



# ANNUAL GENERAL MEETING 2014

6 November 2014  
Sydney



## Chairman's Address Dr Bob Every AO

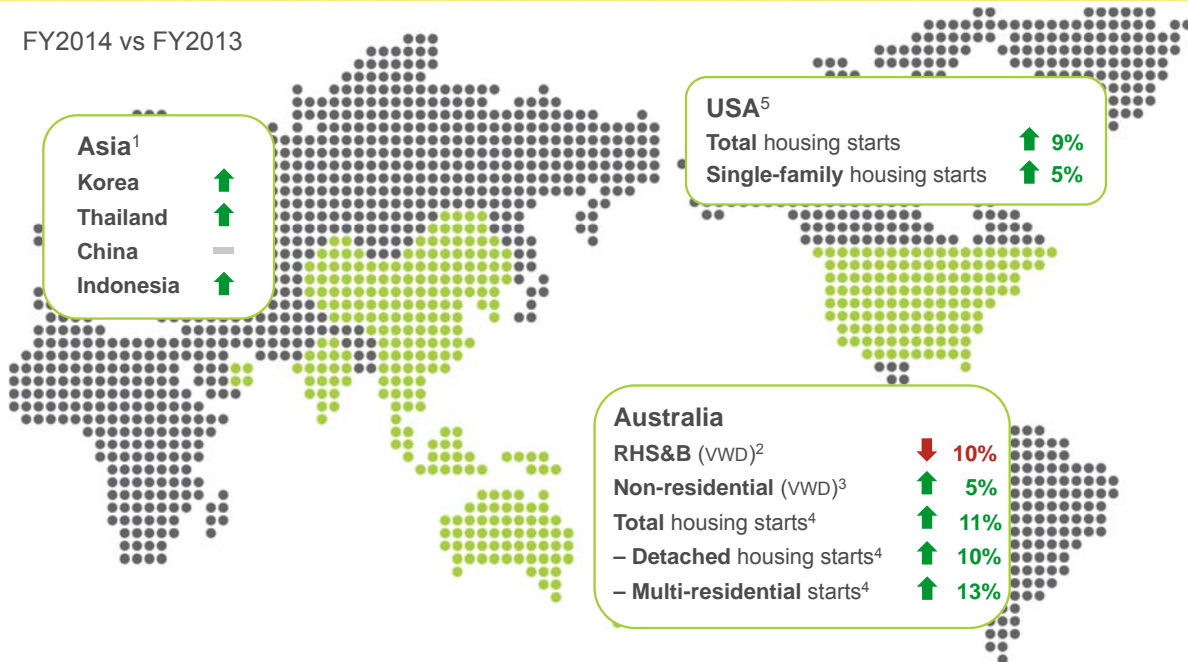


# Improving market conditions across all regions

Positive movements across most markets except roads and highways in Australia



FY2014 vs FY2013

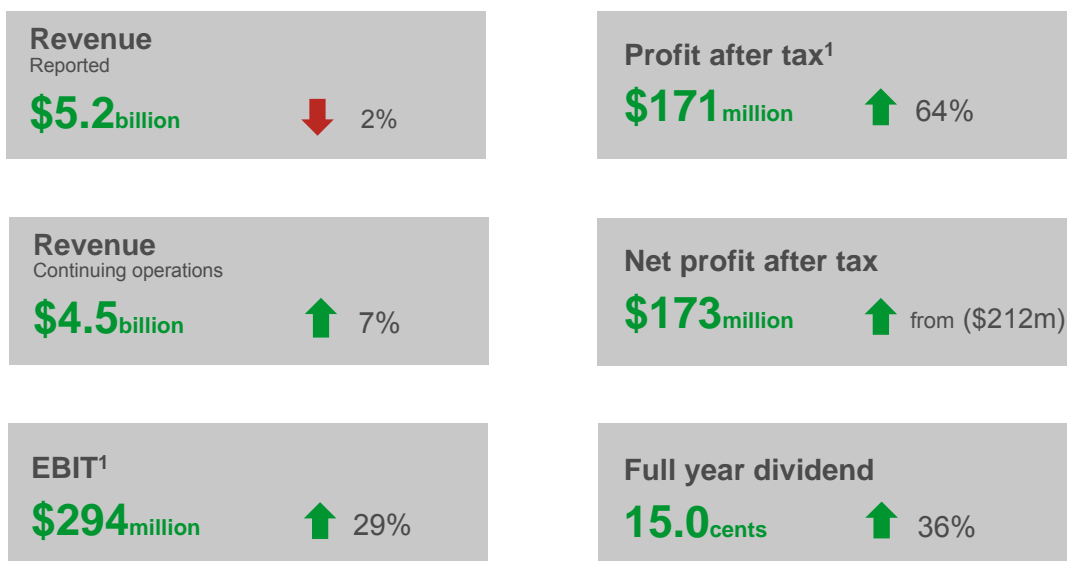


1. Based on various indicators of building and construction activity in key markets in Boral's respective countries of operation. For China this is defined as the high-end market in regions in which Boral operates
2. RHS&B refers to roads, highways, subdivisions and bridges and is forecast to be down by 10% in FY2014F based on average of BIS and Macromonitor
3. Value of work done (VWD) from ABS in 2011/12 constant prices. BIS forecast used for Jun-14 quarter
4. ABS original data.
5. US Census seasonally adjusted data

3

