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%
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Financial Overview

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

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 offs

Market Conditions and External Impacts

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

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 -4.6(c)-3.rg0 upta8ftabil

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

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
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[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

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 %

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

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

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:

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)

Results at a Glance

(A$ million unless stated)	1H FY2015	1H FY2014	% Change
Revenue			
EBITDA[1]			
EBIT[1]			
Net interest[1]			
Profit before tax[1]			
Tax[1]			
Non-controlling interests			
Profit after tax[1]			
Net significant items			
Net profit / (loss) after tax			
Cash flow from operating activities			
Gross assets			
Funds employed			
Liabilities			
Net debt			
Stay-in-business capital expenditure			
Growth capital expenditure			
Acquisition capital expenditure			
Depreciation and amortisation			

[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

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.