



ASX RELEASE

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Boral plans suspension of clinker production at its Waurm Ponds cement plant in Victoria

In the face of an increasingly competitive domestic and international landscape, Boral has been conducting a review of its Australian cement operations to identify opportunities to improve its future competitiveness.

Boral CEO and Managing Director, Mike Kane, said that the high Australian dollar and low shipping costs, together with rising energy and other manufacturing costs, are all contributing to higher costs of domestic clinker production relative to imported clinker and cement.

"A continued low level of demand associated with the downturn in Australian building and construction activity is also adversely impacting the profitability of Boral's cement business, where high fixed cost manufacturing assets continue to be underutilised," said Mr Kane.

Boral has announced today that, subject to employee consultation processes, it intends to suspend indefinitely clinker manufacturing at its Waurm Ponds cement works in Victoria from April 2013. The clinker manufacturing assets have a book value of approximately \$100m.

The site will continue to operate as a cement milling facility using imported clinker. The change will result in 25-30% of Boral's clinker requirement being imported, which is in line with the Australian industry average. Boral's fixed cost base will be reduced while flexibility to respond to changes in east coast market demand will be increased.

Continuity and quality of cement through Boral's extensive supply network will be maintained as part of any transition to more flexible supply arrangements of cement manufacturing and clinker importing.

Regrettably, the planned suspension will impact the jobs of around 90 Boral employees at Waurm Ponds. Boral will be consulting with employees and their representatives over the coming weeks to explore all options including averting or mitigating job losses, as well as redundancies and redeployment within Boral where possible. Boral will also be working closely with the relevant state and federal agencies during this period.

"Construction Materials in Australia is a core business for Boral, with cement remaining a critically important product in Boral's integrated position. However, across all of our businesses we need to ensure that we are aligning our domestic production with demand levels, and that our cost structures are globally competitive and can be sustained through the cycle.

"In February 2013, at the time we announce Boral's half year results, I will provide an update on the outcome of the broader review work that is underway across Boral's portfolio of businesses. Not only have we been rigorously re-sizing capacity and divesting or closing under-performing operations, we are also focused on reducing excessive overhead costs and reducing capital expenditure," concluded Mr Kane.

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