



Progressing Boral's Fix, Execute, Transform Program

Mike Kane, CEO & Managing Director, Boral Limited
JPMorgan Building Forum, 10 April 2014

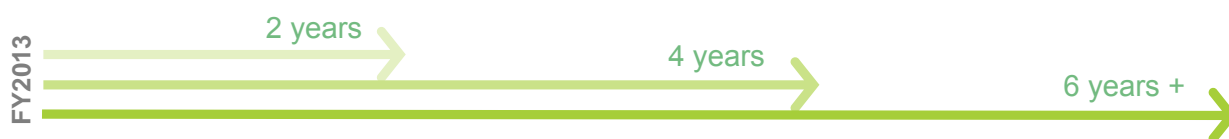


Boral's Fix, Execute, Transform program



Our goal is to transform Boral into a global building and construction materials company that is known for its **world-leading safety performance, innovative product platform and superior returns on shareholders' funds**

FIX **EXECUTE** **TRANSFORM**



Fixing things that are holding us back

Improving the way we operate to be more efficient, disciplined and profitable

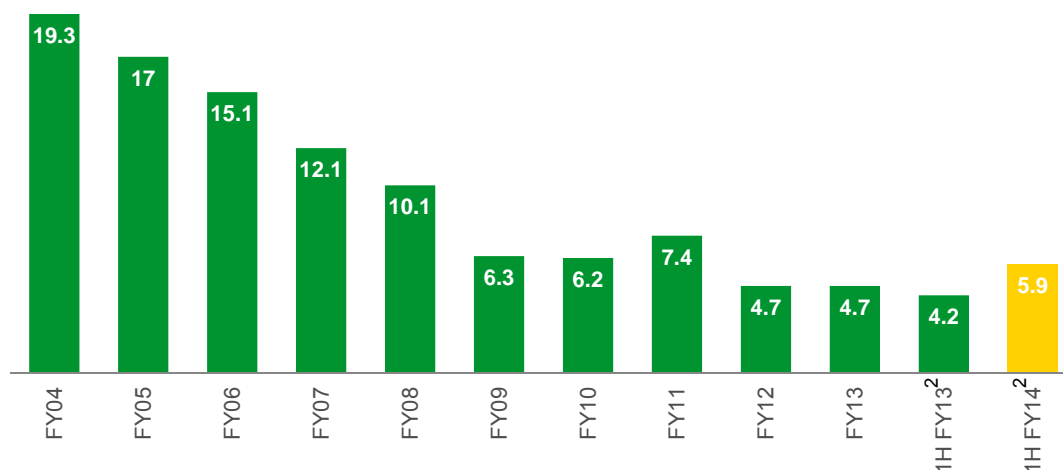
Transforming Boral for performance excellence and sustainable growth through innovation

Focus is on improving ROFE to 15%



EBIT to average funds employed (ROFE¹)

%

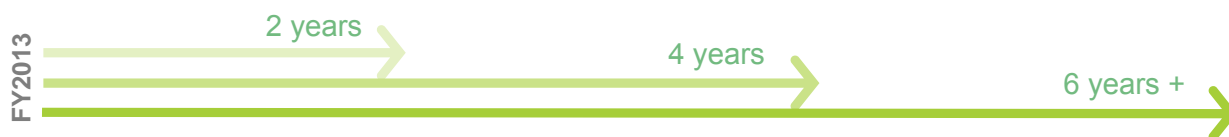


1. Excludes significant items
2. 1H FY2013 and 1H FY2014 on a moving annual total (MAT) basis

Solid progress has been made



FIX **EXECUTE** **TRANSFORM**



Fixing things that are holding us back

- ✓ Streamlined organisation
- ✓ \$150m costs out
- ✓ Cash up and capex down
- ✓ Net debt from ~\$1.5b to ~\$0.9m
- ✓ Portfolio realignment

Improving the way we operate to be more efficient, disciplined and profitable

- ✓ People engagement and safety first
- ✓ Levers of change – LEAN, Sales & marketing, Innovation
- ✓ Capacity utilisation up
- ✓ Responding to external challenges

Transforming Boral for performance excellence and sustainable growth through innovation

- ✓ Product innovation
- ✓ Gypsum technology platform secured
- ✓ Lowering fixed cost exposures

