Thank you, Bob.

When I commenced as CEO & Managing Director in October last year, Boral had been facing challenging market conditions both in the US housing market and the Australian residential market for some time. Following a review of Boral’s operations I set out the following immediate priorities at last year’s Annual General Meeting which were driven by the need to deliver a more profitable and efficient business:

- manage costs down;
- maximise cash generation;
- reduce debt; and
- reshape the portfolio.

Earlier this year I also outlined that securing access to future technology innovation for the Gypsum business was a key priority. While not an immediate problem, the technology gap in this business would eventually make Boral vulnerable against global competitors.

Over the last year, we have addressed every one of these priorities. We undertook initiatives to achieve $105 million1 in annual cost reductions including $90 million from overhead cost reductions and $15 million from portfolio rationalisation initiatives; we reduced capital expenditure to below $300 million; and we generated $173 million of cash through divestments and the sale of surplus land. And, in the last month we announced the formation of a strategic plasterboard and ceilings joint venture with USG that secures Boral Gypsum’s access to world-leading technologies across Asia, Australasia and the Middle East and will substantially strengthen Boral’s balance sheet.

The portfolio changes implemented over the last year include the divestment of the remaining Asian construction materials business in Thailand, masonry on the East Coast of Australia and US construction materials operations in Oklahoma. In the last week Boral also entered into an agreement to sell its Windows business in Australia to a private building products company for a consideration close to the business’ book value.

Other steps taken in the past year to strengthen Boral’s portfolio include suspension of: clinker manufacturing at Waurn Ponds in Victoria, engineered flooring production in New South Wales, softwood distribution in Queensland and exporting of woodchips from New South Wales.

1 All amounts are in Australian dollars unless stated otherwise.
We have streamlined the organisational structure from six to four reporting divisions, which has improved collaboration, reduced costs and duplication, and is supporting more efficient decision-making and accountability.

Addressing these priorities is fundamental to delivering on our “Fix, Execute, Transform” program – to transform Boral into a high performing Company that delivers attractive shareholder returns and is known for its world class performance and product innovation.

It will take several years before we achieve the transformation we are planning for Boral but we have started on our path. In addition to fixing the business, we have also been focused on implementing the culture change program required to improve the way we ‘Execute’ our plans and initiatives to deliver best practice performance throughout our operations. This involves engaging our workforce and using what we call the Levers of Change, which encompass the Boral Production System, Sales & Marketing Excellence, Innovation and Safety to continue to improve the way we operate.

**USG Boral joint venture**

Over the past year Boral considered a range of technology solutions for its Gypsum business, undertaking an independent assessment of all available technologies and competitors to determine the best commercially available options. This undertaking culminated in Boral’s announcement two weeks ago to form a strategic plasterboard and ceilings joint venture with USG.

I am very excited about this joint venture which will deliver significant long-term value for Boral shareholders; it combines USG’s enviable world-class and game-changing technology platform with Boral’s leading manufacturing and distribution position in Australia and Asia, creating a substantial competitive advantage that can’t be replicated.

USG is the largest plasterboard manufacturer in North America and has a long history of technological innovation in its product offering with over 2,000 patents lodged in the past decade alone. USG has led every major industry innovation and introduced their technology solutions to a number of mature and developing markets. The joint venture will have exclusive, royalty-free access to USG’s technologies across the Middle East, Asia and Australia including its superior performing, lower weight products in plasterboard, joint compounds, mineral fibre ceiling tile and grid. In addition the joint venture has exclusive distribution rights to Fiberock™ gypsum fibre board and Durock® cement board.

The combined business is expected to benefit from substantial synergies which will ramp up over time and are expected to exceed US$50 million per annum within three years of the new technologies being rolled-out across Boral’s operations. The technology upgrades will be implemented over two years and require a capital investment of around US$50 million which will be funded through cash flows generated by the joint venture. The new technologies will deliver manufacturing and freight cost savings as well as revenue enhancements. Synergies are also expected from sales of USG’s complementary products through Boral’s existing sales channels.

The market response to USG’s superior lightweight, high strength plasterboard has been rapid and positive in both developed and emerging markets, with USG preserving its share and margin gain opportunity. We are confident of replicating this success in Asia, Australia and in the Middle East.
Continuing to manage costs down

Looking now more closely at ongoing improvements and the inflationary headwinds we are facing, particularly in Australia.

It is imperative that Boral continues to improve the management of its cost base, as inflationary cost pressures are significant. Each year we face inflationary cost pressure of approximately $100 million in Australia alone. For example a 3% wage increase across Boral’s Australian employee base represents an annual cost increase of around $25 million. In addition, we expect that our energy bill in New South Wales and Victoria will increase by around $7 to $8 million over the next two years as we renew gas contracts, and other energy and fuel cost increases could add a further $6 to $7 million this financial year. These energy cost pressures may be somewhat alleviated by the proposed repeal of the carbon tax in FY2015, which is currently costing Boral $15 million per annum in unrecovered costs.

