the previous year. As announced at the full-year, the Board has revised its dividend policy from a stated payout ratio (dependent upon earnings per share) to an annually progressive dividend policy. By this, it is intended that future annual dividends will be no less than the prior year's annual dividend amount.

As I noted earlier, we have seen a significant downturn in global equity markets over the past 12 months. In Australia, the benchmark ASX200 Index is down approximately 22% from this time last year and the ASX 200 Industrial Index down around 30%. Our own share price has suffered disproportionately to the market over this period, down approximately 50%. Our exposure to the new housing market and discretionary spend, as well as the more uncertain economic outlook, have no doubt contributed to our disappointing share price performance.

Despite the share price decline over the past year, Alesco has a proud history of creating value for our shareholders with our total returns, including dividends, over five years in excess of 92% - slightly ahead of the ASX 200 Accumulation Index at 90%¹.

[Slide show ends]

Directors

In other developments, this year there were two additions to the Board with the appointment of two non-executive Directors. Mark Luby's appointment took effect from 18 December 2007 and Bob McKinnon was appointed on 1 July 2008 and, as a result, both these directors are required to stand for election at this meeting.

Mark and Bob are experienced company executives and directors and I am confident that they will bring valuable oversight and direction to Alesco.

As I announced in July, Barry Jackson will be retiring at the end of the meeting today having spent almost seven years as a non-executive director of Alesco. Over this period Barry has played a significant role in Alesco's growth and development and has provided valuable insight and guidance. On a personal note, I have enjoyed working with Barry and we will all miss his sense of humour as well as his keen observations honed during a long and successful public company career. On behalf of shareholders I thank him and wish him well in his future endeavours.

1. Five year period ending 15 September 2008

I take this opportunity to also thank the other Board members for their work and valuable oversight in what has been a busy and challenging year.

Update on current trading environment

I would now like to take a brief moment to talk about the current trading environment. You will no doubt be aware that when we released our FY2008 results in July we did not provide detailed guidance on the outlook for FY2009. This is the first time since I have been Chairman that this has occurred. The reason for this is that the current trading environment is too uncertain and volatile to enable us to predict with any accuracy the FY2009 outcome.

As we stated in July, the outlook for FY2009 is challenging. We started to experience a softening of demand in the latter part of the 2008 financial year and, as we highlighted on the occasion of our full-year results release, this trend has continued into the opening months of the current financial year. Indeed, the degree of softening has increased across the first quarter.

Some of the areas impacting us in the 2009 financial year include higher input costs and fuel prices which are continuing to be incurred across the Group, with freight costs approximately \$6 million higher on an annual basis than a year ago. Recovering these higher costs is becoming increasingly difficult in an environment where demand is already soft. In addition, our New Zealand businesses are feeling the full impact of an economic recession.

Based on an anticipated continuation of the softness experienced in the first quarter, we expect that the trading EBITA for the first-half ending 30 November is likely to be down from the prior corresponding period in the range of 15% to 20%. This is likely to result in earnings per share before amortisation and significant items being down from the prior corresponding period by 30%-35% reflecting higher interest costs driven by the tougher credit markets, an anticipated increase in our effective tax rate and the dilutionary full period impact of 2007's capital raising.

We are, however, expecting an improved result in the second half of FY2009 as a result of aggressive cost reductions and the specific operational initiatives being undertaken across the

businesses. However, even with most of these initiatives taking effect in the second half, without a significant improvement in the trading environment, Alesco will be unable to match FY2008's trading EBITA result for the full year.

While the FY2009 outlook is subdued, the Board is confident about the future of Alesco. Alesco continues to generate strong cashflows and remains in a strong financial position. In accordance with the introduction of an annually progressive dividend policy, it is the Board's intention to at least maintain the annual rate of dividend.

We believe Alesco has an appropriate business model and strategy to deliver strong shareholder returns over the longer term. Our work over the past eight years has been to create five distinct trade distribution businesses operating in niche industrial markets with a diverse customer base generating good cashflows and Justin will talk more about this in a moment.

Our talented management team has worked hard to create the portfolio and have the skills to drive the businesses forward in the current trading environment. We are continuing to focus our attention on improving operational performance and driving efficiencies across all divisions to ensure our business can maximise the benefits which will flow when the markets recover.

Of particular concern is the current poor state of trading in New Zealand and we continue to focus on our New Zealand businesses due to the relatively worse economic environment currently being experienced there. In this context Lincoln Sentry is closing its unprofitable New Zealand operations and B&D is currently in consultation with employees to further restructure the manufacturing operations of its New Zealand door business.

