Build something great™

Results Announcement

for the year ended 30 June 2014

27 August 2014

Management Discussion & Analysis

Boral reports improved results and continues to deliver against plan

- Reported revenue for the year **down 2% to $5.2b**[1]
- EBITDA[2] **up 4% to $556m**
- EBIT[2] **up 29% to $294m**
- Underlying **profit after tax**[2] **of $171m, up 64%**
- Reported **net profit after tax of $173m** after net significant items* of $2m
- **Net debt of $718m down 50%** from $1.45b at 30 June 2013
- Earnings per share[2] of **22.0 cents, up from 13.6 cents**
- Full year dividend up 36% to **15.0 cents per share**, fully franked

** Reflects a net gain recognised on completion of the USG Boral JV offset by restructuring costs in USA, Asphalt, Cement & Gypsum*

Improved result underpinned by significant contribution from Construction Materials & Cement together with benefits from operational improvements, restructuring and market growth

- **Construction Materials & Cement** – EBIT of $277m was $4m lower than FY2013 as a $20m lower EBIT contribution from Property sales was largely offset by the benefits of prior year restructuring initiatives, ongoing major project activity and favourable weather conditions
- **Building Products** – EBIT of $8m, up $48m on FY2013, reflecting benefits from restructuring initiatives and better market conditions
- **Boral Gypsum** – EBIT of $77m compares with $83m in FY2013 reflecting the impact of a 4-month equity accounted 50%-owned JV contribution, partially offset by strong underlying business performance
- **Boral USA** – In US dollars, EBIT losses were almost halved to US$35m (A$39m) on a 9% US dollar revenue lift, reflecting the continued US housing market recovery albeit slower than market expectations.

‘*Fix, Execute, Transform’* program delivering benefits

✓ Offsetting cost increases, $130m of annualised **cost reductions** in FY2014 from rationalisation initiatives, lower headcount and improved procurement spend; further cost reductions in Asphalt, USA and Gypsum

✓ **USG Boral** plasterboard and ceilings **joint venture** completed on 28 February 2014, providing Boral Gypsum with a strengthened platform to deliver continued underlying earnings growth

✓ **Turning around performance in Building Products** with an improved supply contract for Boral Timber and plans announced to form an east coast Bricks JV with CSR, subject to ACCC clearance

✓ Delivered $251m in **cash proceeds** over the past two years from divestments and land sales against two-year target of $200-$300m, contained capital expenditure to $268m in FY2014, and received $562m balancing payment on completion of USG Boral JV, **reducing net debt to $718m.**

FY2015 outlook

In FY2015, we expect continued strong results from Construction Materials & Cement, improved earnings from the USA as the housing market continues to recover and further improvement from Building Products in Australia. While reported earnings from Gypsum will reflect a full 12-months of 50% equity accounted JV earnings, the Gypsum business is expected to deliver continued underlying earnings improvement.

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[1] Reflects 4 months of unreported revenues from Gypsum following the formation of USG Boral JV and associated move to equity accounting

[2] Excluding significant items.

Commentary in this document refers to Group operations before significant items. Profit before significant items is a non-IFRS measure, refer to page 12 for a reconciliation to statutory profit.

Financial Overview

Strong earnings growth achieved through restructuring and better market conditions

(A$ millions)	FY2014	FY2013	Var %
Revenue	5,204	5,286	(2)
EBITDA[1]	556	535	4
EBIT[1]	**294**	**228**	**29**
Net interest[1]	(83)	(97)	
Tax[1]	(37)	(20)	
Non-controlling interests	(3)	(6)	
PAT[1]	**171**	**104**	**64**
Significant items (net)	2	(316)	
NPAT	**173**	**(212)**	
EPS (cents)[1]	22.0	13.6	62
Full year dividend (cents)	15.0	11.0	36

Boral's reported **sales revenue of $5.2b was down 2%** on the prior year. Benefits from increased market activity in Australia, Asia and the USA, were more than offset by the absence of four months of Gypsum revenue as a result of the formation of the USG Boral joint venture at the end of February 2014. **Sales revenue from continuing operations was up 7% to $4.5b.**

Boral's **earnings before interest and tax** (**EBIT**)[1] **increased by 29% to $294m**, driven by:

- a significant $48m turnaround in Building Products from loss-making to earnings positive;
- improved results from Cement and Boral USA; and
- cost reductions largely as a result of prior year restructuring initiatives.

Depreciation and amortisation decreased by $46m to $261m.

Income tax[1] expense increased by $17m due to higher Australian earnings. The underlying effective tax rate increased to 17% (compared to 15% in FY2013) largely as a result of improved Australian earnings, lower US losses and higher equity income.

Profit after tax (PAT)[1] of $171m was up 64% on last year's PAT of $104m.

Net significant items totalled a $2m profit after tax. Significant items included non-trading items relating to various restructuring activities in the USA, Asphalt and in the USG Boral joint venture, as well as the closure of the small specialty cement kiln at Maldon. These restructuring costs were offset by a net gain recognised on completion of the USG Boral joint venture transaction.

