Build something great™

KEY POINTS

- Half year revenue up 14% to $2.77b
- Half year EBITDA[1] up 8% to $256m
- Half year EBIT[1] up 3% to $112m
- Revenue and earnings improvements include contributions from acquisitions of Lafarge's 50% of LBGA, Sunshine Coast Quarries and Wagners concrete and quarry assets
- Group profit after tax[1] down 22% to $52m, in line with the guidance provided on 23 January 2013
- Reported net loss after tax of $25m after net significant items of $77m relating to impairment charges and restructuring
- Net debt of $1.46b down from $1.52b at 30 June 2012
- Half year dividend of 5.0 cents per share, fully franked
- Strong increase in earnings from Boral Construction Materials and reduced losses from Boral USA offset significant reduction in earnings from Building Products and Plasterboard Australia:
  - Resources and infrastructure work, together with dry weather, benefited Construction Materials
  - Cement unable to recover higher production costs due to import parity pricing
  - Building Products impacted by weak demand, inventory reduction and production reconfigurations
  - Half year of fully consolidated earnings from Asia benefited Boral Gypsum while Plasterboard Australia impacted by soft trading conditions
  - Improving US demand constrained by lower product intensity at start of recovery cycle
- Progress made on immediate priorities set by new CEO, Mike Kane:
  - A reduction of 700 functional, support and managerial positions in Australia delivering $90m p.a. of overhead cost savings from FY2014 ($37m in FY2013, including $10m in 1H FY2013)
  - A further reduction of 300 positions from operational rationalisation and outsourcing initiatives, including ceasing clinker production at Waurn Ponds, delivering $15m of benefits from FY2014

FINANCIAL OVERVIEW

Boral's **sales revenue** of $2.77b was 14% above the prior comparable period, reflecting the December 2011 acquisition of Lafarge's 50% interest in the Asian Plasterboard business (Boral Gypsum Asia - BGA) and full half year contributions from the Wagners and Sunshine Coast Quarries acquisitions. Excluding these impacts, revenues were broadly steady.

Boral's earnings before interest and tax (**EBIT**)[1] increased by 3% to $112m with underlying earnings from continuing operations (including acquisitions) up $13m or 13% to $118m. Early benefits from Boral's overhead cost reduction program delivered $10m of EBIT uplift, primarily in Construction Materials and Building Products. Improved earnings from Construction Materials and Boral USA, and the consolidation of Boral Gypsum Asia (BGA) earnings, offset a decline in earnings from Building Products, Cement and Gypsum Australia.

EBIT from **Construction Materials** increased by $23m underpinned by major project activity, full period contribution from acquisitions, drier weather conditions and a $4m uplift in Property earnings.

Boral **USA** EBIT improved by A$12m driven by increased market demand and cost reductions.

Boral **Gypsum** EBIT increased by $10m despite a $9m decline in Australian earnings driven by lower volumes and higher costs. While there was a $19m increase in reported earnings from BGA, reflecting full half year consolidation, underlying BGA EBIT was down 5% due to challenging market conditions in China and Korea and a $1m adverse foreign exchange movement.

Despite restructuring and overhead cost reduction initiatives, **Building Products** EBIT decreased by $24m, reflecting significant volume declines and one-off cost impacts from brick capacity rationalisation and inventory reductions.

A $6m decline in **Cement** EBIT was driven by lower production volumes, input cost increases and the loss of lime and limestone sales volumes to BlueScope Steel which had an adverse $2m EBIT impact.

Profit after tax (PAT)[1] of $52m decreased by 22% on the prior comparable period PAT of $67m. Net profit after tax (NPAT), after significant items, was a loss of $25m compared to a $153m profit in the prior comparable period.

Net **significant items** totalled a $77m loss after tax. A net gain from the sale of the Asian Construction Materials operations was offset by organisational restructuring costs and recognition of impairment charges of $100m (net $74m) relating to the cessation of clinker manufacture at Waurn Ponds.

