Build something great™

Results Announcement

for the half year ended 31 December 2013

12 February 2014

Management Discussion & Analysis

Boral delivers a significantly improved operational performance

- Revenue for the half year **up 4% to $2.87b**
- EBITDA[1] **up 16% to $307m**
- EBIT[1] **up 49% to $168m**
- Underlying **net profit after tax[1] of $90m, up 73%,** in line with guidance provided on 28 January 2014
- Reported **net profit after tax loss of $26m** after net significant losses of $117m*
- **Net debt of $1.39b down** from $1.45b at 30 June 2013
- Earnings per share[1] of **11.6 cents up from 6.8 cents**
- Half year dividend up 40% to **7.0 cents per share**, fully franked

Significant items primarily relate to a non-trading revaluation loss on reclassification of Boral Gypsum net assets as 'held for sale' following the announcement of the proposed JV with USG.* ***This loss will be offset in 2H FY2014* *by the recognition of accumulated foreign currency gains in respect of these net assets on completion of the JV, based on an AUD/USD exchange rate of US$0.89.*

Strong earnings growth underpinned by market and operational improvements, benefits from prior year restructuring activities and favourable weather conditions in Australia

- **Construction Materials & Cement** – EBIT of $155m up 6% benefited from continued major project activity, prior year restructuring initiatives and favourable weather conditions
- **Building Products** – EBIT of $5m, up $23m reflecting benefits from prior period restructuring initiatives and better market conditions
- **Boral Gypsum** – EBIT of $55m up 30% through underlying revenue growth in Asia and Australia, and cost reductions in Australia
- **Boral USA** – EBIT loss of A$30m reduced by 23% underpinned by revenue gains from continued recovery in US housing market

Solid progress made with '*Fix, Execute, Transform*' program

✓ Offsetting inflationary impacts, realised **cost reductions** of $60m in 1H FY2014 from reduced headcount, rationalisation initiatives and contractor spend review; $130m of annualised savings expected in FY2014

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

✓ **Turning around performance in Building Products** and progress made to preferred course of action to address unacceptably low returns in Australian Bricks business

✓ Delivered $212m in **cash proceeds** over the last 18 months from divestments and land sales against two-year target of $200-$300m and contained capital expenditure to $114m in 1H FY2014

FY2014 outlook

- **Expected skew of earnings to first half** compared to second half of FY2014 due to: higher major project volumes and dry weather conditions in the first half; the impact of moving from a 100%-owned Gypsum division to a 50% joint venture interest in the second half; and significantly lower property earnings in the second half relative to prior years.

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[1] 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

Significant earnings growth achieved through stronger market conditions and business improvement initiatives

(A$ millions)	1H FY2014[2]	1H FY2013	Var %
Revenue	2,874	2,774	4
EBITDA[1]	307	264	16
EBIT[1]	**168**	**112**	**49**
Net interest	(47)	(50)	
Tax[1]	(30)	(8)	
Non-controlling interests	(1)	(2)	
PAT[1]	**90**	**52**	**73**
Significant items (net)	(117)	(77)	
NPAT	**(26)**	**(25)**	
EPS (cents)[1]	11.6	6.8	71
Half year dividend (cents)	7.0	5.0	40

Boral's **sales revenue of $2.87b increased 4%** on the prior comparable period, benefiting from strong volumes from major projects and higher sales volumes in Asia and the USA driven by improved economic conditions.

Boral's **earnings before interest and tax (EBIT)[1] increased by 49% to $168m**, largely driven by

- a significant turnaround in Building Products from loss-making to earnings positive
- improved volumes, particularly in Concrete, Quarries, Cement, Boral Gypsum and Boral USA, and
- cost improvements largely from prior year restructuring activities.

Depreciation and amortisation decreased by $12m to $139m.

Income tax[1] expense increased by $22m due to higher Australian earnings. The underlying effective tax rate increased to 24% (compared to 13% in 1H FY2013) largely as a result of a reduction in US losses which are tax effected at a higher rate.

Profit after tax (PAT)[1] of $90m was up 73% on last year's PAT of $52m.

Net significant items totalled a $117m loss after tax. These represent non-trading items principally relating to the reclassification of Boral Gypsum net assets as 'held for sale' assets; this reclassification resulted in a revaluation loss based on an AUD/USD exchange rate of US$0.89, that is anticipated to be offset by the recognition of deferred foreign currency gains on completion of the joint venture, expected 28 February 2014.