# FY2014 full year financial highlights

Improved results with strong uplift in earnings and net profit



1. Excluding significant items

4

# A positive turnaround in FY2014

Stronger result reflects restructuring & improvement initiatives and better market conditions



- ✓ **\$1.6b USG Boral joint venture** – securing world-leading NextGen plasterboard technology
- ✓ **\$48m EBIT turnaround to profitability** for Building Products division
- ✓ **Significant reduction of losses** in Boral USA – breaking through to profitability in 4Q FY2014
- ✓ **Continued strength** in Boral’s largest division, Construction Materials & Cement
- ✓ **Strengthened financial position**



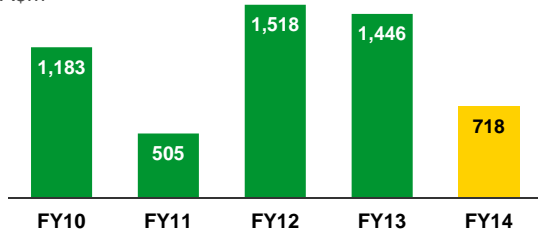
Barangaroo South Tower 2 under construction  
Source: Lend Lease

# Capital management

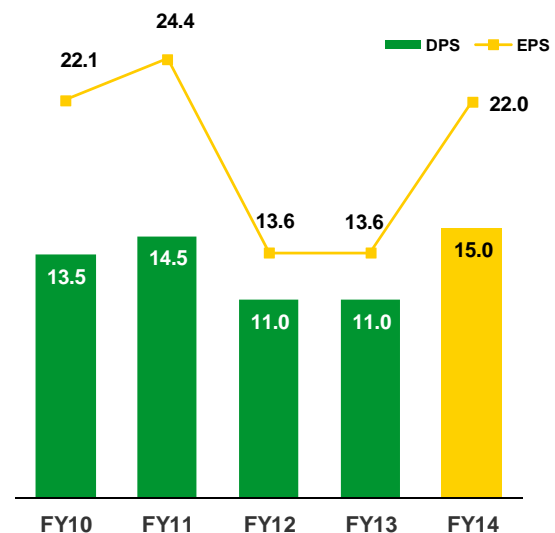
Strengthened balance sheet – full year dividend of 15.0c per share