Statutory net profit after tax (NPAT) of $173m in FY2014 compares with a net loss of $212m in FY2013.

EBITDA[1] of $556m increased 4% on the prior year while **operating cash flow** of $507m was $198m above FY2013 due to increased earnings, improved working capital, lower interest payments and lower tax payment due to timing of instalments.

Capital expenditure was down 13% to $268m ($203m of stay-in-business and $65m of growth expenditure) as disciplined capital allocation measures were maintained.

Net debt at 30 June 2014 of $718m has reduced by $728m since 30 June 2013 due to the receipt of $562m in proceeds from the sale of the Gypsum business into the USG Boral joint venture plus a stronger operating cash flow of $507m versus $309m in the prior year.

Gearing, net debt / (net debt + equity), reduced to 18% from 30% at 30 June 2013 and Boral's gearing covenant reduced to 26% from 40% at 30 June 2013, well within the threshold of less than 60%.

Earnings per share[1] of 22.0 cents increased 62%. A fully franked final **dividend of 8.0 cents** per share will be paid on 26 September 2014. Boral's Dividend Reinvestment Plan, which was suspended following the dividend paid in March 2014, will remain suspended until further notice.

[1] Excluding significant items

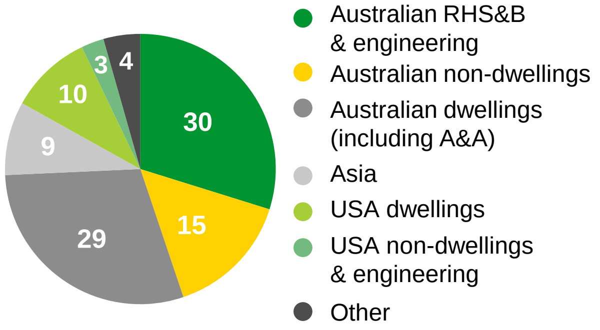
[2] Commentary in this document refers to Group operations before significant items

Market Conditions and External Impacts

In Australia, housing growth offset a slowdown in roads, highways & engineering; market growth continued in Asia; and in the USA, the housing recovery was slower than expected

During FY2014 higher market activity across most **Australian** residential and non-residential markets was offset by a decline in roads, highways and engineering work. In **Asia**, strengthening economic conditions benefited most markets, while in the **USA**, single-family housing construction experienced only modest improvement compared to the prior year.

Boral external revenue by market
%



Australia – **Roads, highways, subdivisions & bridges** (RHS&B) **and engineering** activity, which accounts for ~**30%** of Boral's revenue, has continued to decline from its FY2012 peak. In FY2014, RHS&B is estimated to be down by 10% on the prior year.[1]

Non-residential activity underpins ~**15%** of Boral's revenue and is estimated to have strengthened by 5% in FY2014, with NSW in particular driving growth.[2]

Housing activity in Australia drives ~**29%** of Boral's total revenues with ~**14%** from detached housing, ~**7%** from multi-dwellings and the remaining **~8%** from alterations & additions (A&A).

Detached housing starts increased by an estimated 10% in FY2014 on the prior year, with **multi-residential** starts up 13%.[3] Total housing starts were up 11% in FY2014 to 180,300 starts.[3]

The proportion of detached housing starts relative to total starts remained historically low at an estimated 57% compared to the prior 20-year average of 67%.

Australian A&A activity remained low but increased by 3% on the prior year with all markets stronger, except Western Australia.[2]

Asia accounted for around **9%** of Boral's total revenues in FY2014.

In **Korea** and **Indonesia**, improved economic conditions resulted in strong growth in underlying market demand for gypsum products.

In **Thailand**, strong underlying demand and market competition were evident despite political unrest which had an adverse impact on the construction market, particularly in Bangkok.

In **China**, Boral supplies the premium end of the construction market which remains subdued. However, Boral's operations continued to achieve strong volume growth in the north east through the Shandong plant.

USA – Total **US housing starts** increased by 9% to **953,000** during FY2014, with single-family starts up 5%.[4] The proportion of single-family starts relative to total US starts at 65% compares to the long-term average of 71%. Housing starts increased despite a severe winter during the third quarter of FY2014, which limited the level of construction activity.

In both Boral's **US Brick States** and **US Tile States**, single-family housing starts increased by 7% on the prior year.[5]

Several **other external factors** impacted Boral's performance in FY2014, including:

- favourable weather conditions in Australia, particularly on the east coast;
- unlawful secondary boycotts by the CFMEU in Victoria affecting materials supply in Melbourne. This has cost Boral approximately $8-$10m in EBIT including legal fees since February 2013, with an estimated $6-$7m EBIT impact in FY2014;
- currency devaluation and elections in Indonesia and political unrest in Thailand; and
- increased competition in Asphalt in Australia and in the Gypsum business in Thailand as a result of recent market entrants.