Statutory profit after tax (NPAT) is a net loss of $26m for the half year.

EBITDA[1] of $307m increased 16% on the prior comparable period while **operating cash flow** of $231m was $124m above 1H FY2013 due to increased earnings, improved working capital management and lower income tax payments.

Capital expenditure was down 31% to $114m ($76m of stay-in-business and $38m of growth expenditure) as strict capital allocation measures were maintained.

Net debt at 31 December 2013 of $1.39b was a $57m reduction from net debt at 30 June 2013 despite a $58m adverse movement caused by the weakening of the AUD and the translation of USD denominated debt.

Gearing, net debt / (net debt + equity), reduced to 29% from 30% at 30 June 2013 and Boral's principal 'bank gearing' covenant reduced to 39% from 40% at 30 June 2013, well within the threshold of less than 60%.

Earnings per share[1] of 11.6 cents increased 71%. A fully franked interim **dividend of 7.0 cents** per share will be paid on 24 March 2014. Boral's Dividend Reinvestment Plan (**DRP**) will operate in respect of this interim dividend, with the shares issued under the DRP to be issued at a 2.5% discount. Following this interim dividend, the DRP will be suspended until further notice.

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

External Impacts and Market Conditions

Market activity strengthened in the USA and Asia while construction markets in Australia were steady overall

In 1H FY2014, higher market activity in most **Australian** residential and non-residential markets was offset by a decline in roads and highways work.

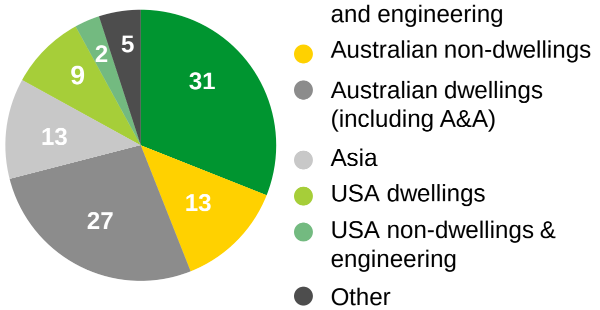
In **Asia**, most markets benefited from strengthened economic conditions, while in the **US,** new housing construction continued to recover.

Boral's performance was however adversely impacted by several external factors:

- unrecovered costs associated with the carbon tax expected to total approximately $15m in FY2014
- low levels of construction activity in Victoria coupled with industrial activity involving secondary boycotts which affected construction materials supply in the Melbourne market, and
- intense competition in Asphalt from recent market entrants in Queensland.

Boral's end-market revenue exposure in 1H FY2014 for continuing operations was around 75% to Australian markets, 13% to Asia and the remaining 12% to the USA.

Boral external revenue by market
%



Australia – **Roads, highways, subdivisions & bridges** (RHS&B) **and engineering** activity, which accounted for 31% of Boral's revenue, has reduced from its recent peak. RHS&B is estimated to be down by around 7%[1] in FY2014.

Non-residential activity underpinned 13% of Boral's revenue and was estimated to have strengthened by 5%[2] with NSW and Queensland particularly stronger.

Housing activity in Australia drives ~27% of Boral's total revenues with ~12% from detached housing, ~6% from multi-dwellings and the remainder from alterations & additions (A&A).

Detached housing starts increased by an estimated 4%[3] in 1H FY2014 on the prior comparable period, with total housing starts up 3%[3] and **multi-residential** starts up 1%[3]. HIA is forecasting housing starts to increase 2% in FY2014 to 166,000[3] starts, compared to 162,000 starts in FY2013.

The proportion of detached housing starts relative to total starts was estimated to have remained historically low at 59% relative to the prior 10 year average of 66%. Australian A&A activity declined by 5%[2] on the prior comparable period with all markets weaker, except South Australia.

Asia – South Korea, China, Thailand and Indonesia accounted for 83% of Boral Gypsum's revenues from Asia.

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

In **Thailand**, strong underlying demand in the first quarter of FY2014 was mostly reversed in the second quarter as a result of political unrest which had an adverse impact on the construction market, particularly in Bangkok.

Demand in Boral's markets in **China**, which are exposed to the premium end of the construction market, continued to be subdued although Boral's operations continued to grow share in the north east through the Shandong plant.