Depreciation and amortisation increased by $16m to $144m resulting from the consolidation of BGA and net **interest** expense increased by $16m to $50m, reflecting increased borrowings used to fund the BGA, Wagners and Sunshine Coast Quarries acquisitions.

Earnings per share[1] were 6.8 cents compared to 9.0 cents in the six months to 31 December 2011.

Return on funds employed[1,2] reduced to 4.2% from 4.8% and return on equity reduced to 2.6% from 4.5%.

EBITDA of $256m was up 8% above the prior comparable period while **operating cash flow** of $98m was $96m above the prior comparable period largely due to improved working capital management and lower acquisition and restructuring costs paid. **Capital expenditure** was $155m ($52m of stay-in-business and $103m of growth and acquisition expenditure) and is expected to be around $300m for FY2013 as a result of measures taken to constrain capital expenditure for the remainder of the year.

Boral's **net debt** at 31 December 2012 was $1,458m, a $60m reduction from the net debt at 30 June 2012 and $86m below 31 December 2011. **Gearing**, net debt / (net debt + equity), reduced from 31% at 31 December 2011 to 30% at 31 December 2012. Boral's principal bank gearing covenant of gross debt / (gross debt + equity – intangibles) reduced to 39% at 31 December 2012.

A fully franked interim **dividend** of 5.0 cents per share will be paid on 25 March 2013. Boral's Dividend Reinvestment Plan (DRP) will be underwritten in respect of the interim dividend, with the shares issued under the DRP to be issued at a 2.5% discount to the market price.

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[1] Excluding significant items
[2] On a moving annual total (MAT) basis

EXTERNAL MARKET CONDITIONS

In the first half of FY2013 (1H FY2013), annualised total housing starts in Australia (including single and multi-dwellings) were estimated to be 152,300[1], broadly in line with the first half of FY2012 (1H FY2012) and up 14% compared to the second half of FY2012 (2H FY2012), when annualised housing starts were 134,000.

Australian non-residential activity in 1H FY2013 is estimated to be down 4%[2] on 1H FY2012, with Queensland (QLD) particularly weak.

Ongoing pricing constraints in the cement market resulting from the high Australian dollar and low overseas shipping costs, together with rising domestic production costs, resulted in Boral announcing plans to suspend indefinitely clinker production at Waurn Ponds and develop additional import capabilities by operating the existing site as a milling facility using imported clinker.

In line with expectations, the US housing market continued its recovery, with 1H FY2013 annualised housing starts of 836,000 up 29% on 1H FY2012 starts of 646,000 and up 15% on 2H FY2012 starts of 725,000[3]. In Boral's US Brick states[4], annualised single dwelling housing starts in 1H FY2013 were up 24% compared to 1H FY2012 and in Boral's US Tile states[5] they were up 46%. Annualised US housing starts for 1H FY2013 were however still 44% below the 50-year annual average of 1.5m starts.

In Asia, Indonesia, Thailand and Malaysia continued to experience strong underlying demand while market activity in South Korea declined. In China, housing construction remains weaker than expected as a result of central government intervention to reduce house price inflation.

SEGMENT RESULTS

Boral Construction Materials

Concrete, Quarries, Asphalt, Transport and Property

(A$ millions)	**1H FY13**	**1H FY12**	**Var %**
Revenue	1,447	1,211	19
EBITDA	169	138	22
EBIT	112	89	25

External Revenue	**1H FY 13**	**1H FY12**	**Var %**
Concrete	638	538	18
Quarries	263	238	11
Asphalt	432	373	16

Construction Materials revenues of $1.45b increased $236m (19%) on 1H FY2012, assisted by favourable weather conditions across Eastern Australia and contributions from the Wagners and Sunshine Coast Quarries acquisitions. Revenues also benefited from increased resources and major project activity, and strong activity in New South Wales (NSW) metro and QLD country markets, which more than offset weaker concrete demand in NSW and Victoria (VIC) country.