[1] Based on the average forecasts of Macromonitor and BIS
[2] ABS value of work done 2011/12 constant prices; BIS forecast used for Jun-14 quarter
[3] ABS original housing starts; Jun-14 quarter onwards based on HIA forecast
[4] US Census seasonally adjusted housing starts
[5] McGraw Hill / Dodge data - Brick States: Alabama, Arkansas, Georgia, Kentucky, Louisiana, Mississippi, North Carolina, Oklahoma, South Carolina, Tennessee, Texas. Tile States: Arizona, California, Florida, Nevada

Boral Construction Materials & Cement

Concrete, Quarries, Asphalt, Cement, Concrete Placing, Transport, Landfill and Property

A strong result from Cement offsets lower contributions from Asphalt and Property

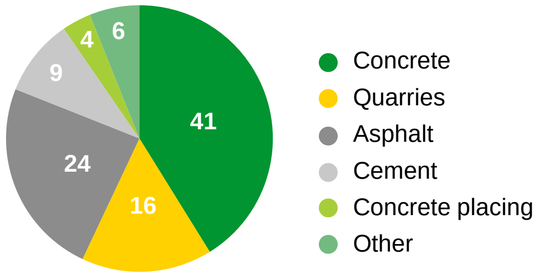
(A$ millions)	FY2014	FY2013	Var %
Revenue	3,287	3,142	5
EBITDA[1]	445	465	(4)
EBIT[1]	277	281	(1)

External Revenue	FY2014	FY2013	Var %
Concrete	1,341	1,223	10
Quarries	517	499	4
Asphalt	783	825	(5)
Cement	307	291	5
Concrete Placing	115	125	(8)

1. Excludes significant items

External Revenue %

Total = $3.29bn



Revenue – Construction Materials & Cement revenue **increased by 5% to $3.3b** with revenue growth in Concrete, Quarries and Cement partially offset by lower Asphalt revenue.

Concrete, Quarries and Cement revenue growth was supported by a steady flow of major project activity, improved residential and non-residential markets in NSW metro and Western Australia, and favourable weather. There was continued weakness in regional Queensland and NSW driven by a reduction in roads and resource-related project activity. The Victorian market remained flat.

EBIT – was down **1% to $277m**, with improvements in Quarries and Cement more than offset by lower earnings from Asphalt, Concrete Placing and Property as well as softer results from Concrete.

The result includes $10m of equity accounted income relating to a reassessment of rehabilitation obligations of Boral's associated company Penrith Lakes Development Corporation (PLDC) following finalisation of PLDC's water management plans and the scope of rehabilitation required.

Concrete and Quarries – **revenue increased by 10% and 4%, respectively,** largely driven by volume growth of 7% for Concrete and 4% for Quarries. Realised like-for-like selling prices nationally were broadly flat for concrete and quarry products reflecting competitive pressures, particularly in Queensland and Victoria. However, overall pricing was up marginally in Concrete reflecting a favourable geographic and product mix including stronger pricing in NSW.

Concrete benefited from volumes into the Curtis Island LNG, Cape Lambert and Wheatstone projects although Cape Lambert was completed in 2H FY2014 and Curtis Island nears completion.

Asphalt – **revenue declined by 5%** as activity in RHS&B weakened particularly in Queensland as flood recovery and infrastructure work significantly reduced and in Victoria following completion of the Melbourne Peninsula Link.

Asphalt margins were adversely impacted by lower volumes and increased competitive pressures, particularly in Queensland and Victoria.

Cement – **revenue increased by 5% to $307m**, benefiting from a 3% uplift in cement volumes and significantly higher clinker industry volumes with cement prices steady. Lime and limestone volumes declined by 10% as demand from the metal manufacturing sector weakened.

Cement **EBIT increased by $32m to $105m** largely driven by $28m in cost savings from strategic business improvement initiatives. This includes benefits from:

- the exit of clinker production at Waurn Ponds and associated depreciation savings following asset impairments at 30 June 2013;
- ceasing coal mining at the Berrima Colliery; and
- other cost savings, continuous improvement initiatives and prior year restructuring activities.

Concrete Placing – revenue from De Martin & Gasparini was down 8% on lower volumes; margins were depressed further due to lower operating efficiencies and less favourable contract outcomes.

Property – contributed $8m of EBIT, down from $28m, with less profitable properties sold in FY2014 compared to FY2013, including the Quarrywest site in western Sydney.

FY2014 v FY2013	Volume, *Var %*	Average Selling Price **(ASP),** *Var %*
Concrete	7	-
Quarries	4	-
Cement	3	-

Boral Building Products[1]

Australian Bricks, Roofing and Timber

Successful restructuring and market improvements have driven a return to profitability

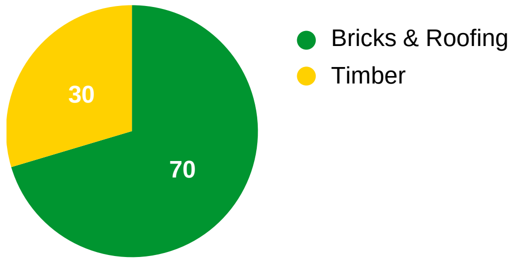
(A$ millions)	FY2014	FY2013	Var %
Revenue	487	466	5
EBITDA[1]	29	(5)	-
EBIT[1]	8	(40)	-

External Revenue	FY2014	FY2013	Var %
Bricks & Roofing	343	310	11
Timber	144	155	(7)

1. Excludes significant items

External Revenue %

Total = $487m



Revenue – With improved conditions in most markets including increased housing construction activity in NSW, Queensland and Western Australia, Building Products' revenue grew by 5% to **$487m**.

