Delivering on our plan

A significant improvement in performance

Fix, Execute, Transform program brings results

Restructuring Building Products

A strong resource position sets Boral apart

USG Boral integration completed

Making progress in the US despite challenging conditions
Results at a glance

With a $173m profit after tax and significant items and a 64% increase in profit after tax¹ to $171m, Boral’s FY2014 result reflects the benefits from restructuring and portfolio realignment as well as the ongoing US housing market recovery, improved housing activity in Australia and growth in Asian markets.

Construction Materials & Cement contributed a significant $277m of EBIT, while the smaller Building Products division delivered $6m of EBIT, a substantial $46m turnaround. In the USA, a return to a positive $3m EBITDA after six years of losses was a feature, as was the completion of the $1.6b USG Boral plasterboard and ceilings joint venture, which has transformed the technology position of Boral’s Gypsum division, strengthening future growth.

<table>
<thead>
<tr>
<th>Revenue</th>
<th>Operating cash flow</th>
</tr>
</thead>
<tbody>
<tr>
<td>down 2%</td>
<td>up 64%</td>
</tr>
<tr>
<td>to $5.2b</td>
<td>to $507m</td>
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<table>
<thead>
<tr>
<th>EBIT¹</th>
<th>Capital expenditure</th>
</tr>
</thead>
<tbody>
<tr>
<td>up 29%</td>
<td>down 13%</td>
</tr>
<tr>
<td>to $294m</td>
<td>to $268m</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Net profit after tax¹</th>
<th>Net debt</th>
</tr>
</thead>
<tbody>
<tr>
<td>up 64%</td>
<td>down 50%</td>
</tr>
<tr>
<td>to $171m</td>
<td>to $718m</td>
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</tbody>
</table>

<table>
<thead>
<tr>
<th>Earnings per share¹</th>
<th>Dividend (full year)</th>
</tr>
</thead>
<tbody>
<tr>
<td>22.0¢</td>
<td>15.0¢</td>
</tr>
</tbody>
</table>

¹ Excluding net significant items of $2 million in FY2014, NPAT including significant items of $172m compares with a loss of $(212m) in the prior year.

Cover: Joe Holmes, Chief Technology Officer, USG Boral

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 4 of the financial statements and relate to amounts of income and expense that are associated with significant business restructuring, business disposals, impairment or individual transactions.

The Boral Review has not been subject to review or audit, however it contains disclosures which are extracted or derived from the financial statements for the year ended 30 June 2014.
21 August 2013
Boral reported a FY2013 full year profit of $104m after tax (before significant items) for the year ended 30 June 2013, 3% ahead of the prior year.

4 November 2013
The Leighton Boral Amey Joint Venture was awarded contracts with the NSW Roads and Maritime Services and the Queensland Department of Transport and Main Roads.

28 January 2014
A Trading Update was announced of an expected net profit after tax before significant items for the first half of FY2014 to be approximately $90 million.

12 February 2014
Boral announced a 73% increase in net profit after tax (before significant items) to $90m for the half year ended 31 December 2013.

28 February 2014
The completion of the USG Corporation and Boral Limited 50/50 joint venture, USG Boral Building Products was announced.

4 April 2014
CSR and Boral announced their intention to form a joint venture of their Australian east coast brick operations pending ACCC clearance.

24 June 2014
Boral agreed to accept a 50,000 m³ pa reduction in its timber allocation from the NSW Government for the next nine years, and received $8.55m to help offset lower volumes.

1 July 2014
Boral to permanently close mining operations at its Medway Colliery at Berrima as a result of rising costs, lower cost alternatives and regulatory planning uncertainty.

9 July 2014
Boral appears at the Royal Commission into Trade Union Governance & Corruption to outline the CFMIEU’s illegal conduct in relation to Boral.
Who we are

Boral is an international building and construction materials group with operations in Australia, New Zealand, Asia, the Middle East and North America.

What we’re doing

Fixing things that are holding us back

**FIX**

Improving health & safety

- Recordable Injury Frequency Rate
  - FY10: 22.7
  - FY11: 21.4
  - FY12: 19.0
  - FY13: 17.4
  - FY14: 13.6
  - TARGET

- Lost Time Injury Frequency Rate
  - FY10: 2.2
  - FY11: 2.0
  - FY12: 1.8
  - FY13: 1.9
  - FY14: 1.9
  - TARGET

Execute

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

**EXECUTE**

- Optimising capacity and lifting utilisation
  - Bricks USA
    - FY13 to FY14: 41% to 50%
  - Bricks Australia
    - FY13 to FY14: 62% to 68%
  - Plasterboard
    - FY13 to FY14: 68% to 69%

- Consistently applying best practice
  - Reduced waste
  - Increased efficiency
  - Reduced inventory

Transform

A high performing, aligned, participative culture

**TRANSFORM**

Transforming Boral for performance excellence and sustainable growth through innovation

Four focused divisions

FY2014 Revenue

- Construction Materials & Cement
  - $3,287m
- Building Products
  - $487m
- Gypsum
  - $891m
- USA
  - $681m

1. Includes 3,498 joint venture employees.

2. Boral’s share of revenue in FY2014 reflecting $691m from 1 July 2013 to 28 February 2014 plus $200m being 4 months of a 50% share of revenue following formation of the USG Boral joint venture in March 2014.
What we’re doing

What we want to deliver

Who we are

Boral is an international building and construction materials group with operations in Australia, New Zealand, Asia, the Middle East and North America.

