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ASX RELEASE

10 February 2020

Update on 1H FY2020 Results and FY2020 Outlook Guidance

Boral Limited (ASX:BLD) today issued an update in relation to the Company's results and interim dividend for the six months ended 31 December 2019 (1H FY2020) and its FY2020 full year earnings guidance.

This update takes into account the financial impact of the accounting irregularities and underlying performance of Boral's Windows business in North America on current year results and prior year restated earnings, which is the subject of a separate ASX release made by the Company today.

Boral's **Net Profit After Tax (NPAT) before significant items for the six months ended 31 December 2019 is $156 million**, subject to completion of the auditor's interim review. Excluding the impact of the new IFRS leasing standard (AASB 16), Boral's NPAT[1] of $159 million is 18% below the restated 1H FY2019 NPAT[1] of $192 million.

An **interim dividend of 9.5 cents per share** (50% franked) will be paid on 15 April 2020, representing a payout ratio of 71%.

Boral's Divisional and Group **Revenues and EBITDA for 1H FY2020** are:

A$ million (Continuing operations)	1H FY2020	1H FY2019[3]	Var
Revenue	2,960	2,897	2%
EBITDA[1]	493	470	
EBITDA[1] (excluding impact of new lease standard)[2]	440	470	(6%)
Boral Australia			
Revenue	1,752	1,794	(2%)
EBITDA[1]	287	270	
EBITDA[1] (excluding impact of new lease standard)[2]	267	270	(1%)
Boral North America			
Revenue	1,208	1,104	9%
EBITDA[1]	197	185	
EBITDA[1] (excluding impact of new lease standard)[2]	163	185	(12%)
USG Boral			
Revenue	-	-	
EBITDA[1]	23	25	(8%)
US$ million			
Boral North America			
Revenue	825	796	4%
EBITDA[1]	134	134	
EBITDA[1] (excluding impact of new lease standard)[2]	111	134	(17%)

Footnotes appear at end of the document.

Boral's CEO and Managing Director, Mike Kane, said:

> ***"Boral's first half results for FY2020 are broadly in line with our guidance but we have seen a challenging start to the second half of the year."***

Overview of Divisional performance

*A reconciliation of 1H FY2019 adjustments and a table showing revenue, EBITDA, price and volume movements in Boral Australia and Boral North America are provided in the **Appendix**.*

Overall Boral's EBITDA for continuing operations for the 1H FY2020 was 6% lower than the restated prior year. This result is broadly in line with the guidance of approximately 5% lower earnings prior to the impact of Windows and excluding the impact of the new leasing standard.

With the continued marked slowdown in housing starts and 7% lower concrete volumes, revenue from **Boral Australia** was down 2% and EBITDA, excluding leasing, was down 1%. Excluding Property earnings of $29 million, EBITDA was down 12%.

Cost savings substantially helped to offset volume pressures and $10m of higher costs associated with outages at Peppertree Quarry and Berrima Cement operations. The impact of bushfire related disruptions and costs was about $1 million in the first half, but a more pronounced impact on earnings is expected in the second half of the year due to the related slowdown in sector activity since January and higher costs associated with the bushfires. Interruptions to infrastructure work already experienced have been exacerbated by the bushfires.

Boral North America delivered higher revenue, up 4% to US$825 million (up 9% to A$1.2 billion) but EBITDA declined 17% to US$111 million (down 12% to A$163 million) excluding the new leasing standard.

Boral North America incurred one-off costs of ~US$10 million including an increased provision associated with the poor quality BCI product that was discontinued in the prior period, US$3 million for legal costs and US$1 million for the Windows investigation costs.

Fly ash volumes were up 5% and prices up 10%, but earnings were lower due to completion of several site service construction projects as anticipated, and higher costs.

Light Building Products delivered solid revenue growth of 7% and earnings growth. Roofing earnings were broadly steady due to a less favourable geographic and product mix and a strong prior comparable period when Florida rebuild activity was at its peak. Results from Stone were lower with a 10% decline in volume reflecting lower product intensity, a competitor re-entry in California and a volume decline in Canada due to significantly lower housing activity.

Equity share of earnings from Meridian Brick was US$2 million lower year on year as production volumes were slowed to reduce inventory levels.

USG Boral delivered $23 million of equity income before significant items, compared with $25 million in the first half of FY2019. The business saw strong earnings growth in China, and higher earnings in Thailand, offset by a market related decline in Korea and slightly softer earnings from Australia due to the slowdown in residential construction activity.

