



Results Announcement for the year ended 30 June 2015

27 August 2015

Management Discussion & Analysis

Boral delivers significant profit improvements

- **Reported revenue of \$4.41b** for the year down 15% reflecting a full year of equity accounted earnings from the USG Boral joint venture
- **EBITDA¹ of \$605m**, up 9%
- **EBIT¹ of \$357m**, up 21%
- Underlying **profit after tax¹ of \$249m**, up 45%
- Statutory **net profit after tax of \$257m**, up 48%, after a small net gain of \$8m for significant items
- **Net debt of \$817m** compares with \$718m at 30 June 2014
- **Earnings per share¹ of 31.9 cents**, up 45%
- **Full year dividend up 20% to 18.0 cents per share, fully franked**

The full year result has a strong contribution from Construction Materials & Cement including high Property earnings offsetting lower levels of construction activity, a A\$45m turnaround and return to profitability by the USA division, and further improvements in Building Products and the USG Boral joint venture

- **Boral Construction Materials & Cement** – EBIT of \$301m was \$24m higher than FY2014 as a strong NSW market, increased residential activity, cost reduction programs and higher property earnings offset the impact of lower levels of infrastructure and engineering activity, particularly in Queensland
- **Boral Building Products** – EBIT of \$30m was up \$22m, with improved and profitable results across all businesses reflecting stronger housing markets and continued focus on managing costs and pricing
- **Boral Gypsum** – USG Boral's underlying EBIT of \$141m was up 38% on the prior year. Boral's reported earnings from Gypsum of \$49m reflects a full year of post-tax equity accounted earnings from our 50%-owned JV and compares with EBIT of \$77m in FY2014
- **Boral USA** – returned to profitability for the first time since FY2007 with an EBIT of A\$6m, reflecting the ongoing recovery in US housing activity as well as further benefits from business improvement initiatives.

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

- ✓ The roll out of **world-leading Sheetrock® gypsum technologies** across **USG Boral** remains ahead of schedule and within budget, with product acceptance and price premiums tracking well
- ✓ **East Coast Bricks JV with CSR** commenced 1 May 2015
- ✓ The **sale of Western Landfill business** to TPI with upfront payment of ~\$165m completed 28 Feb 2015
- ✓ Divisional **cost reduction initiatives** delivered benefits in FY2015 through restructuring, rationalisation, lower headcount and improved procurement helping to offset inflationary and volume pressures.

FY2016 outlook

In FY2016, efforts will focus on maintaining underlying earnings from Construction Materials & Cement while Property earnings are uncertain; Building Products will remain broadly steady; USG Boral will deliver further underlying improvement; and earnings from Boral USA will continue to strengthen in line with an expected increase in US housing activity.

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 and improved operational performance drive profitability

(A\$ millions)	FY2015	FY2014	Var %
Revenue	4,415	5,204	(15)
EBITDA ¹	605	556	9
EBIT¹	357	294	21
Net interest ¹	(64)	(83)	
Tax ¹	(44)	(37)	
Non-controlling interests	-	(3)	
PAT¹	249	171	45
Significant items (net)	8	2	
NPAT	257	173	48
EPS (cents) ¹	31.9	22.0	45
Full year dividend (cents)	18.0	15.0	20

Sales revenue from continuing operations was broadly steady at \$4.3b as higher revenues associated with stronger housing market activity in Australia and the USA offset the impact of a slowdown in roads and resource-related construction activity in Australia, particularly in Queensland. Boral's reported **sales revenue of \$4.4b was down 15%** on the prior year, reflecting the impact of a full year of 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)¹ increased 21% to \$357m. This reflects a strong focus on operational improvements and cost savings leading to \$22m of higher earnings in Boral Building Products, a \$45m earnings lift from Boral USA, and higher Property earnings offset by a lower Gypsum contribution to Group earnings following the full year impact of moving to 50% post-tax equity accounted joint venture earnings. In Construction Materials & Cement, improved earnings and focus on cost savings in Asphalt, Cement and Concrete Placing was offset by lower earnings from Quarries and Concrete.

Depreciation and amortisation decreased by 5% to \$249m mainly due to the impact of JV equity accounting.

Income tax expense excluding significant items increased by \$7m largely due to higher earnings from Boral Building Products and Boral USA. The effective tax rate was relatively low at 15% largely as a result of higher equity accounted income and the benefits of carry forward capital losses being applied against property earnings.

