Build something great™

Results Announcement

for the half year ended 31 December 2014

11 February 2015

Management Discussion & Analysis

Boral continues to deliver significant profit improvements

- **Reported revenue of $2.28b** for the half year down 21% reflecting a full six months of equity accounted earnings from the USG Boral joint venture
- **EBITDA[1] of $290m**, down 6%
- **EBIT[1] of $167m**, steady
- Underlying **profit after tax[1] of $112m**, up 23%
- Statutory **net profit after tax of $105m** after a small net loss of $7m for significant items
- **Net debt of $887m** compares with $718m at 30 June 2014
- **Earnings per share[1] of 14.2 cents**, up 22%
- **Half year dividend up 21% to 8.5 cents per share, fully franked**

The first half result includes a strong contribution from Construction Materials & Cement, further gains in Building Products, improved USG Boral earnings and a significant turnaround in the USA; reported revenue and earnings reflects the shift to Gypsum JV equity accounting

- **Boral Construction Materials & Cement** – EBIT of $150m was $5m lower than 1H FY2014 as the impact of lower levels of roads and infrastructure activity, particularly in Queensland, and adverse weather in the first quarter was largely offset by stronger residential activity and cost reduction programs
- **Boral Building Products** – EBIT of $14m was up $9m, with improved and profitable results across all businesses reflecting stronger markets and continued focus on managing costs and pricing
- **Boral Gypsum** – USG Boral's underlying EBIT of $70m was up 27% on the prior corresponding period. Boral's reported earnings from Gypsum of $24m compares with EBIT of $55m in 1H FY2014, reflecting a full half year of equity accounted 50%-owned JV contribution
- **Boral USA** – a significant A$22m step change to a half year EBIT loss of A$8m, reflecting the ongoing recovery in the US housing market as well as further benefits from business improvement initiatives.

'*Fix, Execute, Transform*' program continuing to deliver benefits

- ✓ The roll out of USG's **world-leading gypsum technologies** across **USG Boral** commenced ahead of schedule and within budget with positive indications of product acceptance and price premiums
- ✓ **East coast Bricks JV with CSR proceeding** with completion expected in 2H FY2015
- ✓ **Sale of Western Landfill business** to TPI with upfront payment of $165m expected in 2H FY2015
- ✓ On track to deliver around $58m of **cost reductions** in FY2015 through restructuring, rationalisation, lower headcount and improved procurement spend helping to offset inflationary cost pressures.

FY2015 outlook

In FY2015, improved earnings are expected from Construction Materials & Cement underpinned by Property earnings; Building Products will continue to deliver an improved performance; USG Boral will deliver underlying improvement, the Gypsum division will contribute lower earnings reflecting a full 12-months of 50% equity accounted JV earnings; and Boral USA is expected to deliver a broadly break-even EBIT result.

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[1] Excluding significant items

Commentary in this document refers to Group operations before significant items. Profit before significant items is a non-IFRS measure – refer to page 12 for reconciliation to statutory profit. Figures may not add due to rounding.

Financial Overview

Stronger housing markets, strength in major projects & cost down programs drive profitability

(A$ millions)	1H FY2015	1H FY2014	Var %
Revenue	2,285	2,874	(21)
EBITDA[1]	290	307	(6)
EBIT[1]	**167**	**168**	**-**
Net interest[1]	(31)	(47)	
Tax[1]	(25)	(30)	
Non-controlling interests	-	(1)	
PAT[1]	**112**	**90**	**23**
Significant items (net)	(7)	(117)	
NPAT	**105**	**(26)**	
EPS (cents)[1]	14.2	11.6	22
Interim dividend (cents)	8.5	7.0	21

Sales revenue from continuing operations was in line with prior year at $2.21b, while Boral's reported **sales revenue of $2.28b was down 21%** on the prior comparable period. Benefits from stronger housing markets in Australia and the USA were more than offset by the absence of Gypsum revenue following the formation of the USG Boral joint venture on 1 March 2014 and lower revenue from Construction Materials & Cement due to a slowdown in roads and infrastructure activity.

Earnings before interest and tax (**EBIT**)[1] **of $167m was broadly steady on the prior corresponding period (down $0.6m)**. A $31m lower Gypsum contribution to Group earnings reflects a full six months of 50% post-tax equity accounted joint venture earnings compared with a full six months of 100% consolidated pre-tax earnings in the prior year. This was offset by a significant A$22m reduction in EBIT losses from Boral USA and a $9m earnings lift from Boral Building Products. Construction Materials & Cement EBIT of $150m reflects lower earnings from Quarries, Concrete and Cement partially offset by an improvement in Asphalt following business restructuring.

Depreciation and amortisation decreased by 12% to $123m largely due to the impact of JV equity accounting.

Income tax[1] **expense decreased by $5m** due to the impact of the post-tax equity accounted earnings from the USG Boral joint venture offset by lower US losses. The underlying effective tax rate decreased to 18% (compared to 24% in 1H FY2014) largely as a result of higher equity accounted income.

