



Build something great™

KEY ELEMENTS FOR BORAL OF THE BORAL & USG PLASTERBOARD & CEILINGS JOINT VENTURE

*To be read in conjunction with the accompanying joint Press Release and Investor Presentation
issued by Boral Limited and USG Corporation*

17 October 2013

Strategic Rationale:

- Provides Boral with immediate access to world-leading, game changing technologies that could not otherwise be replicated
- Significantly improves the value proposition for customers by introducing a superior performing high-strength, low weight plasterboard product and an expanded product portfolio
- Secures and strengthens the long-term leadership and growth potential of Boral's gypsum business in Asia and Australia by accessing the world's most advanced technologies and R&D capabilities
- Brings together Boral's leading plasterboard manufacturing and distribution footprint in Asia and Australasia with USG's advanced technologies delivering an exceptional competitive advantage
- On completion, expected in January 2014, delivers additional immediate benefits of reducing debt, strengthening Boral's balance sheet and reducing business risk

Operating Benefits:

- Significant phased synergies >US\$50m p.a. within 3 years of 2-year technology roll-out
- Superior plasterboard products to be introduced to Boral's markets for the first time
- Expanded complementary product offering for customers
- Geographic expansion to Middle East and regional India

Financial Structure and Valuation:

- US\$500m upfront cash payment to Boral on completion (expected January 2014) plus a further US\$75m potential earn-out (US\$25m in 3 years and US\$50m in 5 years) if earnings targets are met
- US\$1.6bn valuation includes \$1.35bn for Boral's assets and US\$250m for USG's assets/IP
- Based on Boral Gypsum's FY2013 EBITDA A\$125m, implied EBITDA multiple paid of approximately 10.6x for Boral's assets (valued at ~US\$1.35bn)
- The transaction is value accretive for shareholders

Balance Sheet & Earnings Impacts:

- Majority of US\$500m proceeds to be applied to reducing Boral's debt
- Boral may also consider capital management initiatives following receipt of funds, subject to market conditions
- Proforma FY2013 gearing reduces from 30% to 22% Net Debt / Net Debt + Equity (based on upfront cash payment of US\$500m)
- Expect Boral's FY2014 NPAT to reduce by around A\$15m assuming JV completed in January 2014

Market Data:

- Operations in 12 countries across Asia, Australasia and the Middle East, leading market positions in most markets and 633m m² of plasterboard capacity on completion of current upgrades

Organisational Impact:

- Frederic de Rougemont, currently CEO Boral Gypsum, appointed CEO of *USG Boral Building Products* effective on completion; Jennifer Scanlon, currently SVP at USG, appointed Chairman
 - Two-year ~US\$50m capital program to roll out new technologies across 24 plasterboard lines
 - Introduction of complementary products and business rebranding from commencement of JV
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