Build something great™

Results Announcement for the year ended 30 June 2012

22 August 2012

Management Discussion & Analysis

KEY POINTS

- Full year revenue up by 6% to $5.01 billion, reflecting Boral's acquisition of Lafarge's 50% of LBGA
- Full year EBITDA[1] down 9% to $473 million
- Full year EBIT[1] down 28% to $200 million
- Group profit after tax[1] down 42% to $101 million
- Reported net profit after tax up 5% to $177 million
- Net debt $1.52 billion up from $505 million last year
- Full year dividend of 11.0 cents per share, fully franked
- External market factors in Australia, including a significant second half housing decline, weaker non-residential demand and wet weather had a major impact on earnings, offsetting price increases
- Boral has responded to the changed environment in Australia:
  - 37% reduction in installed brick capacity and 20% reduction in roof tile capacity
  - closure and subsequent divestment of the Galong Lime operations for $25 million
- EBIT contribution from Asian and US operations was in line with expectations
- Boral remains committed to its strategy announced in 2010, demonstrated by:
  - gaining management control of one of the world's leading plasterboard businesses, following acquisition of Lafarge's 50% interest in LBGA for $530 million[2]
  - acquisition of Wagners Concrete & Quarries and Sunshine Coast Quarries for $163 million[2] and $81.5 million[2] to strengthen Boral's leading southern Queensland materials position
  - divestment of the non-core Indonesian Construction Materials operations for an enterprise value of US$135 million[2] and the north Queensland and Colorado (USA) masonry assets
- Business improvement plans are focused on maximising cash flow and reducing costs including by leveraging Boral's LEAN strategy across all operations
- Improvement goals and reshaped portfolio position Boral well to profitably leverage recoveries in Australia and the US, while Boral's Asian plasterboard position provides an exciting growth platform.

(A$ millions)	FY2012			FY2011		
	Group[3]	**Discontinued Operations**	**Continuing Operations**	**Group[3]**	**Discontinued Operations**	**Continuing Operations**
Revenue	5,010	294	4,716	4,711	365	4,346
EBITDA[1]	473	12	461	522	19	503
EBIT[1]	200	(1)	201	277	5	272
PAT[1]	101	(4)	106	175	-	175
Significant items (net)	75	(29)	104	(8)	(12)	5
NPAT	177	(33)	210	168	(12)	180
EPS (cents)[1]	13.6			24.4		
Gearing (D/D+E)	31%			14%		
Full year dividend	11.0 cents			14.5 cents		

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

FINANCIAL OVERVIEW

Boral's **sales revenue** of $5.0b was 6% ahead of the prior year, reflecting Boral's acquisition of Lafarge's 50% interest in the Asian Plasterboard business (BGA). From 9 December 2011, there was a change from equity accounting of Boral's 50% share of BGA to full consolidation of revenues and earnings. Excluding this impact, revenues of $4.7b were broadly steady. Price gains across Australian businesses, contribution from acquisitions and increased volumes in the USA, offset Australian volume declines.

Boral's earnings before interest and tax (**EBIT**)[1] declined by 28% or $77m to $200m, with the key drivers of the earnings decline being:

- Approximately $120m decline in EBIT due to **lower volumes in Australia**. The severe decline in the residential market impacted Building Products by around $80m, while market declines in WA and SA particularly impacted Construction Materials and the closure of BlueScope Steel's Port Kembla operation had a $6m net impact on lime volumes impacting Boral Cement.
- Net **cost escalations** of approximately $125m in Australia largely due to significant wet weather impacts on operational efficiencies, higher costs of working in regional markets, underlying inflationary cost increases, and an extra $7m of distribution costs during the commissioning of the Port Melbourne Plasterboard plant, which were only partially offset by cost savings including restructuring.
- A decline in **property earnings** of $16m compared to the prior year.

These adverse impacts were partially offset by:

- Approximately $140m increase in EBIT due to **stronger prices** across most Australian businesses, except cement and softwood prices which were constrained by the high Australian dollar.
- A $24m lift in EBIT from **Asia** due to the part year consolidation of earnings from Boral Gypsum Asia and increased underlying earnings.
- A $15m reduction in EBIT losses from the **USA** reflecting a 20% lift in housing starts and the reduction in plant and overhead costs following further restructuring.

