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ASX RELEASE

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Boral announces expected non-cash asset impairment charges

Boral Limited ("Boral" ASX: BLD) today announced that following the latest review of the carrying value of its assets in accordance with the relevant accounting standards, the Company expects to recognise a non-cash, pre-tax impairment charge of A$1,346 million in its financial results for the year ended 30 June 2020, scheduled to be released to the market on 28 August 2020.

A total of A$1,223 million of the non-cash impairment charges relate to assets within Boral North America including goodwill, intangible assets and Boral's investment in the Meridian Brick joint venture.

The carrying value assessment of Boral's North American assets takes into account:

- increased demand uncertainty caused by the COVID-19 pandemic and potential longer-term impacts of prevailing economic and operating conditions, and
- recent operating performance of our businesses.

Recognising this current uncertainty and risks to future cash flows, we have made the following changes to assumptions in our carrying value assessments for Boral North America relative to our previous assessments:

- lower housing and repair & remodel activity in the near term, with longer term forecast housing starts reduced from 1.5 million to 1.3 million, which is more aligned to the average over the past 30 years
- moderated fly ash volumes to reflect the underlying decline in domestic supply due to coal-fired power plant closures, noting that only committed and approved alternative fly ash supply sources are recognised in the assessment
- a lower terminal growth rate from 2.5% to 2.0%
- increased the after tax discount rate by ~0.5% to reflect market and delivery risk.

A further A$123 million of the total impairment is in relation to Boral Australia, including certain assets in Australian building products and Western Region construction materials businesses.

The assessment of the carrying value of Boral's Australian assets takes into account the significant decline in housing construction, particularly in New South Wales; the slower pace of infrastructure construction than previously expected; low levels of construction activity in Western Australia and the Northern Territory; the impact of recent bushfires on the Timber business; and, uncertainty around the extent and timing of recovery given the COVID-19 pandemic.

The impairment charges are non-cash related. Boral's liquidity position remains strong and after the impairments, significant headroom remains under Boral's covenants with its lenders.

Boral expects to report a full year earnings before interest tax depreciation & amortisation (EBITDA) before significant items of around $820-825 million, and a net profit after tax (NPAT) but before significant items of around $175-180 million for the year ended 30 June 2020.

The Board has determined not to pay a final dividend for FY2020 given the significant uncertainty in the economic outlook and on the basis that Boral's interim dividend of 9.5 cents per share paid on 15 April 2020 represents ~63% of full year earnings. This payout ratio is in line with Boral's dividend policy to pay 50% to 70% of earnings before significant items, subject to the Company's financial position.

Boral's full year 2020 results remain subject to Board review and approval as well as completion of the external audit.

Boral's Chairman, Kathryn Fagg, said:

> *"We have taken a substantial impairment which acknowledges the recent under-performance of Boral's businesses, recognises the current market uncertainty and adopts lower forward volumes than prior expectations.*
>
> *"We are disappointed with Boral's performance and the need to take such a large impairment. However, we are focused on making the right decisions for the company and for shareholders.*
>
> *"Our CEO transition has progressed very well with the appointment of Zlatko Todorcevski as Boral's new CEO. We are fortunate that Zlatko was able to start on 1 July, which was earlier than expected. Zlatko is now working with the Board to complete the portfolio review to clearly define the priorities and future direction for Boral.*
>
> *"We are also in the process of Board renewal. We are currently recruiting two new directors, one with deep operational experience in the sector and the other with strong finance experience. These new directors will be based in Australia and we expect to make these appointments this year. Of our longer-serving directors, John Marlay will retire at the end of this year, Eileen Doyle will retire in 2021 and Paul Rayner, who is standing for re-election this year, will retire following the successful transition of the chairmanship of the Audit & Risk Committee."*

Boral's CEO and Managing Director, Zlatko Todorcevski said:

> *"We are operating in a time of considerable uncertainty concerning the impact of COVID-19 on the economies and markets in which we operate, both in the shorter and longer term.*
>
> *"This uncertainty, together with recognition of Boral's current and historical business performance, have been critical factors that we considered in assessing the recoverable value of our assets at this time.*
>
> *"Despite Boral's challenges and the difficult operating environment, I am excited by the opportunities ahead of us. I am looking forward to providing my initial impressions of the Company when we present the details of Boral's full year results on 28 August, and then presenting the outcomes of the portfolio review towards the end of October at around the time of our AGM."*

FY2020 Results Presentation

Boral's CEO, Zlatko Todorcevski and Group President Ventures & CFO, Ros Ng, will present details of the FY2020 results via webcast and teleconference on 28 August from 10.45am AEST.

The webcast link is available on Boral's home page: www.boral.com.

Conference call details will be available via the ASX release on the morning of 28 August.

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