Build something great™

Results Announcement

for the year ended 30 June 2017

30 August 2017

Management Discussion & Analysis

Boral delivers strong earnings growth, continues transformation

- **Reported revenue of $4.4b** for FY2017, up 2%
- Strong earnings growth with **EBITDA**[1] **of $720m**, up 12%, and **EBIT**[1] **of $460m**, up 16%
- Underlying **profit after tax**[1] **of $343m**, up 28%, reflecting lower net interest and a better than expected tax outcome in 2H FY2017
- Statutory **net profit after tax of $297m**, up 16%, after a $46m net loss for significant items
- **Net debt of $2.3b** up from $893m at 30 June 2016 reflecting the Headwaters acquisition; gearing of 30%
- **Earnings per share**[1] **of 33.7 cents**, up 1%, reflecting additional shares on issue following capital raising in December 2016 but only eight weeks of Headwaters post-acquisition earnings contribution
- **Final dividend of 12.0 cents per share** (50% franked); full year dividend of 24.0 cents per share up 7%

Strong performance with EBIT contribution from Headwaters in line with expectations

- **Boral Australia** – EBIT of $349m was up 11% with pricing and volume gains, strong east coast residential markets, growing infrastructure volumes and margin improvements. There was a smaller contribution from WA and building products businesses, while weather impacts broadly evened out over the year.
- **USG Boral** – underlying EBIT of $217m was up 21% year-on-year; Boral's 50% share of post-tax earnings from the JV of $70m was 18% higher. This was due to solid growth in Korea and Australia from strong market activity, increased penetration of premium priced Sheetrock® and growth in adjacent products. Higher plant utilisation and margin growth from cost improvement initiatives also benefited the result.
- **Boral North America** – delivered EBIT of A$66m, up 50%, reflecting the ongoing transformation of the business and continued housing market growth. The result included the expected A$28m (US$21m) EBIT contribution from eight weeks' ownership of Headwaters. The underlying Boral business benefited from price and volume gains.

Strategy to transform Boral is delivering results

- ✓ **Strong health & safety outcomes** – a further 8% reduction in recordable injury frequency rate (RIFR) to 8.1, lost time injury frequency rate (LTIFR) remains low at 1.5 with further opportunities to improve.
- ✓ **Above cost of capital returns in two divisions** – Boral Australia delivered a strong return on funds employed (ROFE[2]) of 14.6% and USG Boral an underlying ROFE of 11.6%. Boral North America is now well placed to improve returns over time through Headwaters contribution, synergies and market growth.
- ✓ **Transformational growth** – with completion of the strategically compelling US$2.6b acquisition of Headwaters on 8 May 2017, Boral has transformed to a more global building products and construction materials group with three very strong divisions – the high performing, well-positioned Boral Australia; the fast-growing, innovative USG Boral; and Boral North America, a scaled building products and fly ash business with greater geographic reach, diverse product offerings and strong growth prospects.

FY2018 will see continued growth including a major earnings lift from Boral North America

In FY2018 we expect **Boral Australia** to deliver continued strong results with underlying earnings growth, largely driven by infrastructure activity, offset by an expected lower contribution from Property sales. **USG Boral** earnings are expected to continue to grow as a result of our premium Sheetrock® product together with improvements in Indonesia and Thailand partially offset by moderating housing markets in Australia and Korea. **Boral North America** will deliver a significant growth in EBIT with a full year contribution from Headwaters, expected US$30-35m in first year synergies and continued market growth.

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[1] Excluding significant items
[2] EBIT before significant items on funds employed as at 30 June 2017

Financial Overview

(A$ millions) figures may not add due to rounding	FY2017	FY2016	Var %
Revenue	4,388	4,311	2
EBITDA[1]	720	645	12
EBITA[2]	472	400	18
EBIT[1]	**460**	**398**	**16**
Net interest	(51)	(63)	
Tax[1]	(67)	(67)	
PAT[1]	**343**	**268**	**28**
Significant items (net)	(46)	(12)	
NPAT	**297**	**256**	**16**
PATA[2]	350	269	30
EPS (cents)[1]	33.7	33.3	1
Full year dividend (cents)	24.0	22.5	7

Boral's reported **sales revenue** of $4.4b was up 2%, with growth in Boral Australia and Boral North America, including eight weeks of revenues from Headwaters, partially offset by reduced revenues from US Bricks following the formation of the Meridian Brick JV. Excluding US Bricks in both years, revenue was up 8%.

