

Financial Performance

Financial results for the 2015 financial year included revenue from continuing operations of \$4.3 billion¹, which was in line with the prior year. Reported revenue of \$4.4 billion was 15% below the prior year due to the full year impact of the Gypsum business moving to a 50% equity-accounted interest following the formation of the USG Boral joint venture in March 2014.

Earnings before interest and tax, or EBIT, excluding significant items, increased by 21% to \$357 million, helped appreciably by solid gains in the Building Products and Boral USA divisions, as well as a strong contribution from Property sales.

Construction Materials & Cement contributed a significant \$301 million of EBIT, including \$46 million from Property earnings. Building Products delivered \$30 million of EBIT, providing an impressive \$70 million turnaround from this smaller division over the past two years.

Our 50%-owned USG Boral Gypsum joint venture contributed \$49 million of post-tax equity accounted income. The underlying USG Boral business delivered a strong 38% increase in EBIT to \$141 million reflecting market growth as well as the early benefits of the new Sheetrock technology products and other complementary products that USG contributed to the joint venture.

And last but not least, a key highlight of divisional performance for the year was the return to profitability in the USA. US housing starts increased by around 100,000 starts to 1.05 million in FY2015. Together with US\$20 million of business improvement initiatives, this helped deliver a A\$6 million EBIT, which was a return to profitability for the first time since FY2007 and the Global Financial Crisis.

The 45% lift in the Group's profit after tax to \$249 million was assisted by a 23% lower interest expense as a result of lower debt, despite a slightly higher tax expense due to higher Building Products earnings in Australia and higher US earnings. The effective tax rate of 15% was relatively low as a result of higher equity accounted income and the benefits of carry forward tax losses being applied against property earnings.

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

The Board declared a final dividend of 9.5 cents per share, which resulted in a full year, fully franked dividend of 18 cents per share, a 20% increase on the prior year. This represents a payout ratio of 56%.

For shareholders, the dividend represented an annualised dividend yield of approximately 4% per annum (after franking) on Boral's average share price of \$5.59 for the year to 30 June 2015².

¹ All amounts are in Australian dollars unless stated otherwise.

² Source: Bloomberg

Capital management

Boral's net debt at 30 June 2015 of \$817 million was slightly higher than \$718 million a year ago, due to exchange rate impacts. However, it remains well below the \$1.45 billion of net debt reported two years ago. Boral's gearing³ remains low at 19% as at 30 June 2015.

In March 2015 the Board announced an on-market share buy-back program for up to 5% of issued capital over 12 months. As at 30 June 2015, \$116 million had been spent buying back 2.4% of issued capital. The buy-back was re-initiated following Boral's results announcement on 27 August and was completed on 21 September, at an overall average price of \$5.91 per share.

Return on Funds Employed

At Boral's full year results announcement, we reported EBIT return on *year end* funds employed of 8.2%, up from 7.2% in the prior year. EBIT return on funds employed, or ROFE, tests the efficiency and profitability of the Company's capital investments. We also measure it on an *average* funds employed basis, which was 8.5% for FY2015, up from 6.6% last year. This improvement comes despite unfavourable currency movements impacting overseas asset values and the EBIT contribution from Gypsum now being on an equity-accounted after tax basis.

Later in the meeting, Brian Clark, Chairman of the Remuneration & Nomination Committee, will provide commentary on our remuneration targets and other aspects of Boral's remuneration report. The ROFE performance hurdle introduced in FY2014 as part of Boral's long-term incentive program is intended to reward achievement linked to improving the Company's ROFE performance through the building cycle.

Strategic priorities

There is more work under way to deliver better returns to shareholders through the building cycle, but the progress made during FY2015 in strengthening Boral's financial results and competitive position is encouraging.

Boral's *Fix, Execute, Transform* program has been effective in helping to significantly

