



# Results Announcement for the half year ended 31 December 2015

10 February 2016

## Media Release

### Boral reports a 23% increase in underlying net profit after tax<sup>1</sup>

Boral Limited (ASX: BLD) today reported a 23% increase in net profit after tax before significant items<sup>1</sup> to \$137 million for the six months ended 31 December 2015, reflecting improvements in margins, stronger housing activity in the US and continued strength in Australia.

Boral's **reported net profit after tax of \$137 million was 31% higher** than the previous corresponding period, with **no significant items reported in this period**.

**Sales revenue from continuing operations of \$2.2 billion was in line with the prior year** as higher revenues associated with housing activity in Australia and the USA offset the anticipated decline in resource-based and other major project activity, including LNG projects in Queensland, Western Australia and the Northern Territory.

On a reported basis, sales revenue of \$2.2 billion was down by 4% on the prior year, due to the impact of equity accounting for the Boral CSR Bricks joint venture, which was formed on 1 May 2015.

Earnings before interest and tax (**EBIT**) before significant items **increased 19% to \$200 million** underpinned by higher earnings from all divisions, including a strong focus on operational cost improvements and some pricing gains.

**A fully franked interim dividend of 11.0 cents per share, up 29% on last year**, was announced and will be paid on 11 March 2016.

**Boral's CEO & Managing Director, Mike Kane**, said that further improvements across all divisions contributed to the significant uplift in Boral's profit.

"The substantially improved result is a reflection of our commitment to improve Boral's cost base, grow our margins and respond more quickly and more efficiently to market conditions," Mr Kane said.

"The success of the first half is underpinned by a very strong residential construction market in NSW, a solid performance in South-East Queensland, further recovery in the US and a successful growth strategy in the gypsum business in Australia and Asia.

"We have continued to improve the underlying performance of our business in line with our strategy. We have maintained a strong balance sheet and we are managing our portfolio more efficiently.

"It means that we are delivering on our promises, beginning with our commitment to a Zero Harm workplace. Our safety statistics continue to show further improvements with Boral's lost time injury frequency rate down by 29% and our recordable injury rate falling by 26% during the half."

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<sup>1</sup> 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, noting that no significant items were recorded for the six months ended 31 December 2015. Non-IFRS information has not been subject to audit or review.

Mr Kane said the significant improvement in NPAT during the first half had come at a time when the construction materials sector in Australia is in a period of transition.

Along with the rest of the industry, Boral has felt the impact of major engineering work ending or slowing down, including LNG projects in Queensland, Western Australia and the Northern Territory, which had accounted for a 2% decline in total concrete volumes.

“After this period of transition in major engineering works, we expect a pick-up from major road and infrastructure projects, such as the multi-year NorthConnex project in Sydney, which Boral will commence supplying in the 2017 financial year,” he added.

Referring to a divisional breakdown of the results, Mr Kane reported the following:

- Boral's largest division – **Construction Materials & Cement** – delivered a strong **6% lift in EBIT to \$159 million**, assisted by \$5 million of Property earnings and a \$4 million settlement with the CFMEU.
- The **Building Products** division **delivered \$17 million of EBIT**, which was a \$3 million improvement on the prior corresponding period, due primarily to strong housing activity – especially on the East Coast – as well as improved pricing and operational performance, including in the recently formed Boral CSR Bricks joint venture.
- The **USG Boral gypsum joint venture** delivered a 31% increase in post-tax equity income to \$32 million and a 30% lift in underlying EBIT to \$91 million for the half year, with earnings growth particularly strong in Australia. The roll-out of the Sheetrock® brand plasterboard products attracted a price premium with adoption rates nearing 40% in Australia. These world-leading products have helped strengthen Boral's leading positions in competitive markets such as Australia, Korea, Thailand and Indonesia.
- In the USA, market recovery continued with **Boral USA delivering a positive A\$8 million EBIT** for the first half compared with an A\$8 million loss in the first half last year. After returning to profitability in FY2015, this result is evidence of Boral's continued leverage to US market growth.

Mr Kane said for the full year FY2016, Boral expected a solid performance with the following divisional expectations:

- **Construction Materials & Cement** is expected to deliver a marginal improvement in EBIT compared with FY2015 (excluding property in both years).
- **Building Products** is expected to deliver a marginal improvement in reported EBIT in FY2016 compared to the reported EBIT for FY2015. Improvement initiatives and a continuing strong East Coast housing market should benefit the business including the Boral CSR Bricks JV.
- **Boral Gypsum** should deliver further underlying performance improvements in FY2016 compared with FY2015, on the back of strong activity in Australia, penetration of Sheetrock® products, and strong cost and price discipline.
- **Boral USA** should report a further increase in earnings in FY2016 underpinned by increased housing activity. External forecasters are projecting an increase to approximately 1.2 million housing starts in FY2016.

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