Profit after tax (PAT)[1] of $112m was up 23% on last year's PAT of $90m.

Net significant items totalled a $7m loss after tax and relate to redundancies and restructuring in Construction Materials & Cement to streamline operations and respond to market conditions.

Statutory net profit after tax (NPAT) of $105m in the half year compares with a net loss of $26m last year.

EBITDA[1] of $290m was 6% lower than the prior year while **operating cash flow** of $115m was $116m lower than 1H FY2014 largely due to the absence of consolidated Gypsum earnings, the timing of dividend payments from the USG Boral JV and the timing of income tax payments. Also, in the prior period a significant reduction in inventories was delivered, which was not repeated in 1H FY2015.

Capital expenditure was down 17% to $94m ($76m of stay-in-business and $18m of growth expenditure) reflecting ongoing disciplined capital allocation measures and the impact of JV equity accounting.

Net debt at 31 December 2014 of $887m increased by $169m since 30 June 2014 largely due to the impact of foreign currency translation of US denominated debt as the Australian dollar weakened. **Gearing**, net debt / (net debt + equity), increased to 20% from 18% at 30 June 2014 accordingly and Boral's principal debt gearing covenant of 29%, up from 26% at 30 June 2014, is still well within the threshold of less than 60%.

Earnings per share[1] **of 14.2 cents increased 22%**. A fully franked interim **dividend of 8.5 cents** per share will be paid on 13 March 2015. Boral's Dividend Reinvestment Plan, which was suspended following the dividend paid in March 2014, will remain suspended until further notice.

[1] Excluding significant items

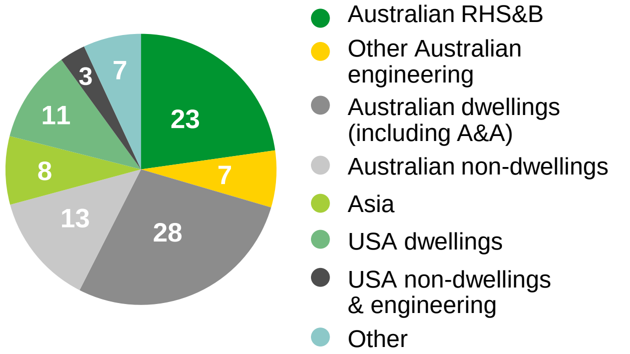
Market Conditions and External Impacts

Boral benefited from increased housing activity in Australia, Asia and the USA while Australian roads, highways & engineering activity continued to slow this year, as anticipated

In 1H FY2015, **Australian** housing market activity continued to increase while non-residential activity was stable. Roads, highways and engineering activity contracted during the period as anticipated.

In **Asia**, strengthening economic conditions benefited most markets, while in the **USA**, single-family housing construction continued to improve compared to the prior year.

Boral revenue exposure by market
%



Australia – **Roads, highways, subdivisions & bridges** (RHS&B) activity continued to decline from its FY2012 peak and is forecast to decline by 3%[1] in FY2015 and other engineering activity is also forecast to decline in FY2015. In 1H FY2015, ~30% of Boral's revenue was derived from Australian RHS&B and engineering market segments.

Housing activity in Australia drives ~**28%** of Boral's total revenues with ~**13%** from detached housing, ~**7%** from multi-dwellings and the remaining **~8%** from alterations & additions (A&A).

Detached housing starts increased by an estimated 8%[2] in 1H FY2015 on the prior comparable period, while **multi-residential** starts increased 13%[2]. HIA is forecasting housing starts to increase to 186,000[2] in FY2015, up from 181,600 in FY2014.

The proportion of detached housing starts relative to total starts remained at historically low levels at an estimated 56% compared to the prior 20-year average of 66%.

Australian A&A activity declined by 2%[3] on the prior comparable period with all markets weaker except NSW and South Australia.

Non-residential activity underpins ~**13%** of Boral's revenue and was broadly flat on the prior period with strong growth in NSW, and to a lesser extent Victoria, offset by reduced activity in the other states[3].

Asia accounts for ~**8%** of Boral's share of revenue[4]. In **Korea** and **Thailand**, stronger market activity supported growth in gypsum demand assisted by the stabilisation of the political situation in Thailand. In Indonesia, strength in the underlying market continued while in **China**, construction activity remains subdued including in Boral's high-end markets.

USA – Total **US housing starts** increased by 10% to an annualised rate of **1.05 million**[5] **starts** during 1H FY2015. Overall, single-family starts increased by 8%[5], being up 6% in Boral's **US Brick States**[5] and down 3% in Boral's **US Tile States**[5] over the same period.

The proportion of single-family starts relative to total US starts at 65% compares with the long-term average of 71%.

