HD **Preliminary 2014 Boral Ltd Earnings Presentation - Final**

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Presentation

OPERATOR: Ladies and gentlemen thank you for standing by, and welcome to the Boral Full Year Results call for financial community. (Operators instructions). I must advise you that this conference is being recorded today, Wednesday August 27, 2014. I would now like to hand the call over to your first speaker Mr Mike Kane , thank you please go ahead.

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MIKE KANE , CEO, MD, BORAL LIMITED : Good afternoon and I'll try to work with this echo a little bit, if you can't hear me in the back raise your hand, I'd be surprised through. I think you'll be able to, I don't have to talk very loud. That's good because I've been talking all morning and I'm a little hoarse. Spent a little time with the media trying to get the story straight and I think we pretty much accomplished that.

Welcome everyone and thank you for joining us for Boral 's full year results presentation for the year ended June 30, 2014. We appreciate UBS hosting us in their auditorium today.

I'm joined by Ros Ng Boral 's CFO, as well as several of our senior executives including Joe Goss who is Divisional Managing Director of Construction, Materials and Cement. Al Borm, President of Boral USA. Frederic de Rougemont , CEO of USG Boral. Darren Schulz , Executive General Manager of Australian Building Products. Steve Pyne Executive General Manager of Queensland Northern Territories for Boral Construction Materials . And Tony Charnock , Senior Vice President of USG Boral Asia Pacific.

Today we'll provide an overview of Boral 's full year results and take you through the operational performance by division. Ros will present the consolidated financial results, including significant items of Boral 's debt position. And I will conclude by highlighting our current strategic priorities and comment on the outlook for Boral by division. We will talk for around 30 to 35 minutes before opening up for questions.

I'm pleased to report a solid full year performance from Boral with a strong uplift in most key metrics including earnings and net profit. While reported revenue is down 2% to AUD5.2 **billion**, sales revenue from continuing **operations** increased 7% to AUD4.5 **billion**. Which is a clear indication of the performance of the underlying business and the benefits of increased market activity in key markets.

The 2% decline of reported revenue reflects the impact of the Gypsum business going from 100% consolidated reporting to a 50% share **equity** accounted interest, from the last four months of the year following the formation of the USG Boral joint venture on February 28.

EBIT of AUD294 **million** was a significant 29% increase on the prior year, driven by cost reductions and restructuring benefits and generally better market conditions. Excluding significant items profit after tax was AUD171 **million**, a 64% increase on the prior year. Statutory net profit after tax of AUD173 **million** after AUD2 **million** of net significant items was a substantial improvement on last year's net after tax loss of AUD212 **million**.

I can tell you if you had a little struggle with that issue to understand how those numbers moved back and forth. Gearing has come down to 18% from 30% last year; Ros will provide more detail around our balance sheet later in the presentation.

Earnings per share have increased by 62% to AUD0.22 and we've announced a fully franked final dividend of AUD0.08 for a full year dividend of AUD0.15 per share, an increase of 36% on the prior year. Overall EBIT return on funds employment or ROFE is heading in the right direction at 7.2% up from 4.7% in 2013.

It's a complicated set of results, so what I've tried to do is summarize it in six major highlights of this year's results. First is in the area of safety, we delivered a 22% reduction in recordable injuries this year, which is a good result. With a lost time injury frequency rate of 1.9, we stacked up very well within the industries in which we operate. Of course there's still more to do to continue improving our safety performance.

Second was the significant level of cash generation, which I'll come back to. Third was the strong contribution from construction materials and cement, which was broadly steady on last year, despite an AUD20 million decline in property EBIT.

Fourth was a substantial AUD48 million turnaround in Australian building products. Fifth the formation of AUD1.6 billion USG Boral JV established in the gypsum business as an outstanding growth platform. Finally the continued improvement in Boral USA was a highlight, particularly the fact that we delivered a positive EBITDA of $3 million for the first time in six years. The EBIT waterfall chart tells most of the story.

Operating EBIT from construction materials and cement was up AUD16 million, largely offset in the AUD20 million lower EBIT from property sales. The steady result for CM&C reflects benefits from restructuring and cost reduction, as well as major projects. Weather was also on our side this year, especially relative to recent years.

Property sales generated significant cash flow in 2014, but were less profitable than sales in the prior year. For example Macquarie Westland in New South Wales was sold for AUD50 million, close to book value.

Building products also benefited from restructuring and cost reductions as well as general market improvements, to deliver an AUD8 million profit. In Boral Gypsum we had eight months of consolidated earnings, verses 12 months last year, resulting in AUD15 million of lower consolidated earnings. This was partially offset by an AUD10 million post-tax equity contribution for the last four months, after forming the JV with USG .

Importantly the business is performing well in both Australian and Asia. And in the USA the business delivered improved results with a substantial Australian AUD26 million reduction of losses in the year, on the back of the continued US housing recovery and restructuring initiatives.

Included in unallocated earnings is AUD7 million of higher corporate costs as a result of transitional office lease costs, bonuses being earned in financial year 2014 and not in financial year 2013, and cost to support Boral 's innovation programs.

Turning now to look at our external market drivers. In financial year 2014 we generally experienced better market conditions across Australia, Asia and USA, with a couple of exceptions.

In Australia roads, highways, subdivisions and bridges activity, continued to decline from its 2012 peak. With the value of work done in financial year 2014, estimated to have declined by around 10% of the prior year.

On the other hand, non-residential activity was up around 5% nationally driven by strong levels of activity in New South Wales, which reflects Barangaroo and other large scale commercial developments in metro New South Wales.

Australian housing starts were up around 11% to AUD180,000 in financial year 2014 with detached housing starts up 10% and multi residential up 13%.

While the positive trend in housing starts is continuing to benefit Boral , detached housing is proportionate of total housing activity in Australia, dipped to historic lows at 57%, relative to the previous 20 year average of 67%.

For context, detached housing drives around 14% of total revenues for Boral , while multi residential dwellings currently drive around 7% of our total revenue. Alterations and additions in Australia remain subdued but up 3% in 2014.

In the USA total housing starts were 9% higher than last year, but below market expectations at 953,000 starts. Multifamily housing starts outpaced single family starts, which were up just 6% on the prior year. Single family starts in both Boral brick states and tile states were up 7% year-on-year.

In Asia, market activity was higher at all of our key countries, except China where activity remains subdued in the high end markets in the regions where we operate.

Looking more closely at the divisions and the EBIT return on funds employed or ROFE. We are making improvements across the board, but we still have work to do. Construction materials and cement is currently delivering a solid return on funds employed of 12.7%.

Having benefited from prior year restructuring initiative and ongoing major project activity.

In CM&C we are continuing to focus on cost controls, but pricing remains equivocally important if we are to lift returns from current levels. In building products we have reached a positive ROFE of 2% as a result of significant restructuring. Although there is still a lot of work to do, to improve returns to an acceptable level. I have said before that we will struggle with the little returns -- required returns from this division, without further restructuring. So that remains a priority.

The underlying Boral gypsum business has increased ROFE to 6.1% off stronger volumes, prices and operational performances in Australia and Asia. Further ROFE gains will come from market growth, product penetration and new technologies.

In Boral USA return of the funds employees are proving there is still a negative result at the moment. We expect the lift in returns of the US housing market recovery continues, but we are aware that we need to deliver very high returns from Boral USA at the peak, to offset the protracted negative returns of recent years.

Now to look a little bit more detail at construction materials and cement, which reported AUD3.3 **billion** in revenue, two thirds of the **group**'s revenue and AUD277 **million** in EBIT.