Earnings before interest & tax (**EBIT**[1]) increased 16% or $62m to $460m, including a $28m contribution from Headwaters in the first eight weeks of ownership. All three divisions reported stronger earnings as a result of volume and price growth, as well as cost improvement initiatives.

Depreciation and amortisation was up 5% or $13m on the prior year to $260m, largely reflecting the impact of the Headwaters acquisition.

Net interest expense of $51m was lower than FY2016, reflecting a positive cash balance for part of the year following the equity raise, partly offset by higher debt after the Headwaters transaction closed in May.

Income tax expense of $67m and an effective tax rate of ~16% was a better than expected outcome due to the recognition of previously unrecognised tax losses in Australia and the US at year end, and a benefit arising from the vesting of long term incentives. Excluding these items, the effective tax rate was 22%.

Profit after tax (**PAT**[1]) of $343m was 28% higher on the prior year's PAT of $268m.

A **net loss of $46m for significant items** largely reflects transaction costs in relation to the Headwaters acquisition and an asset impairment for Bricks WA, partially offset by a net gain from divestments in the first half, including the sale of our 40% share in Boral CSR Bricks and the formation of the Meridian Brick JV.

Statutory net profit after tax (**NPAT**) of $297m was 16% ahead of the prior year's NPAT of $256m.

EBITDA[1] of $720m was 12% higher than the prior year while **operating cash flow** of $413m was 13% lower, with improved earnings, lower interest costs and lower tax payments offset by acquisition costs and an increase in working capital largely from the timing of debtor payments.

Capital expenditure of $340m ($288m of stay-in-business and $52m of growth expenditure) was up from $324m in the prior year, and included quarry upgrades at Deer Park (Vic), Orange Grove (WA) and Ormeau (Qld), acquisition of quarry reserves at Bacchus Marsh (Vic), NSW concrete plant upgrades, the Lake Wales roofing plant upgrade (US), and new capacity investments in our TruExterior™ siding business in the USA.

Net debt at 30 June 2017 of $2.3b was up from $893m due to the acquisition of Headwaters during the year. Boral remains well within its funding covenants, with Boral's principal debt gearing covenant (gross debt/(gross debt + equity)) of 32% up from 30% at 30 June 2016 and well within the threshold of less than 60%. Gearing (net debt/(net debt + equity)) increased from 20% at 30 June 2016 to 30% at 30 June 2017.

Earnings per share[1] of 33.7 cents increased 1%, reflecting the increased number of shares following the equity raise in December, but only eight weeks of additional earnings from Headwaters.

A final **dividend of 12.0 cents** per share (50% franked), to be paid on 3 October 2017, represents a full year payout ratio of 82%. In line with Boral's commitment to maintain the level of dividends while the Headwaters acquisition was being finalised, this exceeds the Company's **Dividend Policy[3]**.

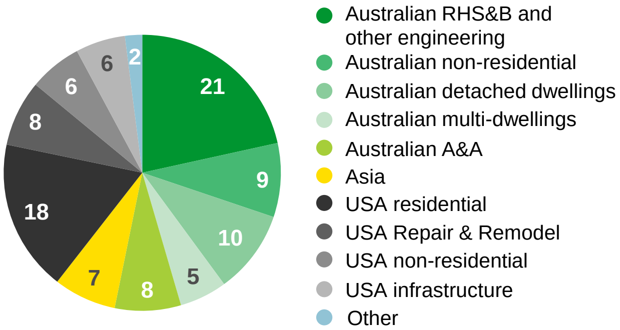
[1] Excluding significant items
[2] EBITA is earnings before interest, tax and amortisation of acquired intangibles, before significant items; PATA is PAT before amortisation of acquired intangibles. See page 14 for a reconciliation of these non-IFRS items.
[3] Dividend Policy of between 50% and 70% of earnings before significant items, subject to the Company's financial position

Market Conditions and External Impacts

Australian residential activity continues at strong levels with roads and infrastructure growing, further improvements in US housing markets, and ongoing mixed conditions in Asian markets