USA – Total US housing starts increased by 12% to **942,000**[4], with single-family starts up 10% and the proportion of single-family starts at 67% compared to the prior 10 year average of 77%.

In Boral's **US Brick States**[5], single-family housing starts increased by 14% while in Boral's **US Tile States**[5], single family starts grew by 17% compared to the prior corresponding period.

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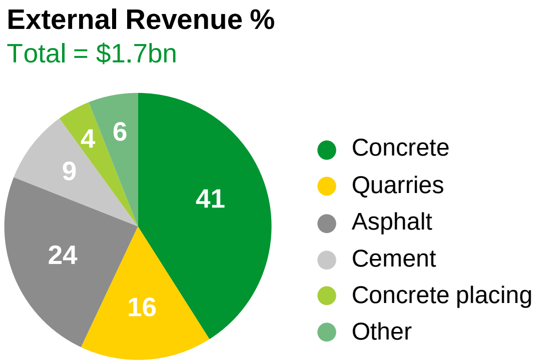
[1] Based on the average forecasts of Macromonitor and BIS
[2] ABS value of work done rebased to 2010/11 constant prices; BIS forecast used for Dec-13 quarter
[3] ABS original housing starts; Dec-13 quarter onwards based on HIA forecast
[4] US census seasonally adjusted housing starts
[5] McGraw Hill / Dodge data. Boral's Brick States include: Alabama, Arkansas, Georgia, Kentucky, Louisiana, Mississippi, North Carolina, Oklahoma, South Carolina, Tennessee, Texas. Boral's Tile States include: Arizona, California, Florida, Nevada

Boral Construction Materials & Cement

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

Improvement in Quarries, Concrete and Cement performance dampened by weaker Asphalt and Property contribution

(A$ millions)	1H FY2014	1H FY2013	Var %
Revenue	1,696	1,659	2
EBITDA	237	237	-
EBIT	155	146	6
External Revenue	**1H FY2014**	**1H FY2013**	**Var %**
Concrete	699	638	10
Quarries	277	263	6
Asphalt	408	432	(6)
Cement	160	145	11
Concrete Placing	68	68	-



Revenue – from Construction Materials & Cement **increased by 2% to $1.7b** with 9% growth in combined Concrete, Quarries and Cement revenue partially offset by lower Asphalt revenue.

Concrete, Quarries and Cement benefited from: a significant increase in resources and major project activity; improved residential and non-residential market demand; and exceptionally dry weather in most regions of NSW and Queensland.

Underlying construction market activity was relatively steady overall with increased demand in NSW metro and Western Australia offset by weakness in Victoria and country regions in Queensland and NSW.

EBIT – **grew by 6% to $155m**, driven by earnings improvement in Concrete, Quarries and Cement which offset lower Asphalt, Concrete Placing and Property earnings.

Overhead, rationalisation and contractor cost reduction initiatives provided a **$38m** benefit, and helped counter inflationary cost pressures.

Concrete and Quarries – **revenue increased by 10% and 6% respectively** driven by a 6% increase in both quarries and concrete volumes, a 2% gain in delivered concrete prices and steady prices in Quarries, reflecting mix shifts. Like for like underlying prices in Concrete and Quarries were up 1% and 2% respectively.

Concrete benefited from volumes into the Curtis Island LNG and Cape Lambert projects, which will both wind down in 2H FY2014 and the ramp up of volumes into the Wheatstone project, which is expected to complete in FY2016.

Asphalt – **revenue declined by 6%** as activity in RHS&B weakened, particularly 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 11% to $160m** in 1H FY2014, benefiting from a 5% uplift in cement volumes and significantly higher clinker industry volumes with cement prices steady. Lime and limestone volumes declined by 9% as demand from the metal manufacturing sector weakened.

Cement **EBIT increased by $21m to $57m** from:

- higher clinker and cement sales volumes
- substantial operating cost improvements following the exit of clinker manufacturing at Waurn Ponds and coal mining at Berrima Colliery
- a $7m benefit from business improvement programs including headcount reductions, and
- a $5m reduction in depreciation due to Waurn Ponds impairment made at 30 June 2013.

Concrete Placing – revenue from De Martin & Gasparini of $68m was steady, although margins significantly declined due to lower operating efficiencies.

Property – contributed an EBIT loss of $3m, down from a profit of $2m, with no significant property sales completed during the period.