The strong underlying performance was underpinned by improved earnings from quarries and cement. But lower contributions from the other businesses. Volumes were up between 3% to 7% in concrete quarries and cement, supported by a steady flow of major project activity and improvements in **residential** and non-**residential** construction markets. Especially in metro New South Wales and Western Australia.

There was continued weakness in regional Queensland and New South Wales due to the reduction in roads and resource related activity, and the Victorian market remained flat.

Like for like, selling prices were broadly flat in concrete quarries and cement, due to competitive pressures, particularly in Queensland and Victoria. Although there was some lift in New South Wales. Overall pricing was up marginally in concrete to a favourable geographic and product mix.

Supporting the strong performance were significant prior year restructuring benefits in construction materials, and AUD28 **million** in cost reductions and productivity improvements in cement. Including the exit of clinker production at Waurn Ponds in Victoria and associated depreciation savings found in last year's asset impairments. And ceasing **coal mining** at the Berrima Colliery.

The asset business was negatively impacted by the continued decline in roads and highway activity, including the completion of the Queensland flood recovery work and Melbourne's peninsular link in the prior year.

Increased competitive pressures in Queensland and Victoria also impacted margins in the asphalt business. The concrete placing business was impacted by some operating inefficiencies during the period, which lowered margins and earnings.

The divisions EBIT result includes AUD10 **million** of **equity** accounted income, as a result of a reassessment of provisions associated with the rehabilitation of PLDC.

Now turning to building products.

With a 5% revenue lift of AUD487 **million**, building products delivered a strong turnaround of profitability. Improving from an AUD40 **million** EBIT loss to an AUD8 **million** profit. The improvement was largely driven by the restructuring and rationalization which commenced in financial year 2013 and delivered AUD10 **million** of benefits in financial year 2014. Plus the AUD9 **million** net decline in depreciation charges following last year's asset impairments.

Increased housing construction activity in New South Wales, Queensland and Western Australia, also returning to the lift in earnings through higher bricks, roofing and soft wood volumes.

Furthermore, operational performance improvements and production volume leverage contributed AUD15 **million** to the lift in EBIT. Pricing outcomes improved across the **board**, ranging from 2% and 5% higher average selling prices across all businesses. In bricks volumes increased by 9% with strong gains in New South Wales, Western Australia and Queensland, offsetting weaker demand in Victoria.

Brick prices were up by 2% including a modest increase in Western Australia, which was the first time in a number of years. And a 9% increase in New South Wales, partly reflecting a product mix shift to higher value faced bricks. In April 2014 we announced the intention to form a bricks JV with CSR . Whilst still subject to ACCC clearance, this JV will capitalize on operational and overhead efficiencies, delivering returns that recover the cost of capital through the cycle.

(Inaudible), modest volume and price growth was delivered despite the ongoing impacts of product substitution and relatively low levels of detached housing, and A&A activity in New South Wales and Victoria.

Timber, excluding the exited woodchip business, revenues were up 3%, driven largely by 5% higher softwood prices and an 18% volume lift. Hardwood pricing improved but volumes were flat due to subdued activity in A&A and in the higher end detached housing market as well as import competition.

In June 2014, we agreed a new supply contract with Forestry New South Wales, accepting AUD8.55 **million** for a 50,000 cubic metre reduction in annual timber allocations for the next nine years. This supports a more sustainable long term outcome for our hardwood business and the industry overall. As part of the negotiations, we've also extended the contract by five more years to 2028.

Turning now to Boral gypsum. (Inaudible) the USG Boral plasterboard and ceilings joint venture which formally commenced on March 1, 2014.

Our full year reported revenue of AUD691 **million** and reported EBIT of AUD77 **million** for the gypsum business comprises eight months of 100% consolidated plus AUD10 **million** in **equity** income from the four months of 50% owned **equity** accounted joint venture earnings. There are a number of significant items coming out from the **transaction** and the business restructuring which Ros will take you into more detail about later.

The integration of Boral gypsum and USG (technical difficulty) and we are already starting to realise the early benefits from USG adjacent products in our key gypsum markets. The USG technology roll out is on track and new next-gen products are expected to be available in Australia by the end of the calendar year. Previously announced synergies of $50 **million** are expected to be delivered within the first three years of the technology roll out in Australia and Asia.

Looking at the underlying business, we achieved strong growth in revenues to AUD1.1 **billion** of 19% on a like-for-like basis and EBIT was up 23% to AUD102 **million**.

The underlying earnings growth reflects improved housing market conditions in Australia and continuing market growth across Asia. In Australia, revenue growth was underpinned by a 7% increase in **board** volumes, 3% to 4% higher **board** prices and a 9% increase in non-**board** revenue including ceiling tiles, [metal stud] compounds, plaster, gypsum re-**sale** products and contracting.

The Australia business also achieved a AUD7.5 **million** EBIT benefit from operational cost reductions, and [production mine] leveraged impact following improvements on manufacturing and distribution performance at Port Melbourne relative to last year, as well as the full year impact of prior year headcount reductions.

In Asia, revenues increased in most markets with strong volume growth in Korea and Indonesia. **Board** volumes were up 17% in Korea, and gains were made in prices and margins, reflecting market improvements, recovered market share and some short term gain as a result of competitor supply constraints.

In Thailand, despite the impact of political unrest on the construction market in late 2013 and early 2014, particularly in Bangkok, broad volumes were up 5% while prices remained flat in a highly competitive market.

China returned to profitability with a 9% increase in **board** volumes, although the high end premium market where we operate remains subdued. In Indonesia, earnings were adversely impacted by the significant depreciation in local currency, as raw materials and **energy** are priced in US dollars. However, underlying demand in Indonesia was strong, with volumes up 17% and strong pricing gains.

Overall, capacity utilisation in gypsum was around 69%, which accounts for new capacity coming online from the final planned expansions in **China** and Vietnam. Ideally, we need to be around 80% or higher to benefit margins and earnings.

A cost-down program has commenced in the USG Boral JV to help the business remain competitive in the face of inflationary cost pressures, and as additional resources are added to support the roll out of new technologies and the expanded product portfolio.

To Boral USA . The division achieved substantial reduction in EBIT losses in financial year 2014, underpinned by the continuing US housing recovery, albeit at slower than expected levels.

Indeed, the US business broke through to profitability in the fourth quarter of financial year 2014 as the annualised run rate of the total US housing starts reached approximately $1.1 million. EBIT was still negative at AUD39 million or $35 million.

EBITDA was positive at AUD3 million. The first positive result in six years for Boral USA , which shows we are making good progress in the business.

Revenue was up 9% in US dollars despite the loss of revenues from the divested Oklahoma concrete and sand operations. Revenue from the cladding business, which includes bricks, stone and trim grew 17%. The bricks business delivered increases in volumes, pricing and distribution revenue while Cultured Stone volume and price increases were offset by an adverse geographic shift in demand.

In our developing trim business, both revenue and volumes doubled off a low base due to an increase in [dual] locations to 368 from 217 in 2013. The trim business also launched a new high value siding product during the year.

Roofing revenues increased with growth in volumes and price. Meanwhile, we continued plant network rationalisations with the closure of the Pompano concrete tile plant in Florida, with products transferred to Lake Wales, and the closure of the Ione clay tile plant in California.

Both the fly ash and remaining construction materials business performed profitably, with strong growth in volumes and pricing due to improved construction material conditions in Denver.

I'd now like to hand over to Ros to provide detail around our financial results for the year.

ROS NG , CFO, BORAL LIMITED : Thanks Mike, good afternoon. Turning to financial results.