Four focused divisions

FY2014 Revenue

Sites People operating distribution

Construction Materials & Cement $3,287m

Building Products

Gypsum USA

$681m

More geographically balanced portfolio

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

Return on funds employed exceeding cost of capital through the cycle

World class health & safety

Investing in product innovation and creating new opportunities

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

What we’re doing

What we want to deliver

World class health & safety

2 years

2 years

3 years

4 years

2 years

3 years

4 years

4 years

Fixing things that are holding us back

Improving health & safety

Reducing costs through restructuring and procurement activities

Reducing debt through cash generation and limiting capital expenditure

Collaboration

Optimising channels

The Voice of the Customer

Building on our iconic brand

Innovation Factory

The way we get things done

People Engagement & Leadership

Safety

Our right to be in business

Sales & Marketing Excellence

Innovation

The Boral Production System (LEAN)

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Innovation Factory

The way we get things done
How we’re responding to risks and challenges

OUR DIVISIONS | PRODUCT | STRATEGIC DIRECTION
--- | --- | ---
BORAL CONSTRUCTION MATERIALS & CEMENT | CONCRETE QUARRIES CEMENT ASPHALT PLACING PROPERTY | Protect and strengthen leading integrated positions. Grow major project capability for long-term value.
BORAL BUILDING PRODUCTS | BRICKS ROOFING MASONRY TIMBER | Harvest assets to maximise returns. Further restructuring required to deliver acceptable returns.
BORAL GYPSUM | PLASTERBOARD CEILINGS & ADJACENT PRODUCTS | Deliver USG Boral synergies. Long-term growth platform leveraging market growth, increasing product penetration, innovation.
BORAL USA | CLADDING ROOFING FLYASH | Significant earnings improvement through market recovery. Portfolio refinement as cycle strengthens.

GENERAL RISKS

Industry & Market Risks
- High costs of doing business
- Structural changes in demand
- Cyclical changes in demand

Competition Risks
- New market entrants
- Import competition
- Technology developments and R&D

Health, Safety & Environment Risks
- Injury and accident risks
- Environmental damage risk
- Licence to operate

Business Interruption Risks
- Plant failure
- Weather impacts
- Geopolitical impacts

Foreign Exchange Risks
- Cost of inputs
- Translation of Boral USA and Boral Gypsum earnings
- Capital equipment transactions

1 Boral’s share of revenue in FY2014, reflecting $691m from 1 July 2013 to 28 February 2014 plus $200m being 4 months of a 50% share of revenue following formation of the USG Boral joint venture in March 2014.
SPECIFIC CHALLENGES

- High costs of manufacturing in Australia, e.g. labour and energy costs impacting cement versus lower cost imports
- Increased competition as some markets soften such as asphalt in Queensland
- Difficult pricing environment in some markets
- Unlawful secondary boycotts by CFMEU in Melbourne
- Safely managing around 1,000 Company-owned heavy vehicles and up to 2,000 contracted trucks, including concrete agitators, tippers and tankers
- Maintaining community support for new and ongoing operations, e.g. quarries, Deer Park Landfill
- Restructured to reduce costs and return to profitability
- Proposed east coast bricks joint venture with CSR to strengthen ongoing viability of Bricks business
- Divested Dowell Windows
- Renegotiated hardwood timber supply from Forestry Corporation of NSW to better align with demand
- Exit Woodchip business
- Ceased engineered flooring production at Murwillumbah
- Commenced strategic review of Timber business

RESPONSES

- Ceased production of clinker at Waurn Ponds plant in Victoria and increased level of imports
- mothballed high-cost Berrima Colliery with intended permanent closure
- Announced closure of high-cost, specialty cement kiln at Maldon
- Strengthening contracting and major projects capability
- Protecting leading resource positions including through completion of $200m capital investment at Peppertree
- Ongoing continuous improvement programs, cost reduction and focused price management strategies
- Legal action against unlawful conduct of CFMEU in Melbourne
- Ongoing vehicle improvements and driver training, e.g. Smart Track systems linked to fatigue, rollover limiting technologies and power line detection
- Enhanced community consultation programs

- Safely managing around 1,000 Company-owned heavy vehicles and up to 2,000 contracted trucks, including concrete agitators, tippers and tankers

- Restructured to reduce costs and return to profitability

- High input costs and fixed cost assets
- Underperforming businesses
- Structural decline in brick demand due to increases in alternative materials and shift to multi-dwelling construction
- Reduced demand in Timber (Hardwood) due to imports, and low levels of alterations and additions, and high-end detached housing activity

- Proposed east coast bricks joint venture with CSR to strengthen ongoing viability of Bricks business
- Divested Dowell Windows
- Renegotiated hardwood timber supply from Forestry Corporation of NSW to better align with demand
- Exit Woodchip business
- Ceased engineered flooring production at Murwillumbah
- Commenced strategic review of Timber business

- Restructured to reduce costs and return to profitability

- Need for technology platform
- Decline of Indonesian Rupiah with input costs in USD in Indonesia causing significant margin pressure
- Geopolitical disruption in Thailand
- New market entrants and increased competition in some markets

- Formed $1.6b joint venture with USG to access leading gypsum technologies and further strengthen Boral’s growth platform through US$50m pa of synergies within three years of technology roll-out
- Focused price strategies including in Indonesia to recover higher input costs
- Cost reduction program to offset costs including higher costs to support new technologies and broader product portfolio
- In Thailand – volumes focused outside of Bangkok to offset some volume impacts during political unrest

- Need for technology platform

- USA housing market recovering at a slower than expected rate
- Severe winter conditions November 2013 through March 2014
- Less favourable mix of housing recovery with reduced proportion of single-family housing
- US portfolio has a very high fixed-cost base – therefore need to move to more variable cost business model

- Development of new lightweight products continues
  - new trim and siding products launched
- New products introduced through existing channels
  - eg Versetta, stucco
- Focused price strategies adopted as markets recover
- Further restructuring and US$12m cost reduction program
- Increased exposure to production builders, who represent a greater proportion of early stages activity
- Divested Construction Materials business in Oklahoma
- Review of Bricks business underway as part of global Bricks review
FROM THE CHAIRMAN

Dr Bob Every AO, Chairman

Australian housing and non-residential construction markets have picked up from recent cyclical lows, while Asian markets continue to grow and the US housing recovery continues, albeit at a slower than expected rate in FY2014.

Together with Boral’s restructured business, these factors have contributed to a significant improvement in the Company’s full year performance, with reported net profit after tax of $173 million (after significant items); up from last year’s net after tax loss of $212 million. Boral’s profit after tax (before significant items) of $171 million was a 64% improvement on the prior year.