Revenue from Bricks & Roofing increased by 11% on the prior year. Despite strong growth in the Softwood business, Timber revenue declined by $11m due to the exit from a number of peripheral businesses announced in June 2013, including Woodchip export which contributed $15m to the year-on-year decline.

EBIT – Building Products delivered a **$48m EBIT turnaround to a profit of $8m**, with both Bricks & Roofing and Timber reporting positive earnings. The result reflects:

- higher sales volumes and improved pricing outcomes across all products;
- improved operational performance and production volume leverage;
- a $10m EBIT benefit from prior year headcount reductions and restructuring; and
- a net $9m decline in depreciation following asset impairments made at 30 June 2013.

Bricks – **Volumes were up 9%** with strong growth in NSW, Queensland and Western Australia. Nationally average selling prices increased by 2% on the prior year with improved pricing outcomes on the east coast plus a modest rise in the west for the first time in a number of years.

Brick inventory levels decreased by 18% on the prior year and in Western Australia are at historically low levels. Operating capacity in Western Australia was increased by ~30% with the successful restart of Kiln 8 in late April 2014 to meet the growth in market demand. Lower inventory levels will be maintained during better market conditions through the mature implementation of LEAN manufacturing.

In April 2014 Boral and CSR Limited announced a proposal to form a joint venture of their Australian east coast brick operations. The proposed transaction remains under review by the ACCC.

Roofing – Modest price and volume growth was achieved over the prior year in all states despite the continued pressure from product substitution and muted levels of A&A activity.

Timber – Excluding the exited Woodchip export business, Timber **revenues were up 3%**.

Softwood volumes were up 18% with a 5% rise in average selling prices, benefiting from stronger markets and global softwood supply constraints.

Underlying **Hardwood** volumes remained flat year-on-year with only structural products achieving a price rise. The hardwood market remains challenging due to increased imports, domestic competitive pressures and subdued demand in the high-end alterations segment. Processing of aged work in progress (WIP), better supply arrangements and discounting of excess old stock has reduced inventory volumes by 20%.

In June 2014 Boral announced a new supply contract with Forestry Corporation of NSW, accepting $8.55m for a 50,000m^3 reduction in annual timber allocations for the next nine years to support a more sustainable long-term outcome for the Hardwood timber business and the industry.

FY2014 vs FY2013	Volume, *Var %*	ASP, *Var %*
Bricks	9	2
Roofing	4	2
Hardwood[2]	-	4
Softwood	18	5

[1] Remaining Masonry operations are incorporated into the Bricks business in Western Australia and the Roofing business; the Windows business was sold at the end of November 2013 and moved to discontinued businesses (the Windows business reported revenue of $58m and an EBIT loss of $1m in FY2014)

[2] Excludes exited operations

Boral Gypsum

50%-owned USG Boral joint venture in Australia, New Zealand, Asia and Middle East

Formation of the USG Boral JV strengthening Boral's long-term growth platform

The **USG Boral joint venture** commenced 1 March 2014, combining Boral's gypsum manufacturing and distribution footprint in Asia and Australia with USG's building products technologies and strategic assets in Asia, New Zealand and the Middle East.

Boral Gypsum's **reported EBIT[2] of $77m** for FY2014 reflects 8 months of 100% consolidated earnings from the Gypsum business plus 4 months of 50%-owned equity accounted USG Boral JV earnings.

Boral's full year Reported Gypsum result

(A$ millions)	FY2014	FY2013
Revenue[1]	691	919
EBITDA[1]	96	125
EBIT[1]	67	83
Equity income[2,3]	10	-

1. Consolidated results for period Jul-13 to Feb-14
2. Excludes restructuring costs included in significant items
3. Post-tax equity income from Mar-14 following formation of USG Boral JV

The following commentary relates to the performance of the underlying business for the full 12 months of FY2014, including a small impact from USG contributed assets from March 2014.

Underlying business result

(A$ millions)	FY2014	FY2013	Var %
Revenue	1,091	919	19
EBITDA[4]	148	125	18
EBIT[4]	102	83	23

4. Excludes restructuring costs included in significant items

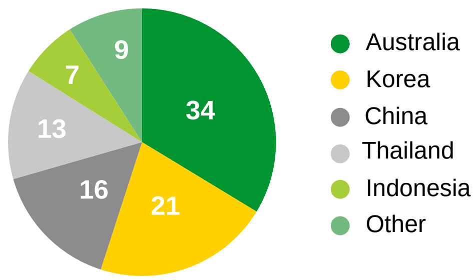
Revenue – Gypsum revenue was **up 19%** on the prior year **to $1.1b**, driven by 11% board volume growth, increased non-board revenue, price rises in Australia, Korea and Indonesia, and favourable currency translation impacts.