Boral improved its overall financial performance in financial year 2014 despite a small 2% drop in reported revenue to AUD5.2 billion. EBITDA was up 4% to AUD556 million, with a AUD46 million lower depreciation and amortisation expense of AUD261 million. This comes from the realignment of asset values last year, most notably in building products and cement, together with lower gypsum depreciation.

Boral 's EBIT before significant items increased by 29% to AUD294 million. As discussed by Mike, this was largely driven by the underlying strengths in construction materials in cement, the significant turnaround in building products, as well as the improved results from Boral USA .

Net interest was AUD14 million lower AUD83 million, reflecting Boral 's significant lower debt levels, which I will expand on in more detail later.

Income tax expense increased by AUD17 million due to high Australian earnings. The underlying effective tax rate increased to 17%, compared to 15% last year, largely as a result of increased earnings from Australia, lower US losses and equity accounted gypsum earnings.

Underlying profit after tax of AUD171 million was up 64% on last year. Significant items come to a net gain of AUD2 million for a statutory reported net profit after tax of AUD173 million, which is a significant improvement on last year's loss of AUD212 million.

Now I'll go through in more detail about significant items.

We had a number of significant items in financial year 2014 as a result of ongoing restructuring and portfolio reshaping at Boral . The AUD23 million net gain from gypsum transactions relates to a AUD26.4 million gain on completion of the formation of the USG Boral joint venture, along with Boral 's 50% share of equity accounted post-tax restructuring costs in the joint venture of about AUD3.8 million, which largely relates to redundancies as part of the joint venture formation and restructuring.

Other significant items result from restructuring and capacity rationalisation (technical difficulty). AUD30 million in Boral US related to impairments taken following the closure of the Ione clay roof tile plant and the August brick paver plants, as well as costs in restructuring the USA regional sales and management teams.

AUD14 million in Australia's cement business of costs associated with the closure of the off-white specialty cement kiln at Maldon New South Wales.

AUD17 million associated with the restructure of Construction Materials in Queensland and Asphalt in Victoria in response to softer market conditions, along with reduction of support services, to correspond to the recent portfolio changes.

Separately, a negative AUD4 million relates to the sale of the Windows business in November last year and some of the costs associated with the proposed east coast Bricks joint venture with CSR .

A positive AUD16 million significant item relates to an interest benefit from resolution of a tax issue with the Australian Tax Office . This gives a total earnings before tax impact of negative AUD27 million, however after income tax, this gives us a net significant benefit of AUD2 million.

Now turning to cash flow. We significantly improved the business cash generation during financial year 2014, in line with a key part of our strategy to reduce Boral 's net debt. Operating cash flow increased by AUD198 million to AUD507 million for the year through increased earnings, a continued focus on working capital management, through improved [DFOs] and lower inventory levels. Lower income tax payment due to the timing of instalments also benefited operating cash flow.

Sale proceeds from the second half in 2014 on the Quarrywest land in New South Wales and the cash received from the New South Wales government for reduced timber allocations also contributed significant benefit in working capital.

We have maintained our strict capital allocation measures, resulting in capital expenditure being down 13% on fiscal year 2013 to AUD268 million.

Proceeds from the sale of assets and land including gypsum into the USG Boral joint venture, the divestment of Windows business, net of a final payment on acquisition of the Cultured Stone business in the US, contributed in total AUD545 million to cash flow.

Free cash flow was up strongly from AUD177 million to AUD783 million, which has helped significantly with debt reduction. As of July 1, 2013, Boral had net debt of AUD1.45 billion. A combination of improved underlying cash flow, lower capital spend and proceeds from the sale of businesses have seen net debt more than halved from financial year 2013 levels to AUD718 million.

Looking now at CapEx in more detail. Financial year 2014 total capital expenditure remained relatively low and in line with the expectations at AUD268 million. Stay in business capital expenditure represented 78% of depreciation.

This is higher than SIB investment last year, which represented an unsustainably low level of 41% of depreciation. Stay in business capital comprised the majority of the financial year 2014 spend of AUD203 million, compared to growth capital of AUD65 million.

Our stay in business investment has focused on essential health, safety and environmental initiatives, key refurbishment projects and asset replacement projects, including the replacement of our ageing fleet.

Growth CapEx of AUD65 million was down significantly on previous years due to the completion of the Peppertree Quarry project this year, and was constrained to essential projects such as our wheatstone concrete assets, the completion of the new line at Ho Chi Minh City plasterboard plant in Vietnam and the commencement of preliminary work on a number of other quarry development projects.

As already highlighted, net debt at year end of AUD718 million was AUD728 million lower than at year end June 2013.

As a result, gearing reduced significantly to 18% from 30% at June 2013. Boral remains well within its financial debt covenants, with our gearing covenant reduced to 26%, well within the threshold of less than 60%. Our debt maturity profile is well spread, with a weighted average debt maturity of 3.4 years and a weighted average cost of debt steady at 6.1%.

The next refinancing will be the $200 million private placement notes, which are due to mature in May 2015.

Net interest cover has improved from 2.3 times in financial year 2013 to 3.5 times, and net debt to EBITDA has fallen from 2.7 times in financial year 2013 to 1.3 times.

Our balance sheet is robust, with AUD500 million of undrawn bank facilities and cash of AUD383 million as of end of June. Boral will continue to manage capital efficiency with a considered financial policy, will ensure we have sufficient liquidity to execute on business strategy, and also to support our continuing financial obligations.

I'll hand back to Mike to talk about Boral 's strategic priorities and the outlook for 2015.

MIKE KANE : Thank you Ros. We are now well-advanced in the first two years of our fix, execute and transform journey. I'm pleased with our progress as we begin to approach the end of the fix phase. I'm confident that we have fixed a lot of the things that were holding us back from delivering improved performance. This includes re-shaping the portfolio, managing costs down, and as Ros talked about, reducing debt through cash generation and the conservation of capital.

While there are still some fixes we have to see through including further realignment of the building products portfolio, we are now looking towards the execute and transform phase of improving the way we operate. Our objectives are to be more efficient, more disciplined and more profitable in our **operations** and to transform our performance and sustainable growth through innovation.

We need to increase our capacity utilisation. We've stopped adding new capacity in our gypsum business, at least until we increase utilisation rates. We are responding to external challenges by realigning businesses as markets change, and we're becoming more responsive.

We are demonstrating an ability to secure access to innovation technologies, as well as develop our own innovations. We have more to do, but we are on an innovation path now. We are investigating opportunities to reduce our exposure to high fixed cost businesses and to create a more geographically balanced portfolio over time.

While we are continuing to work on long term strategic positioning, the immediate focus remains on managing costs down.

We have made significant progress in financial year 2014, with the realisation of AUD130 **million** in cumulative cost reductions from announced cost-down programs. This includes AUD93 **million** of incremental benefits in financial year 2014. A further AUD20 **million** in annualised benefits from reduced contractor spend is expected in financial year 2015, to reach a total annualised benefits, which is the third program of benefits from previously announced cost reduction programs

Separate to these programs, a number of divisional cost reduction programs commenced in the second half of financial year 2014, to combat inflationary and other cost pressures. These include a dedicated cost reduction program in USG Boral to help the business remain competitive, as additional resources were added to support the roll out of the new technologies, and the sales and marketing of the expanded product portfolio.

In Boral USA , further organisational streamlining was undertaken in June 2014. With the restructuring and consolidation of sales and manufacturing teams as well as the consolidation of management responsibilities, this reduced headcount by around 70 people and is expected to save the business $12 **million** per annum from financial year 2015.