The previously mentioned $105 million in cost reduction initiatives undertaken are only the first phase of a broader cost reduction program. After exhausting the more obvious opportunities of cost savings through overhead reductions, we have now commenced the second phase of our cost cutting initiative which is largely focused on contractor spend, as well as consolidation of office accommodation and back office efficiencies in our Australian operations. This initiative, which is in addition to Boral’s ongoing annual procurement programs, is anticipated to deliver cost savings of $45 million per annum within two years, with cost savings of around $25 million expected in FY2014.

Identifying and delivering contractor spend savings has involved us scrutinising over 800 supply contracts accounting for around $300 million of our cost base in Australia to ensure we are negotiating the best possible rates and deals across the country. For example, we have taken a close look at the rates we are paying our repair and maintenance contractors, some of our product installation contractors and our labour hire contractors, as well as contractor demand requirements at site level to reduce spend.

We have also looked at our office accommodation needs and the opportunity to save costs by consolidating and relocating state offices, including relocating Boral’s head office out of Sydney’s CBD to less expensive office space in North Sydney. The corporate office move alone is expected to save Boral approximately $14 million in total over the next 8 years versus our current lease cost arrangements. This is net of any exit and fit out costs associated with the move. We expect to be in our North Sydney offices from January 2014.

Additionally, we recently halted mining operations at our Berrima Colliery putting this mine into care and maintenance mode and switched to purchasing coal from a third party for our Berrima Cement plant. This decision provides certainty of supply, which was an issue for supply from the Berrima Colliery and is expected to result in annualised savings of $7 million, excluding transition costs.

Cost cutting alone cannot completely offset these inflationary pressures. We must also capture price in the market place. Our experience with the carbon tax unfortunately shows we were unable to offset most of its impact in price adjustments. We will be looking at some significant price movements to meet energy and other cost impacts which threaten our bricks, cement and plasterboard businesses most heavily.
FY2013 Divisional performance, trading update and outlook

Turning to the performance of our businesses including the trading conditions in the first quarter and the outlook for the remainder of FY2014.

Construction Materials & Cement

Boral Construction Materials & Cement, which accounted for 60% of Boral’s revenues in FY2013, achieved an 8% increase in revenues on the prior year, and a 16% increase in EBIT to $281 million. The division’s strong performance benefitted from increased resources and infrastructure work, a full year contribution from prior year acquisitions and $28 million in property earnings which were up $16 million on the prior year.

In April 2013 the Cement business ceased clinker manufacturing at Waurn Ponds, with clinker subsequently imported through the Port of Geelong. This is expected to deliver significant rationalisation benefits in the current financial year.

In the Quarries business, significant progress was made in the $200 million Peppertree Quarry project in New South Wales which encompasses a state of the art quarry, manufactured sand operation and integrated rail network. This ‘generational’ investment will deliver around 100 years of hard rock and sand into the Sydney market. Practical completion is expected in the March 2014 quarter with full production anticipated in FY2015 to align with the completion of quarrying at Penrith Lakes.

In the first quarter of this financial year we have seen broadly steady overall market demand levels in Australia. Demand in residential construction strengthened in New South Wales and Western Australia, offsetting a modest decline in Victoria and a stagnant market in Queensland. Non-residential and infrastructure demand, including roads and highways, was weaker, driven by lower activity levels in Queensland and Victoria. We expect overall softer demand levels to continue in non-residential and infrastructure markets with no meaningful recovery in detached housing expected this financial year.

The Construction Materials business continued to benefit from the Curtis Island LNG projects, as well as favourable weather conditions on the east coast, which resulted in a pull-forward of some work. In Quarries and Concrete, price increases achieved in the first quarter have been below expectations and in Cement, the announced October price increase has been unsuccessful. Benefits of the overhead cost reduction and rationalisation program completed last year are being delivered in line with expectations, including improved margins in the Cement business following the closure of manufacturing at Waurn Ponds. In Asphalt, margins continue to be adversely impacted by lower levels of road infrastructure activity and increased competitive pressures.

Overall we continue to expect Construction Materials & Cement performance for FY2014 not to exceed FY2013 with improved performance in the underlying business offsetting the anticipated substantial decline in Property earnings, from $28 million in FY2013.