1H FY2014 v 1H FY2013	**Volume** *Var %*	**Average selling price,** *Var %*
Concrete	6	2
Quarries	6	-
Cement	5	-

Boral Building Products[1]

Australian Bricks, Roofing and Timber

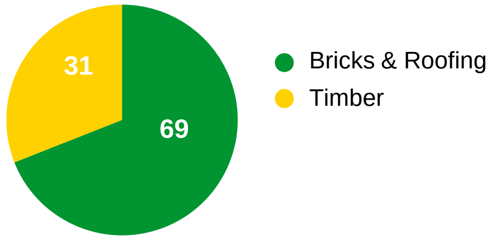
Achieved substantial turnaround to profitability

(A$ millions)	1H FY2014	1H FY2013	Var %
Revenue	248	249	-
EBITDA	17	(1)	na
EBIT	5	(18)	129

External Revenue	1H FY2014	1H FY2013	Var %
Bricks & Roofing	172	159	8
Timber	76	89	(14)

External Revenue %

Total = $248m



Revenue – in Bricks & Roofing increased by 8% as market conditions improved, but was offset by a $13m reduction in Timber revenue, resulting in steady Building Products revenue of **$248m**.

Timber revenue declined as a result of the exit from a number of peripheral businesses announced in June 2013 including Woodchip export, softwood distribution in Queensland, and engineered flooring production at Murwillumbah. Woodchip export reported a $15m decline in revenue on the prior comparable period.

EBIT – Building Products delivered a **$23m EBIT turnaround to a modest profit of $5m**, with both Bricks & Roofing and Timber reporting positive earnings. The result reflects:

- a $7m benefit from prior period headcount reductions
- a $6m decline in depreciation following asset impairments made at 30 June 2013
- higher brick and softwood volumes, and
- improved pricing outcomes across all products.

The non-recurrence of brick capacity optimisation costs and one-off items also provided a $5m benefit compared to 1H FY2013.

Bricks – **volumes increased 7%** and average selling prices were up 1% on the prior comparable period.

Strong volume growth in Western Australia and improved volumes in NSW were partially offset by weaker demand in Victoria and Queensland.

Volume growth in NSW was constrained by stock availability following the Bringelly capacity optimisation project, although this has now been resolved.

Brick inventories declined by 19% on the prior comparable period or 9% since 30 June 2013, which had a $2m adverse EBIT impact.

Despite the improvements in brick volumes and cost reductions, the returns from the Bricks businesses remain at an unacceptably low level.

Roofing – **volumes and prices were broadly flat** on the prior comparable period with volume growth in NSW offset by weaker demand in Victoria. Roof tile demand also continues to suffer from product substitution.

Timber – Excluding the Woodchip export business, timber **revenues were up 3%** on 1H FY2013.

Softwood reported higher volumes and solid price gains, benefiting from stronger market conditions and global softwood supply constraints. **Hardwood** volumes continued to decline although pricing improved. While structural hardwood demand was steady relative to the last corresponding period, flooring and decking volumes declined significantly due to increased imports, domestic competitive pressures, and subdued demand in the high end alterations segment.

Negotiations with Forestry Corporation of NSW are well progressed in respect of contracted log supply to find a sustainable solution for Boral and the industry.

1H FY2014 vs 1H FY2013	Volume *Var %*	Average selling price, *Var %*
Bricks	7	1
Roofing	(1)	1
Hardwood[2]	(4)	6
Softwood[2]	20	4

[1] Remaining Masonry operations are incorporated into the Bricks business in Western Australia and the Roofing business in South Australia; 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 1H FY2014)

[2] Excludes exited operations

Boral Gypsum

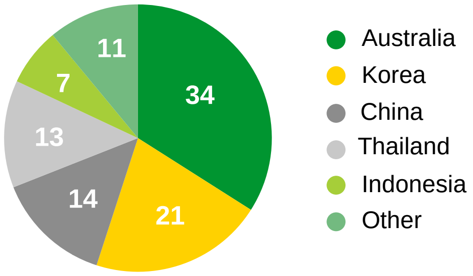
Plasterboard Australia and Boral Gypsum Asia

Solid underlying volume growth delivering positive earnings momentum

(A$ millions)	1H FY2014	1H FY2013	Var %
Revenue	537	462	16
EBITDA	77	62	24
EBIT	55	42	30
External Revenue	**1H FY2014**	**1H FY2013**	**Var %**
Australia	182	173	5
Asia	355	289	23
EBIT	**1H FY2014**	**1H FY2013**	**Var %**
Australia	20	11	79
Asia	35	31	13

External Revenue %

Total = $537m



Revenue – Boral Gypsum revenue was **up 16%** on the prior comparable period **to $537m** driven by 10% board volume growth, increased non-board revenue and a favourable foreign currency impact.

