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Results Announcement
for the half year ended 31 December 2014

11 February 2015

Media Release

Boral's reported profit result continues to improve

Boral Limited (ASX: BLD) today reported a **23% increase in profit after tax (before significant items[1]) to $112 million** for the six months ended 31 December 2014. **After significant items, Boral reported a net profit after tax of $105 million.**

Sales revenue from continuing operations of $2.21 billion was in line with the prior year. Boral's **reported sales revenue for the half year of $2.28 billion was 21% below the prior year**, reflecting the impact of a full six months of equity accounting in the Gypsum division following the formation of the USG Boral joint venture in March 2014.

Earnings before interest and tax **(EBIT)** (before significant items[1]) **was steady at $167 million.**

Net debt of $887 million at 31 December 2014 increased by $169 million since 30 June 2014 largely due to the impact of foreign currency translation of US denominated debt; **gearing**[2] **of 20% remains low**.

A **fully franked interim dividend of 8.5 cents** per share, up 21% on last year, was announced and will be paid on 13 March 2015.

Boral's CEO & Managing Director, Mike Kane, said that efforts to realign Boral's portfolio, reduce costs and strengthen Boral's balance sheet were delivering significant benefits and positioning the Company well for future growth and further improvements.

> "Over the past two years, we have significantly reduced the cost base of our businesses and we are **continuing to strengthen Boral's competitiveness and financial position through portfolio realignment and improvement initiatives**, including the announced sale of our Melbourne Western Landfill business to TPI and the formation of the CSR Boral east coast bricks joint venture, both of which we expect to complete later this financial year.
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> "The restructuring and streamlining of Boral's businesses that has been taking place is enabling them to be **more responsive to market changes**, with the half year result demonstrating an ability to leverage growth in housing markets as well as an ability to realign activities as market activity slowed in roads and infrastructure market segments.
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> "Boral's largest division – **Construction Materials & Cement** – **contributed a substantial $150 million of EBIT** in the six months. This was marginally lower than last year but with a heavily rain-impacted start this year and with a slowdown in roads and infrastructure work, the business has done well to fill a large part of the EBIT gap with cost reduction and improvement initiatives. Increased housing activity, strength in the Sydney market and continuing major projects also underpinned the result.

[1] Profit before significant items is a non-IFRS measure reported to provide greater understanding of the Group's underlying business performance. Full details of significant items are contained in Note 6 of the half year financial report. Non-IFRS information has not been subject to audit or review.

[2] Net debt / (net debt + equity)

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"Boral's smaller **Building Products** division **delivered $14 million of EBIT**, which was a substantial $9 million ahead of the first half result last year. This continued turnaround **from reported losses in FY2013 reflects** a marked improvement in operational performance together with stronger housing demand which is supporting volume and price gains.

"In the US, Boral benefited from the steady improvement in housing activity, with housing starts up 10% year-on-year in the first half to an annualised rate of just over one million starts. **Boral USA** delivered a positive A$12 million of EBITDA. The EBIT loss of A$8 million from the USA was a significant A$22 million step change improvement in first half EBIT. This result not only reflects the ongoing recovery in activity, but also the benefits delivered from business improvement initiatives undertaken late last year.

"The **USG Boral gypsum joint venture** delivered a 27% lift in underlying EBIT to $70 million for the half year, resulting in a post-tax profit contribution of $24 million for Boral. A strong improvement in Australia was delivered as well as solid growth across key Asian businesses. Our roll-out of world-leading gypsum technologies across USG Boral is ahead of schedule and within budget, and there is early traction around product acceptance and price premiums."

For the full financial year 2015, Boral expects:

- **Construction Materials & Cement** to deliver improved full year earnings, underpinned by higher Property earnings. Excluding Property, the second half of the year is a seasonally weaker half and the second half of the year is expected to be broadly in line with the second half last year. 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 major LNG projects and a lack of pricing momentum, which is not expected to improve until later in the second half of the year.
- **Building Products** to deliver ongoing year-on-year improvements with volume and pricing gains to help offset fewer working days in the second half of the year.
- **Boral Gypsum** to continue to deliver strong underlying performance reflecting increased demand and restructuring benefits. The new higher strength Sheetrock® technology products will continue to be introduced to new markets and while synergies should start to ramp up, 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** to eliminate losses and deliver a broadly break-even result in FY2015 assuming a typically stronger fourth quarter.

"The *Fix* phase of Boral's *Fix, Execute, Transform* program is now well-advanced, resulting in a significantly improved cost base, a strong balance sheet and strengthening margins and return on funds employed. We are now moving firmly into the *Execute* and *Transform* phases of the program, which will help deliver further improvements and more sustainable returns," concluded Mr Kane.

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