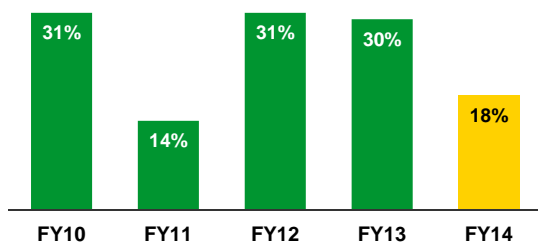
## Net debt A\$m



## Earnings and dividends per share<sup>1</sup> A\$ cents



## Gearing (net debt / net debt + equity)



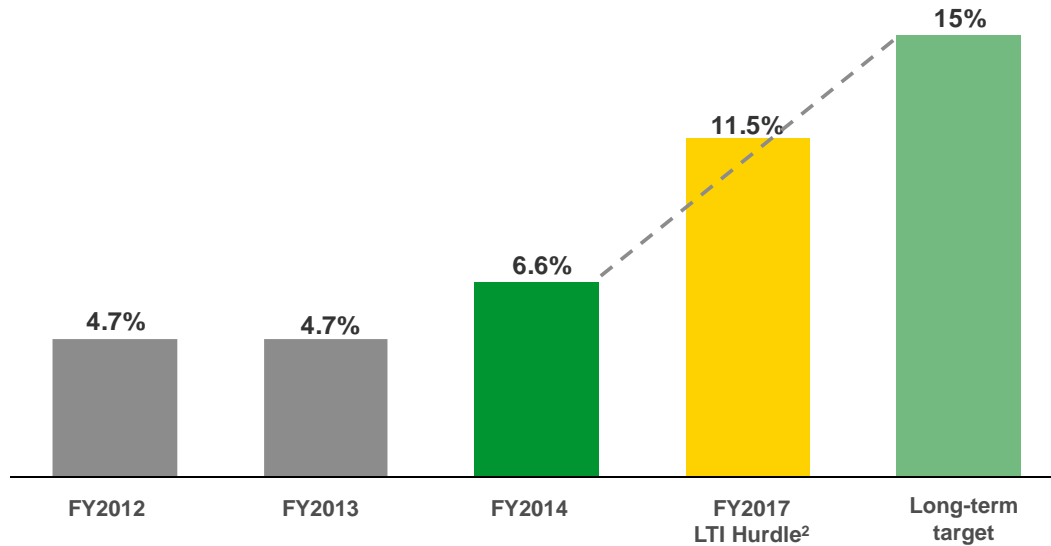
1. Earnings per share, excluding significant items

# Return on average funds employed (ROFE)

Year-on-year improvement but still considerable work to do



## EBIT<sup>1</sup> to average funds employed (ROFE), %



1. Excluding significant items

2. Hurdle at which 100% of ROFE LTI component will vest; 0% will vest at ROFE of less than 11%; progressive pro rata vesting at ROFE of between 11.0% and 11.5%.

# Fix, Execute, Transform program

How we're changing Boral



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

# Board of Directors



**Dr Bob Every AO**  
Non-executive Chairman



**Dr Eileen Doyle**  
Non-executive Director



**Paul Rayner**  
Non-executive Director



**Richard Longes**  
Non-executive Director  
(retiring at end of 2014 AGM)



**Mike Kane**  
CEO & Managing Director



**Dr Brian Clark**  
Non-executive Director



**John Marlay**  
Non-executive Director



**Catherine Brenner**  
Non-executive Director



**Kathryn Fagg**  
Non-executive Director  
(appointed 15 September 2014)



# CEO & MD's Address

## Mike Kane

# Boral's *Fix, Execute, Transform* program

Fix phase well advanced and delivering improved performance



Fixing things that are holding us back

- ✓ **Portfolio** realignment
- ✓ **\$150m costs out** by FY2015
- ✓ **\$251m cash** from divestments & land sales
- ✓ **Net debt** from \$1.45b to \$718m

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

Transforming Boral for performance excellence and sustainable growth through innovation

- ✓ **Product innovation**
- ✓ **Gypsum technology** platform secured
- ✓ **Lowering fixed cost** exposures through the cycle (global bricks review underway)

11

# Delivering on Boral's strategic priorities

A relentless focus on managing costs, capital and cash



FIX	ACHIEVEMENTS
Manage costs down	<ul style="list-style-type: none"> <li>✓ <b>\$130 million</b> of annualised benefits realised in FY2014 through overhead, rationalisation and contract spend cost reduction programs</li> <li>✓ <b>Additional structured cost reduction programs</b> implemented in 2H FY2014 in USG Boral, Boral USA and Construction Materials &amp; Cement</li> </ul>
Maximise cash generation	<ul style="list-style-type: none"> <li>✓ <b>\$251 million</b> in cash proceeds from divestments and sales of surplus land over the last two years</li> <li>✓ <b>\$562 million</b> cash received on formation of USG Boral joint venture</li> </ul>
Reduce debt	<ul style="list-style-type: none"> <li>✓ <b>Debt reduced to \$718m</b> from \$1.45 billion at 30 June 2013</li> <li>✓ <b>Gearing reduced to 18%</b> from 30% at 30 June 2013</li> </ul>