In construction materials and cement, further restructuring occurred the second half of financial year 2014, particularly Queensland, most notably in the asphalt business. There was also an associated realignment of resources that support services. In total, headcount was reduced by 118 positions, and this should deliver around AUD11 **million** of annualised cost savings in financial year of 2015.

Looking back over the past year or two, we've made significant progress in reshaping the portfolio in order to reduce cost, respond to changing market dynamics and to strengthen Boral 's long term growth potential.

Through divestments and land sales over the past two years, we've generated AUD251 **million** of cash, achieving our target of between AUD200 **million** and AUD300 **million**.

In construction materials and cement, we've exited clinker manufacturing at Waurn Ponds and transitioned to an import model in Victoria cement, which delivers clear benefits. We ceased production at the Berrima Colliery and announced our intention to permanently close the colliery.

We announced the closure of the small scale high cost specialty cement kiln at Maldon, and as mentioned, we have restructured the asphalt business in Queensland and Victoria to better align with the weaker activity levels in those markets.

The only products the portfolio changes have been significant including the divestment of windows. In timber we ceased manufacturing engineering flooring and exited softwood distribution in Queensland and the woodchip export business.

We agreed to a reduction in our hardwood timber supply from Forestry New South Wales for the next nine years to support a more sustainable long term outcome for the business and the industry more broadly. In bricks, we announced the intention to form an Australian east coast bricks joint venture with CSR .

In Boral gypsum, we formed the USG Boral JV which is progressing very well. In the USA, we further consolidated a roofing production capacity with the closure of the Pompano and Ione roof tile plants, and we permanently closed the August brick paver plant.

It would be (inaudible) refinements in financial year 2015, including a strategic review of our timber business and increased investment in R&D around our exterior roofing and cladding poly-ash technologies.

The key objective of our fix, execute, transform program is to enable us to deliver superior returns through the cycle. We are focusing on improving EBIT return on funds employed to 15% in the long term. We hope the increase to 7.2% in fiscal year 2014 from 4.7% in financial year 2013 and cyclical lows of 4.1% in financial year 2012.

While we've made significant improvements, there's still a considerable amount of work to reach our 15% target. This will require our relentless focus on cost, margins, capital and cash generation, as well as our continued focus on positioning the portfolio so that Boral is well-positioned to take advantage of sustainable growth.

Now to look at our outlook for financial year 2015 by division.

The Australian housing market should strengthen further in financial year 2015, but this will be offset by softer activity in roads, highways, subdivisions and bridges and other engineering construction activity, which we expect to pick up in financial year 2016.

We expect construction materials and cement to continue to deliver a strong result, which will underpin **Group** earnings, especially (inaudible) benefit to realise cost reduction and restructuring programs already implemented.

While we've been challenged in obtaining price leverage in 2014, if this continues in financial year 2015, it could dampen earnings expectations. The smaller building products division will continue to improve, and is expected to deliver an EBIT that is approximately double the EBIT delivered in financial year 2014.

Boral gypsum -- underlying earnings from USG Boral will continue to grow, due to growth in demand as well as business improvements. The stronger result will be partially offset by integration costs associated with the roll out of next-gen technologies and a broader product portfolio.

Overall for Boral , the gypsum division will contributed lower earnings in financial year 2015, reflecting the move to a full 12 months of 50% **equity** accounted post-tax earnings.

In Boral USA , we expect a strong improvement to a broadly break-even EBIT result in financial year 2015, assuming the housing market recovery continues and housing starts reach 1.1 **million** to 1.2 **million** for the year, which is in line with market expectations.

Our immediate (technical difficulties) managing costs, margins, capital and cash to further leverage the market growth opportunities in financial year 2015.

On that note, I'll now open to questions from the room followed by questions from those on the conference call. For fairness, please ask only one question. If time permits, I will come back to allows supplementary questions.

Questions and Answers

UNIDENTIFIED **COMPANY** REPRESENTATIVE: Right here.

SIMON THACKRAY, ANALYST, CITIGROUP : Simon Thackray from Citi. Thanks Mike. I've only got one question because I'**m** only allowed one. Looking at the substantial amount of cost that has been taken out of this business, are we at a position where guys like myself could overestimate the operating leverage in this business if you do not get price from here?

In other words, will cost have to come back into this business, given you've addressed the fixed cost base? It's been a substantial amount -- if there's more to come out if the cycle's not working in your favour, the but the risk here is that this has been a story of operating leverage and now the only way we're going to get that leverage is with price.

MIKE KANE : There's no question price is going to play a significant part going forward. We've done the lion's share of a lot of the cost out that can be done, particularly in the headcount side of the business. I would expect though that as I look at the Australian market, we've had full volumes in this market.

So it's not a question of variable headcount coming back into this business as I don't expect demand to substantially improve from where it is today.

In the US it's a different story. With the leverage of volume, there will be some variable headcount that has to come back to meet that, but I think we've done such a good job on getting the fixed headcount overhead down, that that will continue to pay benefits for us as the (inaudible) come forward. We've really flattened the organisation in the US, even beyond the levels that I took it when I was there, and I'**m** very impressed with the teams and the work being done.

The other thing that's happened in this Company is that we now have a critical focus on cost management on a continuous basis. This is not episodic. It's not something that you just do one year and you say you're done and you complete it. Whenever we have disappointments in the marketplace, we have to look to the compressible cost that we can manage and a good example of that, Joe and I have had these conversations, (inaudible) weather here in August. Look at the worst weather month in August, it was a wet month in 16 years in Australia, for the eastern cities.

Frankly, that's had an impact on performance in August. We don't have the results out yet, but I don't need to see the results to tell you that August is not going to be a very good month. July was a decent month, but July had better weather. If that continues, it's going to challenge this business to achieve its targets for this year, and already Joe and I are talking about, how do we respond to this.

That type of mentality is permeated across the business. I'm very pleased, in the gypsum business for example. They looked at the additional cost that they were going to have to take on when the manufacturing and the marketing and the sales people at USG came over to help implant the technology and roll out this new technology throughout this broad geography. Rather than just take on those costs and hope for a better day, they said no, we've got to figure out a way to reduce our cost to offset that impost. That's the approach we want to see and that's what we're seeing in all of our businesses.

One of them -- the business that leads the way is Australian building products. They've done an extraordinary job. When you look at the result, there wasn't a lot of price in 2014 that helped us out. So therefore, it's been mostly a question of self-help. We've done the lion's share of it.

We've (inaudible) price. We do expect to see some price improvement in this financial year. I know my guys all stood up six months ago and put their hand on heart and said, we're going to get price increases and we did our damnedest but it didn't happen in construction materials.

We believe it needs to happen this year, albeit it'll be modest across the board.

SIMON THACKRAY: Just to confirm, that is the assumption in the outlook you're giving is some modest--

MIKE KANE : Some modest price increases.

SIMON THACKRAY: --price increases.

MIKE KANE : We can't long term do this without price increasing. Inflationary pressures particularly in Australia will overwhelm us if we can't ultimately get price.

ANDREW JOHNSTON, ANALYST, CLSA: Mike, Andrew Johnston, CLSA. One question on page 23 and this sort of follows on from the issue on price and it's got two parts. So first in the construction materials, are you expecting, are you saying that you expect price increases over and above what you got last year?

And to what extent is the increased demand of increased volumes in New South Wales at the expense of other states important in driving that, driving that price increase? And I suppose as part of that, could you talk about the timing of the quarry start up at Marulan?

MIKE KANE : Okay so since we didn't really get much price increase and we were essentially flat in construction materials last year they wouldn't have to work very hard to improve that. Double up real quick. I expect modest price increases.

