Media Release

24 August 2021

A solid FY21 result in difficult conditions with significant progress to build a stronger Boral

Boral Limited (ASX: BLD) today reported a statutory net profit after tax (NPAT) of $640 million for the full year ended 30 June 2021 compared to a loss of $1.145 billion in FY2020.

Boral's full year results include:

- Net profit after tax (NPAT) before significant items of $251 million, was up 44% on the prior year
- Total operations revenue of $5,346 million down 7% on FY2020, and sales revenue from continuing operations of $2,924 million down 6%, due to post-tax gain of $389 million for significant items primarily r 50% interest in USG Boral as well as the Midland Brick business
- Operating cash flow of $654 million up 7% (versus $613 millio

Net debt reduced to $899 million down from $2,580 million at 30 June 2(

No final dividend will be paid. However, following receipt of proceeds fro America Building Products, Meridian Brick and the Australian Timber bus significant surplus. Subject to prevailing conditions and other reinvestme be available for distribution to shareholders taking into account the availa prevailing share price.

Significant progress against our strategic priorities

Commenting on the significant progress made in FY2021 to transform th Director, Zlatko Todorcevski, said:

> "We have made substantial progress in our strategy to transform Bo performing, more customer-focused organisation, with a core portfol throughout the cycle.
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> "Over the past year, we have progressed the divestments of several completing the divestment of our interest in the USG Boral JV and a Building Products, achieving sale prices well above expectation.
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> "With total proceeds of almost A$4.5 billion from completed and announced divestments to date, our strategy to focus Boral on the core Australian construction materials business is well advanced. And following a detailed assessment of strategic options for our North American Fly Ash business, we are now entering the final stages of a divestment of this business.
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> "Our Transformation program, which targets an EBIT uplift of $200 to $250 million in the Australian business by 2025 has already delivered $75 million (net of inflation and including $6 million in Australian Building Products), with an annualised run rate of $94 million at year end. The Transformation target has been set to achieve a return on funds employed above the cost of capital throughout the cycle.
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> "We have implemented a new operating model, with a new leadership team supporting the turnaround. The operating model sees Boral moving from a siloed regional structure to an integrated operating company organised along national product lines. This will make it easier for our customers to work with us and should enable us to create significant value.

[1] Excluding significant items

“We are re-defining Boral through decarbonisation plans, growing our recycling business and accelerating the roll-out of our proprietary lower carbon concrete products. We’ve set sector-leading, science-based, carbon emission reduction targets aligned with limiting global warming to 1.5°C and we are committed to net-zero emissions by 2050. This translates to a commitment to reduce our Scope 1 and 2 emissions by 46% by 2030. We are also targeting a reduction of 22% per tonne of cementitious materials produced by 2030 for our Scope 3 emissions.”

Solid full year results in challenging conditions

“Our full year FY2021 results reflect the mixed market conditions we are continuing to experience in Australia during the pandemic.

“The value of total construction work done in FY2021 was lower than the prior year, including in multi-residential, non-residential and infrastructure construction. Several major projects were completed during the period, with others delayed before new projects come on-line and reach materials intensity. While a lift in detached housing provided a boost to activity during the year, Boral’s earnings are predominantly exposed to construction activity outside of residential.

“Despite this, EBIT[1] for the continuing Australian business, excluding earnings from Property, was up 11% to $157 million. Property earnings of $24 million were lower than last year.

“Pleasingly, the Transformation program benefits helped to offset the impacts of inflation, lower volumes and softer pricing outcomes.”

Uncertain conditions continue with pandemic lockdowns impacting

Commenting on the current conditions and outlook, Mr Todorcevski said Boral’s number one priority is the health and safety of its people and customers, with the current COVID-19 lockdown restrictions presenting significant challenges.

“We remain focused on minimising the risk of spreading COVID-19 to keep our people, customers, and communities safe, with our sites operating with COVID safe plans in line with government requirements. This is consistent with our strong safety culture and our strengthened focus on the prevention of serious harm, which has seen Boral’s actual and potential serious harm incident frequency rates in FY2021 improve by 67% and 53%, respectively.

“As we finished the last financial year there were encouraging signs of improving demand. However, the new financial year has started with early challenges as a result of pandemic-related lockdowns. Construction industry temporary closures in Greater Sydney and South Australia in July 2021 had an estimated EBIT impact of ~$16 million due to lost volumes and higher costs. Further impacts are continuing in the first quarter in Greater Sydney due to LGA closures together with restrictions in other states and the slow ramp up of activity in South Australia. At this stage the impact in the first quarter may be in the order of ~$50 million.

“Where we can, we are taking actions to minimise the financial impacts of COVID-related measures, including short-term cost measures.

“We expect that FY2022 market conditions will be mixed. Infrastructure activity, particularly road construction, is expected to improve slightly in the second half of FY2022 and moving into FY2023.

“Non-residential activity is expected to be broadly steady. Growth in detached housing has been