12

# Reshaping the portfolio

Streamlining through restructuring and improvement initiatives



Construction Materials & Cement	Building Products	Boral Gypsum	Boral USA
<ul style="list-style-type: none"> <li>✓ <b>Cement:</b> Strengthened import capability after closing Waurm Ponds clinker production</li> <li>✓ <b>Cement:</b> Ceased production at Berrima Colliery and announced intended closure</li> <li>✓ <b>Cement:</b> Announced closure of Maldon cement kiln by Dec-14</li> <li>✓ <b>Asphalt:</b> restructuring in QLD and VIC</li> </ul>	<ul style="list-style-type: none"> <li>✓ <b>Windows</b> business divested</li> <li>✓ <b>Timber:</b> Woodchip exports exited; ceased manufacturing engineered flooring and Qld softwood distribution; new supply agreement with NSW Forestry Corp</li> <li>☐ <b>Bricks:</b> Australian east coast bricks JV with CSR pending ACCC clearance</li> <li>☐ <b>Timber:</b> Strategic review commenced</li> </ul>	<ul style="list-style-type: none"> <li>✓ Completed the \$1.6b <b>USG Boral</b> plasterboard and ceiling tiles JV</li> <li>✓ Introduced USG <b>adjacent products</b> to product portfolio</li> <li>✓ Roll-out of technology upgrades underway – <b>NextGen products</b> available in key markets by end of CY2014</li> </ul>	<ul style="list-style-type: none"> <li>✓ <b>Roofing:</b> further capacity consolidation – closed lone &amp; Pompano plants</li> <li>✓ <b>Bricks:</b> permanently closed Augusta paver plant in Georgia</li> <li>✓ <b>Trim:</b> niche composite siding product launched</li> <li>✓ Restructured regional sales &amp; operational organisations</li> <li>☐ <b>R&amp;D:</b> Building US\$4m 'composite sheet line'</li> <li>☐ Portfolio refinement as cycle strengthens; <b>Bricks</b> review underway</li> </ul>

13

# Sustainability and Community snapshot

Looking out for our employees, the environment and community



## Employees



- **Full-time equivalent employees:**
  - Boral: 8,953
  - JVs: 3,498
- **Average tenure:**
  - Australia: 9.1 years
  - US: 7.5 years
- **14% women in Boral**

## Safety



- **LTIFR steady; RIFR down 22% in FY2014<sup>1</sup>**
- **Targeting world-class health & safety**
  - 20 programs form Group Strategy for Health, Safety & Environment

## Environment



- **6% reduction in total GHG emissions**
  - Driven by closure of Waurm Ponds clinker kiln
- **4% reduction in energy use on like-for-like basis**

## Community



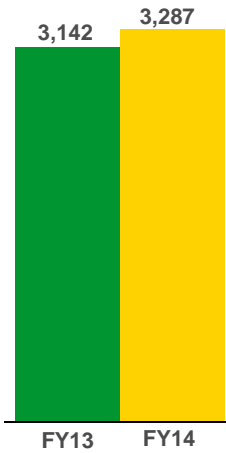
- **8 key community partnerships**
  - New partnership with Habitat for Humanity
- **~\$550,000 contributed in FY2014**

1. Lost Time Injury Frequency Rate and Recordable Injury Frequency Rate

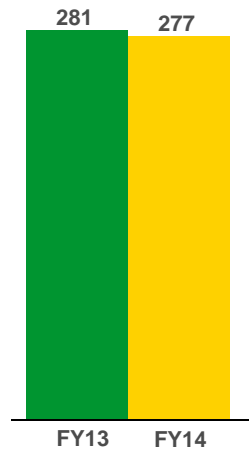


## Concrete, Quarries, Cement, Asphalt, Transport and Property

**Revenue**  
A\$ million



**EBIT<sup>1</sup>**  
A\$ million



1. Excluding significant items

### 1Q FY2015 Trading Update

- Demand levels broadly steady
  - Strong residential activity in NSW
  - Weaker roads & engineering volumes
  - Weaker than expected activity in Qld
- Pricing remains under pressure
- Heavy rainfall impacted earnings