They will breach the cost of inflation but it all begins with the cement price and we were unsuccessful in getting the cement price increase and as we predicted, in the absence of a cement price increase it's extraordinary difficult to get the downstream product price increases. We do expect some price increase this year and we're going to fight hard to get it.

Your second question is the start-up of Peppertree?

ANDREW JOHNSTON: Sorry, yes. I suppose you said you need it in cement but what about aggregates? How important is aggregate?

MIKE KANE : It's very important but once again we're not forecasting any large movement in price in aggregate. A modest improvement in both concrete, aggregate, asphalt and cement this year is what we're planning and we think it's reasonably achievable.

The markets are continuing to improve with the exception of roads, highways and infrastructure so if you just look at the commercial construction market and the residential markets and New South Wales is the most robust market that we're in and we don't have, we have no reason to believe that will not continue.

There's a, when it comes to major projects and highway work there's a lull as you go from the finish up of work to move on to the next projects. We're going to see in financial year 2015 a drop off I think with aggregate of somewhere around 10% but we then expect as we get to the end of the financial year and move into financial year 2016 that should come back. It should come back very strong because a lot of the projects that are on the queue, I've just got a few right here, should all start to show up in varying stages.

So we've got a gateway which is currently underway but it is the Toowoomba bypass in Queensland, there's the Ipswich Motorway and Bruce Highway in Queensland. These are big projects that are on the cuff.

The Sturt Highway in New South Wales, WestConnex and NorthConnex in New South Wales, East-West Link Regional Rail Link, Western Highway, Princes Highway western Victoria, Perth Airport Gateway , we're seeing some of that now, Swan Valley bypass in Western Australia and the Perth Freight Link. In South Australia the North-South Road and Corridor.

There's just a soapbox of projects. Now all we've got is, they're not going to happen at the same time but they all take roughly 18 months from when you start pushing till you finally get them shovel ready and we think that's going to push us somewhere around financial year 2016.

ANDREW JOHNSTON: Sorry, the last part of that was around Marulan and the close down of Penrith Lakes and the start up at Marulan and how important is that in terms of pricing?

MIKE KANE : It shouldn't have any dramatic impact on price. Why don't I ask Joe Goss , he's right here, to tell what he thinks?

JOE GOSS , DIVISIONAL MD, BORAL CONSTRUCTION MATERIALS & CEMENT: As (technical difficulty) said for Peppertree we're moving the quarry. We need one last price increase to be able to recovery that cost in that investment so looking into fiscal year 2016 we're going to be expecting that increase. We obviously will continue to operate throughout this fiscal year with closing coming in March, May timeframe.

MIKE KANE : So what we've done to adjust for that is we've started up Peppertree, we're curtailed volume coming out of other quarries so that we can prove up Peppertree and it's an important exercise that we're going through and we're seeing the performance we expect on that Peppertree quarry.

ANDREW SCOTT, ANALYST, CIMB: Mike, Andrew Scott from CIMB. One probably partly for you, partly for Ros, we spoke about a 4% increase in EBITDA, of 29% increase in EBIT and it seems to me if you look at it simply sort of 45% to 50% of the improvement seems to have come from purely a lower depreciation.

Probably not surprising, we've had AUD200 **million** of impairments, sorry, AUD400 **million** of impairments and a couple of hundred **million** dollars of that related directly to PP&E over the last few years. When do we get to the point where you can draw a line and say this is our funds employed, this is our asset base and we're moving forward from here?

MIKE KANE : Well I think you can see on the prior year we had a couple of hundred **million** dollars in extraordinary write-downs and this year we stopped going negative on those numbers but I think the lion's share of the restructuring piece associated with the asset base has been done.

But I would argue that as we continue to work through building products in Australia we may have situations where there's some write-downs associated if we do something with some of those assets. I can't preclude it but I'd say the lion's share of the work is done.

Ros, you might want to comment on it.

ROS NG : The other thing, Andrew, I just want to comment on is that obviously in comparing the EBIT change and the EBITDA change, the EBIT change obviously includes four months of **equity** account results from gypsum which is (inaudible) after tax so I guess you've got to take that into account. So if you gross that up for an EBIT comparison will actually improve probably more than what it's saying on the slides.

DAVID LEITCH, ANALYST, UBS : David Leitch from UBS . My question's I guess for either Joe or Mike, just whether you guys would expect concrete volumes to be up this year or not.

MIKE KANE : Joe.

JOE GOSS : David, the price (inaudible) no, we're saying that it's going to be relatively flat but there's going to be a story of significant decrease in northern Queensland, more increase in Victoria with some increased activity here in New South Wales, South East Queensland and WA.

JASON STEED, ANALYST, JPMORGAN : Afternoon, Mike. Jason Steed, JPMorgan . One question on bricks, in two parts. Just the ACCC process seems to be taking longer certainly than I expected. Perhaps you could shed some light on your timeframe on that.

And then the second question on bricks too, global bricks review, you've obviously made a decision about Australia so what are you looking at in the US particularly around that position?

MIKE KANE : Look the issue of the timing of the decision out of the ACCC, it's not taking longer than we expected. I think we sort of signalled that by the end of the financial year or the calendar year we expected to have an answer. I still would hold to that. I think that's a reasonable expected outcome.

On the inside, the work we're doing, how we're responding to them, the kinds of questions they're asking, we're doing a genuine review, I mean they're generally looking at the issue and particularly our counter factual as to what position we're in if this deal doesn't go forward and so I'**m** encouraged by that process.

Had it been a quicker but negative result would obviously be negative for us. So we've laboured for years in a declining brick market in Australia, a few more months is not going to change a whole heck of a lot and I think what we're aiming for is the right outcome.

What does that say about North America? North America is challenged in very much the same way, the brick industry, as the brick industry is here. Some interesting differences, one is underlying values of land are not the same so you don't get that sort of boost as you exit the business as you do in Australia in the brick business and frankly, the decline in (inaudible) share hasn't been as dramatic in the US. It's more flat lined in the 16% to 18% level.

But the same process that we looked at with the bricks business here we're trying to figure out for the bricks business in North America. There's a lot of activity as you will know and people know that there's a lot of talk going on in the brick industry in North America and we're engaged in that process.

At this point we have nothing to announce and nothing to discuss and when we do we will but clearly you need to understand that we're fully engaged in trying to understand how to make a better structure for us so that we can find a pathway to a sustainable long term return on funds employed in that brick business, because I would argue that it is the highest fixed cost, the most capital intensive and the most subject to inflationary pressures of any business that we have anywhere on the planet and we've got to come up with a solution and we're working on that right now.

There are multiple options we think to get an adequate result and we're trying to explore those right now. It's going to take most of this year to do that.

JASON STEED: So we should be looking for an answer come February in terms of that review completing?

MIKE KANE : That might be a little optimistic but sometime in this financial year we'll have drawn a conclusion.

JASON STEED: Okay. Thanks, Mike.

MIKE KANE : One more and I'll go to the call.

UNIDENTIFIED PARTICIPANT: Hi, Mike. Glen (inaudible) from Macquarie. Just a quick question. You provided guidance around your stay in business CapEx, I guess the expectation's about 78% of depreciation. I understand in previous commentary around the I guess growth CapEx in gypsum, is there any other further growth projects you've got in the pipeline at this stage?

MIKE KANE : Right now we have a dearth of growth projects. I've been stepping on capital now for so long that I think they're afraid to bring growth projects to me right now but I can tell you that I don't have to look too far to Joe Goss over here and there's a number of quarry replenishment activity that we need to engage in and so we'll be doing that, probably not heavy expenditures in this financial year but certainly (inaudible) so I see us making significant growth investments in our quarry base in Australia.