- Continuing to capitalise on historically strong levels of activity in the **Australian** residential market and the strong pick-up in major roads and infrastructure investments
- Continued recovery of **US** housing market with single-family house construction growing; Boral well positioned to benefit from broader construction market growth with improved scale, enlarged product offering and more balanced portfolio
- Strengthened market position in **Asia** through Sheetrock® brand products, with ongoing penetration opportunities; strength in Korea, while activity in Indonesia, Thailand and China was more subdued

Boral proforma external revenue[1] by market %



Australia – Boral's largest exposure is to the **roads, highways, subdivisions & bridges** (RHS&B) segment in Australia. RHS&B value of work done[2] (VWD) is estimated to have grown by 14% year-on-year in FY2017, with a further 15% growth forecast in FY2018.

Other engineering activity[2] contracted in FY2017, with the continued slowdown of mining and LNG project activity expected to have more than offset growth in railways and electricity.

Australian **housing starts**[3] moderated compared to the record high of ~234,000 in FY2016, with an estimated 8% decline to ~216,000 in FY2017. **Detached housing starts** are down by an estimated 3%, while **multi-residential starts** are down by 12%.

New South Wales housing activity was strong, with starts up 3%. Starts in Victoria, Queensland, Western Australia and South Australia declined by an estimated 7%, 14%, 22% and 9%, respectively. Detached housing as a proportion of total starts remain at low levels at ~52%, compared to a 20-year average of 64%.

Market forecasters[4] expect Australian housing activity to be down by ~12% to ~190,000 starts in FY2018, which is still at historically strong levels of activity.

Australian alterations & additions (A&A) activity[5] is estimated to have grown 3% in FY2017 compared with the prior period and is expected to remain steady in FY2018.

Non-residential activity[5] is estimated to be 3% lower in FY2017 compared with the prior period but is expected to grow in FY2018.

The **accompanying list of Australian project work** includes major RHS&B, larger non-residential and other engineering work, and shows projects awarded to Boral and the potential pipeline of work.

Boral's Australian project work & potential pipeline

Projects recently awarded to Boral are highlighted in grey

Mitchell Freeway, WA	Est. completion 2017
NorthLink stage 1, WA	Est. completion 2018
Bringelly Road Stage 1, NSW	Est. completion 2018
Pacific Hwy, Nambucca, NSW	Est. completion 2018
Toowoomba Second Range, Qld	Est. completion 2018
Warrego Highway stage 2, Qld	Est. completion 2018
Gateway Motorway North, Qld	Est. completion 2019
NorthConnex, NSW	Est. completion 2019
Forrestfield – Airport Link, WA	Est. completion 2019
Amrun Project, Qld	Est. completion 2019
Kingsford Smith Drive, Qld	Est. completion 2019
Sydney Metro (City/SW precast), NSW	Est. completion 2019
Northern Connector, SA	Est. completion 2020
Northern Road, NSW	Currently tendering
Pac. Motorway M1 Widening, NSW	Currently tendering
Pacific Hwy W2B, NSW	Currently tendering
NorthLink stages 2 & 3, WA	Currently tendering
Melbourne Metro, Vic	Currently tendering
Western Distributor, Vic	Currently tendering
Sydney Metro, City&SW, NSW	Currently tendering
Brisbane Airport Runway, Qld	Currently tendering
Outer Suburban Arterial Roads, Vic	Currently tendering
Sunshine Coast Airport, Qld	Currently tendering
Melbourne Airport Runway,Vic	Currently tendering
Logan Motorway,Qld	Currently tendering
West. Sydney Stadium, NSW	Pre-tendering
WestConnex (stage 3), NSW	Pre-tendering
Badgerys Creek Airport	Pre-tendering
Australian Inland Rail Expressway	Pre-tendering
Warrego Highway stage 3, Qld	Pre-tendering

[1] Based on FY2017 proforma revenues for a full year contribution from Headwaters businesses, includes Boral's 50% share of revenues from USG Boral and Meridian Brick JVs
[2] Average of Macromonitor and BIS Oxford Economics forecasts
[3] ABS original housing starts; Jun-17 quarter based on average of HIA, Macromonitor and BIS Oxford Economics forecasts
[4] HIA, BIS Oxford Economics and Macromonitor
[5] ABS value of work done 2014/15 constant prices; average of Macromonitor and BIS Oxford Economics for Jun-17 quarter

USA market conditions continued to strengthen with **total US housing starts**[1] increasing 4% in FY2017 to an annualised rate of 1.20 million starts.