Excluding acquisitions, concrete volumes were up 4% while quarry volumes were down 4% on the prior corresponding period. Concrete and quarry prices were up 7% and 12% respectively, reflecting strong pricing disciplines and a shift to higher priced project and country markets.

EBIT of $110m before property sales was up $18m or 20%, driven by revenue growth and the early benefits from cost reduction programs.

Concrete and Quarries earnings benefited from supply to the three Curtis Island LNG projects at Gladstone which has now reached steady state demand and will continue throughout FY2013.

Revenue from the Asphalt business increased by 16% on higher volumes with earnings benefiting from drier weather, flood recovery activity in QLD and supply to the Brisbane Port Connect and Melbourne Peninsula Link projects.

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[1] Sep-12 quarter based on ABS original housing starts; Dec-12 quarter based on HIA estimate
[2] Sep-12 quarter based on ABS original value of work done; Dec-12 quarter based on BIS forecast value of work done
[3] US census seasonally adjusted housing starts
[4] McGraw Hill / Dodge data. Brick States include: Alabama, Arkansas, Georgia, Kentucky, Louisiana, Mississippi, North Carolina, Oklahoma, South Carolina, Tennessee, Texas
[5] McGraw Hill / Dodge data. Tile States include: Arizona, California, Colorado, Florida, Kansas, Missouri, Nevada, Oregon, Washington

Property earnings of $1.5m were up $4m on last year. The result largely reflects the sale of surplus land at Red Hill in Western Australia (WA) and Pine Mountain in QLD offset by development costs.

Construction Materials is focused on delivering strong cost savings through overhead reductions, restructuring and rationalisation. Currently underway, the consolidation of the South Australia (SA) and VIC regional management structures will improve costs and efficiencies. A program of rationalising small and redundant sites which commenced in FY2012 is also continuing with a total of 10 sites exited in the six months to December 2012.

The Peppertree Quarry project remains on budget with practical completion expected in November 2013 and full production planned for mid 2014.

Boral Cement

Cement, Lime and Concrete Placing

Cement revenue of $213m was 2% above the prior comparable period, reflecting marginally higher cement volumes and prices, improved lime prices and higher revenues from De Martin & Gasparini, which offset a significant reduction in lime and limestone volumes.

EBIT of $35m was $6m (15%) below the prior comparable period. Earnings were negatively impacted by lower clinker production, significant increases in input costs (particularly electricity and fuel) and the loss of lime and limestone sales to BlueScope Steel following the closure of the Port Kembla furnace in August 2011; the latter negatively impacted EBIT by $2m. The strong Australian dollar continues to suppress pricing through import competition, thereby inhibiting the recovery of cost inflation, although this was partially contained through cost reduction projects.

While clinker production was lower year-on-year, inventory levels increased ahead of the planned suspension of clinker production at Waurn Ponds from May 2013. As Boral replaces production at Waurn Ponds with imported clinker, Boral's cost of supply will be lowered from FY2014.

Boral Building Products

Australian Bricks, Roofing, Masonry (SA and WA), Timber and Windows

Building Products revenue of $315m was $47m or 13% below the prior comparable period (but up 6% from 2H FY2012) driven by lower volumes across most products.

Volumes were impacted by reduced activity in the premium alterations and additions market, short-term lack of availability in Bricks of certain product lines as manufacturing capacity was re-configured, and increased domestic and import competition (supported by the high Australian dollar) in some Timber segments. Volumes declined by 10% in Bricks, 8% in Roofing, 9% in Masonry and 17% across Hardwood and Softwood compared to 1H FY2012. Average prices were 2% - 3% higher in Bricks, Roofing and Hardwood but down 5% in Masonry.

