Welcome ladies and gentlemen and thank you for attending Boral’s 2014 Annual General Meeting.

Over the past 24 months, Boral has become a more streamlined and responsive organisation as a result of the Fix, Execute and Transform program implemented under Mike Kane’s leadership. Coming off the bottom of recent cyclical lows, the Company is delivering improved performance and is far better positioned for the future with a renewed culture that is focused on delivering acceptable returns to shareholders through the building cycle.

As you know, safety is a top priority at Boral and I am pleased to report a 22% improvement in Boral’s recordable injury frequency rate, and a steady lost time injury frequency rate of 1.9, which stands up well in the industries in which we operate. Sadly, I have to report to shareholders the fatality of a contractor driver who was fatally injured in an accident when he was driving a concrete agitator for Boral in country Victoria. Mike will talk about this further in his address. We are determined to create an injury free workplace for employees and contractors alike and our commitment is unwavering.

In the 12 months since our last AGM the journey of fixing the things that have been holding Boral back has continued. I am encouraged by the progress that has been made and I am pleased to report to shareholders on Boral’s improved financial result for FY2014, which also reflects improving market conditions in most of the key markets in which Boral operates.

In Australia, both housing and non-residential construction markets have picked up from recent lows and have reported good growth momentum; especially in New South Wales, Queensland and Western Australia for housing, and in New South Wales for non-residential construction activity.

Stronger housing and non-residential construction activity in FY2014 was offset by a continued decline in roads and highways construction activity across most of Australia, which was down 10% overall in FY2014. Furthermore, there was a reduction in infrastructure and resources work, particularly in regional Queensland, as mining and resources sector activity decreased. We are expecting continued softening in roads and infrastructure activity for most of FY2015 before a solid multi-year pick-up from FY2016.

In the USA, the housing market recovery continues, but at a slower rate than we, and most of the market, had expected and hoped for. Total US housing starts remain 36% below the long-term average of 1.5 million starts per annum but the recovery is continuing.
In Asia, economic and market growth continued in most regions and sectors in which we operate, with particular strength in South Korea and Indonesia in FY2014.

These external market factors, together with Boral’s reshaped portfolio, contributed to the significant improvement in the Company’s full year performance in FY2014.

**Financial Performance**

Financial highlights for FY2014 included revenue of $5.2 billion\(^1\), which was down slightly on the prior year due to the Gypsum business moving to a 50% share of equity-accounted interest for the last four months of the year following the formation of the 50:50 USG Boral joint venture. Going forward, this is how Boral’s share of the joint venture will be treated in accounting terms.

A clearer indication of the performance of the underlying business in FY2014 is revenue from continuing operations which increased by 7% to $4.5 billion, demonstrating the benefits of increased activity in several of Boral’s key markets, as well as price gains in some businesses.

Earnings before interest and tax, or EBIT, excluding significant items, increased by 29% to $294 million, helped appreciably by cost reduction and restructuring initiatives across the Group, particularly in the Building Products and Boral USA divisions.

Profit after tax excluding significant items increased strongly by 64% to $171 million, with the Company reporting lower interest expenses as a result of lower debt, but a higher tax expense due to higher Australian earnings, lower US losses and higher equity income.

Net significant items totalled a $2 million benefit after tax, comprising gains from the completion of the USG Boral joint venture, offset by the costs of further business restructuring. This included a net $23 million benefit, after restructuring costs, from the USG Boral joint venture transaction.

It’s clear that the Group is now benefiting from the significant restructuring and improvement initiatives implemented during the past two years. We are now much better positioned financially, as well as operationally, to capitalise on improvements in our key markets.

For FY2014, the Board declared a final dividend of 8 cents per share, which resulted in a full year, fully franked dividend of 15 cents per share, a 36% increase on the prior year. This represents a payout ratio of 68% which is consistent with the historical range of 60-80%.

For shareholders, the dividend represented an annualised dividend yield of approximately 3% per annum (after franking) on Boral’s average share price of $4.89 for the year to 30 June 2014.\(^2\)

Looking at Boral’s four operating divisions, the key highlights of FY2014 included the game-changing $1.6 billion USG Boral plasterboard and ceilings joint venture, which commenced in March 2014. This strategic move enabled Boral to secure world-class gypsum technology that will create new opportunities for product innovation – some that we’ve already started to roll out in key markets across Australia and Asia.

\(^1\) All amounts are in Australian dollars unless stated otherwise.

\(^2\) Source: Bloomberg
Another highlight was the significant turnaround of the Building Products division, from a $40 million loss-making business last year to a small profit this year. This was driven by a combination of major portfolio restructuring, a pick-up in housing construction activity in Australia and improvements in operational performance, particularly in our Bricks and Timber businesses.

Boral USA also improved substantially with the division breaking through to profitability in the seasonally-stronger last quarter of FY2014. While the slower-than-expected housing market recovery continues to hold back performance, restructuring initiatives undertaken in the last year mean that Boral USA is well positioned to leverage the continuing recovery.

Last, but by no means least, the continued strength of the Construction Materials & Cement business – Boral’s largest division and the engine of the Company – was a key highlight, underpinning our Group earnings. The performance of the division in the face of declining Australian roads and infrastructure activity demonstrates Boral’s strong, integrated position and competitive advantages in the sector.