Other external factors that have impacted Boral's performance or have the potential to impact, include:

- adverse weather conditions in Australia, particularly on the east coast, impacted volumes in the Sep-2014 quarter;
- unlawful secondary boycotts by the CFMEU in Victoria continue to affect materials supply in the Melbourne central business district;
- currency devaluation in Indonesia; and
- a significant reduction in global oil prices can impact Boral's operations. For example, with ~$100m p.a. of diesel costs in Australia in FY2014, early benefits of lower oil prices are coming through although it takes 12 months for full benefits to roll through as a result of hedging programs and haulage contracts. In 1H FY2015, diesel costs in Australia were ~$4-5m lower than 1H FY2014 due to lower diesel prices and lower volumes.

[1] Based on the average forecasts of Macromonitor and BIS
[2] ABS original housing starts; Dec-14 quarter onwards based on HIA forecast prepared in Nov-14
[3] ABS value of work done 2012/13 constant prices; BIS forecast used for Dec-14 quarter
[4] Includes Boral's 50% share of underlying revenue from USG Boral, which does not appear in Boral's consolidated accounts
[5] US Census seasonally adjusted housing starts. McGraw Hill / Dodge data - Brick States: Alabama, Arkansas, Georgia, Kentucky, Louisiana, Mississippi, North Carolina, Oklahoma, South Carolina, Tennessee, Texas. Tile States: Arizona, California, Florida, Nevada

Boral Construction Materials & Cement (CM&C)

Concrete, Quarries, Asphalt, Cement, Concrete Placing, Transport, Landfill and Property

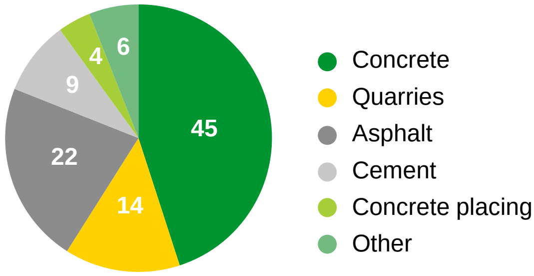
Solid earnings contribution despite a transition year for major road and infrastructure projects

(A$ millions)	1H FY2015	1H FY2014	Var %
Revenue	1,626	1,696	(4)
EBITDA[1]	241	237	1
EBIT[1]	150	155	(4)

External Revenue	1H FY2015	1H FY2014	Var %
Concrete	732	699	5
Quarries	234	277	(16)
Asphalt	356	408	(13)
Cement	151	160	(6)
Concrete Placing	62	68	(9)

1. Excludes significant items

External Revenue %
Total = $1.6b



Revenue decreased by 4% to $1.6b with revenue growth in Concrete offset by lower revenues from Quarries, Asphalt and Cement.

EBIT decreased 4% to $150m, with improvements in Asphalt, Concrete Placing and Property offset by lower earnings in Concrete and Quarries.

Aggressive cost reductions have been pursued to respond to changing market conditions, cost pressures and adverse weather impacts in 1Q 2015, resulting in lower headcount, overheads and discretionary spend.

Concrete revenue increased by 5% reflecting 5% volume growth and flat average selling prices. While concrete revenues were supported by the major projects at Wheatstone LNG and Barangaroo as well as volume improvements in NSW, Victoria and south east Queensland markets, overall EBIT from the Concrete business decreased year-on-year due to a shift to lower margin geographic markets compared to the prior year.

Quarries revenue declined by 16% with volumes down 6%, especially in Queensland metro market and pull through from large road and infrastructure projects in country regions. Overall, average selling price for Quarries was down due to a geographic shift and lower asphalt volumes, with like-for-like average selling prices for aggregates down around 2% year-on-year.

Asphalt revenue declined by 13% as activity in roads and highways continued to weaken particularly in Queensland, offset by increased volumes in WA due to the Gateway project. Despite lower volumes, the business achieved **strong margin growth** due to the completion of low margin projects as well as through improved contracting management in Queensland and Victoria and cost controls nationally.

Cement revenue declined by 6% to $151m and Cement **EBIT of $56m was broadly in line with the prior period EBIT of $57m**. The impact of lower margin wholesale supply arrangements was largely offset by improvement initiatives to Boral Cement's cost position including operational and network optimisation, kiln efficiency programs and the sourcing lower cost materials and fuels. Excluding the impact of wholesale supply volumes, average selling price for cement was broadly steady year-on-year with higher prices in NSW offset by price pressures in Victoria.

Concrete Placing revenue from De Martin & Gasparini was down 9% on lower volumes; while stronger contracting outcomes and improved operational efficiencies have helped drive a significant turn-around in profitability.

Property contributed $3m to EBIT, up from a loss of $3m in the prior period. An increase in Property earnings is expected in 2H FY2015.