EBIT – Gypsum earnings **increased 23% to $102m** with strong performances in Australia and Korea.

Australia/NZ – **revenue increased 11% to $371m** with significantly improved EBIT. Board volumes were up 7% and prices up 3-4% reflecting an improved housing market, particularly in NSW, Queensland and Western Australia. Earnings also benefited from lower costs in raw materials, manufacturing and distribution, and the full impact of prior year headcount reductions.

FY2014 vs FY2013	Board Volume, *Var %*	Board ASP, *Var %*
Australia	7	3–4
Asia	11	N/A

External Revenue %



Asia – **revenue increased 23% to $720m** reflecting market growth, increased product penetration, price gains and the impact of favourable currency translations.

Korea reported strong revenue and margin growth underpinned by strengthening economic conditions, solid price gains and recovered market share including some short-term share gains due to competitor production constraints contributing to a 17% increase in board volumes.

The market continued to grow in **Thailand** despite the political instability. Board volumes were up 5% and prices remained stable in a highly competitive environment.

Indonesia reported a strong increase in revenue driven by a growing market, with board volumes up 17% and solid pricing gains. However, margins were adversely impacted by a significant depreciation in the local currency which impacted raw material and energy costs priced in US$.

China returned to profitability in FY2014 with board volumes up 9% and favourable manufacturing costs, partly offset by lower average board prices due to geographic mix shifts in sales and ongoing competitive pressures.

Integration of Boral and USG operations is now complete with early benefits from USG adjacent products being realised. The **technology roll-out is on track** with the two-year capital expenditure to remain within US$50m. NextGen plasterboard will be available in key markets, including Australia and Korea, by the end of CY2014. Synergies of US$50m are expected within three years of the full technology roll-out.

Restructuring costs of $10m were incurred in FY2014 following a reorganisation of the business to strengthen its low cost position and ensure a focused organisation that is well-placed to deliver long-term performance. These costs are reported as part of Boral's significant items.

Boral USA

Cladding (Bricks, Cultured Stone & Trim), Roof Tiles, Fly Ash, Construction Materials

Broke through to profitability in fourth quarter despite slowing housing market recovery

(A$ millions)	FY2014	FY2013	Var %
Revenue	681	555	23
EBITDA[1]	3	(22)	-
EBIT[1]	(39)	(64)	40

(US$ millions)	FY2014	FY2013	Var %
Revenue	622	569	9
EBITDA[1]	3	(22)	-
EBIT[1]	(35)	(66)	46

External Revenue *(US$ millions)*	FY2014	FY2013	Var %
Cladding[2]	323	276	17
Roofing	139	122	14
Fly Ash & Construction Materials	160	171	(6)

1. Excludes significant items
2. Includes Bricks, Cultured Stone & Trim

Revenue – Boral USA revenue of **US$622m was up 9%** on the prior year, with growth across all businesses partly offset by the loss of revenue from the Oklahoma concrete and sand operations sold in June 2013. Australian dollar revenue increased by 23% to A$681m.

Underlying revenue benefited from an increase in US housing construction activity; however, multi-family activity outpaced single family construction, which remained biased towards low-cost national production home builders rather than custom builders. Brick and stone intensity levels remained flat as a result.

The division reported a **positive EBITDA of US$3m,** which was the first positive EBITDA result in 6 years.

EBIT – **Losses reduced by US$31m to US$35m**. The improved result was underpinned by:

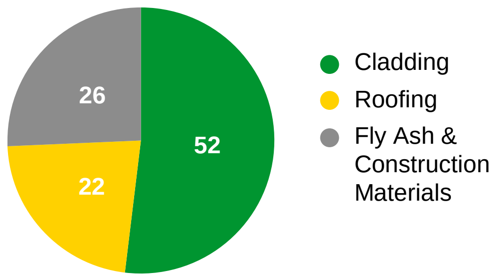
- a US$15m EBIT benefit from strong volume gains across all Boral USA businesses;
- solid price gains for Concrete Roofing, Fly Ash and Concrete;
- improved Brick production volume leverage and ongoing cost reductions; and
- the divestment of the Oklahoma concrete and sand operations.

Cladding – **Revenue** which includes Bricks, Cultured Stone and Trim **grew 17% to US$323m**.

Bricks revenue of US$218m was up 18%, driven by a 15% lift in volumes, a 21% increase in distribution revenue and a 2% rise in average selling prices arising from strategic pricing initiatives in specific geographic markets.

External Revenue %

Total = $681m



Cultured Stone volumes increased 8% with a modest price rise achieved; however the result was offset by an adverse geographic shift in demand, impacting sales and operational costs.