Profit after tax (PAT)[1] of $101m decreased by 42% on the prior year's PAT of $175m. Boral's net profit after tax (NPAT), after significant items, of $177m was 5% higher than last year.

Net **significant items** of $75m consisted of positive contributions from: a gain on fair value on acquisition of BGA, profit on sale of Indonesian Construction Materials operations, and a favourable variance on the acquisition price of US Cultured Stone and the settlement of US flyash contracts. Partially offsetting these gains were: impairment costs associated with Building Products sites in Australia, the closure of Galong, and capacity in the USA, together with acquisition/integration and corporate restructure costs.

Depreciation and amortisation increased by $28m to $273m and net **interest** expense increased by $25m to $88m, reflecting increased borrowings used to fund acquisitions and growth capital expenditure.

As a result of reduced NPAT[1], **earnings per share** of 13.6 cents declined from 24.4 cents in FY2011, return on funds employed reduced to 4.1% from 7.6%, and return on equity reduced to 3.0% from 5.6%.

Despite the decline in EBIT, EBITDA of $473m was just 9% below last year, reflecting continued strong underlying trading cash flows. **Operating cash flow** of $133m was however, $218m below last year due to higher interest payments, prior year tax refunds and higher acquisition and restructuring costs. Capital expenditure was $1.1b ($192m of stay-in-business and $923m of growth and acquisition expenditure).

Boral's net debt at 30 June 2012 was $1,518m, which is $26m lower than at 31 December 2011. Based on Boral's gearing covenant under its bank facilities (debt to debt plus equity less intangibles), Boral's 40% level as at 30 June 2012 remains well within the threshold under its bank facilities of less than 60%. Based on Boral's current strategy and plans, the Group does not anticipate any need for additional equity raising in the short to medium term.

A fully franked final **dividend** of 3.5 cents will be paid on 28 September 2012, bringing the full year dividend to 11.0 cents per share, fully franked. Boral's Dividend Reinvestment Plan (DRP) will be underwritten in respect of the final dividend, with the shares issued under the DRP to be issued at a 2.5% discount to the market price.

[1] Excluding significant items

EXTERNAL IMPACTS AND BORAL'S RESPONSE

External market conditions and economic factors in Australia impacted returns in FY2012

In the second half of FY2012, Boral's Australian operations were confronted by a combination of unexpectedly weak dwelling starts (which in the March 2012 quarter fell to an annualised 112,000 starts compared to 165,500 in FY2010 and 157,500 in FY2011), weaker non-residential activity (estimated to be down 8% year-on-year), and sustained rain in the eastern states.

This weaker construction activity, in combination with the delays and disruption caused by the wet weather, severely suppressed demand for building products and construction materials in Australia. The sustained wet weather in the second half also impacted operational efficiencies leading to higher costs in quarries, concrete, asphalt, cement, bricks and timber businesses.

Infrastructure work for roads, highways, subdivisions and bridges was up 7% year-on-year with volumes underpinned by additional resource sector and LNG projects demand, although rain impacted both the timing and cost of deliveries.

The permanent closure of BlueScope Steel's blast furnace at Port Kembla cut lime and limestone sales.

The stronger Australian dollar made imports more competitive suppressing pricing and reducing margins as a result of the inability to recover energy, fuel and labour inflationary costs in Cement and Softwood. Woodchip export volumes also reduced as a result of the high Australian dollar.

Boral has responded to the changed environment in Australia

Boral's challenge in FY2012 has been to deal with the "cycle low" sales volumes without compromising supply capabilities when demand returns to more normal levels.

Action has been taken in Building Products, with 230m standard brick equivalents (SBE) or 37% of Boral's national brick capacity taken out of service (with 60m SBE of capacity being permanently closed), closing Boral's roof tile manufacturing operation in Queensland, and streamlining overheads. Implemented progressively through the year, the benefits of these changes were not fully realised in FY2012 but associated costs were incurred during the year.

In Construction Materials, the impact of a cyclically low residential market, particularly in SEQ, was mitigated by increasing exposure to regional asphalt, concrete and aggregate markets and resource projects.