1H FY2015 v 1H FY2014	Volume, *Var %*	Average Selling Price **(ASP)**, *Var %*
Concrete	5	-
Aggregates	(6)	(2)
Cement	-	-

Boral Building Products[1]

Australian Bricks, Roofing and Timber

Increased housing activity supports improved profitability across all products

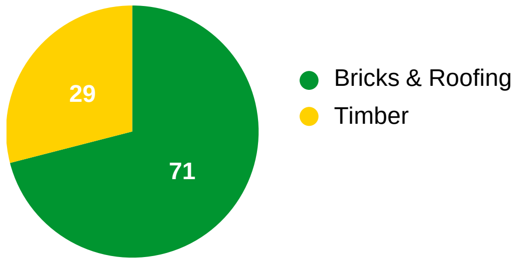
(A$ millions)	1H FY2015	1H FY2014	Var %
Revenue	263	248	6
EBITDA[2]	25	17	48
EBIT[2]	14	5	172

External Revenue	1H FY2015	1H FY2014	Var %
Bricks & Roofing	187	172	9
Timber	76	76	-

2. Excludes significant items

External Revenue %

Total = $263m



Revenue increased by 6% to $263m with increased housing construction activity in NSW, Queensland, Victoria and Western Australia. Revenue from Bricks & Roofing increased by 9% on the prior corresponding period while Timber revenue remained steady.

EBIT – Building Products continued its turnaround with a **$9m improvement in EBIT to $14m;** Bricks, Roofing and Timber all reported significant gains over the prior period. The result reflects higher sales volumes and improved pricing across most products, particularly Softwood and Bricks, the benefits of production volume leverage and improved operational performance and costs.

Bricks volumes were up 6% with growth in all regions, particularly in NSW and Queensland. Nationally, average selling prices increased by 2% on the prior period with solid price gains in NSW. In Queensland, however, prices were negatively impacted by product mix changes. Inventory levels were broadly steady and remain at historically low levels in Western Australia.

Roofing – **Modest price and volume growth** was achieved over the prior period in most states with improvement in Victoria and NSW offsetting challenging conditions in South Australia where the business continues to be subject to pressures from product substitution and muted levels of activity.

Timber revenue was steady on the prior corresponding period with strong growth in Softwood revenue offsetting a decline in Hardwood.

Softwood volumes were up 6% with a 13% rise in average selling prices driven by the stronger housing construction market, increased sales of higher-priced structural products and ongoing global softwood supply constraints.

Volumes in **Hardwood** decreased 21% reflecting an exit from engineered flooring as well as significant efforts to reduce excess inventories in the prior period. For continuing products, volumes were down 8% year-on-year. Price rises were successfully implemented for continuing products with an increase of 6% despite subdued demand in the high-end alterations market and ongoing challenges due to competitive pressures. Inventory levels were 10% below the prior period and managing inventory at these reduced levels remains a priority.

1H FY2015 vs 1H FY2014	Volume, *Var %*	ASP, *Var %*
Bricks	6	2
Roofing	7	2
Hardwood[3]	(8)	6
Softwood	6	13

3. For continuing product lines

[1] Remaining Masonry operations are incorporated into the Bricks business in Western Australia and the Roofing business; the Windows business was sold at the end of November 2013 and moved to discontinued businesses (the Windows business reported revenue of $58m and an EBIT loss of $1m in FY2014)

Boral Gypsum

50%-owned USG Boral joint venture in Australia, New Zealand, Asia and Middle East

Strong growth driven by improved market conditions and new product penetration

The **USG Boral joint venture** commenced 1 March 2014, combining Boral's gypsum manufacturing and distribution footprint in Asia and Australia with USG's building products technologies and strategic assets in Asia, New Zealand and the Middle East.

Boral Gypsum reported **equity accounted income of $24m** for 1H FY2015 representing Boral's 50% share of the post-tax earnings of the USG Boral JV. In the prior period Boral Gypsum reported an EBIT of $55m from 100% consolidated earnings of the gypsum business.

Boral's half year reported Gypsum result

(A$ millions)	1H FY2015	1H FY2014
Revenue[1]	-	537
EBITDA[1]	-	77
EBIT[1]	-	55
Equity income[2]	24	-

1. Consolidated results for period Jul-13 to Dec-13
2. Post-tax equity income for period Jul-14 to Dec-14

Underlying business performance was strong with increased demand in Australia and Asia, and US$9m of restructuring and improvement initiatives in 1H FY2015 helping to offset integration and inflationary cost impacts. Plant utilisation averaged 71% in 1H FY2015.

The following commentary relates to the performance of the underlying business.

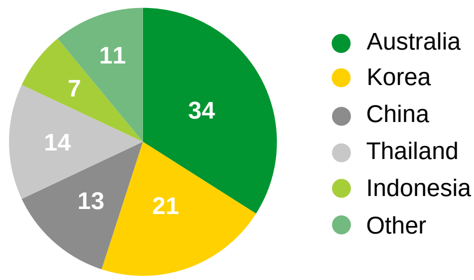
Underlying business result

(A$ millions)	1H FY2015	1H FY2014	Var %
Revenue	638	537	19
EBITDA	97	77	26
EBIT	70	55	27

Revenue increased 19% on the prior period **to $638m**, driven by board volume growth of 6%, a significant increase in non-board revenues and price rises in Australia, Korea and Indonesia. The successful launch of the new higher strength, lighter weight Sheetrock® brand plasterboard products in Australia, Korea, Thailand and Indonesia is attracting a premium price and seeing adoption rates reaching more than 10% in some markets just a few months after launch.

