Build something great™

Results Announcement

for the year ended 30 June 2015

27 August 2015

Media Release

Boral reports a 45% increase in underlying net profit after tax[1]

Boral Limited (ASX: BLD) today reported a 45% increase in net profit after tax before significant items[1] to $249 million for the year ended 30 June 2015. **After significant items, Boral reported a net profit after tax of $257 million, up 48% on the previous year.**

Sales revenue from continuing operations of $4.3 billion was in line with the prior year. Boral's **reported sales revenue for the year of $4.4 billion was 15% below the prior year**, reflecting the impact of a full year of 50% post-tax equity accounting in the Gypsum division following the formation of the USG Boral joint venture on 1 March 2014.

Earnings before interest and tax **(EBIT)** before significant items **increased 21% to $357 million** driven by higher earnings from Construction Materials & Cement (including Property), Boral Building Products and Boral USA, offset by a lower Gypsum contribution following a full year of equity accounting for the 50% owned USG Boral joint venture operations.

Net debt of $817 million at 30 June 2015 increased by $99 million since 30 June 2014 largely due to the impact of foreign currency translation of US denominated debt; **gearing**[2] **of 19% remains low**.

A **fully franked final dividend of 9.5 cents** per share, up 19% on last year, was announced and will be paid on 28 September 2015, bringing the full year fully franked dividend to 18.0 cents.

Boral's CEO & Managing Director, Mike Kane, said the improved performance reflects significant efforts to realign Boral's portfolio, reduce costs and strengthen Boral's responsiveness to changes in market conditions.

> "We've now firmly moved to the *Execute* and *Transform* phases of our ***Fix, Execute, Transform*** program and this is reflected in Boral's performance.
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> "We've improved Boral's cost base, strengthened the balance sheet and we are managing our portfolio of businesses more efficiently. We're **delivering on our promises**, which begins with our commitment to ensure a safe and healthy work environment, and we are **strengthening** Boral's **competitiveness.**
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> "Our businesses are **more responsive to changes in market dynamics** and external drivers than they have been in the past. During the year we took advantage of growth in some of our markets and we undertook dedicated cost reduction programs and delivered higher land sales to offset volume shortfalls in other markets. We also continued to pursue improvement programs within each of our businesses to offset inflationary cost pressures. This all helped us to deliver a significantly improved financial result.
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> "Further **portfolio realignment** is also strengthening Boral's ability to deliver improved performance over the longer term. This includes the sale of our Western Landfill business in Melbourne and the formation of the Boral CSR Bricks joint venture during the year.

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[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 7 of the Preliminary Financial Report. Non-IFRS information has not been subject to audit or review.

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

Continues over …

"Boral's largest division – **Construction Materials & Cement** – delivered **$301 million of EBIT**, 9% higher than the previous year assisted by $46 million of Property earnings. Strength in Australian housing and the NSW construction market, together with higher margins in Asphalt, Cement and Concrete Placing due to operational and cost improvements helped the result. These benefits were offset by the impact of lower activity in roads, infrastructure and engineering projects compared to the prior year.

"Boral's smaller **Building Products** division **delivered $30 million of EBIT**, which was a substantial $22 million improvement on last year. Stronger housing activity across most key markets in Australia, improved pricing and operational performance underpinned the result.

"The **USG Boral gypsum joint venture** delivered a 38% increase in underlying EBIT to $141 million for the year, with earnings growth across Australia and Asia resulting in a post-tax profit contribution of $49 million for Boral. The roll-out of world-leading gypsum technologies across USG Boral is on track and within budget, and the early indications for product acceptance and price premiums are promising.

"After a protracted period of depressed market activity in the USA following the global financial crisis, **Boral USA** returned to profitability in FY2015, with a positive A$6 million of EBIT. The pleasing A$45 million turnaround was underpinned by a 10% year-on-year increase in housing starts to 1.05 million together with US$20 million of benefits from a cost reduction initiative."

For FY2016, Boral expects the following divisional performance:

- **Construction Materials & Cement** will be focused on maintaining earnings, excluding property, broadly in line with FY2015. Benefits from restructuring and improvement initiatives together with continued strength in the Sydney construction market will be needed to offset a depressed Queensland construction market, subdued activity in roads, infrastructure and engineering construction and further tapering off of LNG major project volumes. While pricing is challenging we remain committed to maximising opportunities to improve price and margin outcomes. Property is expected to contribute to earnings in FY2016 but the timing and quantum is uncertain.

- **Building Products** to maintain earnings in line with FY2015, with improvement initiatives offsetting the impact of housing activity coming off its peak and the impact of earnings from Bricks East moving from 100% consolidated to a 40% post-tax equity accounted share of earnings from the Boral CSR Bricks JV.

- **Boral Gypsum** to continue to deliver further underlying performance improvements. Volumes of new Sheetrock® products should continue to grow and synergies should also strengthen in FY2016. Synergies are expected to exceed the cash costs associated with the expanded product portfolio and technology roll-out in FY2016.

- **Boral USA** to report a further increase in earnings in FY2016 on the back of increased housing activity. While the cost out program undertaken in FY2015 will not be repeated, EBIT is expected to lift as a result of forecasters' projected increase in housing activity to approximately 1.2 million starts in FY2016.

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