Single-family starts increased by 7% nationally, **up 10%** in Boral's Tile States and **up 10%** in Boral's Brick States[2].

With multi-family starts down 1% nationally[1], single-family starts as a proportion of total starts increased from 66% to 68%, but remain below the long-term average of 71%[1].

The housing activity momentum slowed in FY2017, mainly driven by the slowing in multi-family activity. On average, market forecasters[3] expect total US housing starts to lift by 8% in FY2018 to ~1.29 million starts.

Other US construction markets also strengthened during the year including **Non-residential[4]** activity which was up 2%, and the **Repair & Remodel[5]** market which lifted by an estimated 6%. **US Infrastructure[6]** activity was strong but based on estimated Infrastructure based Ready Mix Concrete volumes, was estimated to be 4% softer.

In **Asia**, market growth in **Korea** was underpinned by the strong performing residential sector. Markets remained subdued in **Thailand, Indonesia and China** in line with weaker economic conditions. **Emerging USG Boral markets** of India, Vietnam and the Philippines continue to grow.

[1] Seasonally adjusted US Census Housing Starts for national figures
[2] McGraw Hill / Dodge raw data - Brick States: Alabama, Arkansas, Georgia, Kentucky, Louisiana, Mississippi, North Carolina, Oklahoma, South Carolina, Tennessee, Texas. Tile States: Arizona, California, Florida, Nevada
[3] Average of analysts' forecasts (Dodge, Wells Fargo, NAR, NAHB, Fannie Mae, Freddie Mac, MBA) from July/August 2017 forecast
[4] Dodge Data & Analytics, Non-Residential Value of Work, forecast used for Jun-17 quarter
[5] Moody's Retail Sales of Building Products
[6] Infrastructure Ready Mix Demand from McGraw Hill Dodge

Boral Australia

Concrete, Asphalt, Quarries, Cement, Concrete Placing, Transport, Property, Bricks WA, Roofing and Timber

Price and volume growth in construction materials businesses deliver strong results

- **Strong earnings growth on the east coast** partially offset by declines in WA/NT and building products businesses
- **EBIT up 11% underpinned by growth in infrastructure** activity supporting strong east coast price and volume gains
- **Above cost of capital return on funds employed**[1] at 14.6% and strong 10.6% EBIT margins assisted by business improvement initiatives
- **$24m EBIT contribution from Property,** slightly ahead of our expectations

(A$ millions)	FY2017	FY2016	Var %
Revenue	3,296	3,279	▲1
EBITDA[1,2]	551	511	▲8
EBIT[1,2]	349	314	▲11
Property	*24*	*28*	▼15
EBIT[1] excl. Property	*325*	*286*	▲14

FY2017	External revenue		EBIT
Concrete	1,375	▲2%	▲
Asphalt	691	▲7%	▲
Quarries	424	▲5%	▲
Cement	303	Steady	▲
Concrete Placing	113	▼9%	▼
Bricks WA & Roofing[2]	192	▼13%	▼
Timber	144	▼5%	▼

1. Excludes significant items
2. Excludes contribution from Boral CSR Bricks JV which was divested during the year, with earnings reported under Discontinued Operations

Revenue from Boral Australia increased by 1% to $3.3b, driven by strong levels of east coast residential construction, price gains in all major businesses and growth in infrastructure activity, largely offset by the WA market downturn impacting construction materials businesses and Bricks WA, as well as lower revenues in Timber and Concrete Placing.

Overall, weather impacts balanced out over the full year with the wetter than average Q1 and Q3 conditions offset by the benefit of a drier Q2 and Q4.

EBIT from Boral Australia of $349m increased by 11% or $35m. **EBIT excluding $24m from Property** increased by 14%. The benefits of solid price gains, infrastructure volume growth and efficiencies more than offset the decline in earnings from LNG and Barangaroo projects, the one-off $4m of damages received from the CFMEU settlement in the prior year and the $9m year-on-year EBIT decline from Bricks WA.