EBIT increased 27% to $70m with strong results from Australia, Korea, Thailand and Indonesia.

External Revenue %



Australia/NZ revenue increased 19% to $217m with significantly improved EBIT. Board volumes were up 10% reflecting the improved housing market, particularly in NSW and Victoria, and average selling prices were up 3%.

Asia revenue increased 19% to $421m reflecting market growth, increased product penetration and price gains.

Korea continued to report strong revenue and margin growth with board volumes up 10%. Strengthening economic conditions, solid price gains and continuation of competitor production constraints underpinned the result.

Thailand reported solid revenue and margin growth with volumes up 8% in line with the market as the political situation stabilised. However pricing remains challenged in a highly competitive environment.

Indonesia also reported revenue growth with strong pricing gains tempered by flat board volumes. Local currency weakness and increased material and energy costs were offset by operating cost savings, improving overall margins.

With challenging conditions and rising raw material costs, the focus in **China** is on the high-end market and managing costs.

The **roll-out of new Sheetrock® technology is ahead of plan,** and set to remain within the two-year capital expenditure of US$50m. Further market launches will take place in CY2015 with synergies of US$50m still expected within three years of the full technology roll-out.

1H FY2015 vs 1H FY2014	Board Volume *Var %*	Board ASP *Var %*
Australia	10	3
Asia	5	N/A

Boral USA

Cladding (Bricks, Cultured Stone & Trim), Roof Tiles, Fly Ash, Construction Materials

Moving closer to breakeven as the US housing market continues to improve

(A$ millions)	1H FY2015	1H FY2014	Var %
Revenue	396	335	18
EBITDA[1]	12	(8)	-
EBIT[1]	(8)	(30)	73

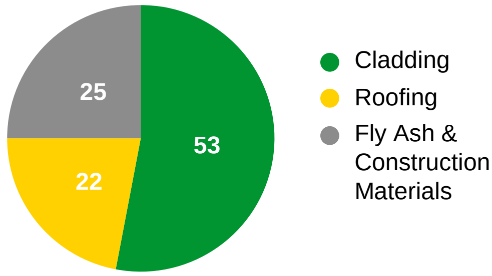
(US$ millions)	1H FY2015	1H FY2014	Var %
Revenue	349	306	14
EBITDA[1]	11	(8)	-
EBIT[1]	(7)	(27)	74

External Revenue *(US$ millions)*	1H FY2015	1H FY2014	Var %
Cladding[2]	183	156	17
Roofing	78	69	13
Fly Ash & Construction Materials	88	81	9

1. Excludes significant items
2. Includes Bricks, Cultured Stone & Trim

External Revenue %

Total = A$396m



Revenue increased by 14% on the prior period **to US$349m**, with strong growth across all businesses. In Australian dollars, revenue increased by 18% to A$396m.

The business benefited from increased US housing construction activity, albeit at a slower rate than originally anticipated. Brick and stone intensity levels was broadly flat as housing growth remained skewed towards multi-family activity and single-family activity was skewed towards low-cost national production home builders rather than custom builders.

The division reported a **positive EBITDA of US$11m** for the first half of FY2015 compared with a loss of US$8m in the prior corresponding period.

EBIT losses reduced by US$20m to US$7m. The improved result was underpinned by stronger earnings in all businesses driven by:

- significant volume and solid price gains;
- improved production volume leverage; and
- savings of over US$6m as a result of the headcount reduction and consolidation activities undertaken in June 2014.

Cladding revenue which includes Bricks, Cultured Stone and Trim **grew 17% to US$183m**.

Bricks revenue increased by 17% to US$125m, driven by an 11% lift in volumes, a 24% increase in distribution revenue and a 2% rise in average selling prices arising from strategic pricing initiatives in specific geographic markets.

Volumes in **Cultured Stone** increased 19% and average selling prices rose by 2% despite adverse geographic and product mix shifts, impacting sales and operational costs.

Brick and Cultured Stone plants recorded only modest increases in **plant utilisation** to 52% and 29% respectively (up from 49% and 27%) with no significant changes in capacity in the period.

Boral's innovative **Trim** product continued to penetrate the market with an increased number of dealer locations stocking the products. Volumes rose and price increases were secured. Sales of the new high-value, niche exterior siding product have exceeded expectations and the business continues to invest in R&D facilities to improve operational performance and expand the product offering.

Roofing was broadly EBIT breakeven in the period with **revenues up by 13% to US$78m.** Volumes rose 7% and average selling prices increased 5%, assisted, in part, by moderate gains in market share primarily in emerging markets. Plant utilisation across Boral's concrete roofing network in the USA was 27% in 1H FY2015, compared with 26% a year earlier.