EBIT – A **30% increase in Boral Gypsum earnings to $55m** was underpinned by revenue growth and lower production and distribution costs in Australia.

Plasterboard Australia – revenue increased 5% to $182m with **EBIT up 82% to $20m**.

Earnings benefited from higher revenues as well as lower raw material, manufacturing and distribution costs and the full impact of prior period headcount reductions.

Increased revenue benefited from a 4% lift in board volumes, a 6% increase in resale product and contracting revenue, and a 3% increase in prices. Underlying demand improved across most markets, with the exception of Victoria.

Asia – reported **revenue growth of 23% to $355m with earnings up 13% to $35m**. Underlying revenue increased across most of Boral's Asian markets with the exception of India.

Board revenue**,** which accounted for 72% of Asia's total revenue**,** reported growth of 25% driven by an 11% increase in sales volume, steady prices overall and a favourable foreign currency translation impact.

Non-board revenue in Asia of $98m was up 17% on the prior comparable period.

1H FY2014 vs 1H FY2013	Board Volume *Var %*	Board ASP *Var %*
Australia	4	3
Asia	11	-

Korea reported a strong improvement in margins, underpinned by strengthening economic conditions, recovered market share and successful price increases.

Revenues in **China** benefited from substantially higher market penetration in the North China Shandong market and the capacity expansion at Chongqing completed in Sep-2013. Underlying demand in the high end construction market however continued to be subdued with board prices weaker due to competitive pressures.

In **Thailand,** underlying revenues and board volumes were steady, with domestic market demand adversely impacted by political unrest in the latter part of 1H FY2014.

Indonesia reported strong revenue growth driven by favourable economic conditions and additional volumes from the 30m m^2 capacity expansion at the Cilegon plant. Margins were however adversely impacted by a significant depreciation in the local currency which increased energy and raw material costs which are priced in US$. The business is now focused on improving pricing discipline to recover costs.

The remaining markets in Asia including Vietnam, Malaysia and India, accounted for 17% of Gypsum Asia's revenue.

Improved economic conditions drove revenue growth in **Vietnam**. The capacity expansion at Ho Chi Minh is expected to come online in the third quarter of FY2014. **Malaysia** reported steady underlying revenues with strong board volume growth offset by weaker prices and non-board revenues while in **India** revenue continued to be adversely impacted by anti-dumping restrictions on sales of imported products.

Boral USA

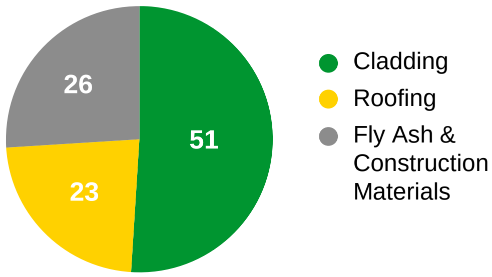
Bricks & Cultured Stone, Roof Tiles, Fly Ash, Construction Materials

Progressively reducing losses as US housing market continues to recover

(A$ millions)	1H FY2014	1H FY2013	Var %
Revenue	335	266	26
EBITDA	(8)	(17)	52
EBIT	(30)	(39)	23
(US$ millions)	**1H FY2014**	**1H FY2013**	**Var %**
Revenue	306	277	10
EBITDA	(8)	(18)	58
EBIT	(27)	(40)	32
Revenue *(US$ millions)*	**1H FY2014**	**1H FY2013**	**Var %**
Cladding[1]	156	130	20
Roofing	69	59	18
Construction Materials & Fly Ash	81	88	(9)

External Revenue %

Total = $335m



Revenue – Boral USA revenue of **US$306m was up 10%** on 1H FY2013, with a strong underlying improvement in revenue partly offset by the loss of revenue from the Oklahoma concrete and sand operations sold in June 2013. Australian dollar revenue increased by 26% to A$335m.

Underlying revenue benefited from stronger housing construction activity in the US which although still biased towards low cost national production home builders is benefiting from more custom builders re-entering the market.