Profit after tax (PAT)¹ of \$249m was up 45% on last year's PAT of \$171m.

Net significant items of \$8m included the gain on sale of the Landfill business, offset by Boral Building Products write-downs and further restructuring in Construction Materials & Cement.

Statutory net profit after tax (NPAT) of \$257m in FY2015 compares with \$173m last year.

EBITDA¹ of \$605m was 9% higher than the prior year while **operating cash flow** of \$418m was \$89m lower. The lower cashflow reflects the absence of consolidated Gypsum earnings net of dividends received from the USG Boral JV, the timing of income tax payments, as well as the impact of the significant reduction in inventories in the prior year and cash receipts in FY2014 from the NSW Government for reduced timber allocations and from insurance proceeds for the Queensland floods, which were not repeated in FY2015.

Capital expenditure was down 7% to \$250m (\$211m of stay-in-business and \$39m of growth expenditure) reflecting ongoing disciplined capital allocation measures and the impact of JV equity accounting.

Net debt at 30 June 2015 of \$817m increased by \$99m since 30 June 2014 largely due to the impact of foreign currency translation of US denominated debt as the Australian dollar has weakened. **Gearing**, net debt / (net debt + equity), increased slightly to 19% from 18% at 30 June 2014 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 share¹ of 31.9 cents increased 45%. A fully franked final **dividend of 9.5 cents** per share will be paid on 28 September 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

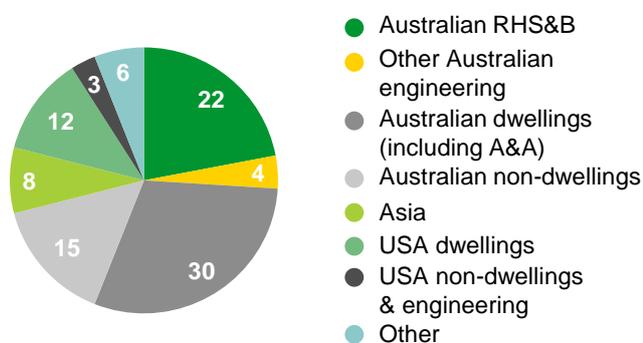
Market Conditions and External Impacts

Improvements in US and Australian housing activity and strength in Asian markets, however Australian roads, highways & engineering activity continued to slow this year, as anticipated

In FY2015, **Australian** housing market activity continued to increase while non-residential, roads, highways and engineering activity contracted in line with expectation.

In **Asia**, strengthening or stable economic conditions benefited most markets, while in the **USA**, single-family housing construction continued to improve compared to the prior year, albeit at rates slower than anticipated.

Boral revenue¹ exposure by market %



Australia – Roads, highways, subdivisions & bridges (RHS&B) activity continued to decrease from its FY2012 peak declining by an estimated 2% in FY2015². Other engineering activity is also estimated to have declined in FY2015. In FY2015, ~**26%** of Boral's revenue was derived from Australian RHS&B and engineering market segments.

Housing activity in Australia drives ~**30%** of Boral's total revenues with ~**14%** from detached housing, ~**7%** from multi-dwellings and the remaining ~**9%** from alterations & additions (A&A).

Detached housing starts increased by an estimated 9% in FY2015 on the prior year, while **multi-residential** starts increased 32%³. HIA is estimating housing starts increased to 214,700 in FY2015³ which is a historical high, and up from 181,000 in FY2014.

Detached housing starts as a proportion of total starts have remained at historically low levels at an estimated 53% compared to the prior 20-year average of 66%.

Australian A&A activity increased by a modest 1% in FY2015⁴ with NSW, Queensland and South Australia strongest.

Non-residential activity underpins ~**15%** of Boral's revenue and was slightly down on the prior period falling 1%⁴, with strong growth in NSW and Victoria offset by reduced activity in the other states.

Asia accounts for ~**8%** of Boral's share of revenue¹. After strong growth last year, more modest levels of growth occurred in **Korea** in FY2015. Increased product penetration supported growth in gypsum demand in **Indonesia** and **Thailand** against a backdrop of steady construction markets. In **China**, construction activity remains more subdued than in previous years including in USG Boral's high-end markets.

USA – Total US housing starts increased by 10% to **1.05 million starts** during FY2015⁵. Overall, single-family starts increased by 8%, being up 8% in Boral's **US Brick States** and up 9% in Boral's **US Tile States** over the same period⁵.