Solid progress made in delivering immediate FIX priorities



FIX

	OBJECTIVES	PROGRESS
Manage costs down	<ul style="list-style-type: none"> In FY2014 reduce costs by: <ul style="list-style-type: none"> \$105m through prior period headcount reductions & rationalisation initiatives further \$25m through new initiatives largely in contractor spend 	<ul style="list-style-type: none"> Realised \$60m in cost reductions from cost down programs in 1H FY2014 Expect to deliver \$130m in savings in FY2014 (annualised to \$150m in FY2015)
Maximise cash generation	<ul style="list-style-type: none"> Generate \$200-\$300m from divestments and land sales in FY2013 & FY2014 Apply disciplined approach to capex and manage capital assets to improve returns 	<ul style="list-style-type: none"> \$212m in cash proceeds from divestments & land sales in 18 months to Dec-13 US\$500m upfront payment from USG in Feb-14 Capex down 31% in 1H FY2014
Reshape the portfolio	<ul style="list-style-type: none"> Simplify structures & reduce overheads Rationalise portfolio to core essentials 	<ul style="list-style-type: none"> Sold Windows business Ceased production at Berrima Colliery Proposed JV with CSR aims to achieve sustainable returns for East Coast Bricks business

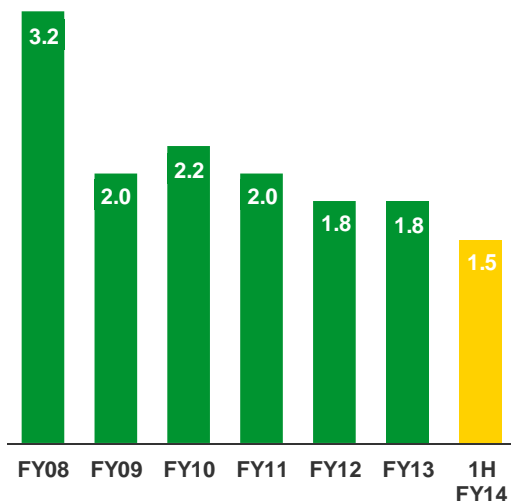
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Execute: Safety continues to be a key lever of change to improve the way we operate



EXECUTE

Employee and Contractor LTIFR*



* Lost Time Injury Frequency Rate per million hours worked



- Continued drive to change behaviours and increase use of Boral Production System tools
- Intervention programs implemented at sites with unsatisfactory safety performance
 - executives visit sites and engage each employee individually
 - complemented by health and safety experts addressing issues with site managers

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Execute: Improving the way we operate... to help respond to external challenges



EXECUTE



External challenges

Australia

- Low economies of scale
- High costs – labour, energy, transport
- Immature energy markets
- High land costs & housing affordability leading to trend away from detached housing
- Level and type of government intervention
- High A\$
- Industrial relations

USA

- Shape and pace of recovery

Asia

- Exchange rate impacts
- In-country volatility

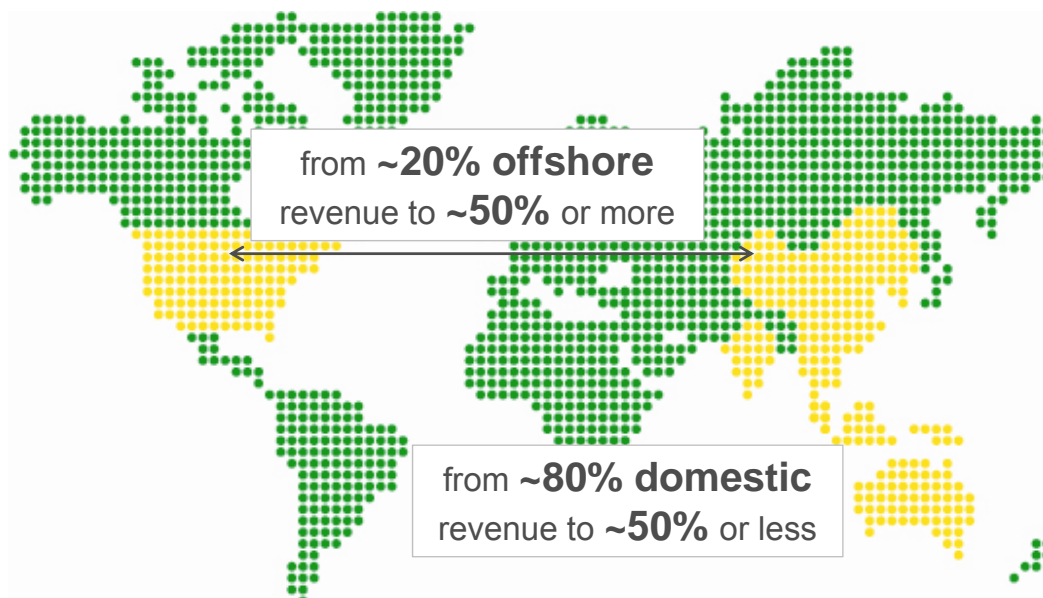
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Transform: Longer term Boral will be more geographically balanced