Following the loss of BlueScope Steel volumes, Boral closed and subsequently sold the lime plant at Galong in NSW, aligning the remaining Maldon lime plant capacity to future sales volumes.

Tight management of working capital and stay-in-business capital expenditure and proceeds from the sale of non-core businesses optimised cash flow from operations in the second half of the year, containing year-end net debt and gearing.

While an adverse sales mix diluted margins, planned price increases were generally secured in an environment of rising input costs.

The trading environment in Asian markets and the USA was generally stronger

Continued market growth was experienced in Indonesia, Malaysia and Thailand with Thailand benefiting from considerable post flood reconstruction. Conditions in South Korea remain positive with plasterboard continuing to penetrate the residential sector but planned price increases were constrained by highly competitive market conditions. In China, increased sales volumes from BGA's new plant in Shandong offset weaker than expected housing construction as a result of central government intervention.

In the United States, there are positive signs of increasing activity, with FY2012 housing starts 20% above the prior year. In Boral's US Brick states[1], housing starts were up 17% and in US Tile states[2] they were up 26% year-on-year. Housing activity however, remained at historically low levels at 685,000 starts in FY2012, well below the 50-year annual average of 1.5m starts and 1.55m starts in FY2007.

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[1] Brick States include: Georgia, North Carolina, South Carolina, Alabama, Kentucky, Mississippi, Tennessee, Arkansas, Louisiana , Oklahoma, Texas

[2] Tile States include: California, Arizona, Nevada, Florida, Colorado, Kansas, Missouri, Washington, Oregon

SEGMENT RESULTS

Boral Construction Materials

Concrete, Quarries, Asphalt, Transport and Property

(A$ millions)	FY2012	FY2011	Var %
Revenue	2,472	2,275	9
EBITDA	279	294	(5)
EBIT	174	204	(15)

External Revenue	FY2012	FY2011	Var %
Concrete	1,084	1,003	8
Quarries	468	428	9
Asphalt	783	712	10

Construction Materials achieved revenues of $2.47b, up $197m or 9% on FY2011, reflecting contributions from Wagners and Sunshine Coast Quarries as well as increased pricing and participation in major projects and flood recovery work in Queensland and NSW. Underlying national quarry and concrete volumes were both down by 2% on the prior year, while quarry prices increased by an average 11% and concrete prices were up 7%.

EBIT of $162m before property sales was down $14m or 8%, due to lower volumes in key markets and operational inefficiencies resulting from protracted wet weather across the east coast in the second half.

A combined $14m EBIT fall in WA and SA reflected the marked decline in residential demand and the reduction in major metro projects and regional mobile plant work in WA. Earnings from SEQ fell as higher margin sales volumes, down because of weaker housing and non-residential markets, were replaced by lower margin SEQ infrastructure projects. Supply to LNG projects at Gladstone grew progressively during the year, although at lower rates than expected, with benefits to be more pronounced from FY2013.

Revenue from the Asphalt business improved year-on-year although wet weather impacted productivity and project timing. Demand increased in regional Queensland due to road reconstruction, in Melbourne due to the Peninsula Link and the Calder and M80 interchanges, and in regional NSW because of the Ballina Bypass project. These volume gains offset a large decline in SEQ roads and highways work.

The acquisitions of Wagners and Sunshine Coast Quarries completed mid-FY2012, and successfully integrated, were forecast to contribute $80m of revenue and $9m of EBIT in FY2012. Revenue was in line with forecast but EBIT was down due to wet weather impacting operating efficiency in the second half of the year.

Property contributed $12m of EBIT in FY2012, which was below expectation and $16m below the prior year. The result largely reflects sale of surplus land at Donnybrook in Victoria but anticipated sales elsewhere did not occur prior to 30 June.

Improvement programs continue across Construction Materials operations with LEAN processes increasing efficiencies. Improved price disciplines and processes to reduce margin leakage will continue to impact positively on pricing outcomes. A major program of rationalising under-performing sites is underway to lower costs and enhance returns. The business is focused on cash generation, margin growth, improving return on assets and building low cost quarry resource positions in high growth markets.

