[redacted]

FY2021 results

Year ended 30 June 2021

Management Discussion & Analysis

Building a stronger Boral

24 August 2021

Commentary throughout this Management Discussion & Analysis, unless otherwise stated, is based on earnings from continuing operations and includes the impact of the IFRS leasing standard (AASB 16). In addition, FY20 comparative figures have been restated - see Note 1(d) of the preliminary final report for further details.

Group financial overview

For continuing operations, sales revenue of $2,924m was down 6% reflecting significant declines in multi-residential, a contraction in major projects and softer pricing. **EBIT[1] (excl. Property) of $157m increased 11%,** as benefits from transformation initiatives, the reversal of prior period COVID impacts and one off items helped to offset substantial declines in multi-residential, softer prices and lower earnings from major projects.

Income tax expense[1] of $63m represents an effective tax rate of 20%. Excluding recognition of US tax losses, and utilisation of capital losses, Boral's effective tax rate was 22.5%.

Significant items: A gain of $358m primarily relates to the profit on sale of Boral's 50% interest in USG

Continuing and discontinued operations

A summary of continuing and discontinued results is provided in the table with a description of discontinued operations below. Detailed commentary in the following pages is focused on continuing operations.

A$m *Figures may not add due to rounding*	Sales revenue		EBITDA[1]		EBIT[1]	
	FY21	FY20	FY21	FY20	FY21	FY20
Continuing operations:						
Boral Australia	2,924	3,117	432	472	210	235
Corporate	-	-	(26)	(36)		

Zero Harm – safety and environment

In FY21, Boral's Zero Harm Council embarked on the next evolution of HSE best practice to help Boral deliver industry leading HSE performance. When it comes to safety, our focus is to strengthen the prevention of serious harm through standardised and tailored controls that mitigate critical risks.

Following a review of our health and safety reporting last year, our reporting metrics were broadened to include two additional indicators – actual serious harm incident frequency rate (ASHIFR) and potential serious harm incident frequency rate (PSHIFR). Serious harm incidents are those that cause life-threatening or life-changing injuries or fatalities. We require our people to report PSHIFR as these provide key learnings for the organisation to prevent actual serious harm incidents in the future.

In FY21, Boral Australia reported a 67% reduction in ASHIFR[4] and 53% reduction in PSHFIR[4]. This reflects implementation of programs that focus on critical controls as well as identifying and preventing incidents that cause serious harm. While these indicators showed improvement, Boral Australia's recordable injury frequency rate (RIFR)[4] was 11.9, which compares with 10.0 in FY20.

As a business, efforts to minimise the risk of spreading COVID-19 to keep our people, customers, and communities safe, remain a key priority. We have COVID safe plans in place for our sites in line with government requirements and comply with regulatory requirements. Contactless transactions and delivery options are available to concrete, quarry and asphalt customers.

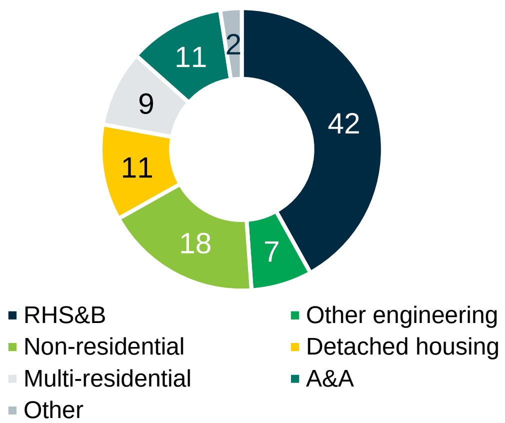
In FY21, Boral Australia's serious environmental incident frequency rate (SEIFR)[5] was 0.3, which was an improvement on the prior year. Boral Australia received no penalty infringement notices during the year which is the first time this has occurred in at least eight years.

Boral has set short- and medium-term carbon emissions reduction targets aligned with meeting net-zero emissions by 2050 and limiting global warming to 1.5°C. See page 8 for further details.

Market conditions

In Australia, total value of construction work done was down ~3% (residential down 1%, non-residential down 5%, infrastructure down 5%)**, with a greater impact on Boral due to geographic exposure, major project delays and completions ahead of demand from new projects, and lower materials intensity of current major projects.**

FY21 Australian revenue (continuing operations) by end market, %



Overall, the value of work done (VWD) across Boral market segments are estimated to be down by approximately 3% in FY21 relative to FY20.

Boral Australia's largest market segment exposure is to **roads, highways, subdivisions & bridges (RHS&B)[6]**. The RHS&B segment includes new construction (~75% of activity) and maintenance work (~25%) with major infrastructure projects a part of new construction activity.

In FY21, **RHS&B value of work done (VWD) decreased by an estimated ~3%** nationally as new construction declined by ~7% and was partially offset by an increase of ~8% in maintenance spend, which is a smaller proportion of the overall VWD in RHS&B. RHS&B VWD was down ~9% in NSW, down ~8% in SA, and down ~5% in WA, while Vic and Qld were up ~1% and ~3% respectively.

Other engineering activity[6] in Australia **decreased ~7%,** with activity lower in all states.

Market conditions (cont.)