I think we're going to have to leg off the break a little bit in some of our expenditures particularly in the US business because we've significantly dampened that down but there's a reason for what we've been doing.

You'll notice as we switch to a high stay in business CapEx we in fact are reinvesting in our business to make sure that the **property**, plant and equipment doesn't fall over. We were down to unsustainable low levels of SIB capital.

On average as a **company** it was in the 30's and that's just, you can't do that for too long or else things stop working. Joe needs to **buy** new trucks and equipment's and mobile plant. You can't delay that when they stop operating.

So for all those reasons we expect SIB to be at a very high level and select growth projects will probably most significantly come in construction materials in Australia.

JASON STEED: So that would likely be up I guess year-on-year in financial year 2015 then (inaudible)?

MIKE KANE : It will. Our objective is to try to hold capital to AUD300 million again. We held it even lower last year so we've got some, a little catch up to do but some of the growth projects like the Ho Chi Minh and the Chinese (inaudible) are no longer in process and so that, that's complete.

Peppertree's done so we don't have any big slugs of growth CapEx. If we amp them back in and it will particularly come in Joe's business, it shouldn't change that outcome much. We're on a AUD300 million capital budget.

JASON STEED: Great, thank you.

MIKE KANE : Why don't we take the first question on the phone?

OPERATOR: Emily Smith from Deutsche Bank .

EMILY SMITH, ANALYST, DEUTSCHE BANK : Good afternoon, Mike and good afternoon, Ros. I just had a question about the balance sheet. Clearly you guys have done an excellent job in terms of reducing your debt and the cash flow and the result was very strong.

I'm just wondering what your gearing targets might be and at what stage and what sort of gearing level you think that you might be more aggressive in terms of capital management.

MIKE KANE : Well I'm going to let Ros answer that more technically and Emily I was surprised not to see you be the first question here in the room but I'm glad you're the first question on the call.

We've got our gearing to a point, I think we surprised ourselves as to where we ended up. Ros?

ROS NG : Afternoon, Emily. I think in the past we've sort of had a range of gearing in Boral between 20% to 40%. Obviously we're on the lower end coming into 18%. We did have a very strong cash flow.

We do want to maintain (technical difficulty) just to make sure that we continue to meet obligations but also if there are (technical difficulty) opportunities so I think we're sort of comfortable within that low 20% sort of gearing for the time being.

EMILY SMITH: Great. Thanks very much.

MIKE KANE : Next question?

OPERATOR: Andrew Peros from Credit Suisse .

ANDREW PEROS, ANALYST, CREDIT SUISSE : Thank you. Sorry, can I just get a clarification on that last question, Mike or Ros? Would that suggest because you're leaning more towards M&A conscious of your comments around pursuing a more geographically balanced portfolio (technical difficulty) pursuing M&A , instead of pursuing capital management?

MIKE KANE : We have been very consistent over the last two years in making it clear that we don't consider that we have a balanced portfolio geographically and in the fullness of time we've got to get that right. That's not something that's going to happen by snapping our fingers or overnight.

So we're looking at all options. All options are on the table in terms of attractive growth investments outside of Australia and capital management and we really haven't settled on an answer yet, which explains why we haven't said anything about capital management today.

ANDREW PEROS: Okay then I might just ask my one question then. A question around the US. Obviously you've closed two roof tile plants there and you've got plans to close one more.

Mike, I'm just curious if your longer term view on the US housing market has changed just conscious of those moves there? And perhaps taking that one step further, if let's say housing activity in the US tracked sideways for say another 12, 18 months, are there any other cost out or rationalisation opportunities there whether it be in roof tiles and/or bricks?

MIKE KANE : I think we've, in terms of our current portfolio I think we've rationalised the asset base about as much as we can do. These last things we did which was one concrete tile plant and one clay tile plant and a brick paver plant in Georgia were probably the last key asset closures that we needed to do in the USA.

Now I don't want to preclude, if our review of the bricks business presents us an opportunity for some type of consolidation as a possibility that other closures might not be a part of that process but in terms of our current portfolio we've probably run the string on that and I don't see any further.

Now my long term view of the US housing market, if you can have a long term view of the US housing market, after 40 years of living with this thing it's like you think you know something and it actually behaves completely differently to everything you've ever seen. So I'm not sure what my previous experience is worth at this point.

Here we are in 2014, Al Borm and I have been in this business together for many, many decades and if he'd asked me in 2010 to bet a lot of money that by 2014 we'd be just coming through a (inaudible) housing starts I'd have said, I'd have put a lot of money down and lost it. And I think everyone in the business would have done the same thing.

The slow begrudging return of the housing market in the US is unprecedented but nevertheless it's coming back and it's coming back in 100,000 and 200,000 increments.

I'm hoping and the projections are that it will be 200,000 this year but it's a long slug back to 1.5 million housing starts and the genuine question of fact is, does it continue in that same sluggish way beyond 1.5 million housing starts? I believe it does. I believe it does because I think there's a significant pent up demand for housing formation that needs to be met, it's a demographic necessity. So my view hasn't changed despite the last 10 years of experience.

ANDREW PEROS: But I guess the point here is that these plants are not moth-balled, they've been permanently closed.

MIKE KANE : Yes.

ANDREW PEROS: So I appreciate what you just said but presumably you've taken a more bearish view on the longer term outlook given that these are permanently closed now.

MIKE KANE : Our problem in the US for several years now has not been capacity. As we've struggled to meet our commitments and as we've struggled to be able to deliver on our expectations, as we've gone to the cost lever one of the key levers there is taking down under-utilised assets. How hard would it be to stand up concrete tile plant? Probably not much. I don't see us going back in to the clay products. I think when you see us exit the paver plant and the clay roof tile plant these are not two areas that will rush back in despite we're ever coming back. I'd much rather have price and profitability on my existing asset base than to have too much capacity and we've had too much capacity for too long but I think we're done.

If you just look at, compare this to the fact that we took out 50% of our brick assets during the last five years and you'd understand that was the reduction of almost 12 plants. We took 12 plants out of the network and we were 25 plants at the time so that's big movement.

Onesies and twosies are just the final dregs that we finally kicked out of the barn and said you know what, it isn't ever going to come back in a way we think it's going to come back and even if it does we'll be better off being sold out early and often and at higher prices.

ROS NG : And if I can just add, Mike, to that, as Mike mentioned for roofing, for concrete we've got sufficient capacity so even the last peak we weren't fully utilised. So I think a lot of work's been done with Al and his team to actually be able to make the different products in the different plants so that allowed us to close (inaudible) so that product is now moved to Lake Wales so I think that's been able to facilitate that closure.

So I think we're not going to be at capacity constraint when the market moves back up in roofing and we'll be in a better cost structure.

MIKE KANE : Our objective is to reach full capacity utilisation long before we reach the peak in the market and we won't do that with excess assets that we don't need.

ANDREW PEROS: Thank you.

OPERATOR: (Inaudible) from Morgan Stanley .

UNIDENTIFIED PARTICIPANT: Thank you, just continuing on the US, the numbers I look at on an annualized basis for the fourth quarter housing starts were around a million, yet as you indicated you achieved a profitable quarter.

Given that you've got an additional $12 million of cost out coming in for fiscal 15, are you being a bit conservative keeping a guide to the break even assuming 1.1 million to 1.2 million starts?

MIKE KANE : You're accusing me of undercooking things. You know you've also got to factor in that there is inflation, however albeit low in the US market our inflationary impact. As these markets come back, our delivery cost issues are going to be a challenge.