Boral Cement

Cement, Lime and Concrete Placing

(A$ millions)	FY2012	FY2011	Var %
Revenue	430	442	(3)
EBITDA	118	134	(12)
EBIT	69	87	(21)

External Revenue	FY2012	FY2011	Var %
Cement & Lime	312	312	-
Concrete Placing	118	130	(10)

Cement revenues of $430m, $12m or 3% below the prior year, reflect a 40% reduction in NSW lime volumes, marginally lower cement volumes, and broadly flat cement prices. Revenue from De Martin & Gasparini was down despite flat volumes, reflecting a reduction in the proportion of concrete and placing package work.

EBIT of $69m was $18m or 21% below last year partly due to the loss of lime and limestone sales volumes to BlueScope Steel which impacted EBIT by net $6m. Increases in input costs, particularly electricity and fuel, and a shift to lower margin cement segments further impacted earnings. Other cost impacts were contained through improved operating effectiveness as well as from cost reduction projects.

The Cement division effectively leveraged LEAN principles to deliver kiln efficiency improvements during the year and is working to deliver further improvements in efficiency and safety outcomes. Lowering the cost of domestic supply to help offset the impact of constrained pricing due to the high Australian dollar and maximising the utilisation of fixed assets are strategic priorities for the Cement division.

Boral Building Products

Australia Plasterboard, Bricks, Roofing, Masonry (West), Timber and Windows

(A$ millions)	FY2012	FY2011	Var %
Revenue	1,012	1,197	(15)
EBITDA	71	132	(46)
EBIT	20	81	(76)

External Revenue	FY2012	FY2011	Var %
Plasterboard	352	395	(11)
Clay & Concrete	333	391	(15)
Timber	192	256	(25)
Windows	135	155	(13)

Building Products revenue of $1.01b was $185m or 15% below the prior year. The decline was primarily driven by the fall in Australian housing which began in FY2011 but fell rapidly again in the second half of the year, when wet weather also impacted. Price increases, which averaged around 2-3%, except for softwood and woodchips, were insufficient to offset the significant impact of lower volumes across all products.

Sales volumes declined year-on-year by 16% in Bricks, 14% in Roofing, 15% in Masonry and 14% in Plasterboard, with falls most pronounced in Queensland, SA and WA. Hardwood and Softwood volumes declined 14-15% and Woodchip volumes were 26% lower due to weaker exports. Sales volumes in most product groups have fallen by 25% or more since December 2010.

EBIT of $20m was $62m or 76% lower than the prior year, of which approximately $80m reflected the acute market related decline in sales volumes across all product groups. This mainly arose from the associated fall in contribution margins incurred before the impact of mitigation actions to lower fixed costs of production, distribution and overheads. Inventory reductions to lift cash flow also reduced earnings by $11m, which will also impact in FY2013. A “one-off” cost of $7m from extra distribution costs to support commissioning of the upgraded Port Melbourne Plasterboard plant also impacted EBIT. These factors were partially offset by higher prices and cost savings.

The businesses responded to changed market conditions, by undertaking significant closures in the Brick and Roof Tile businesses and inventory reductions to optimise cash flow. Not all of the savings from these actions were captured in the year but the costs of restructuring were. After the current program of plant and business closures, divestments in Masonry and restructuring of the division to lower overhead costs is completed, employee numbers in Building Products will reduce by around 800 or 23%. There will also be substantial reductions in labour hire and contractor numbers.

Further initiatives to lift performance include improvement of operating efficiency from LEAN initiatives, maximising cost reductions and network improvements in Plasterboard following the Port Melbourne plant upgrade, which is now operating as expected, and in Windows following site closures.

Plasterboard Asia

100% of Boral Gypsum Asia (BGA) - from 9 December 2011

(A$ millions)	FY2012	FY2011	Var %
Revenue	304	-	N/A
EBITDA	52	17	N/A
EBIT	41	17	N/A

Note: FY2011 represents an equity accounted after tax result

BGA’s revenue of $304m incorporates 100% of revenue since 9 December 2011. Revenues in Indonesia grew strongly on the prior year due to strong economic conditions. Thailand also delivered further revenue growth reflecting organic growth and volumes associated with post-flood reconstruction work in Bangkok. Revenues from China grew less than expected due to slow-down in construction activity, while in Korea revenues lifted on plasterboard penetration in the residential sector, despite some share loss following price competition in the last six months.