This positive turnaround in profit demonstrates the important progress that has been made to deliver Boral’s strategic priorities over the past 24 months – that is, a focus on fixing the business by reshaping the portfolio and managing costs, cash and capital.

A positive turnaround

With benefits from recent restructuring and improvement initiatives, together with better conditions in some key markets, Boral has delivered a stronger result in FY2014 and has made encouraging progress against our strategic priorities.

Dr Bob Every AO, Chairman

Cost savings from overhead reductions, rationalisation and contractor cost reductions totalled $130 million at the end of FY2014. A strong focus on cash generation and a highly disciplined approach to capital expenditure was maintained which together with $562 million of proceeds received on completion of the USG Boral joint venture transaction, allowed the Company to successfully reduce net debt to $718 million at year end from $1.45 billion at 30 June 2013.

Earnings before interest and tax (EBIT)\(^1\) of $294 million was 29% ahead of the prior year, with the positive change driven by the strength of Construction Materials & Cement, a substantial turnaround in Building Products performance and a significant reduction of losses in Boral USA.

The improved performance resulted in a 62% increase in underlying earnings per share to 22.0 cents per share, and provided the confidence for the Board to declare a final dividend of 8.0 cents per share for a full year fully franked dividend of 15.0 cents per share representing a payout ratio of 68%.

There were a number of significant items in FY2014, totalling a net $2 million gain, including gains from the completion of the USG Boral joint venture, offset by costs of additional restructuring and capacity rationalisation across the business divisions.

Improvements across all divisions

Boral’s largest division, Construction Materials & Cement, experienced continued strength in underlying performance as it further consolidated its leading integrated positions. Prior year restructuring benefits and ongoing major projects activity contributed to the strong result, which was offset by lower Property earnings in FY2014 and weaker activity in roads, highways and engineering.

The smaller Building Products division reported a significant $48 million EBIT turnaround to a small profit, largely due to rationalisation and restructuring of the business and increasing activity in the Australian housing market. While the return to profitability is pleasing, further portfolio reshaping in Building Products will be required to deliver adequate returns in the medium-to-long term.

A positive turnaround
Boral Gypsum earnings were impacted by four months of equity accounted 50%-owned USG Boral joint venture contribution, although the underlying business remains in a strong position due to ongoing market growth in our Asian regions and strength in Australia. The introduction of USG adjacent products and NextGen technologies to the portfolio will further underpin growth in this division.

Restructuring and the continued US housing market recovery contributed to Boral USA achieving a 40% reduction of losses in FY2014, despite a slower than expected rate of US housing starts. The US business broke through to profitability in the last quarter of the year and we expect this positive momentum to build as the housing market continues to recover.

The improved performance of Boral’s businesses has increased the overall EBIT1 return on funds employed (ROFE) to 7.2% from 4.7% in FY2013, although there is a considerable amount of work yet to be done to reach our long-term target of 15% ROFE.

Boral continues to improve its safety performance, reporting a 22% improvement in the recordable injury frequency rate in FY2014 and a steady result in the lost time injury frequency rate.

Focus on strategic priorities in FY2015

Coming off recent cyclical lows in a much improved position, Boral is now a more streamlined and responsive business with a stronger balance sheet. The Company is ready to capitalise on improving housing markets in Australia, continued market growth in Asia and the major market recovery in the USA.

We are seeing clear benefits being delivered from the Company’s disciplined and focused approach to our strategic priorities. But Boral’s immediate focus remains on managing costs, margins, capital and cash, particularly in the face of inflationary headwinds. This means realising and maintaining the full $150 million of benefits from the cost reduction programs undertaken in FY2013 and FY2014 and delivering additional savings from programs underway in Boral USA, USG Boral and Boral Construction Materials. It also means maintaining a balanced level of capital expenditure and a continued focus on cash generation across the business to maintain Boral’s strong balance sheet.

In the medium term, we will continue to improve the way Boral operates, targeting greater efficiency, discipline and profitability ahead of our longer-term goals to reduce fixed cost exposures through the cycle, leverage innovation and create a more geographically balanced portfolio to deliver significant shareholder value and achieve our long-term 15% ROFE target.

The Board

As announced at last year’s Annual General Meeting (AGM), long-standing non-executive Director Richard Longes will retire from the Board at the end of Boral’s 2014 AGM. Richard’s knowledge and experience in commercial and legal matters has been of great value to me and all the Board over the ten years of service. I would especially like to thank him for his help and support during my time as Chairman.

Following the Board’s recent selection process for a replacement Director, I am pleased to welcome Kathryn Fagg as a new non-executive Director. Kathryn brings extensive senior executive experience across a range of industries in Australia and Asia, including logistics, manufacturing, resources and banking – and is also a Director of the Reserve Bank of Australia, Incitec Pivot Limited and Djerriwarrh Investments Limited. We look forward to Kathryn’s input on Boral’s Board.

Thank you

It is pleasing to see the significant progress being made to transform Boral. On behalf of the Board, I thank all employees for their contribution to the improved performance of the Company under the leadership of Mike Kane and his executive team.

We are confident that Boral has the right team, strategy and structures in place to continue to transform itself into a global building and construction materials company that is known for its world leading safety performance, innovative product platforms and superior returns on shareholders’ funds. I look forward to reporting to our valued shareholders on Boral’s further progress in the coming year.

Dr Bob Every AO
Chairman
I am pleased with the progress we are making to transform Boral into a high performing company with sustainable growth.