Single-family starts as a proportion of total US starts at 64% remains below the long-term average of 71%.

¹ Includes Boral's 50% share of underlying revenue from USG Boral, which does not appear in Boral's consolidated accounts

² Based on the average forecasts of Macromonitor and BIS

³ ABS original housing starts; Jun-15 quarter based on HIA forecast prepared in Jul-15

⁴ ABS value of work done 2012/13 constant prices; average of Macromonitor and BIS forecasts used for Jun-15 quarter

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

Maintaining profitability despite lower major road, infrastructure and engineering activity

(A\$ millions)	FY2015	FY2014	Var %
Revenue	3,091	3,287	(6)
EBITDA ¹	485	445	9
EBIT ¹	301	277	9
External Revenue	FY2015	FY2014	Var %
Concrete	1,376	1,341	3
Quarries	436	517	(16)
Asphalt	712	783	(9)
Cement	294	307	(4)
Concrete Placing	106	115	(8)

1. Excludes significant items

Revenue decreased by 6% to \$3.1b with revenue growth in Concrete offset by lower revenues from Quarries, Asphalt, Cement and Landfill.

EBIT increased by 9% to \$301m reflecting higher Property earnings in FY2015. Excluding Property, EBIT of \$255m was down \$14m compared to the prior year with higher earnings from operational and cost improvements in Asphalt, Cement and Concrete Placing offset by lower earnings in Concrete and Quarries.

Previously announced cost reduction programs continue to be pursued aggressively in response to changing market conditions and inflationary cost pressures, and have helped to offset the impact of lower volumes in FY2015.

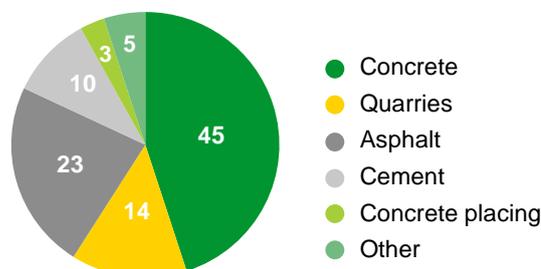
Concrete revenue increased by 3% largely driven by higher volumes with stronger housing activity in the major capital cities offsetting lower volumes elsewhere including into LNG projects. On a like-for-like basis, prices were flat, with price increases in NSW metro offsetting price weakness in regional markets and in Melbourne. Overall, EBIT decreased due to a shift to lower margin geographic markets.

Quarries external revenue declined by 16% with total volumes down 2%, especially in SE Queensland, and from reduced pull through from large road and infrastructure projects in country regions. Overall, prices were down due to a geographic shift and a product mix shift including lower demand from asphalt, with average selling prices for aggregates down around 2% on a like-for-like basis.

Asphalt revenue declined by 9% as activity in roads and highways continued to weaken across all major markets, particularly in Queensland, offset by increased volumes into the Gateway WA project.

External Revenue %

Total = \$3.1b



Despite lower volumes, **strong margin growth** was delivered through the realignment of the Queensland and Victorian businesses, and improved contracting management and cost controls.

Cement external revenue declined by 4% to \$294m as a result of changed wholesale supply agreements. Excluding wholesale, average selling prices for cement were up 1% year-on-year. Cement **EBIT remained strong**, reflecting the benefit of improvement initiatives to Boral Cement's cost position including improved utilisation of manufacturing assets and sourcing of lower cost raw materials and energy.

Concrete Placing revenue from De Martin & Gasparini was down 8% on lower volumes, while stronger contracting outcomes and improved operational efficiencies helped drive a significant turnaround in profitability.

Landfill revenue was slightly lower in FY2015 compared to prior year following its sale, with earnings since 1 March replaced by a royalty stream from the new owner, Transpacific Industries (TPI).

Property contributed \$46m to EBIT, up from \$8m in the prior year. This included the sale of a 280-ha parcel of rural land at Bringelly in NSW contributing \$30m and a number of smaller transactions. With the benefit of carry-forward tax losses, these sales contributed \$44m on an after-tax basis in FY2015.