Plant utilisation for Bricks increased from 41% to 50%, with the Gleason plant in Tennessee re-commissioned in August 2013. Cultured Stone plant utilisation was steady at 27%.

In the developing **Trim** business, revenue and volumes doubled from a low base due to a significant increase in dealer locations, while average selling prices increased, largely reflecting a better product mix, and production costs decreased. The business also launched a new, high-value, niche exterior siding product. The Trim business is expected to reach profitability in FY2015.

Roofing revenues of US$139m grew by 14% with volumes up 10% and solid price gains. Plant network rationalisation continued in FY2014 with the closure of the Pompano concrete tile plant (with products transferred to Lake Wales) and the Ione clay tile plant.

Fly Ash and Construction Materials combined revenue of US$160m was down 6% due to the sale of the Oklahoma construction materials operations in June 2013. The Fly Ash business continues to be profitable and the remaining Construction Materials business in Denver returned to profitability in FY2014, underpinned by increases in volumes and pricing.

FY2014 vs FY2013	**Volume,** *Var %*	**ASP,** *Var %*
Bricks	15	2
Cultured Stone	8	1
Roof tiles	10	5

Fix, Execute, Transform Program

Boral is continuing to *'Fix, Execute and Transform'* into a high performing business delivering sustainable growth through innovation and superior returns through the cycle.

A key priority for Boral remains to improve EBIT return on funds employed (ROFE) to 15% in the long term.

ROFE of 7.2% in FY2014 compares with 4.7% in the prior year, with the improvement reflecting significant rationalisation initiatives, impairments made as at 30 June 2013 and improved market conditions in a number of Boral's key markets.

FIX – Fixing things that are holding us back

Boral's efforts have continued to focus on the immediate *Fix* priorities outlined in October 2012 to:

- reshape the portfolio
- manage costs down, and
- reduce debt through cash generation and conserving capital.

Reshaping the portfolio

In FY2014 the following **rationalisation and portfolio reshaping** initiatives were undertaken to reduce costs, respond to changing market dynamics and strengthen Boral's growth potential.

Boral Gypsum

- completed the $1.6b **USG Boral** plasterboard and ceiling tiles joint venture and commenced roll-out of new technologies.

Boral Building Products

- announced plans to form an **Australian east coast Bricks joint venture with CSR** aimed at delivering returns that recover the cost of capital through the cycle in the face of a significantly declining brick market. Completion of the proposed transaction remains **subject to clearance by the ACCC**
- divested the **Windows** business
- **ceased production of engineered flooring** at the Murwillumbah plant, to be replaced with lower cost engineered flooring produced in Asia using Australian hardwood
- **exited softwood distribution in Brisbane**
- through a **new wood supply agreement with Forestry Corporation of NSW**, accepted a 50,000 m^3 per annum reduction (~30%) in hardwood timber allocation to support a more sustainable long-term outcome for the business and the industry, at the same time as extending the tenure of supply and improving flexibilities through the cyclical housing market. Boral has received $8.55m from the NSW Government to help offset the lower volumes, which will be recognised over the remaining contract term.

Boral Construction Materials & Cement

- strengthened Boral's cement import capabilities after exiting **Waurn Ponds** clinker manufacturing at the end of FY2013
- ceased production at the **Berrima Colliery** and announced plans to permanently close the colliery
- announced the closure of the **Maldon specialty cement kiln** by December 2014
- restructured the **Asphalt** business in the Queensland and Victorian markets.

Boral USA

- further consolidated **Roofing** production capacity with the permanent closure of the Ione clay roof tile plant in California and the Pompano concrete roof tile plant in Florida, following closures of concrete roof tile plants in Missouri (Kansas City) and Mexico (Guadalajara) in June FY2013; plans are in place for the permanent closure of the Gilroy concrete roof tile plant in California in FY2015
- permanently closed the Augusta paver plant in Georgia
- restructured regional **sales and operational organisations** to reduce costs and re-align with Boral's US building products manufacturing and distribution footprint.

Managing costs down

Annualised benefits of $105m have now been delivered from the major restructuring and rationalisation initiatives undertaken in FY2013. Early benefits of $37m were delivered in FY2013 and the remaining $68m of incremental cost savings were delivered in FY2014.

The second phase of cost cutting initiatives in **Australia**, which focused on contract management, delivered an initial $25m of benefits in FY2014 and should deliver a further **$20m in FY2015**.

Following the major restructuring program undertaken in Australia in FY2013, it remains imperative that Boral continues to improve its cost base as the Company continues to face inflationary cost pressures of approximately $100m per annum in Australia alone. Structured cost reduction programs commenced in the USG Boral JV, in Boral USA and in Boral Asphalt during the second half of FY2014 to offset cost pressures facing those businesses.

In the **USG Boral** JV a dedicated cost reduction program has been undertaken to help **ensure the business remains cost competitive** as additional resources are added to support the roll-out of new technologies and the sales and marketing of an expanded product portfolio.