Fly Ash and Construction Materials combined revenue of US$88m was up 9% with both businesses continuing to be profitable. Demand for fly ash was strong, driving an increase in volumes and pricing. Conditions in the construction materials market in Denver were very good with improved volumes and favourable pricing, particularly in aggregates.

1H FY2015 vs 1H FY2014	**Volume,** *Var %*	**ASP,** *Var %*
Bricks	11	2
Cultured Stone	19	2
Roof tiles	7	5

Fix, Execute, Transform Program

Boral's *'Fix, Execute and Transform'* program is underpinning the performance improvements and will help to deliver more sustainable growth and superior returns through the cycle.

Improving EBIT return on funds employed (ROFE) to 15% in the long term remains a key priority for Boral.

ROFE[1] of 6.7% in 1H FY2015 compares with 5.9% in the prior comparable period. ROFE has strengthened despite the EBIT contribution from Gypsum being on an equity accounted after tax basis since 1 March 2014 and despite unfavourable currency movements impacting overseas asset values. Improved earnings from the USA and Building Products as well as portfolio restructuring were the key drivers to the improved ROFE for the half year.

FIX – Fixing things that are holding us back

While the *Fix* phase of the program is now well-advanced and delivering benefits across the group, and we have moved firmly into the *Execute* and *Transform* phases of the program, efforts continue to:

- reshape the portfolio
- manage costs down, and
- maintain a strong balance sheet through cash generation and conserving capital.

Reshaping the portfolio

In 1H FY2015, the following **rationalisation and portfolio reshaping** initiatives were undertaken to reduce costs, respond to changing market dynamics and strengthen Boral's growth potential.

Boral Construction Materials & Cement

- Entered into an **agreement to sell Boral's Western Landfill business** in Melbourne to Transpacific Industries (TPI), which the ACCC has announced it will not oppose. Following completion of the sale, expected in 2H FY2015, TPI will pay Boral a $150m upfront payment to purchase the business plus $15m for site preparation work. Boral will also receive a long-term earnings stream from TPI in the form of fixed payments and volume-based royalties for the life of the landfill.
- Closed the small **specialty cement kiln at Maldon** in December 2014.

Boral Building Products

- The ACCC announced that it would not oppose an **Australian east coast Bricks JV between CSR and Boral** aimed at delivering returns that recover the cost of capital through the cycle in the face of a significantly declining brick market. The transaction should complete in the first half of calendar year 2015, from which time the JV will be equity accounted with Boral recognising a 40% share of the combined entity's post-tax earnings. In the first year of operation $7-$10m of synergies are expected.
- Commenced a **strategic review of the Timber business** to assess future opportunities for the business.

Boral Gypsum

- Introduced the new higher strength, lighter weight, improved sag-resistance plasterboard **Sheetrock® Brand** into Australia, Korea, Indonesia and Thailand. The **technology roll-out** is ahead of schedule and coming in below budget. Wave two of the technology roll-out will continue over the next 12 to 18 months and will see additional plants across USG Boral's network converted to the new technology. We remain confident of delivering the targeted $50m per annum of synergies within three years of the technology roll-out.
- Introduced USG's adjacent products in Australia and across the Asian markets.

Boral USA

- Completed the restructuring of regional **sales and operational organisations** to reduce costs and better align with Boral's US building products manufacturing and distribution footprint.
- Continued to assess the implications of Boral's **global bricks review** for the US bricks business.
- Post year end, in January 2015, **divested the limestone quarry in Oklahoma**, the final step in exiting construction materials in Oklahoma.

[1] Calculated on a moving annual total basis on funds employed at 31 December 2014

Managing costs down

Major restructuring and rationalisation initiatives undertaken over the past two years delivered $130m of annualised benefits in FY2014. A further **$10m of savings were delivered in 1H FY2015** from contract management initiatives with a final $10m incremental benefit expected in 2H FY2015 to bring the total annualised savings from major corporate cost reduction programs to $150m.

Divisional cost reduction programs, which are necessary to offset inflationary cost pressures, also delivered important benefits in 1H FY2015. In **Boral Construction Materials & Cement**, these programs include:

- **Resizing** of the **Asphalt** business in Queensland and Victoria following a cyclical slowdown, together with **realignment of support services**. This resulted in 118 fewer positions at the end of FY2014 and $5.5m of cost savings in 1H FY2015. It should deliver **$11m annual savings** for the full year in FY2015.
- Early in 1H FY2015, **a further 122 positions**, primarily in support services and administration, were made redundant in Construction Materials & Cement, delivering around $3m of savings in 1H FY2015 and an expected $11m of benefits for the full year in FY2015. This program is **expected to save an approximate total of $20m of annualised costs on completion.**
- **Closure of the specialty cement kiln at Maldon** in December 2014 resulted in **19 positions** being made redundant, and is expected to save $2.5m in 2H FY2015 and **$5m of annualised savings**.