EBIT of $41m includes a part year post-tax equity contribution and 100% fully consolidated EBIT since December 2011. Underlying EBIT and EBITDA increased due to improved volumes and sustained margins. Earnings were impacted by the market factors outlined above in China and Korea and “one-off” costs of integrating the Shandong (China) acquisition. These factors are not expected to have a sustained impact on earnings growth.

Plasterboard capacity lifted in the year both through acquisition and organic expansion. In December 2011, BGA acquired a new 35m m^2 capacity plant in Shandong (China) which provides increased capability to service key markets in Beijing and Tianjing. Plant capacity in Chongqing (China) was increased in March 2012 as the first step towards expanding its capacity from 13 to 43m m^2 by October 2012. In Indonesia, an additional 30m m^2 of capacity currently under construction at the Cilegon (West Java) plant is expected to be in operation by early 2013, enabling Boral to increase supply to the key Jakarta market. In Vietnam, an additional 30m m^2 of capacity currently under construction at the Ho Chi Minh City plant is progressing in line with expectations. The capital investment for these projects of around $100m was taken into account in the BGA acquisition planning.

The introduction of LEAN will facilitate further capacity increases at all plants with minimal investment and will provide efficiency improvements and cost reductions more broadly across BGA in FY2013.

Boral USA

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

(A$ millions)	**FY2012**	**FY2011**	**Var %**
Revenue	499	431	16
EBITDA	(41)	(57)	28
EBIT	(84)	(99)	15

(US$ millions)	**FY2012**	**FY2011**	**Var %**
Revenue	516	431	20
EBITDA	(42)	(57)	25
EBIT	(87)	(99)	13

External Revenue (US$m)	**FY2012**	**FY2011**	**Var %**
Cladding[1]	239	178	34
Roofing	101	89	14
Construction materials & flyash	176	164	7

1. Includes consolidation of Cultured Stone revenues from Jan-11

The USA operations reported revenue of A$499m, 16% above last year, reflecting the full year inclusion of the Cultured Stone joint venture and the increase in market volumes.

At the EBIT level, the USA reported a loss of A$84m compared to a A$99m loss in the prior year. US dollar losses decreased to US$87m compared with US$99m in FY2011. The year-on-year improvement was due to the modest growth in the housing market, continued head count reductions, LEAN benefits, further plant rationalisations and other cost containments.

Revenue from Cladding (Bricks, Cultured Stone & Trim) was up 34% to US$239m due to full year Cultured Stone revenues as well as volume increases in Bricks and Cultured Stone**.** Underlying performance improved, but results continued to be impacted by low plant utilisation of 26% in FY2012.

Roofing revenues of US$101m increased by 14%, due to a 12% volume increase. EBIT from Roofing improved on the prior year but the improvement was partially offset by Ione clay tile plant commissioning costs.

Flyash and Construction Materials revenues increased by 7% to US$176m reflecting a 16% increase in concrete volumes, flat aggregate volumes and lower prices. The termination and settlement of the Crystal River flyash contract also contributed to improved results.

Boral’s US division will continue to prepare for the market recovery and growth, including leveraging LEAN processes. Benefits will be delivered from the One Boral strategy in the Cladding and Roofing businesses, and commercialisation of new, innovative products remains a focus.

Discontinuing Businesses

Asian Construction Materials, Masonry East Coast and Roofing Queensland

Discontinued Businesses reported $294m of revenue and a $1m EBIT loss in FY2012.

The divestment of the Asian Construction Materials businesses is part of Boral's strategic re-focus on its core product portfolio. As a result, an agreement to sell the Indonesian operations was announced in February 2012, and the intention to divest the Thailand Construction Materials business was announced.

The first stage of the Indonesian Construction Materials divestment was completed on 31 March 2012, and the second stage is expected to complete on 30 August 2012.