### FY2015 Outlook

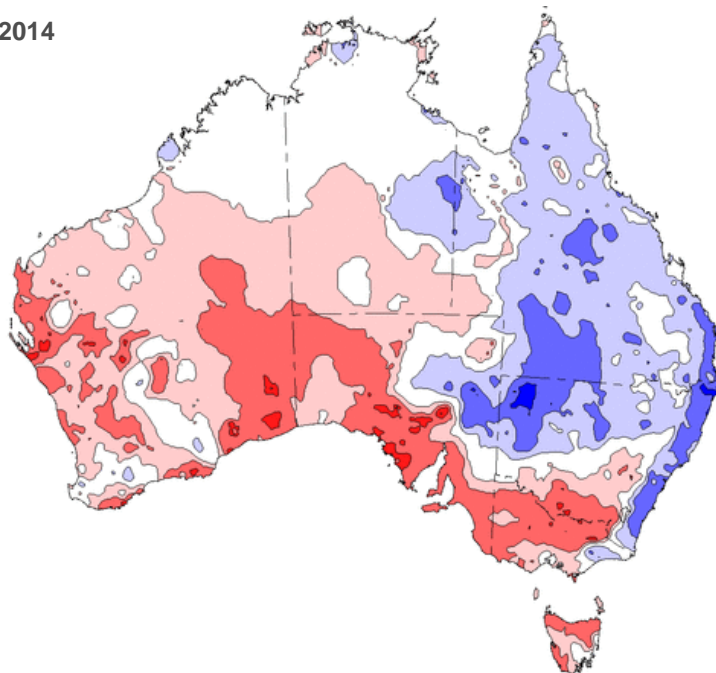
- 1Q FY2015 earnings below our expectation but targeting catch up via:
  - Readjustment of cost base
  - Delivery of additional property sales
  - Select price increases in stronger markets
- Expectations dampened if unable to realise potential property sales & some price increases

## Extreme levels of East Coast rainfall in August

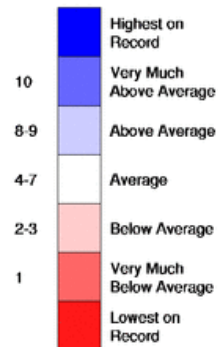
Heavy rainfall in August in key Australian markets impacted 1Q FY2015



August 2014



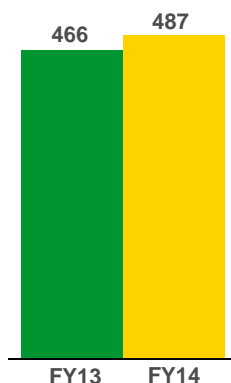
Rainfall Decile Ranges



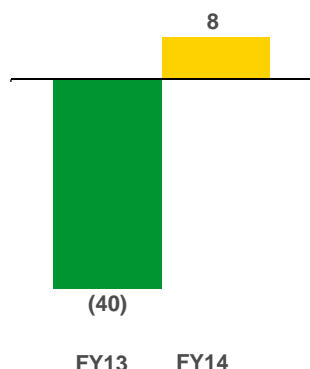


**Australian Bricks, Roofing<sup>1</sup> and Timber**

**Revenue**  
A\$ million



**EBIT<sup>2</sup>**  
A\$ million



1. Remaining Masonry operations are incorporated into Bricks and Roofing businesses  
2. Excluding significant items

**1Q FY2015 Trading Update**

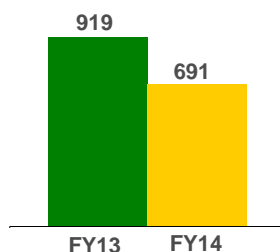
- Continued performance improvement due to:
  - Higher residential activity in NSW & WA
  - Overhead cost reduction program
- Responding to ACCC's Statement of Issues on proposed east coast Bricks JV with CSR