We continue to await regulatory approval in order to complete the transaction with Knauf to expand USG Boral in Asia and for Boral to return to 100% ownership in Australia/NZ, with an option granted to Knauf to buy back its 50% share within five years.

FY2020 Guidance and Outlook

Taking into account the first half results, together with lower than previously expected earnings from the Windows business, and a very challenging start to the second half in Australia including bushfire and weather related volume and cost impacts, and major project scheduling delays in the second half, **Boral expects its FY2020 EBITDA to be down relative to FY2019, with lower reported EBITDA in all three divisions.**

Together with higher depreciation charges, this translates to an **expected NPAT[1] range of around $320-$340 million for FY2020, which compares with a restated FY2019 NPAT of $420 million after adjusting for Windows misreporting.** *This is before the inclusion of expected additional earnings from the announced USG Boral/Knauf transaction and before the impact of accounting changes resulting from the adoption of the new leasing standard (IFRS 16).*

We remain focused on prudent balance sheet management to ensure operational flexibility with capacity to deliver on our strategy. We are committed to retaining our existing BBB / Baa2 investment grade credit ratings.

As previously announced, the USG Boral Knauf transaction, if approved by regulators to proceed on the basis proposed, will require US$335 million of direct funding from Boral. We have a number of options available to fund the transaction with Knauf to maintain a strong balance sheet.

The dividend reinvestment plan (DRP) will be reactivated to commence with the current interim dividend, and we will underwrite the DRP in respect of the interim and final dividends for FY2020.

This will reinforce our balance sheet while we continue to pursue opportunities for further divestment of non-core assets. The announced sale of the Midland Brick business is now expected to complete in the second half of FY2020.

Given current business performance, we will continue to implement strategies to improve returns and strengthen Boral's business.

Boral will release its half year accounts and full results announcement on 20 February 2020, which will include further details about first half performance, an update on strategy and outlook for FY2020.

*A brief **conference call will take place today at 10.30 am** to provide high level comments on the divisional results, which are subject to completion of the auditor's interim review, and on the investigation and outcomes of the Windows misreporting in Boral North America.*

Conference call details:

Conference call on Monday 10 February 2020 at 10.30am Sydney time (Eastern Daylight Saving Time)

Dial **1800 870 643** or **+61 2 9007 3187**

United States / Canada 1855 881 1339

Hong Kong 800 966 806

Singapore 800 1012 785

New Zealand 0800 453 055

United Kingdom 0800 051 8245

Conference Code: 10004159

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Appendix: Prior Half Year Adjustments for Windows

A$ million		1H FY2019 **Reported**	1H FY2019 **Restated**	1H FY2019 **Reported**	1H FY2019 **Restated**
		Continuing operations		Total operations	
EBITDA[1]	Boral North America	196 (US$141m)	185 (US$134m)	200 (US$144m)	190 (US$137m)
	Group	481	470	485	475
EBIT[1]	Boral North America	115 (US$83m)	105 (US$76)	115 (US$83m)	105 (US$76m)
	Group	297	288	297	287
NPAT[1]	Group	200	193	200	192

Divisional Revenue and EBITDA movements

Boral Australia A$m	**External Revenue**		**EBITDA**
Concrete & Placing	813	▼6%	▼
Asphalt	387	▲3%	▲
Quarries	221	▼1%	▼
Cement	162	▼1%	▼
Building Products	114	▼18%	▼

Boral North America US$m	**External Revenue**		**EBITDA**
Fly Ash – total	290	▲5%	▼
– *Fly Ash sales*		▲16%	
– *Site services*		▼26%	
Roofing	174	▼3%	~
Stone	125	▼7%	▼
Light Building Products	143	▲7%	▲
Windows	93	▲29%	▼

Divisional Volume and Price movements[4]

1H 2020 vs 1H 2019 variance		
Boral Australia	**Volume**	**Price (ASP)**
Concrete	(7%)	(1%)
Quarries	(6%)	2%
Aggregates	(13%)	4%
Cement	(1%)	(1%)
Boral North America	**Volume**	**Price (ASP)**
Fly Ash	5%	10%
Roofing	1%	3%
Stone	(10%)	1%

1. Excluding significant items.
2. EBITDA excluding the impact of the new IFRS leasing standard (AASB 16) provides a more comparable basis for analysis.
3. 1HFY2019 reported EBITDA has been restated with an adverse US$7m (A$10m) adjustment to reflect the correction of Windows misreporting in underlying earnings.
4. Volume is for internal and external sales; Price is for external sales only; Roofing ASP is concrete roofing only.