In **Boral USA**, **the 1H FY2015 result included US$6m of savings following a reduction of 70 positions** through restructuring and consolidation of regional sales and manufacturing teams in June 2014. A further US$6m is expected in 2H FY2015, resulting in savings of around **US$12m per annum in FY2015**.

Overall, these divisional and group-led improvement initiatives are **expected to deliver around $58m of cost savings benefits to Boral in FY2015**, which is helping to offset inflationary cost pressures.

Furthermore, the **USG Boral joint venture delivered around US$9.0m of savings in 1H FY2015** through a dedicated cost reduction program to help **ensure the business remains cost competitive** as additional resources are added to support the roll-out of new technologies and new products.

Reducing debt and maintaining a strong balance sheet

In FY2013 and FY2014, Boral generated $251m of cash through divestments and the sale of surplus property, in line with a two-year target of between $200m and $300m. A further $562m of cash was received in FY2014 from USG as a balancing payment to form the USG Boral JV, resulting in substantial reduction in net debt to $718m.

While Boral's net debt increased to $887m at 31 December 2014 largely due to exchange rate impacts and the timing of dividends yet to be received from USG Boral, **a further $165m of cash proceeds is expected in 2H FY2015**, following completion of the sale of the Western Landfill business to TPI and US$10m following the divestment of the Oklahoma limestone quarry. This strong cash position will be assisted by ongoing disciplined allocation of stay-in-business and growth capital, which has seen $94m of capital expenditure in 1H FY2015 and **should see capital expenditure for FY2015 maintained below $300m.**

EXECUTE – Improving the way we operate to be more efficient and responsive

Boral's businesses are benefiting from more efficient and streamlined management of production, sales and administration. The businesses are more responsive to changes in market dynamics and external drivers, as evidenced by the realignment of the Asphalt business to the current dip in activity, the rapid response to further cut costs in Construction Materials as an offset to weather impacted volumes in 1Q FY2015, and the restructuring in Boral USA in late FY2014 as the rate of recovery of US detached housing activity slowed.

Safety performance – Boral's combined employee and contractor lost time injury frequency rate (**LTIFR**)[1] of 1.7 in 1H FY2015 was slightly higher than the prior year at 1.5 but recordable injuries frequency rate (**RIFR**)[1] of 11.7 compares with 12.7 reported last year, reflecting an overall 8% reduction in recordable injuries, continuing the improvement trend delivered in recent years.

TRANSFORM – Transforming Boral for performance excellence

In addition to positioning the business to take advantage of market growth and product penetration where possible, Boral remains committed to growth through innovation. In 1H FY2015:

- The roll out of USG's **world-leading gypsum technologies** across **USG Boral** commenced.
- Construction of Boral's new R&D Centre in Texas has commenced. As part of the **US$4m capital expansion of the R&D capabilities,** progress continues on the design of the prototype 'composite sheet line', which leverages Boral's lightweight poly-ash composite technologies from trim to sheet products having applications for roofing, cladding and exterior substrates used in buildings systems.

[1] Per million hours worked

Strategic Direction and FY2015 Outlook

Lifting Boral's EBIT return on funds employed (**ROFE**) **to 15% over the long-term** remains a key focus; this is underpinned by ongoing disciplined management of costs, cash and capital. The intention is to reduce Boral's fixed cost exposures, leverage innovation and create more geographic balance over time.

In Australia, the aim is to strengthen and protect Boral's **leading integrated positions in Construction Materials & Cement,** grow margins and build on Boral's major project capability. In the small **Building Products** division, the east coast bricks JV with CSR will be formed in 2H FY2015, securing a path to realising acceptable returns through the cycle. Boral's strategic review of the Timber business is also expected to be completed in 2H FY2015.

Boral's medium- and longer-term earnings growth will come from the continuing major **market recovery in the USA** and significant **long-term market and product penetration growth in Asia**.

FY2015 expectations

Construction of **Australian** roads, highways, subdivisions & bridges (RHS&B) and other engineering work is expected to remain softer in FY2015 compared with recent years; however, a solid multi-year pipeline of roads and infrastructure activity should start to flow through from FY2016. Higher **dwellings activity** in NSW, Victoria and Queensland is expected in FY2015, with multi-residential activity remaining a strong component of activity. **Non-residential construction** activity should remain steady.

Market growth should continue across most countries in **Asia** in FY2015, while China remains challenging.

In the **USA,** total annualised housing starts are expected to lift to 1.1 to 1.2 million starts during 2H FY2015.