**FY2015 Outlook**

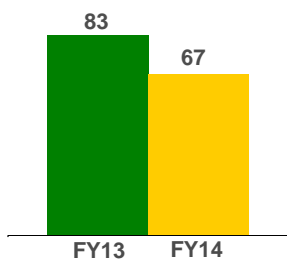
- Continued improvements across business but further restructuring required
- Full year result expected to more than double FY2014 EBIT of \$8m

**Australia, Korea, Thailand, China, Indonesia, Vietnam, Malaysia, India, Philippines**

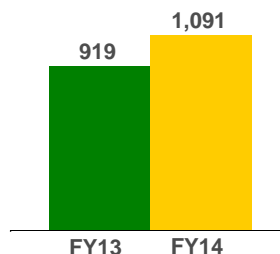
**Reported Revenue<sup>1</sup>**  
All A\$ million



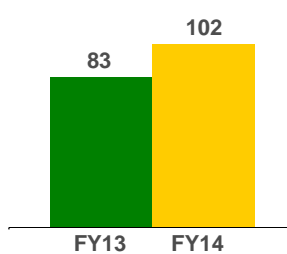
**Reported EBIT<sup>1,2</sup>**



**Underlying Revenue**



**Underlying EBIT<sup>2</sup>**



**1Q FY2015 Trading Update**

- JV operations fully integrated; delivering in line with expectations
- New NextGen plasterboard launched in Australia, Korea, Thailand and Indonesia
- Positive response from customers and trade contractors

**FY2015 Outlook**

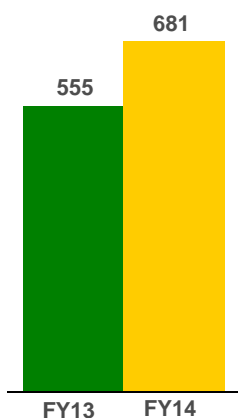
- Underlying earnings growth from increasing demand and restructuring benefits
- Lower reported earnings due to full year of 50% equity accounted contribution from USG Boral JV
- Synergies from JV expected to ramp up from 2H FY2015

1. Consolidated results for the period Jul-13 to Feb-14  
2. Excluding significant items

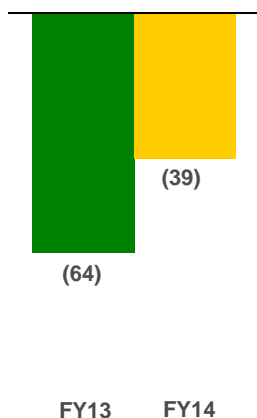


## Bricks, Roof Tiles, Cultured Stone, Fly Ash, Construction Materials

**Revenue**  
A\$ million



**EBIT<sup>1</sup>**  
A\$ million



1. Excluding significant items

### 1Q FY2015 Trading Update

- Performance broadly in line with our expectations
  - Total housing starts for 1Q FY2015 at 1.024 million annualised starts
  - Improved Cladding & Roofing volumes
  - Additional cost reductions offsetting slower recovery

### FY2015 Outlook

- Expect significantly improved earnings as market recovery continues
- Expect a broadly break-even EBIT result, assuming:
  - Continued growth in US housing starts to around 1.1-1.2 million

19

## Concluding Comments



- In summary, in FY2015 expect :
  - **Ongoing strong results from Construction Materials & Cement**, pending ability to realise price increases and potential property sales
  - **Building Products' EBIT to more than double FY2014 earnings**; further portfolio realignment anticipated
  - **Improved underlying performance from USG Boral** but lower reported contribution due to full year of 50%-owned JV
  - **Broadly break-even EBIT result from Boral USA**, assuming 1.1–1.2m housing starts
  - Anticipate **improved ROFE<sup>1</sup>**, despite shift to equity accounting of Gypsum