Mike Kane, CEO & Managing Director

IN CONVERSATION WITH MIKE KANE

BORAL REVIEW: What were the highlights of Boral’s FY2014 result?
MIKE KANE: For me, there were five key highlights in our FY2014 results:
- The significant EBIT\(^1\) contribution from Construction Materials & Cement of $277 million was a major achievement given that Property earnings were $20 million lower than last year, the pricing environment remains challenging, and roads and highway construction activity has softened.
- The substantial $48 million turnaround in Building Products was achieved through portfolio rationalisation and business restructuring, as well as improving housing construction demand.
- Returning to a positive EBITDA\(^1\) result in the USA for the first time in six years, with an EBITDA of US$3 million. Despite the market recovery being slower than expected in FY2014, Boral almost halved its US losses year-on-year to US$35 million.
- Completion of the $1.6 billion USG Boral joint venture was a major milestone for the year, bringing together Boral’s leading plasterboard position in Asia and Australia with USG’s world-leading gypsum technology platform and related product portfolio.
- The very strong cash generation that saw Boral’s net debt position more than halve in just 12 months from $1.45 billion to $718 million at 30 June 2014, as a result of $562 million of proceeds from the sale of the Gypsum business into the joint venture, and a much stronger operating cash flow of $507 million compared with $309 million in FY2013.

BR: Some of Boral’s businesses are still delivering low returns. What’s being done to improve their results?
MK: We are maintaining our focus on cost reductions to offset inflationary headwinds – particularly as pricing remains challenging in some key markets.

Our portfolio changes will position Boral better for the long term, and we’re improving underperforming businesses through restructuring and other initiatives. This includes the proposed east coast Bricks joint venture with CSR, which will allow us to realise synergies and create a more sustainable business.
**BR:** The US has been challenging for the past six years. Is there any positive news for Boral in America?

**MK:** Boral’s US business is a high-fixed-cost manufacturing business. We make money in the USA when the level of activity reaches at least 1.1 million housing starts a year.

Over the past half century, the US housing market has averaged 1.5 million housing starts per annum and, at the peak of the last cycle, this figure was close to 2.2 million. However, the global financial crisis saw US housing activity collapse. In FY2014, starts increased 9% to 953,000 starts.

While conditions remain challenging, we are making progress in the USA. In the June 2014 quarter, the US business broke through to profitability as the summer months saw a rebound in activity, and we are expecting to deliver a broadly break-even result in FY2015, assuming housing starts of between 1.1 million and 1.2 million.

The business is more efficient than ever before, with a lower cost manufacturing base than at the peak of the last cycle, when Boral delivered US$139 million of EBIT from its US business. We are in a strong position to exceed that level of performance at the next peak.

**BR:** After almost two years as CEO, are you on track with your vision for the Company?

**MK:** With a relentless focus on managing costs, cash and capital, and realigning Boral’s portfolio to respond to changing external dynamics, we have been fixing the things that have been holding us back.

We’ve already delivered $130 million of a $150 million targeted cost reduction program, and generated $251 million of cash from land sales and divestments against a two year target range of $200 million to $300 million.

We have also been ensuring that we execute our business activities with discipline, consistency and efficiency, and I am pleased with the progress we are making.

We are on our way to guiding Boral to secure long-term sustainable growth, including growth through innovation. The formation of the USG Boral joint venture, providing access to world leading technologies, and our Global Innovation Factory, which is supporting the development of new lightweight composite products, are helping to achieve this.

**BR:** Safety is a key priority. Why are there still injuries in Boral workplaces?

**MK:** Boral remains committed to achieving a zero injury rate in the longer term, and our safety performance has continued to improve overall.

The news is particularly positive from our US business – ending the year with a global best-practice Lost Time Injury Frequency Rate (LTIFR) of 0.3. For Boral as a whole, our LTIFR remained relatively steady at 1.9, but we have delivered a 22% improvement in the Recordable Injury Frequency Rate (RIFR) to 13.6.

While we are working hard to reduce injuries, we do not have a perfect record. Regrettably, we had a work related fatality in FY2014 – a truck driver contracted to Boral died from injuries sustained when his vehicle left the road when descending an incline. Although Boral’s long-term safety performance in transport fatalities is consistently better than the national average, it is where we are at risk of having our most serious accidents, and therefore transport safety remains a key area of focus.

**“Our portfolio changes will position Boral better for the long-term and we’re improving underperforming businesses through restructuring and other initiatives.”**

**BR:** What are the biggest challenges Boral faces over the next few years?

**MK:** A number of our markets are highly competitive with difficult pricing environments, particularly in Construction Materials & Cement.

Delivering acceptable returns from our Building Products business in Australia also remains a challenge. The Australian Bricks business has faced a major decline in demand over the past 30 years, but the proposed east coast Bricks joint venture with CSR will drive efficiencies across the combined operations, enabling Boral to realise acceptable returns for our Bricks business.

**BR:** What is the short-term outlook for Boral and where will future growth come from?

**MK:** In FY2015, Construction Materials & Cement should continue to deliver a strong result; however, expectations could be dampened if the inability to realise price increases continues.

We expect Building Products to approximately double its $8 million EBIT reported in FY2014 as markets continue to strengthen and we realise further business improvement benefits.

In Boral Gypsum, there should be continued stronger underlying performance, but for Boral our reported earnings will be lower as a result of moving to a full year of 50% equity accounted earnings from the USG Boral joint venture.

Our US business should deliver a broadly break-even EBIT result in FY2015, assuming housing starts of around 1.1 million to 1.2 million starts for the year.

Beyond FY2015, longer-term growth will come from the continuing housing market recovery in the US, and significant long-term market and product penetration growth in Asia. In Australia, the objective is to strengthen Construction Materials & Cement, protecting the division’s leading integrated positions, growing margins and continuing to grow Boral’s major project capability.

**BR:** Boral has been participating in the Royal Commission into Trade Union Governance and Corruption. Why?

**MK:** Since February 2013, the construction division of the Construction, Forestry, Mining and Energy Union has run an orchestrated campaign against Boral because we refused to give in to demands by the union that we stop doing business with a long-standing client, the Grocon group, in Melbourne.

Over that time, our trucks have been stopped, our people intimidated and many of our customers in Victoria have had a “friendly visit” from union officials warning them, essentially, not to do business with us. Many clients have refused to toe the union’s line, for which we are grateful, but it’s difficult for small operators.

So far, this unlawful secondary boycott has cost you – our shareholders – around $10 million in lost EBIT, including legal fees.