- **Construction Materials & Cement** EBIT in FY2015 should be higher than FY2014, underpinned by higher Property earnings. For the CM&C business, excluding Property, the second half of the year is a seasonally weaker half. Excluding Property, 2H FY2015 is expected to be broadly in line with 2H FY2014 as continued strength in the Sydney market, improvements in south east Queensland and benefits from restructuring should help to offset subdued RHS&B activity, a tapering off of some LNG major projects and a lack of pricing momentum, which is not expected to improve until later in 2H FY2015. Year-on-year earnings growth could be dampened if potential property sales are not realised or abnormal rain patterns are experienced. The sale of the Landfill business will have only a small negative impact on CM&C earnings in 2H FY2015.
- **Building Products** is expected to continue delivering improved year-on-year performance, with volume and price gains offsetting the impact of fewer working days in 2H FY2015. Following completion of the CSR Boral east coast bricks JV in 2H FY2015, Boral will become a 40% shareholder with an equity accounted contribution. While reported revenue will be lower, 2H FY2015 earnings are not expected to be materially impacted.
- **Boral Gypsum** should continue to deliver strong underlying performance reflecting increased demand and restructuring benefits. Sheetrock® technology products will continue to be introduced to new markets in 2H FY2015 and while synergies should start to ramp up from 2H FY2015, costs associated with the expanded product portfolio and technology roll-out will exceed synergies for the first two years of the JV. The business will contribute lower earnings to Boral in FY2015 relative to FY2014, reflecting the move to a full 12-months of 50% equity accounted post-tax earnings contribution.
- **Boral USA** should report significantly improved results in FY2015. The division is expected to eliminate losses and deliver a broadly break-even result in FY2015 assuming a typically stronger fourth quarter.

In FY2015, Boral's **effective tax rate** is projected to be in the range of 20% to 25%, and Boral's **interest expense** will be lower than FY2014 as the benefits of lower debt continue to flow through.

Results at a Glance

(A$ million unless stated)	1H FY2015	1H FY2014	% Change
Revenue	2,285	2,874	(21)
EBITDA[1]	290	307	(6)
EBIT[1]	167	168	-
Net interest[1]	(31)	(47)	(35)
Profit before tax[1]	137	121	13
Tax[1]	(25)	(30)	(14)
Non-controlling interests	0	(1)	
Profit after tax[1]	**112**	**90**	**23**
Net significant items	(7)	(117)	
Net profit / (loss) after tax	**105**	**(26)**	
Cash flow from operating activities	115	231	
Gross assets	5,710	6,299	
Funds employed	4,379	4,792	
Liabilities	2,218	2,896	
Net debt	887	1,389	
Stay-in-business capital expenditure	76	76	
Growth capital expenditure	18	38	
Acquisition capital expenditure	-	-	
Depreciation and amortisation	123	139	
Employees[2]	8,726	12,061	(28)
Revenue per employee, $ million	0.262	0.238	
Net tangible asset backing, $ per share	4.18	3.24	
EBITDA margin on revenue[1], %	12.7	10.7	
EBIT margin on revenue[1], %	7.3	5.8	
EBIT return on funds employed[1], %	6.7	5.9	
EBIT return on average funds employed[1], %	6.4	5.9	
Return on equity[1],%	5.5	4.3	
Gearing			
Net debt/equity, %	25	41	
Net debt/net debt + equity, %	20	29	
Interest cover[1], times	5.5	3.6	
Earnings per share[1], ¢	14.2	11.6	
Dividend per share, ¢	8.5	7.0	
Employee safety[3]: (per million hours worked)			
Lost time injury frequency rate	1.7	1.5	
Recordable injury frequency rate	11.7	12.7	

Figures relate to the total Group including continuing and discontinued operations

[1] Excludes significant items
[2] Includes a reduction of 3,104 employees in the Gypsum division now employed in the USG Boral JV
[3] Includes employees and contractors in 100%-owned businesses and 50%-owned joint venture operations

Non – IFRS Information

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

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

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

A reconciliation of earnings before significant items to reported statutory profit is detailed below:

(A$ millions)	**Earnings before significant items**	**Significant items**	**Total**	**Continuing operations**	**Discontinued operations**	**Total**
Sales revenue	2,284.8	-	2,284.8	2,212.6	72.2	2,284.8
EBIT	167.3	(10.0)	157.3	152.0	5.3	157.3
Finance costs	(30.5)	-	(30.5)	(30.5)	-	(30.5)
Earnings before tax	136.8	(10.0)	126.8	121.5	5.3	126.8
Tax (expense) / benefit	(25.3)	3.0	(22.3)	(20.6)	(1.7)	(22.3)
Profit after tax	**111.5**	**(7.0)**	**104.5**	**100.9**	**3.6**	**104.5**
Non-controlling interests	-	-	-	-	-	-
Net profit after tax	**111.5**	**(7.0)**	**104.5**	**100.9**	**3.6**	**104.5**

The Gypsum division commentary also includes a non-IFRS measure of underlying results excluding significant items representing the 6 months trading results to assist users to better understand the trading results of this division despite changes in ownership over the past 12 months.

The results announcement has not been subject to review or audit, however it contains disclosures which are extracted or derived from the half year Financial Report for the six months ended 31 December 2014.

This half year Financial Report for the six months ended 31 December 2014 is prepared in accordance with the ASX listing rules and should be read in conjunction with any announcements to the market made by the Group during the year.

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