Concrete delivered improved earnings from volume and price growth, particularly in east coast metropolitan regions.

Overall, concrete volumes were up 1%, with strong growth in NSW and positive contributions from all other states except WA. Excluding the impacts of LNG projects (Curtis Island and Wheatstone) and Barangaroo in the prior year, volumes were up 3% year-on-year.

On a like-for-like basis, concrete prices were up by an average of 3% nationally, with ~3-5% increases in metro regions across the country except in WA. The solid price growth reflects overall strong demand conditions and the implementation of bi-annual price increases. A favourable product mix resulted in the average selling price in concrete being up over 4% nationally.

Asphalt delivered improved earnings with stronger margins and volume growth contributing to the result. Increased volumes in Qld, NSW and Vic on the back of growing infrastructure activity were partially offset by weaker volumes in SA and project delays in WA.

Quarries delivered stronger earnings, particularly supported by growth in SEQ and Vic. Quarry volumes were up 4% nationally with volume growth in all states except NSW which maintained its already high volumes. Increased infrastructure related activity was felt across the country.

On a like-for-like basis, quarry prices were up by an average of over 2% nationally, with 4 to 10+% increases in eastern state metro markets, and aggregate prices were up 4%. With pricing pressure in WA and regional NSW and Qld however, the average selling price across all quarry materials was up just over 1% nationally.

FY2017 v FY2016	Total Volume *Var %*	Price (ASP) *Var %*	Price (LFL) Var %
Concrete	1	4	3
Quarries	4	1	2
Aggregates	*10*	*2*	*4*
Cement	2	2	2

[1] EBIT return on divisional funds employed at 30 June 2017. EBIT excludes significant items

In **Cement,** external revenues were steady, underpinned by a 2% price increase and lower wholesale volumes to support higher volumes of cement sold internally. Overall, total volumes (external and internal sales) were up 2%. Earnings grew strongly, supported by price and volume gains as well as productivity and material input cost benefits, partially offset by higher energy costs.

Concrete Placing revenue was down during the year as expected, following the completion of work on Barangaroo and Warringah Mall, with a corresponding reduction in earnings.

Property contributed EBIT of $24m, compared with $28m in FY2016. The FY2017 result included Kirrawee and the second settlement at Nelsons Ridge in NSW, with property sales a little ahead of expectations.

Building products businesses reported lower revenues and earnings across Bricks WA and Timber businesses with a steady result from Roofing.

In **Bricks WA**, volumes were 26% lower and prices were down 5%. Restructuring of the operations in FY2017 resulted in a reduction of 52 positions and a one-off cost of $2m. With earnings down on the prior year, the business delivered a breakeven EBIT and cash flow positive result. Inventory levels continue to be carefully managed and were broadly steady.

Boral's 40% share of Boral CSR Bricks was sold to CSR in October 2016, with earnings contribution for Jul-Oct 2016 reported under Discontinued Operations.

In **Roofing** (including masonry operations in SA and Qld) a 2.5% roofing price increase was offset by a 1% volume decline, resulting in flat revenues and EBIT. Benefits from growth in the supply & install market segment and new product sales were offset by higher costs.

In **Timber**, revenues were lower in both Hardwood and Softwood. EBIT was also lower with a lift in Hardwood earnings more than offset by lower earnings from the Softwood business. Hardwood volumes were down 10%, largely due to the Cyclone Debbie associated flooding at our Murwillumbah operations in March-April, but average prices were up 5%. In Softwood, volumes softened by 1% but prices were down 4% in a competitive market threatened by imports. The Softwood business was also impacted by poor quality logs delivered during the period. Both businesses remain profitable.

As part of the division's continuous improvement programs, the ***commercial excellence*** program completed its rollout in the Southern Region and in Cement, delivering a 0.5% margin improvement in those businesses so far, in line with expectations. The program continues to be rolled out across the entire business.

Operational excellence programs supported margin expansion during the year. This included the initial scoping phase of the multi-year ***supply chain transformation*** program, looking to deliver improvements through our integrated supply chain, from making of materials through to delivery of materials to our customers.