with a more flexible cost structure and balance of traditional and innovative products



TRANSFORM



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Case Studies & Supporting Slides

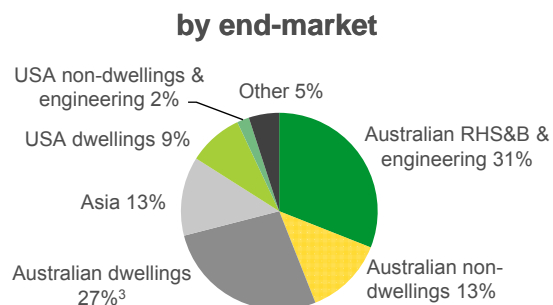
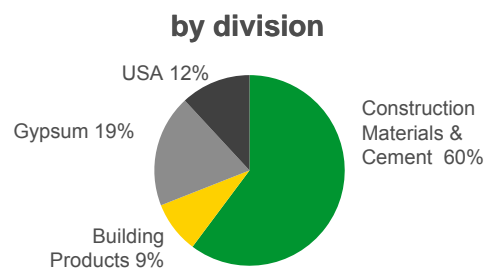
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Business overview



1H FY2014⁴ Revenue

- Boral is an international building and construction materials group with operations in Australia, the USA and Asia
- A\$4.5b market cap¹
- S&P/ASX 100 company
- Operations across 13 countries²
- ~12,000 employees²