It is important to note that Boral is securing a healthy share of major project work in Australia because of our extensive integrated networks, innovative approach and strong track record of reliably delivering quality products safely and on time. Beyond FY2014, the Construction Materials & Cement division remains well-positioned to continue supplying major projects, with a strong pipeline of actual and potential work ahead. While the Curtis Island LNG projects are expected to tail off at the end of this financial year, the Wheatstone LNG project...
is continuing into next year and Barangaroo is a multi-year project. We are currently also at post tender and pre-award stage on further major project contracts valued at over $200 million of revenue and we are confident of positive outcomes in the coming weeks.

**Building Products**

In Australia, Building Products reported a 10% decline in revenue to $592 million and an EBIT loss of $40 million, compared to a loss of $5 million in the prior year. The disappointing result was impacted by weak demand (particularly in Timber), increased competition, significant pricing pressure in key markets, and production reconfiguration costs in the Bricks business.

A number of initiatives were announced in June 2013 to reduce losses in the Timber business. Value enhancing opportunities are continuing to be assessed across the Building Products portfolio to achieve acceptable returns, with further improvement programs underway.

Building Products’ performance has significantly improved in the first quarter of this year in line with expectations. Earnings have benefited from stronger residential activity in New South Wales and Western Australia, the Timber restructuring announced in June 2013, the overhead cost reduction program and reduced Brick capacity optimisation costs. The division realised a small profit in the first quarter of FY2014, which is typically a seasonally stronger quarter, and is on track to deliver significantly reduced losses for FY2014.

**Boral Gypsum**

Boral Gypsum reported EBIT of $83 million which benefited from full year consolidated earnings from Boral Gypsum Asia. In Australia earnings were steady at $25 million, while underlying earnings from Asia were down 10%. Asian earnings were impacted by weak demand and significant pricing pressure in key markets, higher input costs, the ramp-up of increased capacity in Indonesia and the cost of market entry through the Shandong plant in China.

Boral Gypsum continued to benefit from strong market demand in Thailand and Indonesia in the first quarter of FY2014. In China, robust volume growth was underpinned by increased market penetration in the Shandong market while in Korea, volumes grew modestly. Although price pressures continued in Korea, China and Vietnam, Korea benefited from a favourable product mix and good traction of the July 2013 price increase in the retail market. In Australia, first quarter performance has been stronger than the prior comparable period in line with expectations. We continue to expect improved underlying returns from Boral Gypsum in FY2014 with a stronger second half.

Following completion of the joint venture with USG in January 2014, the existing Boral Gypsum division will be deconsolidated in Boral’s accounts and recognised as an equity-accounted 50% interest in the joint venture’s combined gypsum business. Moving to 50% equity accounting from January 2014 is expected to reduce Boral’s net profit after tax by around $15 million in FY2014, after taking into account the impact of the implementation and integration costs associated with the joint venture.
In Boral USA, the continued US housing recovery as well as ongoing cost reduction programs resulted in a 23% improvement in EBIT to a loss of A$64 million in FY2013. Volume growth however continued to be lower than expected due to an adverse mix shift in the type of housing construction and geographic sales mix.

Boral USA performance in the first quarter of this year was broadly in line with expectations despite lower than expected housing activity. US total housing starts were at 887,000\(^2\) annualised for July and August 2013, up 19% on the prior corresponding period. Earnings benefited from improved volumes in Cladding and Roofing and continued cost reduction programs.

The housing recovery has more recently taken a slight pause while the US Government negotiated its way through the latest US debt ceiling crisis. A breakthrough to profitability in late second half FY2014 remains contingent on a continued strong growth trajectory in housing starts to around 1.1 million in FY2014 as well as an improvement in the proportion of single family dwelling starts and custom home builder activity.

**Group performance and concluding comments**

In summary, we continue to expect significantly reduced losses from Building Products and Boral USA, improved underlying earnings from Boral Gypsum and ongoing strong results from Construction Materials & Cement.

We anticipate an improved return on funds employed, despite the shift to equity accounting Boral’s 50% in the Gypsum joint venture expected from January 2014.

We are encouraged that the cultural transformation at Boral is well underway with clear signs that our safety culture has embraced the full engagement of the workforce supported by our LEAN manufacturing productivity tools. We are actively pursuing a Sales & Marketing transformation where market metrics and strategic account management are complementing our long-standing deep customer relationships.

We have planted a flag in the innovation space by a far-sighted technology play in the plasterboard business showing that at Boral innovation and technology will play an increasing role in our long term thinking about Boral’s place in the built environment.

Finally, our senior management team has fully embraced the concept that as leaders we must deliver on our commitments when faced with obstacles; we adjust and identify steps to deliver on these commitments by other means. This sounds easy – but it is not. Execution is the hallmark of leadership – and at Boral we are building a new reputation for delivery.

I will now hand back to the Chairman who will take us through the formal business of the meeting.

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\(^2\) Seasonally adjusted data from US Census