



16 October 2014

ACCC releases statement of issues regarding proposed joint venture of CSR and Boral's Australian east coast brick operations

CSR Limited (CSR) and Boral Limited (Boral) announced today that the Australian Competition and Consumer Commission (ACCC) has released a Statement of Issues regarding the proposed joint venture to combine their brick operations located on the east coast of Australia announced on 4 April 2014. A copy of the ACCC press release is attached.

CSR and Boral are reviewing the Statement of Issues and will continue to engage with the ACCC to address issues identified.

CSR and Boral consider that the merits of the transaction are significant and that the transaction would not result in a substantial lessening of competition.

Australian brick manufacturers have experienced a sustained structural downward trend in demand for brick products over the past 30 years. With bricks becoming an increasingly smaller component of the highly competitive cladding market, lower brick demand has resulted in declining capacity utilisation, reduced profitability, plant curtailments and closures.

The proposed transaction will enable both Boral and CSR to access additional operational and overhead efficiencies that would otherwise be unavailable to the parties acting independently. The joint venture will be a more sustainable business positioned to deliver returns that recover the cost of capital through building cycles.

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NEWS RELEASE

ACCC RELEASES STATEMENT OF ISSUES ON CSR AND BORAL PROPOSED CLAY BRICK JOINT VENTURE

The Australian Competition and Consumer Commission has released a Statement of Issues outlining competition issues that have arisen to date from the ACCC's review of CSR Limited (ASX: CSR) and Boral Limited's (ASX: BLD) proposed clay brick joint venture.

"The ACCC is seeking further information to determine whether the proposed joint venture is likely to substantially lessen competition in the supply of clay bricks," ACCC Chairman Rod Sims said.

CSR and Boral are both suppliers of a range of products including plasterboard, insulation, fibre cement, and roof tiles to the building and construction industry in Australia. CSR and Boral propose to form a joint venture for the manufacture, marketing, and supply of clay bricks in eastern Australia.

The proposed joint venture would reduce the number of major clay brick suppliers in eastern Australia from three to two, with the other being Austral Bricks. In NSW and Queensland, these two remaining suppliers, the joint venture and Austral Bricks, would account for approximately 99 per cent of the supply of clay bricks.

"The proposed joint venture would result in a duopoly in eastern Australia. The ACCC's preliminary view is that this would be likely to lead to an increase in the price of clay bricks as well as a reduction in the product range available to residential builders, architects, and end-consumers," Mr Sims said.

"This view is based on information provided to the ACCC in its market inquiries."

The ACCC has undertaken extensive market inquiries, and received considerable information from the joint venture parties. At one time the joint venture parties asked the ACCC to suspend its decision for three months while they prepared further submissions.

"A critical issue for the ACCC is determining what would be likely to occur in the markets if the proposed joint venture does not proceed. At this stage, the ACCC intends to assess the likely competition effects of the proposed joint venture on the basis that CSR and Boral will remain in the markets in some form if the joint venture does not proceed, but we are seeking further information on this issue," Mr Sims said.

"The ACCC notes the tolling arrangements the joint venture parties already have in place."

"The ACCC's review to date has found that other external cladding materials are not substitutes for clay bricks. Other materials such as pre-cast concrete wall panels are generally used in commercial construction and high-density residential construction, and may also be used to complement the use of clay bricks in residential construction," Mr Sims said.

"However, market inquiries have indicated that consumers generally want their new homes built primarily out of clay bricks, especially for detached homes. Consumers are unlikely to

choose fibre cement boards, concrete blocks or other materials in response to brick prices increasing.”

The ACCC invites further submissions from interested parties in response to the Statement of Issues by 6 November 2014. The ACCC’s final decision will be announced on 18 December 2014.

Further information is available at www.accc.gov.au

Media inquiries

ACCC Media 1300 138 917

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