FY2015 v FY2014	Total Volume, Var %	Price, Var %
Concrete	3	flat
Aggregates	(2)	(2)
Cement	(2)	1

Boral Building Products¹

Australian Bricks, Roofing and Timber

Increased housing activity and cost savings support improved profitability across all products

(A\$ millions)	FY2015	FY2014	Var %
Revenue	485	487	-
EBITDA ²	50	29	70
EBIT ²	30	8	260
External Revenue	FY2015	FY2014	Var %
Bricks & Roofing	345	343	1
Timber	140	144	(3)

2. Excludes significant items

Revenue was broadly steady at \$485m reflecting price gains and stronger housing activity in NSW, Queensland, Victoria and Western Australia, offset by the absence of two months of East Coast Bricks revenues after the formation of the Boral CSR Bricks joint venture on 1 May 2015 as well as decreased Timber volumes.

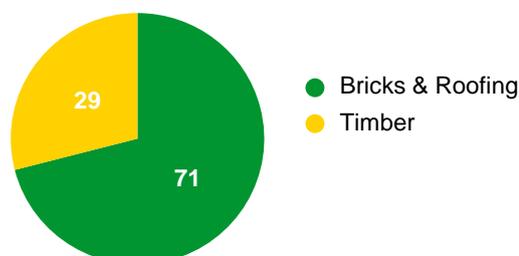
EBIT – Building Products continued its turnaround with a strong **\$22m improvement in EBIT to \$30m**; Bricks and Timber reported significant gains over the prior year. The result reflects improved pricing across all products and markets, the benefits of production volume leverage, and improved operational performance and costs.

Bricks volumes were up 5% with growth in all regions in line with housing construction activity, particularly in NSW, Queensland and WA. Nationally, average selling prices increased by 3% on the prior year with improved pricing outcomes in all states, particularly in NSW.

Roofing – Overall **modest volume growth** was achieved over the prior year driven by increases in Victoria and South Australia, while volumes in NSW were impacted by competition from substitute products. Higher average selling prices reflected pricing gains together with an improved customer and product mix in Victoria.

External Revenue %

Total = \$485m



Timber revenue decreased by 3% compared to the prior year with growth in Softwood revenue partially offsetting a decline in Hardwood.

Higher **Softwood** revenues were driven by a 9% rise in average selling prices, which in part reflected increased sales of higher-priced structural products. Volumes were impacted by production constraints and competition from imports, particularly in the last quarter.

Volumes in **Hardwood** decreased 18% reflecting an exit from the engineered flooring business as well as significant efforts to reduce excess inventories in the prior year. For continuing products, volumes were down 4% year-on-year reflecting subdued demand in the high-end alterations market and ongoing competitive pressures. Despite this, price rises were successfully implemented for continuing products with an increase of 4%. Inventory levels were marginally higher due to restructuring activity on the NSW south coast. Inventory reduction remains a priority.

FY2015 vs FY2014	Volume, Var %	ASP, Var %
Bricks	5	3
Roofing	3	2
Hardwood ³	(4)	4
Softwood	(3)	9

3. For continuing product lines

¹ Includes 10 months of fully consolidated results from East Coast Bricks business, and two months of equity accounted (40%) share of post-tax earnings from Boral CSR Bricks JV from 1 May 2015. Remaining Masonry operations are incorporated into the Bricks business in Western Australia and the Roofing business in other states.



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

Strong price discipline, larger product range and market activity drives significant growth

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 \$49m** for FY2015 representing Boral's 50% share of the post-tax earnings of USG Boral. In the prior year Boral Gypsum reported an EBIT of \$67m from 100% consolidated earnings of the gypsum business for the period to 28 February 2014, and \$10m of equity income after the formation of the JV.

Boral's full year reported Gypsum result

(A\$ millions)	FY2015	FY2014
Revenue ¹	-	691
EBITDA ^{1,3}	-	96
EBIT ^{1,3}	-	67
Equity income ^{2,3}	49	10

1. Consolidated results for period Jul-13 to Feb-14
2. Post-tax equity income for period Mar-14 to Jun-15
3. Excludes significant items

The underlying business delivered a strong and improved performance with increases in board volume and price together with a significant increase in adjacent (non-board) product sales driving **margin expansion**. In addition, US\$24m of restructuring and improvement initiatives in FY2015 helped to offset integration and inflationary cost impacts. Plant utilisation averaged 70% in FY2015.