The improvements across all divisions in FY2014, together with the progress that has been made on the Company’s strategic priorities, have significantly strengthened the Company’s balance sheet and financial position. We now have flexibility and optionality such that the Group is well positioned to capitalise on improving market conditions in our key markets and to explore growth opportunities to re-balance the portfolio across Australia, the USA and Asia.

**Capital management**

Boral’s operating cash flow increased significantly during FY2014 to $507 million; a $198 million increase on the prior year. In line with our strict capital allocation measures, capital expenditure was carefully managed at $268 million for FY2014, with the majority allocated to stay-in-business expenditure and growth expenditure limited to essential projects only. The focus on stay-in-business expenditure will continue in FY2015, where total capital expenditure is again expected to remain below $300 million.

The significant cash generation and continued restraint on non-critical capital expenditure during FY2014 has enabled us to more than halve the level of net debt for the Group. Boral’s net debt reduced to $718 million as at 30 June 2014.

The reduction in net debt also drove down gearing (which is defined as net debt divided by net debt plus equity) from 30% in the prior year to 18% for the year ended 30 June 2014, which is at the lower end of our preferred range.

**ROFE**

Now to look at Boral’s return on funds employed, or ROFE, which tests the efficiency and profitability of the Company’s capital investments. At Boral’s full year results announcement we reported EBIT return on funds employed as at 30 June 2014 of 7.2%, up from 4.7% in the prior year.

We also measure EBIT return on average funds employed, which was 6.6% for FY2014, up from 4.7% last year.
The ROFE performance hurdle introduced in FY2014 as part of Boral’s long term incentive program is intended to reward achievement linked to improving the Company’s ROFE performance through the building cycle.

Later in the meeting, Brian Clark, Chairman of the Remuneration and Nomination Committee, will provide further commentary on our remuneration targets and other aspects of Boral’s remuneration report.

As you can see, we are making positive progress on the ROFE target but there is still a considerable amount of work to be done to reach our target of exceeding the average cost of capital over the long-term.

**Strategic priorities for FY2015**

Although there is more work to be done for Boral to deliver acceptable returns to shareholders through the building cycle, the progress made during the year in strengthening the Company’s future competitive position through the *Fix, Execute and Transform* program is positive.

In the current financial year, the Company's immediate strategic focus will remain on managing costs, margins, capital and cash, and improving the way we operate across the business.

Mike Kane will talk in further detail about the strategic priorities for FY2015 and some of the initiatives being implemented across the business to improve overall ROFE.

**The Board**

In September this year we appointed Kathryn Fagg as a non-executive Director following a thorough selection and recruitment process.

Following Kathryn’s appointment as a non-executive Director, she will offer herself for election in the formal part of today’s meeting.

Kathryn is a Board member of the Reserve Bank of Australia and a non-executive Director of Incitec Pivot Limited and Djerriwarrh Investments Limited. She brings extensive senior executive experience across a range of industries in Australia and Asia, including senior roles with Linfox, BlueScope Steel Limited and ANZ Bank.

Kathryn will have the opportunity to address shareholders and discuss her credentials in the formal part of the meeting, as will Brian Clark and Paul Rayner who are also standing for re-election today.

At last year’s AGM we announced that long-standing non-executive Director Richard Longes would be retiring from the Board at the end of today’s AGM.

Richard has been on the Board of Boral since 2004 and his extensive knowledge and experience in all matters legal and commercial have been of great value to the Company over the past 10 years. I’d like to personally acknowledge and thank Richard for all the help and support he has offered especially during my time as Chairman, and wish him well for his future endeavours.
I now invite Richard to say a few words.

I should also take this opportunity to confirm my intentions as Boral’s Chairman. As you know I was re-elected by shareholders at Boral’s Annual General Meeting last year and at the time I intended that, if I was re-elected, that this would be my last term on the Board. My intentions are unchanged. Therefore, I will not stand for re-election in 2016. I will work with the Board to identify the best possible candidate for a successor for the role of Chairman and I will help to ensure an orderly transition process.

Thank you

I would like to conclude by thanking a number of people and groups who have contributed to the improved performance of Boral.

On behalf of the Board, I’d like to thank our shareholders who have supported the Company in the long-term, including through some challenging times. We look forward to your support as we forge ahead and deliver further performance improvements.

I acknowledge the hard work and loyalty of Boral’s employees and thank them for their contribution. The significantly improved performance of the Company under the leadership of Mike Kane and his executive team is commendable and we can now truly begin to see Boral move towards Executing its strategy to become that transformed company delivering improved shareholder returns.

I would like to specifically thank Mike for his untiring efforts as CEO and particularly for the leadership role he has taken in standing up to the unlawful tactics and intimidation of the CFMEU in Melbourne where Boral has been black-banned from major CBD construction sites. Mike has received a lot of support from shareholders, customers, government and members of the public and I assure all shareholders that Mike has the full support of the Board for the role he is playing to bring about positive change in the construction industry. We cannot allow rogue elements of a powerful union who act above the law to prosper. I know shareholders are interested in the financial impact of the CFMEU’s unlawful secondary boycott against Boral, which has seen Boral’s share of concrete volumes to large construction projects in Melbourne reduce from historical levels of around 40% to well below 10%. Mike will provide further comments on this topic in his address including the legal processes that remain underway.

In his address, Mike will also provide further detail on Boral’s strategic priorities for the coming year, as well as some commentary around the trading conditions experienced in the first quarter of FY2015 and the outlook for the rest of the year.

Thanks Mike.