We have gone to the Australian Competition and Consumer Commission and to Fair Work Australia. We have taken the union to court – and won our case. We have asked the Federal and State Governments for help. And we have presented our case to the Royal Commission into Trade Union Governance and Corruption, detailing the campaign against Boral.

Boral is not anti-union. In fact, we work closely with our employees and the various unions that represent them. We should be allowed to continue to carry out our business without this unlawful campaign.

You can see my personal submission to the Royal Commission posted under “News & Announcements” at www.boral.com.au

1 Excluding significant items.
Across the business we have been fixing things that have been holding us back from delivering improved safety outcomes, improved customer service, improved operating efficiencies and improved returns for shareholders.

Joe Goss, Divisional Managing Director, Construction Materials & Cement

Boral’s HSE Strategy for achieving ZERO HARM

The aim of our Group Strategy for Health, Safety & Environment is to achieve ZERO HARM through the elimination wherever possible of harm causing behaviours and conditions in our work environment.

Focusing on three areas of our business, we’ve identified five key objectives, to be met through the implementation of 20 programs. Each of these programs are targeted to address areas of potential harm as identified in the Workplace Injury Pyramid and within our broader working environment.

Lost Time Injury Frequency Rate

CLEAN SWEEP FOR BORAL IN VICTORIAN SAFETY AWARDS

Boral’s deep commitment to safety and sustainability has been recognised by the Cement Concrete and Aggregates Association (CCAA) with the Company making a clean sweep of all the awards categories in Victoria. In New South Wales, Queensland, South Australia and Western Australia Boral won many awards outright and was highly commended for others.

Among the projects recognised for Environmental Innovation was the state-of-the-art water management system at the Bendigo Concrete Plant, the development of ENVISIA concrete and the air quality improvement project at Littlehampton in South Australia. In health and safety, achievements such as the creation of a safety management plan at the Peppertree Quarry in NSW, a tailgate tipper system in Qld and a program in WA to assess driver well-being and injury risk were celebrated and all these initiatives will benefit the industry as a whole.
CHANGING MARKET DYNAMICS IN CEMENT

Australia’s high manufacturing cost base and the large-scale, cheap cement capacity across Asia has meant Boral’s cement business has had to adapt to maximise its current and future returns.

In 2013 Boral suspended clinker production at its Waurn Ponds plant in Victoria, replacing domestic production with cheaper imported clinker. Later in the year the Berrima Colliery in NSW was placed into ‘care and maintenance’ and will soon be permanently closed. Boral will source alternative, cheaper coal supplies for the Berrima Cement works.

In December 2014 Boral’s small, specialty ‘off-white’ cement kiln at Maldon in NSW will be shut due to a decline in demand, increasing operating costs and the availability of cheap imported clinker.

These changes are strengthening margins in Boral’s cement business and reducing exposure to high fixed cost manufacturing capacity.

MANAGING COSTS, CASH AND CAPITAL

As part of Boral’s FIX, EXECUTE and TRANSFORM program it has been imperative to ‘fix the things that have been holding us back’ including Boral’s cost structure and under-performing balance sheet.

In less than two years, the following important targets have been delivered:

- $105 million of annualised cost reductions, primarily in Australia, through rationalisation and the creation of a more streamlined overhead structure.
- A reduction of 1,100 positions, primarily in support and managerial roles.
- $25 million of $45 million targeted annual cost savings through improved procurement contracts and contract management.
- $251 million of cash proceeds from land sales and divestments against a two-year target of between $200-$300 million.
- Net debt reduced from $1.5b to $0.7b, assisted by the $562 million balancing payment from USG to form the USG Boral joint venture.
- Capital expenditure contained to below $300 million.

Across Boral there is a relentless focus on cost management and “right-sizing” to fit the changing external markets in which we operate.

In USG Boral a dedicated program to ensure costs that are added to support new technologies and products are offset by cost reductions and streamlining elsewhere in the organisation.

In the USA, where the market recovery is steady but slow, US$12m of costs will come out in FY2015 to offset cost increases.

Finally, in Australia, where road infrastructure work has slowed, particularly in Queensland and Victoria, Boral’s Construction Materials business has been restructured to reduce costs and better respond to cyclical fluctuations in demand.

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Realigning Boral Timber

In response to changing market dynamics, Boral Timber has been restructured to create a more profitable and sustainable business.

In recent years, the high Australian dollar has attracted cheaper imports and made it difficult for Australian exports to compete. There have also been low levels of activity in Australia’s high-end home construction and alterations & additions markets, further contributing to the poor financial outcomes from Boral Timber.

At the same time, future certainty around volumes, species mix and quality of hardwood logs supplied to Boral by Forestry Corporation of NSW has been an area of concern.

To better align the business with these strong undercurrents Boral has made a number of positive changes, including:

- Ceased production of engineered flooring at the Murwillumbah plant which will be replaced with lower cost engineered flooring produced in Asia using Australian hardwood;
- Exit the woodchip export business;
- Rationalised distribution and manufacturing operations including softwood distribution in Brisbane; and
- Accepted a 50,000 m$^3$ per annum reduction in hardwood timber allocation for the next nine years to support a more sustainable long-term outcome for the business and the industry more broadly.

While renegotiating hardwood supply contracts with Forestry Corporation of NSW out to 2028 ensures improved certainty of supply, it also provides improved flexibilities by allowing a ‘smoothing’ of volumes through the peaks and troughs of the cyclical housing market.

To help offset the lower volumes Boral has received $8.55m from the NSW Government, which will be recognised over the term of the contract.

Boral’s Timber business has significantly improved as a result of these restructuring initiatives, as has the long-term sustainability of the valuable north coast forest resources in NSW.

Creating a More Viable Brick Business Through a Proposed JV with CSR

Brick demand in Australia has been in decline for the past 30 years. This is due to factors such as changing construction methods – concrete panels, masonry blocks, rendering and alternative cladding products – as well as a change in the mix of residential construction away from detached houses to multi-residential units.

Boral and CSR have decided to combine their Australian east coast brick operations in order to strengthen the long-term sustainability of the businesses.