1. EBIT to average funds employed

20

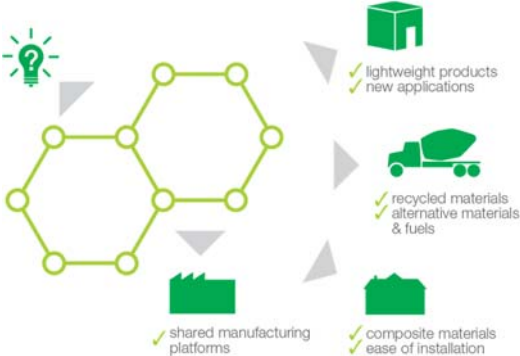
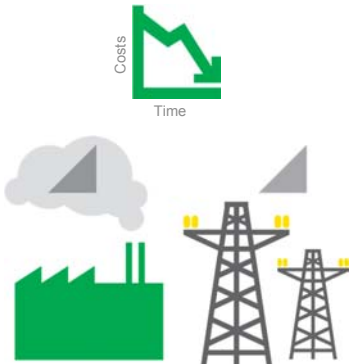
# How we're transforming Boral

For performance excellence and sustainable growth through innovation



A high performing, aligned and participative culture

## Lowering our fixed costs and environmental impacts



Investing in product innovation and creating new opportunities



Annual General Meeting 2014  
Formal Business



To consider the Financial Report, the Directors' Report and the Auditor's Report for the year ended 30 June 2014



Remuneration & Nomination  
Committee Chairman  
**Dr Brian Clark**

## Item 2 – Remuneration Report



To adopt the Remuneration Report for the year ended 30 June 2014

25

## Item 2 – Remuneration Report

Proxies



### Proxies

For	539,030,489
Open	5,469,978
Against	6,679,511

**% to be cast FOR the resolution\***

**98.4%**

\* On basis open proxies in favour of the Chairman of the Meeting are voted FOR

26

## Item 3 – Election and re-election of Directors



- 3.1 To elect Kathryn Fagg as a Director
- 3.2 To re-elect Brian Clark as a Director
- 3.3 To re-elect Paul Rayner as a Director

27

## Item 3.1 – To elect Kathryn Fagg as a Director



28

## Item 3.1 – To elect Kathryn Fagg as a Director

Proxies



### Proxies

For	544,486,223
Open	5,506,128
Against	855,909

**% to be cast FOR the resolution\***

**99.5%**

\* On basis open proxies in favour of the Chairman of the Meeting are voted FOR

29

## Item 3.2 – To re-elect Brian Clark as a Director



30

## Item 3.2 – To re-elect Brian Clark as a Director

Proxies



### Proxies

For	544,312,029
Open	5,531,434
Against	1,054,256

**% to be cast FOR the resolution\***

**99.5%**

\* On basis open proxies in favour of the Chairman of the Meeting are voted FOR

31

## Item 3.3 – To re-elect Paul Rayner as a Director



32



## Item 3.3 – To re-elect Paul Rayner as a Director

Proxies



### Proxies

For	543,579,123
Open	5,512,036
Against	1,778,474

**% to be cast FOR the resolution\***

**99.3%**

\* On basis open proxies in favour of the Chairman of the Meeting are voted FOR

33

## Item 4 – Award of LTI and deferred STI Rights to Mike Kane



To consider and, if thought fit, to pass the following resolution as an ordinary resolution:

“That approval is given for the award to Mike Kane, the CEO & Managing Director, of rights to fully paid ordinary shares in the Company on the terms described in the explanatory notes to this Notice of Meeting.”

34

## Item 4 – Award of LTI and deferred STI Rights to Mike Kane

Proxies



### Proxies

For	538,252,247
Open	5,257,296
Against	7,812,949

**% to be cast FOR the resolution\***

**98.2%**

\* On basis open proxies in favour of the Chairman of the Meeting are voted FOR

35

## Item 5 – Non-executive Directors' Fee Pool



To consider and, if thought fit, to pass the following resolution as an ordinary resolution:

“That the maximum aggregate amount available for payment by way of remuneration to all Non-Executive Directors per annum be increased by \$200,000 from \$1,550,000 to \$1,750,000.”

36

## Item 5 – Non-executive Directors’ Fee Pool

Proxies



### Proxies

For	539,847,343
Open	5,121,755
Against	5,918,936

**% to be cast FOR the resolution\***

**98.6%**

\* On basis open proxies in favour of the Chairman of the Meeting are voted FOR

37



**ANNUAL GENERAL  
MEETING 2014**

6 November 2014  
Sydney