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

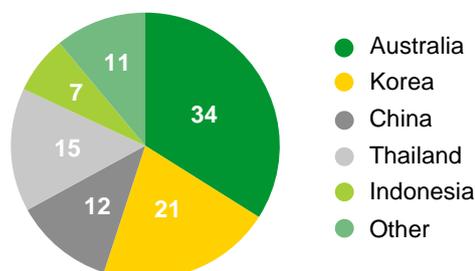
Underlying business result

(A\$ millions)	FY2015	FY2014	Var %
Revenue	1,268	1,091	16
EBITDA ³	201	148	36
EBIT ³	141	102	38

Revenue increased by 16% on the prior year to **\$1,268m**, driven by board volume growth of 2%, an increase in non-board revenues and higher average prices in Australia, Korea and Indonesia. The successful launch of the new higher strength, lighter weight Sheetrock® brand plasterboard products in Australia, Korea, Thailand, Indonesia and China is attracting a price premium above 5% and seeing adoption rates of up to 30% (in ceilings in Australia) less than a year after launch.

EBIT increased 38% to \$141m with margin expansion in all key regions and strong results from Australia, Korea, Thailand and Indonesia.

External Revenue %



Australia/NZ revenue increased by 16% to \$432m

with strong EBIT growth. Board volumes were up 11% reflecting increased housing market activity, particularly in NSW and Victoria, and average selling prices were up 3%, supported by the introduction of new Sheetrock® products.

Asia revenue increased by 16% to \$836m

reflecting strong price gains, including from Sheetrock® technology products, and significant growth in adjacent (non-board) sales.

Korea continued to report strong revenue and margin growth with prices up 4% and a significant rise in non-board sales. While market conditions were favourable, volumes were impacted as a key competitor overcame production supply constraints, which delivered a short-term volume benefit in the prior year.

Thailand reported solid earnings and margin growth with stronger volumes and lower fuel costs. While the political situation has stabilised, pricing remains challenged in a highly competitive environment.

Indonesia reported strong revenue and margin growth following significant price and volume gains. Good price outcomes following the introduction of Sheetrock® products offset the impact of slowing economic growth and local currency weakness.

Sales of non-board products and strong cost management underpinned results in **China** where focus remains on selling to the high-end market.

The **roll-out of Sheetrock® board technology is on track** to remain within the two-year capital expenditure of US\$50m. Synergies of US\$50m per annum continue to be expected within three years of the full technology roll-out.

FY2015 vs FY2014	Board Volume Var %	Board ASP Var %
Australia	11	3
Asia	1	N/A



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

Breaks through to profitability with improved market activity and strong focus on costs

(A\$ millions)	FY2015	FY2014	Var %
Revenue	839	681	23
EBITDA ¹	50	3	
EBIT ¹	6	(39)	

(US\$ millions)	FY2015	FY2014	Var %
Revenue	695	622	12
EBITDA ¹	42	3	
EBIT ¹	5	(35)	

External Revenue (US\$ millions)	FY2015	FY2014	Var %
Cladding ²	374	323	16
Roofing	159	139	14
Fly Ash & Construction Materials	162	160	1

1. Excludes significant items

2. Includes Bricks, Cultured Stone & Trim

Revenue increased by 12% on the prior year to **US\$695m**, with strong growth in Cladding, Roofing and the Colorado Construction Materials business. Australian dollar revenue increased by 23% to A\$839m.

The business benefited from increased US housing construction activity across all key geographic regions. While brick and stone intensity levels per housing start remain broadly steady, housing growth continues to be skewed towards multi-family activity with pent-up demand in the single-family segment constrained by financing, land and labour supply.

EBIT improved by US\$40m to a US\$5m profit with all businesses other than Bricks being profitable or close to break-even. The result was driven by:

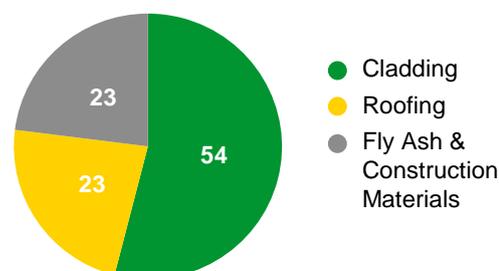
- significant volume gains, particularly in Cultured Stone, Trim and Roofing;
- solid price gains in Trim, Roofing, Fly Ash and Construction Materials;
- improved production volume leverage; and
- US\$20m in cost savings comprising SG&A savings and the previously announced US\$12m of savings from the regional sales and manufacturing restructuring and consolidation activities undertaken in June 2014.

Cladding revenue which includes **Bricks, Cultured Stone and Trim** grew **16% to US\$374m**.