The proposed JV (subject to ACCC clearance) will have a combined revenue base in the order of $230 million and will be owned 60% by CSR and 40% by Boral reflecting the value of the two businesses. Overhead savings of $7-10 million per annum are expected following the integration of the businesses.
The way we get things done at Boral is to ensure Boral’s people are well-equipped with the right information and the right tools to solve problems and make good decisions. We call this being ‘Skilled 4 Action’.

Linda Coates, Group Human Resources Manager

Participants in Boral’s inaugural Women in Leadership Forum sponsored by CEO Mike Kane.

SUSTAINABLE PRACTICES INTEGRATED INTO OUR BUSINESS

Managing the business in a sustainable way is integrated into the way we get things done.

- Boral’s greenhouse gas emissions continue to reduce as a result of reducing exposure to energy-intensive, high cost manufacturing assets as well as incremental efficiency gains. In FY2014, Boral’s emissions of 3.2m tonnes of CO₂e were 9% lower than last year, largely reflecting Boral’s decision to exit clinker manufacturing at Waurn Ponds in Victoria and lower production of building products in Australia.

- Boral’s portfolio of community partnerships are making a meaningful contribution to the communities in which Boral operates, at the same time as engaging Boral’s people and showcasing products where possible. Boral contributed over $550,000 to eight Community Partnerships in FY2014 and formed a new partnership with Habitat for Humanity (Australia) focused on Building Community Resilience in countries in Asia in which Boral operates.

- Boral has launched a new Diversity program to strengthen the Company’s strategies that support diversity in the workforce. For example, with 25% of the Board being female and the proportion of women in management currently at 11%, more work is being done to continue to grow the representation of women in Boral.
Boral’s leading integrated construction materials business – including cement, aggregates, concrete and asphalt – is underpinned by around 1 billion tonnes of strategically located quarry reserves around Australia, supplying a diverse range of infrastructure, commercial and residential construction projects. Here are some examples of current projects.

**CAFE LAMBERT**
Boral supplied $60m of concrete including Boral aggregate into the Rio Tinto Cape Lambert expansion project.

**GATEWAY WA**
Boral asphalt, spray seal, concrete and crushed rock road-base building Perth’s billion dollar Gateway project.

**ICHTHYS LNG PROJECT**
Boral is supplying quarry raw materials for Ichthys.

**ROYAL ADELAIDE HOSPITAL**
Boral concrete and quarry products supplied to the new $1.8b RAH project through to 2016.

* Site numbers do not include mobile plants.
Boral's supply of 1 million tonnes of asphalt, concrete and quarry materials.

- **REGIONAL RAIL LINK**
  - Boral's supply of 1 million tonnes of asphalt, concrete and quarry materials.

- **LOGAN MOTORWAY**
  - Boral's asphalt, quarry and concrete products connecting Queensland's people.

- **PORT BOTANY TERMINAL 3**
  - Expanding Sydney's port facilities with Boral cement, concrete and quarries.

- **BARANGAROO SOUTH**
  - Boral cement, Boral concrete including ENVISIA®, quarry products, including pumping and placement from Boral's on-site concrete plant redeveloping Barangaroo South in Sydney.

- **WESTERN HIGHWAY**
  - (Burrumbeet to Beaufort) Boral concrete and crushed rock supplied to the $150m contract.

- **SURAT BASIN INFRASTRUCTURE**
  - Boral's asphalt and aggregates building Queensland infrastructure.

- **NSW/ACT**
  - 30 Quarries
  - 94 Concrete
  - 13 Asphalt

- **QLD**
  - 27 Quarries
  - 62 Concrete
  - 16 Asphalt

- **NT**
  - 2 Quarries
  - 1 Concrete

- **TAS**
  - 5 Quarries
  - 4 Concrete
Collaboration between Boral’s people across divisions and across geographies is helping create new opportunities and supporting real progress in product and process innovation, which will ultimately transform what we do and how we do it.

Joel Charlton, Executive General Manager Innovation

TRANSFORMING OUR PLASTERBOARD BUSINESS THROUGH INNOVATION AND A LANDMARK JOINT VENTURE

JOINT VENTURE HIGHLIGHTS

- Integration of Boral and USG operations complete
- Early benefits from USG adjacent products being realised
- Two-year US$50m technology roll-out program on track
- NextGen plasterboard available in key markets by end of CY2014
- Cost reduction program underway to offset higher costs
- Expect US$50m of synergies within three years of full technology roll-out
Boral’s joint venture with US building materials manufacturer USG has created a world-leading plasterboard and ceilings business in Australasia, Asia and the Middle East.

Bringing together over 150 years of combined industry leadership and experience, this US$1.6 billion deal strengthens the platform for future growth for Boral’s plasterboard business, particularly in the rapidly growing Asian economies.

Boral already had an impressive plasterboard manufacturing and distribution footprint in Asia and Australia. This has now been strengthened by the addition of USG’s exceptional building products technologies along with its strategic assets in Asia and the Middle East. With a presence in 12 countries the JV is bringing new products into existing and new territories.

The new USG Boral Building Products JV will change the way buildings are designed, built and occupied.

USG Boral Chief Executive Officer, Frederic de Rougemont explains, “We want to help our customers build more sustainable buildings, delivering healthier, more comfortable and more productive built environments.

“Our core competitive advantages – world class capacity, strong growth potential and market leading positions – will underpin our future success.

“Boral and USG share common values of safety first in all that we do in addition to the pursuit of excellence, innovation, integrity and a commitment to collaboration.”

In less than six months since the formation of the JV, management and employees are working enthusiastically together to shape this new business. Key areas of focus are manufacturing and the introduction of technology improvements across 24 manufacturing lines. Sales and marketing also feature strongly as the team launches a new brand identity in the marketplace while ensuring customers are kept fully informed of all developments.

Creating new opportunities as a market leader in concrete recycling

Boral Recycling took on a challenge when it won the tender to receive demolition concrete from Sydney’s Darling Harbour Convention and Exhibition Centre.