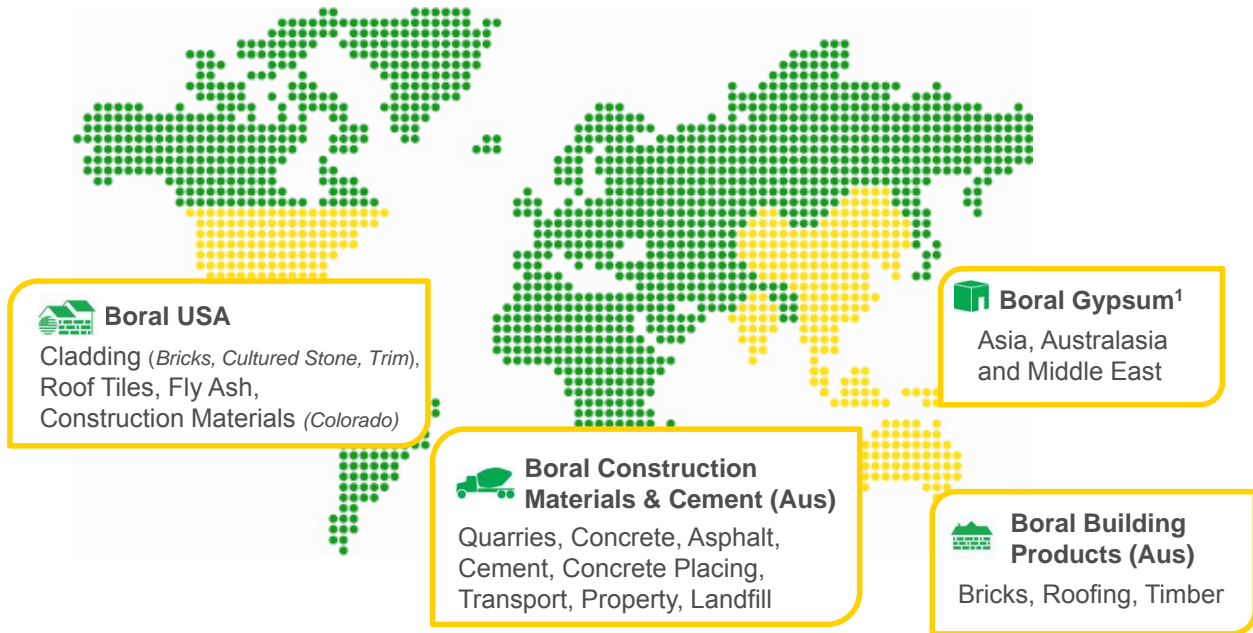
1. As at 8 April 2014

2. Includes USG Boral joint venture operations. As at 28 February 2014

3. Comprised of ~12% from detached housing, ~6% from multi-dwellings and ~9% from alterations and additions

4. For the half year ended 31 December 2013; revenue of A\$2.8b for continuing operations only

Boral's divisional structure



1. Through a 50% interest in USG Boral Building Products effective 28 February 2014

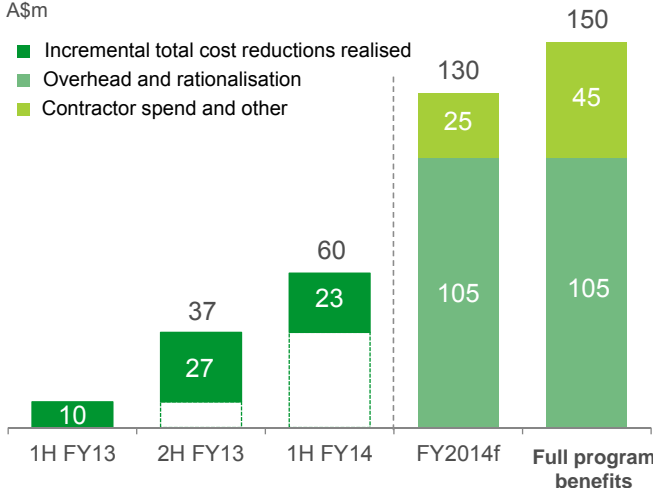
Fix: Cost reduction programs essential to offsetting inflationary cost pressures



Cost reduction benefits

A\$m

- Incremental total cost reductions realised
- Overhead and rationalisation
- Contractor spend and other



- **Jan-13** – announced rationalisation and overhead cost reductions with expected full year benefit of **\$105m from FY2014**
- **Oct-13** – announced second phase of cost reductions focused on contractor spend with **expected benefit of \$25m in FY2014 and \$45m from FY2015**
- **\$60m cost reductions realised in 1H FY2014**
 - \$52.5m from overhead & rationalisation
 - \$7.5m from contractor spend and other

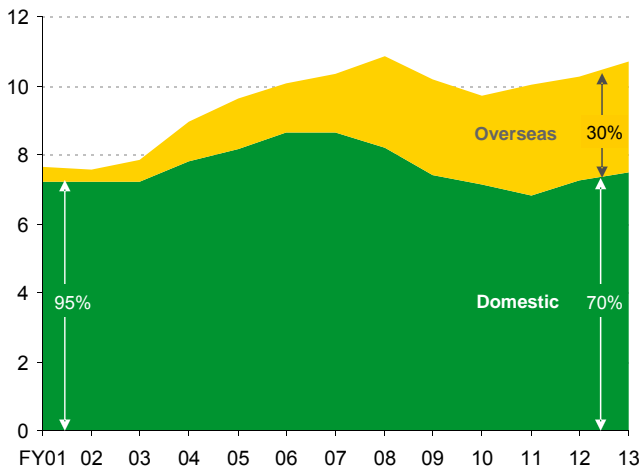
➔ to be realised from FY2015

Each year, Boral faces inflationary cost pressures of \$100m in Australia alone

Fix & Transform: A combination of cost factors led Boral to cease clinker manufacturing in Vic



Cementitious Production Volume by Source¹
(million tonnes per year)



A\$ 0.53 0.52 0.59 0.71 0.75 0.75 0.79 0.91 0.74 0.88 1.00 1.03 1.02 ← Average exchange rates each year

- Manufacturing of clinker Waurm Ponds, Victoria ceased in April 2013
- Decision driven by high A\$, low shipping costs from Asia, high production costs and sub-scale plant size
- Moved to importing clinker from Port of Geelong
- Boral now importing in line with industry at around 30% of demand
- Asian spare capacity likely to be available at marginal cost over the long-term

1. Imports include cement, clinker and slag (GBFS). Domestic includes clinker manufactured in domestic kilns and slag ex-Port Kembla. Assumes 1 t clinker = 1.1 t cement