Bricks revenue increased by 13% to US\$246m, driven by an 8% lift in volumes in line with the broader market, stronger commercial sales and a 1% rise in average selling prices, with strong pricing gains in some markets such as Texas. Distribution revenue from the sale of non-brick products also increased by 20%, particularly in Texas.

External Revenue %

Total = A\$839m



Cultured Stone broke through to profitability with a 17% increase in volumes, 1% higher average selling prices and operational cost savings. Sales of Versetta and the new second brand, ProStone, also contributed to the increase in revenue.

Brick and Cultured Stone increased **plant utilisation** by 3% each to 52% and 30% respectively, with inventories broadly unchanged.

Boral's innovative **Trim** product rose strongly on the back of continued market penetration and geographical expansion with an increased number of dealer locations stocking the products. Volumes rose 58% and average selling prices were up 8% helped by the new siding product launched in 1Q FY2015, resulting in a close to break-even result for this small but growing business.

Roofing revenue rose **14% to US\$159m**. Volumes increased 11% and average selling prices increased 5%. Higher cement input costs were offset by cost savings and operating leverage. Concrete roofing plant utilisation was 28%, up from 24% in the prior year.

Fly Ash and Construction Materials combined revenue of **US\$162m was up 1%** with both businesses increasing in profitability, despite fly ash volumes being impacted by industry supply constraints. Conditions in the construction materials market in Denver were favourable with increased volumes and strong price gains.

FY2015 vs FY2014	Volume, Var %	ASP, Var %
Bricks	8	1
Cultured Stone	17	1
Trim	58	8
Roof tiles	11	5

Fix, Execute, Transform Program

Boral's 'Fix, Execute, Transform' program continues to be an effective framework to deliver more sustainable growth and superior returns through the cycle.

EBIT return on funds employed (**ROFE**¹) of 8.2% in FY2015 was up from 7.2% in FY2014. ROFE has increased 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. Key drivers of improved ROFE performance in FY2015 include improved earnings from the USA, Building Products and Property, and over the longer term portfolio restructuring is also delivering benefits.

FIX – Fixing things that are holding us back

While we have moved firmly into the *Execute* and *Transform* phases of the program, our 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 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

- Divested **Boral's Western Landfill business** in Melbourne to Transpacific Industries (TPI). On completion of the sale, on 28 February 2015, TPI paid Boral a \$150m upfront payment to purchase the business plus approximately \$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 **Australian East Coast Bricks JV between CSR and Boral** commenced in May 2015, and is expected to deliver \$7-\$10m per annum of synergies following integration. From 1 May 2015, Boral has been equity accounting its 40% share of the combined entity's post-tax earnings.
- A **strategic review of the Timber business** was undertaken including reviewing external opportunities for the business. A modest impairment has been taken and the focus is now on a structural improvement program, particularly in the Hardwood business. Multiple capital projects totalling ~\$10-15m will focus on safety and operational improvements, including warehouse and distribution rationalisation. We are also continuing to work with the NSW Government to secure a more sustainable outcome for the future.

Boral Gypsum

- The new higher strength, lighter weight, improved sag-resistance **Sheetrock® Brand** plasterboard was introduced into Australia, Korea, Indonesia, Thailand and China in FY2015, and more recently in Vietnam. The **technology roll-out** is ahead of schedule and coming in below budget.
- USG's adjacent products continued to be introduced to USG Boral's markets across Australia and Asia.
- We remain confident of delivering the targeted US\$50m per annum of synergies within three years of the technology roll-out.

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 options for the **US bricks** business.
- In January 2015, **divested the limestone quarry in Oklahoma**, the final step in exiting construction materials in Oklahoma.

Managing costs down

Major group-wide restructuring and rationalisation initiatives undertaken in FY2013 and FY2014 delivered \$150m of annualised benefits in FY2015, including **\$20m of incremental savings in FY2015** from contract management initiatives.

¹ Calculated on funds employed at 30 June

Divisional cost reduction and improvement programs remain important to offset inflationary cost pressures.

In **Boral Construction Materials & Cement** benefits are being delivered from the following initiatives:

- **Resizing** of the **Asphalt** business in Queensland and Victoria, and **realignment of support services**, resulted in 118 fewer positions at the end of FY2014 and delivered **\$11m of savings** in FY2015.
- A **further 122 positions**, primarily in support services and administration, were made redundant in early FY2015, delivering around \$11m of benefits in FY2015 and **~\$20m annual savings on completion**.
- **Closure of the specialty cement kiln at Maldon** in December 2014 resulted in **19 positions** being made redundant, saving \$2.5m in FY2015 and **\$5m of annualised savings**.
- In late FY2015, several small plants were closed and a further **90 positions** made redundant, mainly in Queensland to help offset slowdowns in major projects and regional markets. This will form part of a **larger improvement program in FY2016** to help offset cost and volume pressures.