In the **USA**, further organisational streamlining was undertaken in June 2014 largely through restructuring and consolidation of regional sales and manufacturing teams as well as consolidation of management responsibilities. This saw a reduction of around 70 employees in the business at year end and is expected to save the business around **US$12m per annum in FY2015**, which will help to offset cost increases.

Restructuring in **Construction Materials & Cement**, particularly in Boral Asphalt in Queensland**,** and including realignment of Support Services, has taken a total of 118 positions out of the business. This should deliver **$11m of cost savings in FY2015**.

Reducing debt through maximising cash generation

Boral generated $251m of cash through divestments and the sale of surplus land over the past two years, achieving the two-year target of between $200m and $300m. This includes cash proceeds delivered in FY2014 through the sale of the Windows business and cash received from land sales.

In addition, Boral received $562m of cash from USG as a balancing payment to form the USG Boral JV. This allowed net debt to reduce substantially to $718m.

Boral is also continuing to apply a disciplined approach to capital allocation. Capital expenditure in FY2014 was $268m, which includes $203m of stay-in-business capital expenditure, and compares with total capital expenditure of $309m in FY2013. In FY2014, the final payment of $48m in respect of the Cultured Stone acquisition occurred.

EXECUTE – Improving the way we operate

Boral continues to rely on its levers of change: Safety, the Boral Production System (based on LEAN), Sales & Marketing Excellence and Innovation, to deliver sector best performance. Benefits from the Boral Production System have been demonstrated at the Berrima Cement works, for example, with the kiln achieving daily, weekly, monthly and annual clinker production records in FY2014.

Safety performance – Boral's combined employee and contractor lost time injury frequency rate (**LTIFR**)[1] of **1.9** in FY2014 was in line with the prior year although a positive improvement trend was experienced in recordable injuries frequency rate (**RIFR**)[1], which **significantly decreased by 22% to 13.6**.

TRANSFORM – Transforming Boral for performance excellence

Boral's commitment and focus on growth through innovation is evidenced by:

- The formation of the **USG Boral joint venture** which was underpinned by the objective of accessing USG's world-leading gypsum technologies.
- Boral's **Global Innovation Factory** which is investing in product innovation to create new lightweight products and applications, including the recently launched composite siding product in the USA and the superior performing, lower carbon concrete, ENVISIA® which was launched in Australia in July 2013.

  In FY2015, close to US$4m is planned to be invested to expand Boral's R&D facilities in San Antonio, Texas. A prototype 'composite sheet line' will be built to advance technology to make composite sheets that have applications for roofing, cladding and exterior substrates used in buildings systems.

[1] Per million hours worked

Strategic Direction and FY2015 Outlook

Boral's immediate **focus remains on managing costs, margins, capital and cash.** Longer-term, the goal is to **lower Boral's fixed cost exposures** through the cycle, **leverage innovation** and create a **more geographically balanced** portfolio. This will help to transform Boral for performance excellence and growth, with a continued focus on improving EBIT return on funds employed (**ROFE**) **to 15% over the long-term**.

In **Construction Materials & Cement** in Australia, the objective is to strengthen and protect Boral's **leading integrated positions,** grow margins and continue to grow Boral's major project capability.

In the smaller **Building Products division,** significant improvements have been made to extract returns from the current portfolio. However, **further portfolio restructuring** is required to deliver adequate returns through the cycle. Current initiatives include investigations of a structural solution for the Bricks business and the commencement of a strategic review of our Timber business.

Boral's medium- and longer-term earnings growth will come from the continuing major **market recovery in the USA** and significant **long-term market and product penetration growth in Asia**.

In FY2015, in **Australia** construction activity on roads, highways, subdivisions & bridges (RHS&B) and on major engineering projects is expected to remain below peak levels before recovering later in FY2016. In the **dwellings sector**, higher activity in NSW, Queensland and Western Australia is expected to be dampened by ongoing weakness in Victoria, while **non-residential construction market** activity is expected to be steady, with particular strength in NSW.

Asia will continue to experience good market growth across the region in FY2015. Indonesia and Malaysia are expected to experience solid growth of 10-15% while Korea, Thailand and China growth rates are expected to be more modest.

In the **USA**, the market recovery will continue with total housing starts expected to lift by around 15-20% to 1.1-1.2 million starts.

For FY2015 Boral expects:

- **Construction Materials & Cement** will continue to deliver a strong result. Improvements are expected in Asphalt and other businesses as a result of cost reduction and restructuring programs together with further strength in residential construction activity, particularly in New South Wales. These improvements are expected to offset subdued levels of infrastructure and RHS&B activity, particularly in Queensland and Victoria, as well as lower margins in Cement as a result of current wholesale supply arrangements. While performance should improve, expectations could be dampened if the inability to realise price increases continues.

