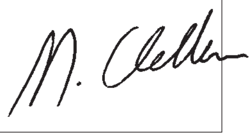
Managing Director's statement Continued improvement in operating performance and strong demand in the cement and lime sectors underpinned the 2006 result. Both C&M Brick and Hy-Tec made important contributions to the 2006 result through fundamental improvements in operating performance.

Mark Chellew
Managing Director



2006 performance

Adelaide Brighton delivered a very good result in 2006. Despite challenges faced in the first half year, the Company delivered an 11% increase in the underlying earnings before interest and tax to $148.8 million on the basis of a 10.3% growth in sales and improved operating performance across all Divisions. The Company took benefit from further one off net tax credits bringing the full year net profit after tax to $102.1 million.

Sales growth increased revenues to a record $791.2 million, underpinned by the continued strength of our core cement markets in Western Australia, South Australia, Victoria, Queensland and Northern Territory. This increase in demand resulted from the continued high levels of activity in the engineering and infrastructure, residential and resource sectors.

Demand in New South Wales, however, remained weak throughout 2006, suppressing sales volumes in the Hy-Tec and C&M Brick businesses.

Driven by tighter cement supply pressures and increases in base fuel and energy costs, it was possible to realise cement price increases during the year which enabled the full recovery of input cost increases.

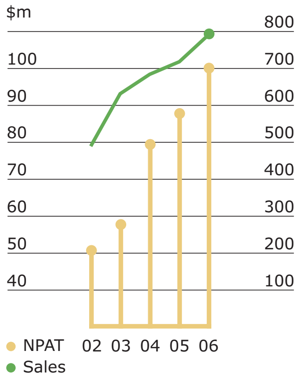
The demand for lime remained level during the first half year, however, the benefits from key customer expansions began to take effect during the second half. The latter volumes also increased as a result of the exit of Loongana Lime Pty Ltd (Loongana) from the Kalgoorlie market.

Demand for both lime and cement from the Northern Territory was ahead of expectations and the operations in both Darwin and Mataranka made an important contribution to the full year result.

The Company's operating performance continues to be a fundamental driver behind the overall results with consistent high levels of output being achieved at the Birkenhead plant and improved production output from both the Munster and Angaston plants.

In the first half year the Cement and Lime Division faced substantial increases in gas pricing and constraints on gas supplies in Western Australia. It was necessary to revise the 2006 planned maintenance programmes, bringing forward major shutdowns at Munster into the first half year. This achieved the desired reduction in gas consumption, allowing time for additional supply quotas to be secured for the second half year.

Sales and earnings



Management also instigated the trialling and testing of coal combustion on the lime kilns. Through the commitment from all stakeholders, coal firing was subsequently permitted on kiln 6 and a temporary firing rig commissioned by mid year.

While gas has historically been the primary fuel used at Munster, the long term cost benefit of the use of pulverised coal (a fuel most commonly used in cement manufacture worldwide) has resulted in an $18.0 million investment in a coal handling and milling plant being approved by the Board. It is anticipated that kiln 6 at Munster will convert to coal firing by 2008.

In South Australia, both the Birkenhead and Angaston plants performed well. Birkenhead maintained its high level of output and met market demands from both its home state and markets in Queensland and Victoria. Angaston's performance continued to improve and is now delivering measurable returns on a three year kiln investment programme.

The improvement in operating performance has been particularly pleasing in the C&M Brick business where earnings before interest and tax more than doubled to $8.8 million. This improvement resulted from an increase in C&M Brick's operating margins, achieved predominantly through the return on investment from the programme of plant upgrades begun in 2004 and completed during 2005. The resulting turnaround in profitability has been achieved in spite of lower sales volumes resulting from continued weak demand for C&M Brick's products in its core New South Wales and Victorian markets.

Hy-Tec delivered its best ever result in 2006 from an increase in margins achieved through the improvement in distribution efficiencies and the optimisation of concrete mix designs.

During the third quarter of 2006, full-scale aggregate production commenced at the Austen Quarry and by the year end all Hy-Tec plants in Sydney were being supplied with Austen Quarry aggregates.

The final phase of the Austen Quarry investment, involving the construction of the secondary crusher and material handling equipment, was commenced in the second half year and completion is expected in the second quarter of 2007.

Austen Quarry secondary and tertiary crushing and screening plant.

While the performance of Austen Quarry was earnings dilutive for the year, it has now achieved an operating scale to generate positive cash flows as it moves towards profitability over the next two years.

Capital expenditure at $81.5 million was managed within budget and included the acquisition of the Loongana limestone quarry and operating assets at Rawlinna in Western Australia. Other key investments included completion of Austen Quarry phase 1; upgrades to kiln 5 at Munster and kilns 1 and 3 at Angaston; the re-certification of the *Accolade II* to achieve its three year marine operating certificate and environmental improvements to the raw material and clinker handling systems at Birkenhead.

Strategic development

The Company continues to pursue its strategy of selective downstream integration into concrete, aggregates and sand, growth in lime and operational improvement.

During the year several downstream acquisition opportunities were evaluated but none of the opportunities met Adelaide Brighton's rate of return investment criteria.

The growth in lime demand is forecast to continue as additional capacity is brought on-stream in the steel, gold and alumina resource sectors. In the medium term, the forecast increases in lime demand and the potential for margin growth are expected to be key factors in Adelaide Brighton's growth. If all projects identified in the resource sector eventuate and are successfully commissioned, lime demand is expected to increase by 320,000 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 five years and will seek to achieve margin growth through the recovery of manufacturing cost inflation and improve margins to the levels required to sustain future long term investment in the lime manufacturing operations.

Following a comprehensive benchmarking of plant uptime, reliability and throughputs in the Cement and Lime Division, an operational improvement programme to deliver an increase in cement and lime output from 2008 was implemented. A target of $25 million in cost improvements is projected by year four of this programme at a capital cost of $45 million.

Outlook

In 2007, cement demand is projected to continue at levels similar to those in 2006. The rate of growth in Western Australia is expected to level with a softening in the South Australia market offset by continued strong demand in Queensland and Victoria. Demand in New South Wales is not expected to improve until the second half of 2007.

World cement supplies remain relatively tight and shipping costs have risen to near five year highs. This, together with the recent weakening of the Australian dollar against the Japanese Yen and US dollar, weakens the potential for import competition. It is expected that these market forces, together with continued input price pressures on labour, materials, fuel and energy costs, will allow for price increases across all product sectors.

In conclusion, the Company can take great satisfaction from its 2006 performance but must also seek to continue its growth in shareholder return. Through the strength of its core markets and the continuing programmes of operational improvement, the Company is well placed for further earnings growth in 2007. The Company's national geographical spread and higher 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.