An EBIT loss of $18m was $24m below the prior comparabn. Boral r1.7(activity i2egments.)5.7(Volud81Tw[pre

Earnings from WA bricks and masonry operation declined by $8m on the prior comparable period due to weaker demand accompanied by lower production volumes, increased price competition and costs of mothballing kilns 7 and 8. Timber earnings declined by $9m, impacted by a significant decline in hardwood and softwood volumes from lower residential and premium alterations and additions market demand, increased import competition supported by the high Australian dollar, and increased domestic competition.

Although divisional overhead cost reduction measures totalled $10m, including $6m through restructuring and removal of the Clay & Concrete Products overhead structure, these benefits were insufficient to offset the overall impact of lower volumes, cost inflation and one-off items.

Having regard to the disappointing performance of Building Products, the businesses making up that division will be kept under close review with the objective of improving returns and ensuring that the long term configuration of these businesses is appropriate.

Boral Gypsum

Plasterboard Australia and 100% of Boral Gypsum Asia (BGA) - from 9 December 2011

Boral Gypsum revenue incorporates 100% of revenue from BGA from 9 December 2011 and revenue from the Australian plasterboard operations.

Plasterboard Australia revenue of $173m for the 1H FY2013 was down 10% on the prior comparable period driven by a 5% decline in board volumes, lower resale product and contracting revenues, and flat board prices. The volume decline is in line with contraction in the Australian plasterboard market.

In Asia, double-digit underlying revenue growth in Thailand, Indonesia and Malaysia was offset by lower revenue in Korea, Vietnam and India. Revenue from China grew less than expected as the slow-down in construction activity continued, resulting in strong price competition. Korea was impacted by weaker market demand and intense price competition, as well as adverse weather conditions in December. Thailand and Indonesia continue to experience solid volume growth underpinned by strong economic conditions.

EBIT of $42m for the Gypsum division includes 100% fully consolidated EBIT for BGA of $31m in 1H FY2013, which compares to a total reported contribution of $12.4m in the prior comparative period, $10.1m of which was equity income recognised prior to completion of the acquisition. On a like-for-like basis, theoretical consolidation for the prior comparative period would have resulted in EBIT for BGA of $32.8m in 1H FY2012. The 5% decrease in BGA EBIT on a consolidated basis was largely driven by challenging market conditions in Korea and China and a $1m negative foreign exchange movement which were partially offset by growth in earnings in Thailand and Indonesia.

The decline in Australian EBIT to $11m in 1H FY2013 from $20m in 1H FY2012 reflects the market-led decline in sales volumes and higher operational costs which were not fully recovered through cost reduction programs.

Boral remains confident of achieving earnings growth in Asia through product penetration, operational improvement programs and capacity expansions. Plant expansions of 30m m^2 at Cilegon (Indonesia) and 15m m^2 at Chongqing (China) are expected to be in operation in the first quarter of calendar 2013 with the 30m m^2

Boral USA

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

Boral USA reported revenue of A$266m, 9% above 1H FY2012, reflecting early benefits from a recovering US housing market.

An EBIT loss of A$39m was a 25% improvement on the prior comparable half year loss of A$51m. US dollar losses decreased to US$40m compared with US$53m in 1H

Realigning overhead costs

In parallel with operational rationalisation activities, a comprehensive review of Boral's overhead structures and costs in Australia commenced in October 2012 and was completed in January 2013. The outcome of the review, which was announced in January, identified 700 positions that

FY2013 OUTLOOK

In the second half of the year, **Construction Materials** is expected to deliver a sustained performance underpinned by major infrastructure and LNG project activity and improved pricing outcomes. This assumes continued improved weather conditions relative to the second half of FY2012.

Boral's **Cement** sales volumes in the second half are expected to be flat and the pricing environment will remain challenging due to the high Australian dollar and low sea freight prices. The benefits from building inventory in the first half ahead of the planned Waurn Ponds manufacturing closure in May 2013 will largely be reversed in the second half of the year.