Boral Recycling together with Boral Logistics, worked with the Delta Group to develop a solution to move up to 2,000 tonnes of demolition concrete per day and turn the concrete waste from this former Sydney icon into a renewable resource.

The project involved transporting around 45,000 tonnes of demolition concrete from the Convention Centre to Boral’s Recycling site at Widemere in Western Sydney. On completion, the volume of concrete that will be re-processed will be equal to the weight of 50,000 vehicles. The concrete will be re-processed as engineered roadbase in the major civil, infrastructure and subdivision construction market.

An important condition of winning the tender was to have the capacity to take all the demolition material. Boral Recycling is the market leader and its Widemere site is the largest construction and demolition waste resource recovery facility in Australia. It processes and sells 750,000 tonnes of recycled product annually into the Sydney metropolitan region.
Investing in innovation to create the next generation of concrete trucks

Several award-winning innovations are making Boral concrete trucks safer and more efficient and contributing to the goal of zero harm throughout the Group.

The Agitator Stability Control (ASC) System has significantly reduced the risk of truck rollovers. In an agitator the concrete in the barrel is constantly rotating – this shifting load increases the risk of the vehicle rolling compared to similar-sized trucks with static loads.

By using sensors to detect the vehicle’s roll, pitch, yaw, suspension pressure and brake application, the ASC can detect when a rollover is imminent and automatically applies individual brakes and reduces engine torque.

Another development, the Agitator Weight Management System, is successfully eliminating one of the most common safety risks on agitators – the ladders and platforms. A weighing system mounted on the pedestals directly underneath the mixer gives drivers immediate information on how much product remains after a pour. Drivers can weigh an agitator accurately when it’s loaded, with delivery figures sent in real time from an onboard computer to servers for use by allocations, sales and compliance teams.

Customers can sight weight readings before and after pours to confirm the quantity of product they’ve received.

Boral is in the process of deploying this system across the whole fleet and will be able to remove ladders and platforms from many of its agitators.

In the first innovative breakthrough in agitator design for 40 years, Boral has the exclusive Australian licence for an exciting new mixer blade design developed by a renowned industrial designer. The blade has a more aggressive mixer action requiring shorter mixing times at lower revolutions. This allows operators to save time and fuel and creates less wear and tear on major mixer and truck components such as the engine and gear box.

USG Boral helping create Sydney’s new icons

USG Boral is proud to be the major supplier of plasterboard to the first building in Australia to be designed by renowned architect Frank Gehry and constructed by industry leader Lend Lease. The University of Technology Sydney’s Dr Chau Chak Wing Business School has divided public opinion since the plans were first unveiled and it’s sure to become a fascinating and controversial Sydney icon.

Around 80,000 m² of USG Boral plasterboard will be installed in the project which is due for completion in November 2014.

The project consists of some highly demanding convex and concave wall designs that test the limits of what plasterboard can achieve.

Another notable project for the new JV is the Richard Crookes-constructed Royal Prince Alfred Hospital building which features a fusion of traditional plasterboard products and the new USG Fiberock® range. This product has utilised the full range of USG Boral Plasterboard products from standard plasterboard through to multi attribute USG Boral Multistop™ and the industry leading Fiberock® multi-attribute and abuse resistant wall lining board.

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Above: The University of Technology Sydney’s Dr Chau Chak Wing building.

Left: Royal Prince Alfred Hospital in Sydney.
Boral’s TruExterior™ Siding range has been developed in collaboration with Boral’s Innovation Factory.

It’s an exciting development in terms of innovation and sustainability boasting a minimum of 70% recycled content. The range achieves the look of painted wood siding without the maintenance associated with exterior wood products.

Suitable for both new construction and remodelling it is an effective alternative for fascia boards, soffits, frieze boards, rake boards, garage door casings, window surrounds and many other non-structural applications. It appeals to builders and homeowners because of its exceptional stability during temperature changes and moisture levels as well as its sustainability, leaving minimal impact on the environment.

The product is the first poly-ash siding product, comprised of coal combustion products (fly ash) and a proprietary polymer blend. It is highly resistant to moisture, making it suitable for ground contact and it can be installed using traditional woodworking tools with no need for priming or to seal end cuts. Its superior workability, durability and dimensional stability make it a unique siding solution.

Just launched in the US is the TruExterior™ Siding Craftsman Collection, a variety of full thickness profiles with bold, defined shapes.

Boral continues to have great success with innovative products from earlier years such as Cultured Stone, which has been an industry leader for over 50 years. The range reflects the latest in design trends and technology and has the look and feel of real stone despite it being made of lightweight aggregate materials. It sticks easily to most surfaces and comes in more than 100 colours and 20 textures. The look of stone masonry without the weight and cost is making Boral’s stone veneer solution Versetta® Stone very popular with customers. At a quarter of the weight of full thickness stone, it features a mechanical fastening system that allows a builder to install panels without constructing footings for support. Installation requires no special skills, making it quick and easy.
RESULTS AT A GLANCE