Transform: Boral Gypsum through strategic joint venture with USG

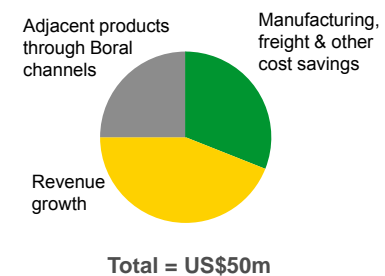


Delivering Boral Gypsum an enhanced future growth platform

Immediate access to gypsum technology	<ul style="list-style-type: none"> ✓ Deliver customers stronger and lighter board ✓ Exclusive royalty-free rights to current USG IP, including improvements to current technology
Future access to innovation	<ul style="list-style-type: none"> ✓ Strengthens industry leading position ✓ Exclusive option to licence future "breakthrough IP" developed by USG
Significant synergies	<ul style="list-style-type: none"> ✓ Synergies expected to exceed US\$50m p.a. within 3 years of technology roll-out (roll-out to be completed within 2 years) ✓ Exclusive distribution rights to USG's complementary products
Upfront cash payment	<ul style="list-style-type: none"> ✓ Boral received upfront cash payment of US\$500m & will reduce debt up to A\$450m ✓ Further potential earn out of up to US\$75m



Targeted synergy breakdown

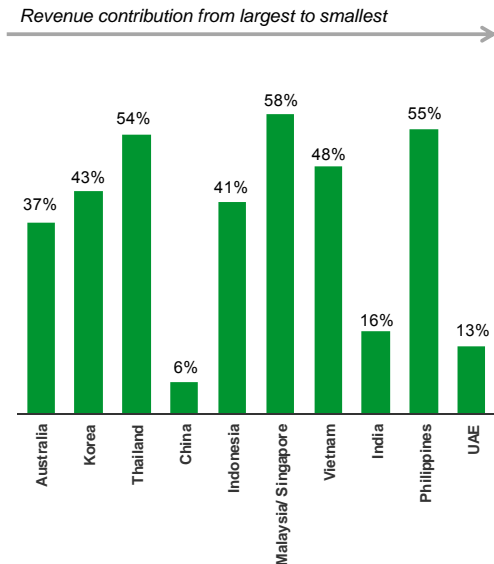


Boral USG JV provides an enhanced platform to leverage growth across Asia



- Asia expected to become world's largest plasterboard market by 2015¹
- Size of plasterboard market in JV region is >2,250m m²
 - Asia market size ~2,100m m²
 - Excluding China, Asia market size ~500m m²
- Strong economic growth forecast across most Asian markets
 - real GDP growth of 4 to 7%²
- Increasing commercial projects expected to drive growth in non-residential construction
- Increasing urbanisation will drive growth in residential new build

JV plasterboard market share 2013¹



1. Based on management estimates
2. Source: IMF data at October 2013

Fix: Proposed East Coast Bricks JV with CSR

Provides structural solution for Boral's bricks business



Rationale

- **Substantial reduction in industry brick capacity** made in recent years to reflect reduced demand for bricks
- Profitability of Boral's Australian brick business remains unacceptably low
- JV with CSR positions business to **recover cost of capital** from **East Coast brick business** through the cycle

Brick Industry challenged

- Brick industry impacted by sustained **structural decline in demand** over past 30 years
- Bricks becoming an increasingly smaller component of broader cladding market
- Brick production has **declined by 46% since 1981**
 - decline more pronounced on East Coast of Australia
- Structural decline **compounded by high input costs**, including high energy costs

East Coast Bricks JV aims to create a sustainable competitive bricks business



East Coast Bricks JV



- Owned 60% by CSR, 40% by Boral
- Combines brick operations in NSW, Vic, Qld, SA, TAS & ACT¹
- Ownership based on relative valuations of the businesses
- Transaction subject to ACCC review

Combined business

- ~\$230m annualised revenue
- 12 manufacturing operations (including mothballed plants)
- 606m SBE brick manufacturing capacity



Benefits

- Cost synergies
 - Initial overhead savings of \$7 - \$10m p.a.
 - Longer term consolidation of selected manufacturing sites
- Optimise operations
- Reinvestment opportunities
 - Release high value land assets without impacting product range and operational capability

1. Excludes certain land assets owned by CSR and Boral ; Schofields, NSW and Scoresby, Vic sites used for the term of an agreed lease period