- **Boral Gypsum** will contribute lower earnings to Boral in FY2015, reflecting the move to a full 12-month period of 50% equity accounted post-tax contribution from USG Boral. The business will deliver improvements in its underlying performance reflecting increased demand in Australia and Asia and the benefits from current restructuring programs. This underlying improvement in FY2015 will be partly offset by integration costs associated with the introduction of an expanded product portfolio and roll-out of new technologies. NextGen products will be introduced to key markets in Q4 of CY2014 and following the roll-out of technologies, synergies are expected to start to ramp up from the second half of FY2015.

- **Building Products** is expected to deliver further gains with its FY2014 EBIT of $8m expected to approximately double in FY2015. The division will be impacted by three plant maintenance shuts in FY2015.

- **Boral USA** should report significantly improved results in FY2015. Assuming US housing starts of around 1.1-1.2 million starts for the year, which is broadly in line with market forecasts, the division is expected to eliminate losses and deliver a broadly break-even result in FY2015.

The FY2015 **effective tax rate** is projected to be in the range of 20% to 25%.

Interest expense in FY2015 will be lower than FY2014 as the benefits of lower debt continue to flow through.

Results at a Glance

(A$ million unless stated)	FY2014	FY2013	% Change
Revenue	5,204	5,286	(2)
EBITDA[1]	556	535	4
EBIT[1]	294	228	29
Net interest[1]	(83)	(97)	
Profit before tax[1]	211	130	
Tax[1]	(37)	(20)	
Non-controlling interests	(3)	(6)	
Profit after tax[1]	**171**	**104**	**64**
Net significant items	2	(316)	
Net profit / (loss) after tax	**173**	**(212)**	
Cash flow from operating activities	507	309	
Gross assets	5,559	6,316	
Funds employed	4,066	4,840	
Liabilities	2,211	2,923	
Net debt	718	1,446	
Stay-in-business capital expenditure	203	126	
Growth capital expenditure	65	183	
Acquisition capital expenditure	48	-	
Depreciation and amortisation	261	307	
Employees[2]	8,953	12,610	(29)
Revenue per employee, $ million	0.581	0.419	
Net tangible asset backing, $ per share	4.03	3.17	
EBITDA margin on revenue[1], %	10.7	10.1	
EBIT margin on revenue[1], %	5.7	4.3	
EBIT return on funds employed[1], %	7.2	4.7	
EBIT return on average funds employed[1], %	6.6	4.7	
Return on equity[1],%	5.1	3.2	
Gearing			
Net debt/equity, %	21	43	
Net debt/net debt + equity, %	18	30	
Interest cover[1], times	3.5	2.3	
Earnings per share[1], ¢	22.0	13.6	
Dividend per share, ¢	15.0	11.0	
Employee safety[3]: (per million hours worked)			
Lost time injury frequency rate	1.9	1.9	
Recordable injury frequency rate	13.6	17.4	

Figures relate to the total Group including continuing and discontinued operations

1 Excludes significant items
2 Reflects a reduction of 3,104 employees in the Gypsum division now employed in the USG Boral JV as well as 544 employees transferred from Boral following the divestment of the Windows business.
3 Includes employees and contractors. FY2013 LTIFR and RIFR have been restated following data corrections from 1.8 and 16.8, respectively.

Non – IFRS Information

Boral Limited's statutory results are reported under International Financial Reporting Standards.

Earnings before significant items is a non-IFRS measure reported to provide a greater understanding of the underlying business performance of the Group.

Significant items are detailed in Note 8 of the preliminary Financial Report and relate to amounts of income and expense that are associated with significant business restructuring, business disposals, impairment or individual transactions.

A reconciliation of earnings before significant items to reported statutory profit is detailed below:

(A$ millions)	Earnings before significant items	Significant items	Total	Continuing operations	Discontinued operations	Total
Sales revenue	5,203.9		5,203.9	4,455.1	748.8	5,203.9
EBIT	294.2	(42.9)	251.3	161.7	89.6	251.3
Finance costs	(83.1)	16.3	(66.8)	(64.4)	(2.4)	(66.8)
Earnings before tax	211.1	(26.6)	184.5	97.3	87.2	184.5
Tax (expense) / benefit	(36.8)	28.5	(8.3)	9.0	(17.3)	(8.3)
Profit after tax	**174.3**	**1.9**	**176.2**	**106.3**	**69.9**	**176.2**
Non-controlling interests	(2.9)		(2.9)	2.9	(5.8)	(2.9)
Net profit after tax	**171.4**	**1.9**	**173.3**	**109.2**	**64.1**	**173.3**

The Gypsum division commentary also includes a non-IFRS measure of underlying results excluding significant items representing the 12 months trading results to assist users to better understand the trading results of this division despite changes in ownership during the year.

The results announcement has not been subject to review or audit, however it contains disclosures which are extracted or derived from the preliminary Financial Report for the year ended 30 June 2014.

This preliminary Financial Report for the year ended 30 June 2014 is prepared in accordance with the ASX listing rules and should be read in conjunction with any announcements to the market made by the Group during the year. This report is based on accounts which have been audited. The audit report, which is unmodified, will be made available with the Boral Limited Annual Report around 17 September 2014. The Annual Report is currently being finalised in publishable form.

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