The Indonesia Construction Materials business performed well prior to its sale in March 2012. Thailand Construction Materials returned to solid profitability during the year, continuing its improvement in performance over the past three years and better positioning the business for sale.

Following the disposal of Boral's small Masonry operations at Cairns and Mackay in February 2012, the announced sale of the remaining non-core east coast Masonry assets is progressing.

STRATEGY

The portfolio has been reshaped during the year

Acquisitions and projects over the past two years have created an industry leading, global scale plasterboard position for Boral in the high growth Asia Pacific region; strengthened Boral's now wholly-owned exterior cladding business in the US; and enhanced the consented aggregate and sand reserves in NSW and Queensland and Boral's concrete network in Queensland.

During FY2012 the following key steps were taken:

- Gained management control of Lafarge Boral Gypsum Asia (now BGA) following the purchase of the remaining 50% share held by Lafarge for $530m[1]
- In SEQ, acquired the assets of Wagners for $163m[1] and Sunshine Coast Quarries for $81.5m[1]
- Divested the north Queensland and Colorado (US) Masonry assets for a total of $15m
- Sold the Galong lime plant in NSW for $25m
- Following Boral's move to 100% ownership of MonierLifetile in FY2011, the previously separate US concrete and clay roof tile operations were restructured and integrated under the banner of Boral Roofing, reducing structural overheads and improving channels to market
- Integrated Boral's 50% interest in the market leading Cultured Stone operations, acquired from Owens Corning in the prior year, into the exterior cladding product offer in the USA. Boral will move to 100% ownership of Cultured Stone in FY2014
- In August 2012, expect to complete the divestment of Construction Materials assets in Indonesia for an enterprise value of US$135m[1].

The sale of identified **non-core businesses** remains a focus for Boral's management.

Good progress made to strengthen the core

Boral's target is Zero Harm in all work places and to achieve this goal new behaviour based programs have been implemented in Australia and the USA, with Asia now underway. A single **safety** management system is currently being rolled out in Australia, initially in NSW and SA. In FY2012, Lost Time Injury Frequency Rate (LTIFR) of 1.8 hours per million hours worked was lower than 2.0 in the prior year and is the lowest LTIFR that Boral has reported.

LEAN processes have been embedded into most Australian and US based operating sites with upside potential captured in improvement plans now being implemented and in measures such as audits and Overall Equipment Effectiveness (OEE). The full benefits of LEAN should be delivered when market volumes return. Roll out of LEAN in Asia is underway.

[1] Before completion adjustments

Boral's $200m Sydney aggregates project near **Marulan** in NSW (Peppertree Quarry) is well advanced having gained key statutory approvals in the year which allowed finalisation of major supply contracts and site construction to commence in FY2012. The project, to be completed in CY2013, will provide long-term aggregate and manufactured sand supply to service the greater Sydney basin once the existing quarry at Emu Plains ceases in CY2014.

The well located but ageing **plasterboard manufacturing** and distribution site at **Port Melbourne** (Victoria) was upgraded during the year. This completes the modernisation of Boral's east coast plasterboard production infrastructure in Australia, providing it with appropriately scaled and lower cash cost capacity. Boral's plasterboard plant at Camellia (NSW) was upgraded in 1994 and was followed by the green-field site development at Pinkenba (Queensland) in 2009.

IMPROVEMENT PLANS AND OUTLOOK

Improvement goals focus on maximising cash flow from existing assets

Divestments made over the past two years have returned approximately $170m of cash. Over the next two years, further non-core divestments and property sales targeting $200m-300m will be actively pursued, to be applied to debt reduction. However, assets will not be sold below fair value.

Capital expenditure levels will be tightly controlled in FY2013 and will be lower than FY2012, even allowing for the balance of capital required to complete the Sydney aggregates project at Peppertree Quarry.

A Group wide performance improvement plan is continuing, leveraging LEAN tools to improve profit, operating cash flow and enhance return on assets, which will further strengthen Boral's strategic business positions by:

- Better aligning overhead costs in Australia with Boral's adjusted portfolio
- Cutting physical inventories by leveraging LEAN
- Exiting remaining underperforming or marginal positions in low growth markets.