Non-residential construction activity[6] **declined ~5%**, with NSW down ~3%, Vic down ~8%, Qld down ~5% and WA down ~9%, and SA up ~15%.

Boral's **major projects** which can include RHS&B, other engineering and non-residential construction were substantially lower in FY21.

Completion of key major projects (and some delays) in FY21 ahead of new projects starting, impacted

Operational overview

A$m (continuing operations)	FY21	FY20	Var %
Revenue	2,924	3,117	6
EBITDA[1]	406	435	7
EBITDA[1] ROS	13.9%	14.0%	
EBIT[1]	**181**	**197**	8
EBIT[1] ROS	**6.2%**	**6.3%**	
Property	24	55	56
EBIT[1] *excl. Property*	157	142	11

FY21 underlying revenue of $2.9b declined 6%, reflecting lower volumes (3% lower Concrete and 4% lower Quarries volumes) and ~1-2% lower like-for-like selling prices in concrete and quarries.

Boral's 3% decline in concrete volumes was underpinned by a volume decline of ~21% to infrastructure (RHS&B and other engineering) relative to FY20, ~17% lower concrete volumes to multi-residential construction and ~2% softer volumes to non-residential construction, which was only partially offset by a ~18% [illegible] with prices stabilising, and in some cases improving, as the year progressed.

Revenue declined in Asphalt, Concrete and Quarries but a higher external revenue contribution was delivered from Cement.

Excluding property, FY21 EBIT[1] of $157m increased $15m or 11%. Transformation initiatives of $75m (net of inflation and including $6m attributed to the discontinued Australian Building Products business) and reversal of prior year COVID impacts and one offs more than offset the impacts of lower volumes, softer prices and an adverse geographic mix shift.

Volume impacts were more pronounced in NSW, where Boral has substantial exposure and strong integrated margins. Despite this, EBIT margins improved slightly to 5.4% and will strengthen further with the benefits of Transformation initiatives and as demand recovers.

FY21 EBIT[1] of $181m declined $16m or 8% reflecting $24m of earnings contribution from Property, compared with $55m in the prior year. FY21 Property earnings were primarily from the sale of the Alexandria Concrite land.

Major projects revenue (including concrete placing) contributed ~10% of Boral Australia’s revenue compared with ~17% in the prior year. This reflects a heightened level of activity in the prior year, with several large projects in NSW and Qld finishing in FY20 and early FY21, coupled with FY21 major projects work being less materials intensive than FY20. Boral’s NSW major projects revenue was down 63% and Qld was down 52% on the prior year.

The decline in major projects resulted in a $40m decline in EBIT year on year.

Concrete reported lower revenue and earnings due to weaker activity in NSW and Vic and price declines, with average selling prices (ASP) down 2%. The completion of projects such as NorthConnex and Metro Rail projects in NSW contributed to the volume decline, together with low levels of demand from multi-residential activity.

In Concrete Placing, revenue and earnings were lower due to the completion of major projects in NSW and Qld. Major pours occurred at the Crown Sydney Project

Boral’s strategic priorities

Significant progress has been made to refocus Boral’s portfolio of businesses, deliver better financial results and build a stronger performing business for our shareholders, our customers and our people. Work commenced on a renewed strategy for Boral in late 2020 and, in May 2021 a new comprehensive strategic framework was adopted.

Strategic framework

The four pillars of Boral’s strategy are:

Results at a glance (total operations)

A$m unless stated	FY21	FY20	Var %
Revenue	5,346	5,728	(7)
EBITDA[1,2]	882	807	9
EBIT[1,2]	445	324	37
Net interest	(131)	(126)	(3)
Profit before tax[1]	314	197	59
Tax[1]	(63)	(24)	(166)
Net profit after tax [1]	251	174	44
Net significant items	389	(1,318)	
Statutory net profit / (loss) after tax	640	(1,145)	-
Net profit after tax before acquired amortisation	290	220	32
Cash flow from operating activities	654	613	7
Gross assets	7,584	9,162	
Average funds employed	6,040	7,469	
Liabilities	3,220	4,667	
Net debt	899	2,580	
Stay-in-business capital expenditure	161	210	
Growth capital expenditure	97	118	
[illegible]A)	437	483	

Non-IFRS information

Boral Limited's statutory results are reported under International Financial Reporting Standards. A number of non-IFRS measures are reported in order to provide a greater understanding of the underlying business performance of the Group.

Significant items are detailed in Note 2.1 of the 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 these non-IFRS measures to reported statutory profit is detailed below:

$m		Earnings before significant items	Significant items	Reported Result[15]
Sales revenue		5,345.7	-	5,345.7
Profit before depreciation, amortisation, interest & income tax	**EBITDA**	**882.0**	**357.7**	**1,239.7**
Depreciation & amortisation		(437.4)	-	(437.4)
Profit before interest & tax	**EBIT**	**444.6**	**357.7**	**802.3**
Interest		(130.6)	-	(130.6)
Profit before tax	**PBT**	**314.0**	**357.7**	**671.7**
Tax benefit / (expense)		(63.3)	31.5	(31.8)

The results announcement has not been subject to review or audit however it contains disclosures which are extracted or derived from the Financial Report for the year ended 30 June 2021.

The Financial Report for the 12 months ended 30 June 2021 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.