Trucking is a challenge, so I think that if we achieve our plans, and the market delivers the **buy**-in that we expected, well we could do better than that. But at this point, after five years of slugging at the bottom of this market, I think it's a mistake to over promise.

Last year we were expecting 200,000 housing starts when we only got 100,000. I think a lot of people, when they looked at our performance, expected a worse performance in the second half of financial year 14 than they saw in the US.

That was largely done on the strength of cost reduction and head count reduction, we took 70 more people out when I didn't think it was possible to take 70 people out. So we're a little jaded right now, over promising it in the US market wouldn't have been a good thing for any time in the last six years.

UNIDENTIFIED PARTICIPANT: Sure, I suppose just to follow on from that, are you assuming any price increases in bricks in the year ahead?

MIKE KANE : There's significant volume of inventory throughout the bricks network in North America. There's significant over capacity in that industry. We have several players, competitors in the brick industry in the US, who I would argue are not focused on that business, but probably are focused on the fact that they've got a lot of inventory and they'd like to get rid of it.

In that environment it's extraordinarily difficult to get pricing traction. We have seen a shift in volume toward the Sun Belt and as you look at our various product offerings, when **buy**-in shifts to the South East, stone is a good example; it's at a lower price point and a tighter margin than in other parts of our market.

So for a lot of reasons it's difficult to get margin expansion in the US market at even a **million** housing starts.

UNIDENTIFIED PARTICIPANT: Okay thanks Mike.

OPERATOR: Michael Ward of the Commonwealth Bank.

MICHAEL WARD , ANALYST, COMMONWEALTH BANK : Mike you've sort of made a lot of reference to cost escalation across business, especially in Australia. I was just wondering if you can outline for us maybe in a percentage term by division, sort of what that cost escalation is. If that's maybe too hard by division, maybe if you can just do that regionally, sort of Australia versus the US?

MIKE KANE : Well it's real simple, if you just do a simple comparison Australia versus the US, the US doesn't even show up on the radar screen in terms of profit inflation by comparison.

Wage costs, **energy** costs, capital costs, all costs, everything in Australia, land costs, are up. We face what, about AUD100 **million** in inflationary cost pressures in the Australian market in total, I don't have that number broken down by the two divisions, but recognize that the construction materials division is the bulk of our business.

Most of those pressures are coming at the construction material division. So it's extraordinary on a global scale, the inflationary pressures in this market, which drive the behaviour that you see in our efforts to reduce cost dramatically. Ros do you have a --

ROS NG : -- just to add to that, I mean just to give some colour around that, I mean last year we saw an average salary increase of around 2% for our salary, both in the US and in Australia. And you know, going into financial year 15, Mike's been very generous and we're all looking at a sort of similar 2% to 2.5% increase for our salaries.

So you know, I guess it goes towards, you know, really controlling the cost pressures, and in terms of natural gas we did see a big increase last year when some of the contracts were up. Well New South Wales and Victoria, they're locked in now until December 2015, but then we'll have to go back and look, revisit those price increases to natural gas.

So on average we would have seen between AUD100 to AUD110 **million** just in inflation, across Boral .

MIKE KANE : And in the US, coming off a very low level, natural gas prices are moving up, and have moved up in relevant terms close to 20%. But when they start out, some AUD4 for the BTU it's not as painful.

MICHAEL WARD : So you expect that rate of cost inflation to be pretty similar in 2015 that you had in 2014, is that effectively what you're trying to say?

MIKE KANE : Yes.

MICHAEL WARD : Yeah okay thank you.

OPERATOR: Matthew McNee from Goldman Sachs .

MATTHEW MCNEE, ANALYST, GOLDMAN SACHS : Thanks guys, just a question on the cash flow on the debt, Ros can you give us an idea of what the current debt in the JV is, the US GJV?

ROS NG : In total for the joint venture is actually a positive. So you know, some countries we have just the normal working facilities working capital facilities for certain countries, in certain countries where we're in positive cash. So being overall we're positive.

MATTHEW MCNEE: That's similar to when the JV was established?

ROS NG : Yes, so when the joint venture established, we had a net cash position and to this very day we still have a net cash position.

MIKE KANE : Our objective is not to have debt in this JV.

MATTHEW MCNEE: Okay no worries, also just on the, you know, you had a tax refund in the period, I think it was about AUD14 **million**, obviously that was part of the dispute you had, can you just tell us what the quantum of that amount was?

ROS NG : There was a, I think the dispute you were referring to, the AUD16 **million** that we reported in significant items, that really was, you know, a provision that we were able to release following the resolution of a tax matter.

In terms of the cash flow where we talk about the benefits of the lower tax instalment, obviously if you look at our 2013 results, it's not as obviously strong as 2014. So we had a very low tax 2013, and we had some timing of the tax instalments that were refunded during the year.

So we do foresee a catch up in financial year 2015.

MATTHEW MCNEE: So what sort of tax payment, or you know, I know it's not your effective tax rate, but what sort of quantum of tax would you expect to pay?

ROS NG : Well I think you can probably have a look in our off strand results, and you know, you can probably have a pretty good guess at what the tax we would have to pay for 14.

MATTHEW MCNEE: Yeah all right thanks.

OPERATOR: Emily Smith from Deutsche Bank .

EMILY SMITH: Thank you, just a quick one from me around the ROFE target that you're talking to Mike. I'**m** just wondering, you know, what do you need to see to get to that target?

Obviously you've successfully taken costs out of the business, you're starting to get some market behind you, both in Australia and in the US. You've seen some price increases in building products, what do you need to see to get to that target from here?

MIKE KANE : Well I think you've mentioned many of the things. We need to see more price movement in Australia.

We need to see price moment in North America, we need to see volume come across our plants in North America, we need to see a final settlement on the asset base in building products in Australia, and frankly draw conclusions on the brick business in North America as well.

But what really will drive this will come in several different buckets going forward. It will be price appreciation, margin expansion and volume in North America, and the continued growth in the Asian business.

I do believe that we need to invest in growth outlets in North America and in Asia, and that as we try to rebalance our portfolio, more balanced across these three geographies, it's going to require investment in both of those geographies.

When that comes, and the dimension of that are really unclear at this point, and I couldn't give you anything more than just pure speculation. But clearly that's where it has to come. If you just objectively look at our condition, we are overdone in Australia and underdone in those other two geographies.

EMILY SMITH: Thank you.

OPERATOR: Michael Ward from Commonwealth Bank.

MICHAEL WARD : Oh hi, just a quick question for Ros around the cash balance. I mean that appears pretty high, close to AUD400 million, much higher than the PCP obviously, partly due to the USG sale, or JV.

But can you talk through what you think a normal level of cash might be, and whether or not you'd expect that to actually occur through FY2015?

ROS NG : I think if you look at the cash flow, if we just look at the operating cash flow, where we've seen significant improvement. Obviously that was underpinned by the earnings improvement, we talked about a significant improvement in working capital.

We try to highlight that, supporting that working capital improvement was also receipt of proceeds from Quarrywest sale, as well as the timber, the AUD8.5 million that we received from the New South Wales government.

So I think if you take those elements out, and then look at based on our outlook, based on that, you know Mike's comment about capital expenditure to be that target of around less than 300 or so, I think you'll probably still, you'll be able to calculate the cash flow going forward for financial year 2015.

MIKE KANE : One more question from the phone.

MICHAEL WARD : Sorry that doesn't really answer my question.

ROS NG : It doesn't?

MICHAEL WARD : No, I guess I mean it seems like a very high cash balance which doesn't earn a hell of a lot of interest. I would have thought why don't you actually pay down the debt rather than leave it all in cash?

ROS NG : I'm not sure if I understand the question.