In Australia, Marathon Tyres is closing its wholesale Hankook tyre business in an orderly fashion over the next few months. We have also implemented an aggressive program of cost reductions across our five divisions. These initiatives include further consolidation and rationalisation of the businesses within our divisions and flattening our overhead structures. We continue to pursue major cost-out programs focusing on both discretionary spend as well as the fixed cost base and driving improvement in working capital management and cashflow generation. We are also continuing to invest in upgrading our systems and processes to eliminate duplication

and run our businesses more efficiently. Details of this work, including the costs and benefits will be provided at the first-half results announcement in January 2008.

On a more positive note, the prospect of further interest rate falls in Australia and New Zealand, and an accompanying improvement in consumer and business sentiment, we believe, will be beneficial to our performance over the medium term. The diversity in our portfolio and the flexibility of our five distinct trade distribution businesses stand us in good stead as the economy recovers.

I would like to take this opportunity to thank all of our employees. For many of our businesses the next year will be challenging as we work on meeting our customers' needs and making our business as sustainable and profitable as possible. I know that our employees are working hard and on behalf of the Board and shareholders I thank them for their focus and commitment.

I will now hand over to our Chief Executive, Justin Ryan, who will provide you with more detail on the activities and developments within the business operations.

Following this, we are happy to take any questions from you before the formal proceedings of the meeting begin. I also note that our auditors, KPMG, are present to take questions pertaining to the audit process on the 2008 accounts.

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Questions

As you know like many other public companies, Alesco invites its shareholders to submit questions to the auditor pertaining to the audit process on the 2008 accounts or the Chairman relating to shareholder matters. This year we have received a small number of comments and questions from shareholders and we thank you for your interest. Where appropriate, we have responded directly to the shareholder submitting the comment or question.

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Resolutions to be put to today's meeting

Before moving to the formal part of the meeting, I would like to touch briefly on the resolutions to be put before shareholders today.

We are seeking your approval to issue to Mr Ryan, our CEO, up to 800,000 ordinary fully paid shares in the Company in tranches over the next three years under the Alesco Performance Share Acquisition Plan. This Plan was approved by shareholders at the 2006 Annual General Meeting. The level of participation offered to Mr Ryan under the Plan has been determined following a benchmark review of comparable peers and taking into account such factors as the size and complexity of the overall business and the level of Mr Ryan's experience and to ensure that the overall remuneration package is competitive in the marketplace. In making this determination we consulted with external remuneration specialists, Godfrey Remuneration Group.

A summary of the terms and conditions of the Plan is included in the Notice of Meeting. I would like to make the following observations.

The plan is based upon a loan amount to be provided by the Company and is calculated by reference to a percentage of base salary (which is currently 125%) and the issue price of the Shares at the relevant time. As Justin's FY2009 base salary is \$1million, the loan amount for the long term incentive should be \$1,250,000. Justin's base salary will change from time to time, and accordingly the exact number of shares (and therefore the loan amount) required over the three year period cannot be determined today and so the Board is seeking shareholders' approval for up to a maximum of 800,000 shares over this period to allow flexibility in this process.

However, I would like to address the issue of the Top-Up Shares referred to on page 6 of the Notice of Meeting to explain how this number has been determined.

At the 2006 meeting, shareholders approved an allocation of 110,000 shares to Mr Ryan as part of his remuneration package for the financial year ending 31 May 2009. Using the share price of

\$6.7956 Mr Ryan is eligible to achieve a maximum long term incentive equal to an amount of \$747,516 on a pre-tax basis. This share price is being used as it is the volume weighted average price over a five day period, including 1 September 2008 of Alesco shares and is the price which was used for all other employees participating in the Alesco employee and management share plans this year.

As I previously mentioned, it is intended that Mr Ryan be eligible to achieve a potential long-term incentive of up to a maximum of 125% of his base salary. Based on the current approved allocation of 110,000 shares, however, Mr Ryan is only receiving around 60% of his possible maximum long term incentive for FY2009. It is therefore proposed that, subject to shareholder approval, Mr Ryan receives 73,942 Top Up Shares as part of his long term incentive for the financial year ending 31 May 2009, together with a loan amount of \$1,250,000. This would result in the total number of shares to be granted to Mr Ryan as part of his long term incentive package for the financial year 2009 being 183,942. As provided in the Explanatory Notes, if certain performance hurdles are met, the Board may grant an award and waive a proportion of the unpaid loan amount up to a maximum of 53.5% of the value of the loan.

The other items of business will be familiar to you, including the election of Mr Luby and Mr McKinnon as non-executive directors and the motion to approve the company's Remuneration Report.

I will, of course, take any questions or comments as they relate to the specific resolutions later in the meeting when the resolutions are being considered.

The Board recommends that shareholders vote in favour of each resolution being put forward at today's meeting.

I will now turn to the formal part of this year's meeting and to the Notice of Meeting.

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