Conditions will remain challenging for **Building Products** in the second half, although the division will benefit from cost reduction and restructuring programs.

In Boral **Gypsum**, better volumes and pricing outcomes are expected in the Australian plasterboard business in the second half and volumes in Vietnam and Korea should improve.

In the **USA**, increased housing starts and improvements in product intensity are expected to underpin a significant volume uplift in the fourth quarter.

The second half of FY2013 will be a period of consolidating recent portfolio changes, continuing to deliver on identified immediate priorities, examining further value maximising opportunities within Boral's

RESULTS AT A GLANCE

(A$ million unless stated)

Half year ended 31 December	1H FY2013	1H FY2012	% Change
Revenue	2,774	2,433	14
EBITDA[1]	256	237	8
EBIT[1]	112	109	3
Net interest[1]	(50)	(34)	(47)
Profit before tax[1]	62	75	(16)
Tax[1]	(8)	(10)	20
Non-controlling interests	(2)	2	
Profit after tax[1]	**52**	**67**	(22)
Net significant items	(77)	86	
Net profit after tax	**(25)**	**153**	(117)
Cash flow from operating activities	98	2	
Gross assets	6,317	6,557	
Funds employed	4,857	4,912	
Liabilities	2,918	3,190	
Net debt	1,458	1,544	
Stay-in-business capital expenditure	52	81	
Growth capital expenditure	103	96	
Acquisition capital expenditure[2]	-	670	
Depreciation and amortisation	144	128	
Employees[3]	13,206	17,559	(25)
Revenue per employee, $ million	0.210	0.139	51
Net tangible asset backing, $ per share	3.29	3.27	
EBITDA margin on revenue[1], %	9.2	9.7	
EBIT margin on revenue[1], %	4.1	4.5	
EBIT return on funds employed (MAT)[1], %	4.2	4.8	
Return on equity (MAT)[1],%	2.6	4.5	
Gearing			
Net debt/equity, %	43	46	
Net debt/net debt + equity, %	30	31	
Interest cover[1], times	2.2	3.2	
Earnings per share[1], ¢	6.8	9.0	
Dividend per share, ¢	5.0	7.5	
Employee safety[4]: (per million hours worked)			
Lost time injury frequency rate	1.5	1.5	
Recordable injury frequency rate	16.6	20.2	

Figures relate to the total Group including continuing and discontinued operations

[1] Excludes significant items

[2] Net of $94 million cash acquired in BGA

[3] Includes reduction of 4,059 employees through Asian divestments in CY2012

[4] Includes employees and contractors combined

Non – IFRS Information

Boral Limited's statutory results are reported under International Financial Reporting Standards.

Earnings before significant items is a non statutory measure reported to provide a greater understanding of the underlying business performance of the Group.

Significant items are detailed in the Note 6 of the half year financial report and relate to amounts of income and expense that are associated with significant business restructuring, impairment or individual transactions.

A reconciliation of earnings from continuing operations before significant items to reported profit is detailed below:

Six months ended 31 December 2012

	Trading Operations	Significant Items	Total
	$m	**$m**	**$m**
Continuing Operations			
EBIT from continuing operations	118.0	(120.0)	(2.0)
Net financing costs	(48.6)		(48.6)
Income tax (expense) benefit	(10.1)	31.9	21.8
Profit/ (loss) from continuing operations	59.3	(88.1)	(28.8)
Non controlling interests	(2.4)		(2.4)
NPAT from continuing operations attributable to members of the Boral Group	**56.9**	**(88.1)**	**(31.2)**
Discontinued Operations			
NPAT from discontinued operations attributable to members of the Boral Group	(4.7)	10.6	5.9
NPAT attributable to members of the Boral Group	**52.2**	**(77.5)**	**(25.3)**

The results announcement has not been subject to review or audit, however it contains disclosures which are extracted or derived from the Financial Report for the half year ended 31 December 2012 which has been subject to review by the Group's Independent Auditor.

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