EBIT – **losses reduced by US$13m to US$27m**. The improved result was underpinned by:

- a US$9m EBIT benefit from strong volume gains across all Boral's US businesses
- better production leverage and reduced overheads
- solid price gains in Roofing, and
- divestment of the Oklahoma concrete and sand operations.

Cladding – **revenue** which includes Bricks, Cultured Stone and Trim **grew 20% to US$156m**.

Bricks revenue of US$107m was up 20% driven by a 20% lift in volumes, broadly steady prices and a 21% increase in distribution revenue. The result reflects Boral's gain in share of production home builder activity.

Although **Cultured Stone** volumes increased 14%, prices were negatively impacted by an adverse geographic shift and highly competitive markets.

Bricks plant utilisation increased from 41% to 49%, with the Gleason plant in Tennessee re-commissioned in August 2013 to support volume growth as commercial brick replaced capacity at Bessemer. Cultured Stone's plant utilisation was 27%, up from 24%.

Trim volumes more than doubled as product penetration continued to increase, substantially reducing manufacturing costs. This developing business is expected to continue to progress towards profitability in FY2015.

Roofing revenues of US$69m grew by 18% with volumes significantly higher, distribution revenue up 17% and solid price gains.

Fly Ash and Construction Materials combined revenue of US$81m was down 9% with improved underlying revenue offset by the prior period sale of the Oklahoma construction materials operations.

The remaining Construction Materials business in Denver returned to profitability underpinned by higher market demand and improved pricing.

1H FY14 vs 1H FY13	Volume *Var %*	Average selling price, *Var %*
Bricks	20	-
Cultured Stone	14	(1)
Concrete tiles	18	4
Clay tiles	13	3

[1] Includes Bricks, Cultured Stone and Trim

Fix, Execute, Transform Program

Boral's '*Fix, Execute, Transform'* journey aims to transform Boral into a high performing company delivering sustainable growth through innovation and superior returns through the cycle.

Boral continues to be focused on improving EBIT return on funds employed (ROFE) to 15% in the long term.

ROFE[1] improved to 5.9% in 1H FY2014 from 4.2% in the prior comparable period as a result of significant rationalisation initiatives, impairments made as at 30 June 2013 and increased underlying market activity in a number of Boral's key markets.

USG Boral joint venture

Boral's joint venture with USG (expected to be completed on 28 February 2014), is a strategic step initiating Boral's *Transform* journey through providing access to world-leading technologies and future innovation in the gypsum business. **The joint venture is expected to deliver significant synergies in the medium term** and bolster Boral's leadership position across Asia, Australasia and the Middle East.

The transaction will also provide an upfront cash payment of US$500m from USG and up to US$75m of earn out payments. Up to **A$450m of the upfront cash payment will be applied to progressively reduce Boral's debt in 2H FY2014, thereby meeting a key mandate under Boral's immediate *Fix* priorities**.

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 maximising cash generation.

Reshaping the portfolio

Boral **delivered major cost improvement benefits in 1H FY2014** from rationalisation initiatives undertaken during calendar year 2013. Recent portfolio reshaping initiatives include:

- ceasing clinker manufacturing at Waurn Ponds and strengthening Boral's import capabilities
- ceasing production at the Berrima Colliery
- sale of the Windows business
- capacity optimisation projects in Building Products' bricks plants, and
- exit of the softwood distribution in Queensland and engineered flooring at Murwillumbah.

As previously announced, further restructuring in the Australian Bricks business is required to address unacceptably low returns. We have been assessing a number of value creating opportunities to address the issue and we are progressing a preferred course of action.

Managing costs down

During FY2013, Boral undertook a range of rationalisation initiatives, including the reduction of more than 1,100 positions, which were expected to deliver annualised benefits totalling $105m. Part year benefits of $37m from these initiatives were delivered in FY2013, with full year benefits to come through in FY2014. In addition, a second phase of cost cutting initiatives largely focused on contractor spend commenced in FY2014 and is expected to deliver further cost savings of $45m within two years, with a benefit of $25m in FY2014.

In 1H FY2014, **Boral achieved cost savings from these projects totalling $60m**, with $130m of annualised savings expected to be delivered in FY2014. It remains imperative that Boral continues to improve its cost base, as external inflationary cost pressures are significant. Each year Boral faces inflationary cost pressures of approximately $100m in Australia alone.