In **Boral USA**, the **FY2015 result included US\$20m of savings following a reduction of 70 positions** through restructuring and consolidation of regional sales and manufacturing teams in June 2014 together with corporate office cost savings in the areas of IT, legal and workers' compensation.

The **USG Boral joint venture delivered around US\$24m of savings in 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

Following a significant reduction in debt over the past two years, Boral's net debt increased to \$817m at 30 June 2015 compared with \$718m at 30 June 2014, largely due to exchange rate impacts.

Boral **continues to generate strong cashflows** and **capital expenditure disciplines** remain in place with growth and stay-in-business capital expenditure for FY2015 maintained below \$300m.

On 18 March, following the receipt of approximately **\$165m of cash proceeds** from TPI for the purchase of the Western Landfill business and US\$10m following the divestment of the Oklahoma limestone quarry, an on-market share buy-back program for up to 5% of issued capital over 12 months was announced. As at 30 June 2015, \$116m had been spent buying back and cancelling 2.4% of issued capital.

With a strong balance sheet and cash position, Boral remains committed to efficient capital management, while maintaining flexibility to respond to changes in market conditions and to take advantage of appropriate growth opportunities that may present in the future.

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. Boral is more responsive than it has been in the past; our businesses are better equipped to respond to changes in market dynamics and external drivers. This is evidenced by the realignment of the Queensland Construction Materials business in response to the downturn in non-residential, roads and engineering work, as well as Boral USA returning to profitability in FY2015 despite housing starts being less than previously expected.

Improving safety performance – Boral's combined employee and contractor lost time injury frequency rate (**LTIFR**)¹ of 1.8 in FY2015 was slightly better than the prior year at 1.9 and recordable injury frequency rate (**RIFR**)¹ of 12.1 compares with 13.6 last year, continuing the improvement trend with an 11% reduction.

TRANSFORM – Transforming Boral for performance excellence

Boral remains committed to growth through innovation. In FY2015:

- The roll out of USG's **world-leading gypsum technologies** across **USG Boral** 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' in Texas, which leverages Boral's lightweight poly-ash composite technologies from trim to sheet products having applications for roofing, cladding and exterior substrates.
- Boral USA launched an innovative new Boral TruExterior® Siding Craftsman Collection™ representing the first siding product in the new poly-ash category.
- We commenced work with a number of universities to advance R&D activities, including a \$1m, 3 year collaboration with the University of New South Wales which will benefit from a \$300,000 Federal Government Research Grant funded project to investigate thermal cracking in mass concrete elements and to develop a tool to predict early age cracking.

¹ Per million hours worked

Strategic Direction and FY2016 Outlook

We remain focused on lifting Boral's returns on funds employed **over the long-term** through ongoing disciplined management of costs, cash and capital.

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, and in the small **Building Products** division, we are continuing to improve the portfolio and business performance.

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**.

FY2016 expectations

Materials demand for the construction of **Australian** roads, highways, subdivisions & bridges (RHS&B) and other engineering work is expected to remain softer in FY2016 compared with recent years, before a multi-year recovery of roads and infrastructure activity commences from late FY2016, led by major road projects. Based on HIA, BIS Shrapnel and Macromonitor forecasts, dwelling activity in FY2016 is expected to decline by around 5-10% nationally from current peak levels of demand, driven largely by softer levels of activity in multi-residential construction on the East Coast and a slowdown in detached housing in Western Australia. Based on Macromonitor data, non-residential construction activity should also decline.

Overall, Macromonitor is forecasting concrete volumes in Australia, which can be used as a proxy for total construction activity, to soften by around 1% in FY2016¹. However, concrete volumes are expected to increase in NSW and decrease in other states.

Across most countries in **Asia** construction activity should continue growing in FY2016 with some uncertainty in Thailand and Indonesia, and continued subdued activity in the high end market in China. We should experience further growth of our Sheetrock® products solutions through increased market penetration.

In the **USA**, market forecasters are expecting total housing starts to lift to ~1.2 million starts² in FY2016.