Year ended 30 June | FY2014 | FY2013 | % Change
--- | --- | --- | ---
Revenue | 5,204 | 5,286 | (2)
EBITDA\(^1\) | 556 | 535 | 4
EBIT\(^1\) | 294 | 228 | 29
Net interest\(^1\) | (83) | (97) | \(\)\nProfit before tax\(^2\) | 211 | 130 | \(\)\nTax\(^1\) | (37) | (20) | \(\)\nNon-controlling interests | (3) | (6) | \(\)\nProfit after tax\(^3\) | 171 | 104 | 64
Net significant items | 2 | (316) | \(\)\nNet profit / (loss) after tax | 173 | (212) | \(\)\nCash flow from operating activities | 507 | 309 | \(\)\nGross assets | 5,559 | 6,316 | \(\)\nFunds employed | 4,066 | 4,840 | \(\)\nLiabilities | 2,211 | 2,923 | \(\)\nNet debt | 718 | 1,446 | \(\)\nStay-in-business capital expenditure | 203 | 126 | \(\)\nGrowth capital expenditure | 65 | 183 | \(\)\nAcquisition capital expenditure | 48 | – | \(\)\nDepreciation and amortisation | 261 | 307 | \(\)\nEmployees\(^2\) | 8,953 | 12,610 | (29)
Revenue per employee, $ million | 0.581 | 0.419 | \(\)\nNet tangible asset backing, $ per share | 4.03 | 3.17 | \(\)\nEBITDA margin on revenue\(^1\), % | 10.7 | 10.1 | \(\)\nEBIT margin on revenue\(^1\), % | 5.7 | 4.3 | \(\)\nEBIT return on funds employed\(^1\), % | 7.2 | 4.7 | \(\)\nEBIT return on average funds employed\(^1\), % | 6.6 | 4.7 | \(\)\nReturn on equity\(^1\), % | 5.1 | 3.2 | \(\)\nGearing
Net debt/equity, % | 21 | 43 | \(\)\nNet debt/net debt + equity, % | 18 | 30 | \(\)\nInterest cover\(^1\), times | 3.5 | 2.3 | \(\)\nEarnings per share\(^1\), ¢ | 22.0 | 13.6 | \(\)\nDividend per share, ¢ | 15.0 | 11.0 | \(\)\nEmployee safety\(^2\): (per million hours worked)
Lost time injury frequency rate | 1.9 | 1.9 | \(\)\nRecordable injury frequency rate | 13.6 | 17.4 | \(\)\n
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.
4. Boral’s share of revenue for the full year FY2014.
5. Shows like-for-like comparisons for 100% of the underlying Gypsum business in FY2014. Note that Boral’s accounts reflect 100% consolidated earnings for the first eight months of the year together with 50% share of post-tax earnings for the last four months of the year following the formation of the USG Boral JV on 28 February 2014.

External revenue by market
- Australian roads, highways, subdivisions & bridges and engineering
- Australian non-dwellings
- Australian dwellings (including alterations & additions)
- Asia
- USA dwellings
- USA non-dwellings & engineering
- Other

External revenue by division
- Construction Materials & Cement
- Building Products
- Boral Gypsum\(^5\)
- Boral USA

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.
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Darren Schulz
Executive General Manager, Boral Building Products
Joined in 2002 and held strategic and executive roles in Bricks, Distribution and Roofing in the USA, Trinidad and Mexico. Previously he was at PriceWaterhouseCoopers, Optus Communications Limited and Minter Ellison, Lawyers. Darren has a Bachelor of Business (Accounting) and an MBA.

Joe Goss
Divisional Managing Director, Boral Construction Materials & Cement
Joined in 2013 from Lafarge North America and was previously with Schlumberger NV. Joe has experience in roles across Europe, the USA and Australasia and holds a PhD and a Masters of Science in Materials Science & Engineering.

Rosaline Ng
Chief Financial Officer
Joined in 1995 and held senior finance roles in Boral’s Building Products division. Ros left in 2001 to work at Phoneware/Situs Telecommunications before returning to Boral in 2002. Most recently she has overseen the finance function in the USA. Ros has a Bachelor of Commerce and is a member of the Institute of Chartered Accountants.

Mike Kane
Chief Executive Officer & Managing Director
Joined in 2010 and was previously President of Boral USA. Mike has held senior roles with US Gypsum, Pioneer/Hanson Building Materials, Johns-Manville Corp and Holcim and worked across America, Europe and the Asia Pacific in the cement, aggregate, concrete, plasterboard, bricks and roof tile businesses. He has a Juris Doctorate and a Masters degree in Science.

A collaborative leadership team with a depth of global and Boral experience

Mike Borm
President & CEO, Boral Industries Inc.
Joined in 2010 and was previously President, Boral Roofing USA. Mike has held roles with USG, Pioneer, Hanson Building Products and Oldcastle APG and worked across North America, Europe and Asia. He has a Bachelor of Science in Management and an MBA.

Dominic Millgate
Company Secretary
Joined in 2010 and was previously Boral’s Assistant Company Secretary. Prior to Boral he held legal counsel and company secretary roles in Australia and Singapore and legal roles in London and Sydney. Dominic has a Finance degree and a Master of Laws.

Kylie FitzGerald
Group Communications & Investor Relations Director
With Boral from 1995 to 2010 then re-joined in 2012. Kylie has a background in production management and corporate affairs and investor relations. She has a Ceramic Engineering degree and an MBA.

Linda Coates
Group Human Resources Manager
Joined Boral in 2000 and previously held Group and Divisional HR roles in Boral. Prior to joining Boral Linda was with Pioneer International in HR roles covering Australia and Asia. She has a degree in Economics and Political Science and an MBA.

Michael Wilson
Group Health, Safety and Environment Director
Joined Boral in 2013, Michael has held senior roles overseeing the management and governance of safety, environment and quality in mining and industrial companies in Australia and the UK, as well as in the Australian Department of Defence and Environment Department. Michael has an Applied Science degree and a Master of Environmental Engineering Science.

Robert Gates
Senior Vice President, Operations
Joined in 2010 and previously held roles of Boral’s Chief Information Officer and Vice President Lean Manufacturing in Boral USA. With a background in operations in management consulting and in the military, Robert has a Civil Engineering degree and a Masters of Science in Business Administration.

Frederic de Rougemont
CEO, USG Boral
Joined in 2011 and was previously CEO of USG and prior to that held senior roles with Lafarge in South Africa and South Korea as well as research roles in France and the USA. Frederic has a PhD in Physical Sciences, effective 28 February 2014 on formation of USG Boral, Frederic became employed by the USG Boral Building Products joint venture.

Damien Sullivan
Group General Counsel
Joined Boral in 2009 and was previously General Counsel, Australia. Damien has worked as a lawyer in private practice and in-house legal roles in Sydney, New York and Los Angeles. He has Law and Applied Science degrees.
Get connected to Boral

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- Reports
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Download the Boral Sampler
An exciting new app to mix and match products and colours.

Available on the App Store/Available on Google

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The Annual General Meeting of Boral Limited will be held at the City Recital Hall, Angel Place, Sydney, on Thursday 6 November 2014 at 10.30am.