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[1] Calculated on a moving annual total basis

Reducing debt through maximising cash generation

Boral generated $212m of cash through divestments and the sale of surplus land over the last 18 months out of its two year target of $200m - $300m. This includes cash proceeds of $39m delivered in 1H FY2014 through the sale of the Windows business and cash received from land sales. Although Boral's property bank is expected to continue to deliver cash proceeds, earnings from property sales are not expected to be material in the foreseeable future.

Boral is also continuing to apply a disciplined approach to capital allocation with total capital expenditure in 1H FY2014 of $114m, including $76m stay in business capital expenditure. It is expected that in FY2014 total capital expenditure will remain relatively low at around $270m. This level reflects a $50m reduction as a result of the gypsum business moving to a joint venture in the second half, partially offset by reclassification of around $20m of quarry stripping costs from deferred expenses to plant and equipment as a result of changes to accounting standards.

EXECUTE – improving the way we operate

To deliver sector best performance, Boral will continue to rely on its levers of change: Safety, the Boral Production System (based on LEAN), Sales & Marketing Excellence and Innovation.

Safety performance – Boral's combined employee and contractor lost time injury frequency rate (**LTIFR**)[1] of **1.5** in 1H FY2014 was in line with the prior comparable period although a positive improvement trend was experienced in recordable injuries frequency rate (**RIFR**)[1], which **significantly decreased by 23% to 12.7**.

Nevertheless Boral's safety performance remains below global best practice and the organisation continues to be focused on improving processes, systems and launching new initiatives where required.

TRANSFORM – Transforming Boral for performance excellence

In addition to the announced joint venture with USG which is focused on accelerating Boral's access to technology innovation, Boral has created a **Global Innovation Factory** which is investing in product innovation to create new lightweight products and applications. An example is the development and launch of a better performing, lower carbon concrete product, **ENVISIA™** which was launched in July 2013.

Transforming Boral for performance excellence is not only about developing and leveraging a capability around product innovation, it is **also about ensuring Boral has structures and business models in place that maximise performance and support sustainable growth**.

For example, the changes we have been making in **the Cement business**, including replacing clinker manufacturing in Victoria with imports and ceasing production at the Berrima Colliery, are critically important to ensuring we have a sustainable and profitable cement business. We are addressing the manufacturing challenges we face, improving supply flexibility to maintain control of cement supply into our integrated construction materials operations over the long-term, and growing through product and process innovation.

[1] Per million hours worked

FY2014 Outlook

Boral's **growth prospects are underpinned by leading positions in Construction Materials in Australia**, the **major market recovery that has commenced in the USA** and **attractive long-term market and product penetration growth in Asia**. The business is well-positioned to leverage these opportunities and deliver improved performance through the cycle, with early signs of this evident in the first half of the year.

In Australia, activity across our key market exposures is expected to remain steady in FY2014 with growth in residential and non-residential activity offset by lower roads, highways, subdivisions and bridges activity. In the dwellings sector, higher activity in NSW, Queensland and Western Australia is anticipated to be dampened by ongoing weakness in Victoria.

Boral's **earnings in the 2H FY2014 are expected to be lower than the 1H FY2014** as a result of the key factors summarised below:

1H FY2014	2H FY2014
↑ More working days than 2H in Australia	↓ Fewer working days than 1H in Australia
↑ Exceptionally dry weather in most regions of NSW and Queensland	↓ Return to normal weather patterns in NSW and Queensland
↑ Increased contribution from major projects	↓ Completion of major projects (e.g. Curtis Island & Cape Lambert) and weakening of resource sector markets
	↓ Sale of 50% interest in Boral Gypsum will reduce contribution from Gypsum in 2H FY2014

In addition, significantly lower levels of profits are expected from property sales in FY2014, which in prior years have traditionally benefited the second half. Despite the skew of earnings to the first half of the year compared to the second half, the **underlying performance[1] in each of Boral's four divisions is expected to improve in 2H FY2014 compared to 2H FY2013**.