MIKE KANE : We're in the position to pay off the debt.

ROS NG : We pretty much have paid off all the debt --

MIKE KANE : -- that we can pay off.

ROS NG : What we have left in the debt that we do have, the gross debt, you know, if you look at the accounts I think we've still got a gross debt of about just over a billion, and really that's the capital notes that we have in the US.

Obviously the next tranche that we talked about is the AUD200 million and that it's up for refinancing in May 2015.

We actually did take the opportunity this year to pay off, there was AUD52 million that we paid off in May 2014, so that was paid off.

We don't have any bank debt at the moment, you know, I think one of slides in the back just talks, you know, you can see the debt that we have , so you know, that is why we have the cash that we have, so.

MICHAEL WARD : Okay, great that's helpful, thank you.

MIKE KANE : One more question from callers. Okay? In the room yes.

UNIDENTIFIED AUDIENCE MEMBER: Ros, just following on from that, where do you think you can get your weighted average cost of debt down to?

ROS NG : I think if you look at the AUD200 million that's up for refinancing, I think that's at about 5.4%.

So some of the more expensive debt that we have is actually not due for maturity until 2017, 2018. You know, they were the tranche that the company issued back just before the GFC, so they're the high tranches of 7%, 7.5%, so it will take a bit of time for that, for the 6% to come down.

But you know, if we refinance the AUD200 million, you've seen a lot of companies, they've gone abroad to go back to the capital markets, and they're achieving the low 5%. So if we were to refinance the AUD200 million it would be well below the 5.4%.

UNIDENTIFIED AUDIENCE MEMBER: Just on the tax rate, it's been low for a while now and obviously you're going to get a benefit from the equity accounting of Gypsum. So what's the normalized tax rate going forward?

ROS NG : We sort of have given guidance of between 20% to 25%. The 17% is lower than I think in the second, when we did the results in February, and a large part of that is to do with the PLDC, the AUD10 million that we talked about, obviously that's an after tax impact that we've taken into equity, through equity accounts.

So that has actually bought the tax rate down to the 17%. So if you normalize that and gross that up, you're probably sitting at 20% for this year.

UNIDENTIFIED AUDIENCE MEMBER: Thanks.

ANDREW SCOTT: Sorry just a quick one, Andrew Scott again. Probably for Ros, but Mike feel free. Just on Gypsum the equity (inaudible) component for the four month AUD10 million, from what I can see it seems to be off AUD35 million of EBIT.

You commented earlier to Matt's question, there's no debt in there, just struggling to see how the AUD35 million becomes AUD10 million, are there one off items in there, or what else is stopping that from coming through?

ROS NG : You know from memory I have to go back, and I can confirm that later or through Kylie but obviously that's an after tax.

You know, we talk about the AUD30 million or so, from AUD67 million to AUD102 million as underlying obviously what we've taken into account the AUD10 million, so 50% of an after tax number, and from memory, and we can confirm that, I think in the last four months we also have some withholding taxes from the dividends through our Thailand Siam business. So that actually increases tax there as well.

ANDREW SCOTT: Yeah that would make sense thanks.

ROS NG : So that probably came to a net AUD10 million.

MIKE KANE : Right over here in the front, Simon. You're getting your exercise.

SIMON THACKRAY: Mike, second question. Asphalt, that's always been a pretty good contributor at 24% of constructions materials revenue down, down again, and the pricing outcomes at least the official data yesterday from the ABS was very disappointing in terms of price for asphalt.

You've mentioned that you want to see some recovery in that business, and that's presumably self-help rather than market. Can you tell me, or help me understand what the dynamics are, so the driving the asphalt pricing at the moment, other than a falling oil price. And the competitive environment and what, you know, what are you targeting? What are we looking at for improvement in asphalt in 2015?

MIKE KANE : Well the two key factors, one is to get our cost base right, and I think we've taken steps to do some of that already, and that's some of the work we did in the fourth quarter.

The second is we need highway projects, we need some road projects to come forward, to suck up the volume and take some of the competitive intensity on the marketplace. We've seen, and we've got Steve Pyne here from Queensland, who is the poster boy for our asphalt issues. So why don't I just ask Steve to come in on asphalt in Queensland, which is where we have our most pronounced issues.

STEVE PYNE, EXECUTIVE GM , BORAL CONSTRUCTION MATERIALS & CEMENT: Thanks Mike. So the challenge with asphalt infrastructure activities dropped off last year. So in Queensland we had a lot of flood recovery activity through the first half of last year, and it tapered off towards the end.

The asphalt industry in Queensland had very strong growth through the, if you like, the previous Labor Government infrastructure boom, and that activity has been sort of coming off, and we expect to see some improvement in the market, but not in this coming year.

So we're doing preliminary work now for a lot of major projects, sort of the [16, 17] Toowoomba Second Range Crossing and those sort of areas. There have been some new capacity come into the industry, there's also some new capacity leaving the industry at the moment, because it's challenging. Our cost position nationally is very good.

Our point of difference, so Boral is, you know, we do asphalt, concrete and quarry, so we have very -- and we're the only ones in the market that actually do that. So we're generally talking pretty early on most major infrastructure projects coming up around your east west links, and your north connects, and right across the east coast.

So we're sort of positive on the outlook on asphalt, but it's been a challenging year last year. We're reducing costs and capacity in our own business in response to that. But this coming year will be challenging, but the outlook looks okay beyond that, so.

MIKE KANE : It's probably the most effected by the decline in roads highways, and we've got to get through this year before I think we're going to start to see what we hope to get out of that business.

UNIDENTIFIED AUDIENCE MEMBER: (inaudible - microphone inaccessible)

MIKE KANE : Volume decline and just at the end of the last peak, a lot of competitive intensity showed up, a lot of new competitors. It's a reasonably low barrier to entry competitive market place to come into the asphalt business, and they came in and then they all started, and then as the rural recovery projects ended up, they all jumped on to what was the remaining business in Queensland. And that had some pretty damaging consequences to margin.

STEVE PYNE: Our cost position is still strong. We have quarries, so we self-supply, so we're the only sort of **company** that can self-supply ourselves internally. So our cost position's good, but our margins have been challenged, and capacity is leaving the industry now, so from a market perspective we're structurally in a good shape, but we need some more activity to flow through, to see margins improve again.

UNIDENTIFIED AUDIENCE MEMBER: (inaudible - microphone inaccessible)

MIKE KANE : Do we have any up-sizes in asphalt, perhaps New South Wales?

STEVE PYNE: Well look from a Queensland perspective, we expect to, well it will do double digit less turnover, but we're expecting we're going to improve our results year on year. Okay so in terms of margins, and then there's ups and downs across the asphalt business nationally, but Victoria is the same. Victoria had a very large construction project which finished last year.

UNIDENTIFIED **COMPANY** REPRESENTATIVE: Victoria (inaudible) continues to be very soft, but we have the Gateway project in WA, which is going to be really coming into stride in the coming months.

UNIDENTIFIED AUDIENCE MEMBER: (inaudible - microphone inaccessible)

UNIDENTIFIED **COMPANY** REPRESENTATIVE: (Inaudible) The balance of the portfolio looks strong. I'd say to David's comment, we're not seeing a lot of lift coming from volumes, but it is a story of different states.

So we're seeing certainly a lot of pull through in metro Sydney, yeah, that we think is going to be providing significant contribution. We still have a lot of uptake in WA that's coming through. South East Queensland is going to be coming through strongly, but you're coming from an extremely low base, and there needs to be a lot of work done there to correct that market.

MIKE KANE : Anyone else? Well thank you very much.

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