

# Strategic developments

## **Vertical integration of our cement business**

In early 2002, the Company announced a key strategic plan of building a focused vertically integrated business both to provide further platforms for growth and to strengthen our position as a cement producer by providing security of outlets for cement and clinker.

We have made significant progress in implementing this strategy. During 2002 Adelaide Brighton established a modest but meaningful downstream footprint in the critical east coast markets. The acquisition of Premier Resources gave us a position in the Sydney and Melbourne concrete markets, while the acquisition of Neil Mansell Concrete gave us a position in the South East Queensland concrete market.

Following the Premier acquisition, we operate nine concrete plants in Sydney under the Hy-Tec banner, utilising cement from our own grinding facility at Port Kembla. We also have strategic quarry reserves at Hartley, capable of supplying our plants in the future. Our new Mascot plant, which supplies Sydney's CBD, was recently commissioned. Hy-Tec also operates six concrete plants in Melbourne, and a new plant to supply Melbourne CBD is due to be commissioned in 2003. Cement for the Melbourne operations is supplied from our Birkenhead plant via our joint venture company, Independent Cement and Lime.

Following the acquisition of the assets of Neil Mansell concrete, the Company operates four batching plants in the Sunshine Coast area of South East Queensland.

The Sunshine Coast is forecast to be one of the key growth areas in Australia and the Company expects the acquisition to be earnings per share accretive in 2003. Further benefits are expected to be derived through linkages with Adelaide Brighton's joint venture operations in Queensland.

Cement is a core activity and we are confident that our downstream activities will assist us in underpinning our market position and profitability in our cement business.

Our downstream move is particularly timely given ongoing industry consolidation among our competitors on the east coast. The combination of cement making and grinding assets gives us increased flexibility to supplement local production.

We will continue to review opportunities to enhance our integration strategy. However,

we apply a most stringent evaluation criteria, and will only make acquisitions and undertake capital investments that add shareholder value.

## **Lime business development**

We continue to monitor opportunities to develop our lime business. During 2002, potential acquisitions were considered, but rejected as they did not meet our investment criteria.

Mining and other resource processing developments are expected to lead to increased lime demand. We will continue to maximise opportunities to supply growing lime markets in Western Australia, South Australia and Northern Territory from our existing assets, and will actively consider investment in new capacity if this will generate value to shareholders.



*Leading edge technology has been incorporated into the recently commissioned Hy-Tec concrete plant at Mascot in Sydney*