Effective pricing, which includes full recovery of carbon scheme costs in Australia, remains a key priority, given the escalating cost of energy and other inputs such as raw materials and labour.

Growth will leverage the reshaped portfolio during expected building cycle upturns

In FY2012, Boral was significantly impacted by the combination of unexpectedly weak new dwelling and non-residential building activity in Australia and substantial wet weather in the eastern states, at a time when US residential construction remained at close to a post "great depression" low.

While in **Australia**, housing starts in the June 2012 quarter are expected to have increased marginally over the 112,000 annualised level recorded in the March 2012 quarter, they are projected to remain well below long term average annual levels of 150,000 to 155,000. In the USA, FY2012 housing starts of 685,000 remain well below the 50-year average annual level of 1.5m.

The historical level of annual housing starts is a measure of future demand and Boral is well positioned to leverage a return to such normal "mid-cycle" levels of housing activity in both the USA and Australia. Boral is also well placed to grow through its new wholly-owned plasterboard position in Asia.

In the **USA**, Boral generated US$75m of EBIT in FY2007 when housing starts of 1.55m were close to the 50-year average, compared to the EBIT loss of US$87m in FY2012 at 685,000 starts. Comparing Boral's like-for-like[1] brick and roof tile businesses in FY2009 and FY2012, when housing starts were running at similarly low levels of around 55% below mid-cycle levels, EBIT losses have reduced by US$25m demonstrating the considerable uplift in the underlying business.

Looking forward, the US business has significantly better leverage in exterior claddings than it did in FY2007. In Bricks, sales volumes at 1.5m starts can be supplied from fewer manufacturing plants operating at higher output than was the case in FY2007, reflecting significant capacity rationalisation. Implementation of LEAN has also yielded structural fixed cost reductions, lower inventories and lower stay-in-business capital requirement. Boral will also benefit from 100% ownership of a fully integrated

[1] Based on Boral's ownership of 50% of MonierLifetile on 2009 and excluding the Cultured Stone business

concrete and clay roof tile business and the addition of Cultured Stone. Boral will see strong future earnings leverage from a lift in new house construction in the USA.

Boral's **Building Products** business in Australia delivered EBIT of $81m in FY2011 when housing were just above long term annual average levels of 150,000-155,000 starts. The modernisation of plasterboard plants, the closure of higher cost brick capacity, the exit from loss making Masonry and Queensland Roofing businesses and the associated reductions in overhead costs, together with the benefits of LEAN, will have a positive impact on future earnings. On balance, management believes that Boral is positioned to earn EBIT levels of at least that achieved in FY2011 as building activity returns to long term average mid-cycle levels.

Boral's **Construction Materials** business in Australia has leading, consented aggregate positions in metro markets and in high growth regional markets exposed to the resource sector, now strengthened in SEQ post acquisitions and in NSW through the Sydney aggregates project near Marulan. These positions are well integrated with extensive concrete batching and delivery networks and asphalt operations. Management believes that the return to long term average mid-cycle building and infrastructure activity should result in the business earning the EBIT levels achieved in FY2011, before taking into account the impact of recent acquisitions and benefits from improvement plans, including from LEAN.

Boral's **Cement** business in Australia faces continued EBIT pressure from flat prices due to the strong Australian dollar and imports while manufacturing costs in Australia rise, including from the impact of the price on carbon. The return to long term building activity levels combined with stronger infrastructure activity alone will likely not see earnings return to historical levels, without a significant reduction in costs through more flexible cement supply, options for which are under review.

In **Asia**, Boral is focused on and is well positioned to drive further penetration of plasterboard internal wall partition and ceiling solutions. Growth in existing plasterboard capacity which will be achieved through LEAN, as well as the 75m m^2 of capacity expansion underway and delivered through existing distribution infrastructure, will service future sales volume growth. In the medium term, management believes that this should result in revenue and earnings growth at levels that compare with the annual average growth achieved by the business over the last 10 years.

Continuing challenging conditions are expected in FY2013

In FY2013, continued buoyant activity in major infrastructure work including LNG projects in **Australia** is expected but this will be dampened by ongoing weak residential and non-residential markets. Construction Materials will benefit from Queensland LNG projects for the full year, but significant volumes from the Western Australian LNG project will not occur until FY2014.