The following divisional performance is expected in FY2016:

- **Construction Materials & Cement** will be focused on maintaining FY2016 EBIT, 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 RHS&B activity more broadly 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 but this needs to be balanced against our ability to sustain market share.

Property is expected to contribute in FY2016, but given the nature of Property earnings which have ranged between \$8m and \$46m over the past five years, the level of contribution in FY2016 is uncertain.

- **Building Products** is expected to maintain a similar EBIT in FY2016 to the reported EBIT for FY2015. Improvement initiatives should offset 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** is expected 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 this year.
- **Boral USA** should 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 in line with forecasters' projected increase to approximately 1.2 million housing starts in FY2016.

In FY2016, Boral's **effective tax rate** is projected to be in the range of 20% to 25%. While this is higher than the effective tax rate of 15% in FY2015, which included the benefits of carry forward capital losses, the effective tax rate of 20% to 25% reflects a combination of increasing earnings in the USA offset by an increasing contribution of post-tax equity accounted joint venture earnings. Boral's **interest expense** in FY2016 will be broadly similar to FY2015.

¹ Macromonitor, Construction Materials Forecast at April 2015

² Analysts average (Dodge, Wells Fargo, NAR, NAHB, Fannie Mae, Freddie Mac, MBA) between May & July 2015

Results at a Glance

(A\$ million unless stated)	FY2015	FY2014	% Change
Revenue	4,415	5,204	(15)
EBITDA ¹	605	556	9
EBIT ¹	357	294	21
Net interest ¹	(64)	(83)	23
Profit before tax ¹	293	211	39
Tax ¹	(44)	(37)	(19)
Non-controlling interests	0	(3)	
Profit after tax ¹	249	171	45
Net significant items	8	2	
Net profit / (loss) after tax	257	173	48
Cash flow from operating activities	418	507	
Gross assets	5,865	5,559	
Funds employed	4,341	4,066	
Liabilities	2,341	2,211	
Net debt	817	718	
Stay-in-business capital expenditure	211	203	
Growth capital expenditure	39	65	
Acquisition capital expenditure	-	48	
Depreciation and amortisation	249	261	
Boral Employees ²	8,356	8,953	(7)
Total employees including in joint ventures	12,032	12,451	
Revenue per Boral employee, \$ million	0.528	0.581	
Net tangible asset backing, \$ per share	4.31	4.03	
EBITDA margin on revenue ¹ , %	13.7	10.7	
EBIT margin on revenue ¹ , %	8.1	5.7	
EBIT return on funds employed ¹ , %	8.2	7.2	
EBIT return on average funds employed ¹ , %	8.5	6.6	
Return on equity ¹ , %	7.1	5.1	
Gearing			
Net debt/equity, %	23	21	
Net debt/net debt + equity, %	19	18	
Interest cover ¹ , times	5.6	3.5	
Earnings per share ¹ , ¢	31.9	22.0	
Dividend per share, ¢	18.0	15.0	
Employee safety ³ : (per million hours worked)			
Lost time injury frequency rate	1.8	1.9	
Recordable injury frequency rate	12.1	13.6	

Figures relate to the total Group including continuing and discontinued operations

¹ Excludes significant items

² Includes a reduction of 290 employees in the East Coast Bricks business now employed in the Boral CSR Bricks 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 7 of the Preliminary 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:

<i>(A\$ millions)</i>	Earnings before significant items	Significant items	Total	Continuing operations	Discontinued operations	Total
Sales revenue	4,414.7	-	4,414.7	4,297.6	117.1	4,414.7
EBIT	356.7	1.9	358.6	352.2	6.4	358.6
Finance costs	(63.7)	-	(63.7)	(63.7)	-	(63.7)
Earnings before tax	293.0	1.9	294.9	288.5	6.4	294.9
Tax (expense) / benefit	(43.8)	5.9	(37.9)	(45.1)	7.2	(37.9)
Net profit after tax	249.2	7.8	257.0	243.4	13.6	257.0

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

The results announcement has not been subject to review or audit, however it contains disclosures which are extracted or derived from the Preliminary Financial Report for the year ended 30 June 2015.

This Preliminary Financial Report for the year ended 30 June 2015 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.

This report is based on accounts which have been audited. The audit report, which is unmodified, will be made available with the Boral Limited Annual Report around 17 September 2015. The Annual Report is currently being finalised in publishable form.

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