

Chairman's report Adelaide Brighton reported a further record net profit after tax for 2006, its fifth year of sustained growth. This performance provided the basis for a 19.0% increase in the full year ordinary dividend to 12.5 cents per share fully franked and the payment of a special fully franked dividend of 6.0 cents per share.

Financial performance

Adelaide Brighton reported a record net profit after tax of \$102.1 million for 2006, a 12.3% increase over 2005. A fully franked final dividend of 7.5 cents per share was declared, taking the full year dividend to 12.5 cents per share, a 19.0% increase over 2005.

The Board reviewed the Company's capital management policy during 2006 in the context of sustained profitability, cash flow and future capital demands. The continued strength of the Company's balance sheet, low gearing and strong operating cash flows has provided the basis for the payment of a fully franked special dividend of 6.0 cents per share.

The dividend payout ratio, before payment of the special dividend, increased to 66.4%. Inclusive of the special dividend, the Company has delivered a 42.6% growth in total shareholder return and 29.4% compound annual growth since 31 December 2001.

Strategic intent

The Company maintains a sustained approach to the growth of its cement and aggregates business with emphasis on operational improvement in existing companies together with the development of its lime business. The acquisition of key raw material reserves continues to be fundamental to this strategy and additional limestone reserves at Rawlinna near Kalgoorlie in Western Australia were acquired during the year.

The Company continues to progress operational improvement in the business as demonstrated by the improved performance in Hy-Tec and C&M Brick during 2006. A structured operational improvement programme was launched in late 2006 throughout the Cement

and Lime Division which will seek to increase the capacity of the cement and lime assets over the next four years.

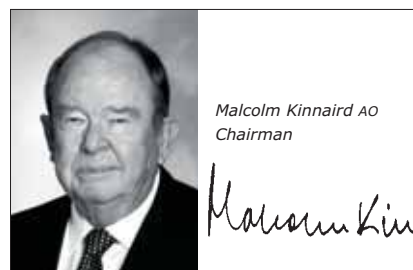
Sustainability in Adelaide Brighton

Adelaide Brighton continues to manage our business to achieve further improvement in the long term. Our sound business strategy supports continuous improvement in the social, environmental, economic, operational performance and governance of the Company.

The Company's safety performance showed improvement during 2006 with the lost time injury frequency rate being reduced to 6.0. Nineteen lost time injuries were reported companywide, a reduction over the 23 injuries reported in 2005. C&M Brick made a major contribution in reducing the Company's overall injury frequency rate reducing its Divisional lost time injuries by 60% to four.

The Company continues to scrutinise its environmental performance to ensure individual plants comply with all relevant licences and approvals. This responsibility takes on an ever increasing importance given the proximity of the key manufacturing plants at Birkenhead and Munster to local residential communities. The Company has increased its awareness and responses to local community issues through the participation in independently chaired local community groups. These groups are an important part of our ongoing communication with local stakeholders and assist in the prioritisation of management actions and capital investments on environmental issues.

The Board sets the direction of safety and environmental performance management through the Board's Safety Health and Environment Committee.



Malcolm Kinnaird AO
Chairman

Malcolm Kinnaird

All safety and environmental incidents are reported in an internal closed loop system which ensures that all material safety and environmental incidents are reviewed, corrective actions prioritised and the effectiveness of the action plans subsequently assessed by both management and the Board.

Adelaide Brighton continues to focus on the efficiency of its operations with regard to its carbon emissions footprint. The continued pursuit of improved efficiency, the expansion of use of supplementary cementitious materials and the use of alternative fuels are a key part of this focus.

People and leadership

The Company continues to invest in the training and development of employees. A tailored management development programme was put in place across all Divisions. The development of our management skills on the basis of consistent values and culture will play a key role in the future performance of Adelaide Brighton.

Finally, I would like to commend our employees for their commitment and performance. In today's competitive labour market employee retention is a key factor for companies in both sustaining and improving performance; employee satisfaction plays an important role in this regard. The skills and loyalty of our workforce comprised the essential base for delivering our 2006 performance, a result for which our employees should take a high degree of credit and satisfaction.

Adelaide Brighton share price \$