Boral's Cement volumes are expected to be flat, with residential demand improvements in NSW offset by weakness in Victoria and continued low volumes in SEQ. The pricing environment will remain challenging due to the high Australian dollar and low sea freight prices.

Continued weak housing demand, particularly for the first half of FY2013, will prove challenging for Building Products. Further interest rate reductions and/or improved consumer sentiment are required for demand to lift in the six months ending June 2013.

In **Asia**, continued growth in construction activity is expected together with more penetration by plasterboard. While the residential market remains subdued in China, Boral's plant in Shandong will see growth of sales volumes in new high-end markets in Beijing, Tianjing and Shandong.

In the **USA**, housing starts are expected to increase in FY2013, biased towards the second half year. The business is well positioned to take advantage of market recovery through LEAN and Sales and Marketing Excellence and from its restructured Roof Tile and Cultured Stone business positions.

Overall, FY2013 will be a year of consolidating recent portfolio changes while driving forward with Boral's improvement goals which focus on maximising cash flow from existing assets and further strengthening the core business. Given ongoing market uncertainty in Australia, a trading update will be provided at Boral's Annual General Meeting in November 2012.

RESULTS AT A GLANCE

(A$ million unless stated)

Year ended 30 June	FY2012	FY2011	% Change
Revenue	5,010	4,711	6
EBITDA[1]	473	522	(9)
EBIT[1]	200	277	(28)
Net interest[1]	(88)	(64)	(39)
Profit before tax[1]	111	213	(48)
Tax[1]	(9)	(40)	
Non-controlling interests	(1)	2	
Profit after tax[1]	**101**	**175**	(42)
Net significant items	75	(8)	
Net profit after tax	**177**	**168**	5
Cash flow from operating activities	133	351	
Gross assets	6,500	5,668	
Funds employed	4,921	3,662	
Liabilities	3,096	2,512	
Net debt	1,518	505	
Stay-in-business capital expenditure	192	235	
Growth capital expenditure	222	111	
Acquisition capital expenditure[2]	701	146	
Depreciation and amortisation	273	245	
Employees[3]	14,740	15,277	(4)
Revenue per employee, $ million	0.340	0.308	10
Net tangible asset backing, $ per share	3.31	3.91	
EBITDA margin on revenue[1], %	9.4	11.1	
EBIT margin on revenue[1], %	4.0	5.9	
EBIT return on funds employed[1], %	4.1	7.6	
Return on equity[1],%	3.0	5.6	
Gearing			
Net debt/equity, %	45	16	
Net debt/net debt + equity, %	31	14	
Interest cover[1], times	2.3	4.4	
Earnings per share[1], ¢	13.6	24.4	
Dividend per share, ¢	11.0	14.5	
Employee safety[4]: (per million hours worked)			
Lost time injury frequency rate	1.8	2.0	
Recordable injury frequency rate	19.0	21.4	

Figures relate to the total Group including continuing and discontinued operations

[1] Excludes significant items
[2] Net of $63 million cash acquired in BGA
[3] Includes 2,645 employees from acquisitions during the year
[4] Includes employees and contractors combined

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 the Note 7 of the financial report and relate to amounts of income and expense that are associated with significant business restructuring, impairment or individual transactions.

A reconciliation of earnings from continuing operations before significant items to reported profit is detailed below:

Year Ended 30 June 2012

	Continuing Operations	**Significant Items**	**Total**
	$m	**$m**	**$m**
EBIT	200.9	65.3	266.2
Net financing costs	(84.9)		(84.9)
Income tax (expense) / benefit	(9.6)	38.8	29.2
	106.4	**104.1**	**210.5**
Non-controlling interests	(0.8)		(0.8)
NPAT from continuing operations attributable to members of the Boral Group	**105.6**	**104.1**	**209.7**
NPAT from discontinued operations attributable to members of the Boral Group	(4.4)	(28.7)	(33.1)
NPAT attributable to members of the Boral Group	**101.2**	**75.4**	**176.6**

The results announcement has not been subject to review or audit.

For more information:

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