For FY2014 Boral expects:

- **Construction Materials & Cement** to deliver significantly improved underlying earnings, which will offset a significant reduction in Property earnings.
- **Boral Gypsum** to report a stronger underlying performance, benefiting from increasing demand in Australia and improved earnings from Asia. However the underlying improvement in 2H FY2014 is expected to be largely offset by integration costs of the joint venture with USG. The Gypsum division will contribute lower earnings to Boral in 2H FY2014 reflecting two months of 100% consolidated earnings for seasonally weaker January and February, followed by four months of 50% equity accounted post-tax contribution.
- **Building Products** to deliver a small profit in FY2014 with 2H FY2014 earnings seasonally weaker than 1H FY2014 earnings. Building Products will also be impacted by two plant maintenance shuts in the second half and re-commissioning of mothballed kiln 8 at Midland Brick, Western Australia in the last quarter of FY2014.
- **Boral USA** to report significantly improved results in 2H FY2014. The division is expected to break through to profitability in the fourth quarter FY2014, assuming US housing starts exceed an annualised run rate of 1.1 million for the fourth quarter of FY2014 and translate into improvements in single family dwelling starts and custom home builder activity.

With the recovery in US earnings, lower property sales and the impact of the USG Boral Gypsum joint venture equity accounting taking effect during the second half of the year, the FY2014 **effective tax rate** is projected to be in the range of 20% to 25%.

Interest expense in the second half will benefit from the receipt of US$500m from USG following formation of the USG Boral Gypsum joint venture expected to complete on 28 February 2014.

The **cost improvement benefits from our *Fix* initiatives** expected to total $130m in FY2014 will significantly contribute to offsetting inflationary cost pressures. These cost reductions coupled with portfolio re-alignment initiatives completed to date and improving market conditions in the USA and Australian residential markets and Asia are expected to benefit Boral beyond the current financial year.

[1] For Construction Materials & Cement, underlying performance excludes Property earnings.

Results at a Glance

(A$ million unless stated)	1H FY2014	1H FY2013	% Change
Revenue	2,874	2,774	4
EBITDA[1]	307	264	16
EBIT[1]	168	112	49
Net interest	(47)	(50)	
Profit before tax[1]	121	62	
Tax[1]	(30)	(8)	
Non-controlling interests	(1)	(2)	
Profit after tax[1]	**90**	**52**	**73**
Net significant items	(117)	(77)	
Net profit / (loss) after tax	**(26)**	**(25)**	
Cash flow from operating activities	231	107	
Gross assets	6,299	6,317	
Funds employed	4,792	4,857	
Liabilities	2,896	2,918	
Net debt	1,389	1,458	
Stay-in-business capital expenditure	76	61	
Growth capital expenditure	38	103	
Acquisition capital expenditure	-	-	
Depreciation and amortisation	139	151	
Employees	12,061	13,206	(9)
Revenue per employee, $ million	0.238	0.210	
Net tangible asset backing, $ per share	3.24	3.29	
EBITDA margin on revenue[1], %	10.7	9.5	
EBIT margin on revenue[1], %	5.8	4.1	
EBIT return on funds employed[1,3], %	5.9	4.2	
EBIT return on average funds employed[1,3], %	5.9	4.2	
Return on equity[1,3],%	4.3	2.6	
Gearing			
Net debt/equity, %	41	43	
Net debt/net debt + equity, %	29	30	
Interest cover[1], times	3.6	2.2	
Earnings per share[1], ¢	11.6	6.8	
Dividend per share, ¢	7.0	5.0	
Employee safety[2]: (per million hours worked)			
Lost time injury frequency rate	1.5	1.5	
Recordable injury frequency rate	12.7	16.6	

Figures relate to the total Group including continuing and discontinued operations

[1] Excludes significant items
[2] Includes employees and contractors combined
[3] Calculated on a moving annual total basis

Non – IFRS Information

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

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

Significant items are detailed in Note 6 of the half year 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 from underlying operations 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	2,874.3		2,874.3	2,279.3	595.0	2,874.3
EBIT	167.9	(119.1)	48.8	113.8	(65.0)	48.8
Finance costs	(46.6)		(46.6)	(44.6)	(2.0)	(46.6)
Earnings before tax	121.3	(119.1)	2.2	69.2	(67.0)	2.2
Tax (expense) benefit	(29.5)	2.4	(27.1)	(13.6)	(13.5)	(27.1)
Profit / (loss) after tax	**91.8**	**(116.7)**	**(24.9)**	**55.6**	**(80.5)**	**(24.9)**
Non-controlling interests	(1.4)		(1.4)	2.8	(4.2)	(1.4)
Net profit / (loss) after tax	**90.4**	**(116.7)**	**(26.3)**	**58.4**	**(84.7)**	**(26.3)**

The results announcement has not been subject to review or audit, however it contains disclosures which are extracted or derived from the half year financial report for the six months ended 31 December 2013.

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