Boral Australia continues to benefit from the strength of east coast residential construction as well as increasing activity in major road and infrastructure work. This has helped offset the transition from resource-based LNG projects, which reduced in FY2016 and effectively ended in FY2017. The business continues to see high levels of opportunity across the country in road, rail and airport projects in the coming years.

Benefits from increased infrastructure activity during FY2017 included the Bringelly Road – Stage 1 project, Pacific Highway upgrade, and concrete volumes at NorthConnex in NSW. In Qld, Boral secured fixed plant concrete supply to the Toowoomba Second Range Crossing project and the Gateway Upgrade North project delivered early benefits which will increase in FY2018. In WA, the Mitchell Freeway Extension was completed in FY2017, NorthLink Stage 1 was delayed but will deliver substantial benefits in FY2018, and Boral has also commenced concrete supply for Forrestfield Airport Link which will continue to FY2020. Post year end, Boral secured concrete supply for the precast package of the Sydney Metro project (City & south-west), which will commence in 2H FY2018.

See page 3 for the list of current project work and potential pipeline.

USG Boral

50%-owned USG Boral joint venture in 14 countries across Australia, New Zealand, Asia and Middle East

Strong result with margin expansion supported by continued shift to Sheetrock®

- Revenue growth through **volume** gains and product penetration driven by premium **Sheetrock®** offering
- Strong results from **Korea** and **Australia** supported by strong market activity
- Continued margin expansion supported by **cost reduction** programs and higher **plant utilisation**
- **Sheetrock® technology** now across 18 of 23 board lines and within capital budget of US$50m, with next generation Sheetrock® being piloted in Australia

Boral's **equity accounted income of $70m, up 18%** on the prior year, represents Boral's 50% share of USG Boral's post-tax earnings, and is reflected in Boral's EBIT result.

Boral's reported result

(A$ millions)	FY2017	FY2016	Var %
Equity income[1]	70	59	▲18

USG Boral underlying business result

(A$ millions)	FY2017	FY2016	Var %
Revenue	1,478	1,397	▲6
EBITDA[1]	284	251	▲13
EBIT[1]	217	179	▲21

1. Excludes significant items

For the underlying business, **revenue increased by 6%** to A$1.5b, supported by continued growth in premium Sheetrock® plasterboard sales. Strong board volume, price and share growth in Korea and Australia, together with growth in USG Boral's emerging countries especially Vietnam, were partially offset by softer revenues in Indonesia, Thailand and China as conditions moderated in these markets.

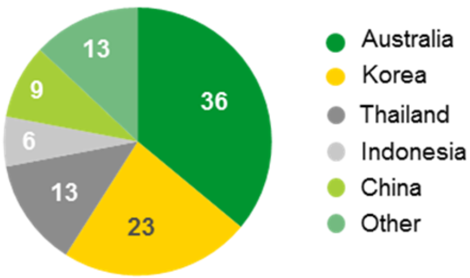
The highly regarded Sheetrock® brand products are maintaining a price premium of around 4% with adoption rates ranging from ~13% in China to ~90% in Australia as at 30 June 2017.

Revenue from non-board sales, including compounds, mineral fibre ceiling tiles, substrates and technical boards, increased by 4% and represented ~40% of USG Boral's total revenue in FY2017.

Underlying EBIT increased 21% to $217m, reflecting volume growth and cost management benefits, including transport savings and lower production and energy costs. Average plant utilisation was ~76%, up substantially from ~70% in FY2016. Overall prices were up, with growth in Australia and Korea somewhat offset by competitive pricing pressure in Thailand and Indonesia.

Australia/NZ revenue increased by 5% to $529m with board volumes up 5%, reflecting strong activity in the eastern states, and continued growth in non-board sales. Average selling prices rose 3%, supported by growth of Sheetrock® volumes which command a price premium of ~4%.

External Revenue %



The business in Australia reported a strong lift in earnings over the year.

Asia revenue increased by 6% to $949m in AUD terms, with strong growth in Korea and newer markets like Vietnam and India.

Korea reported record sales volumes and price growth of over 10% to deliver a significant lift in earnings. New direct distribution arrangements established during the year supported the strong result. Sheetrock® adoption rate is now ~43%.

Thailand experienced subdued domestic conditions and competitive price pressure, and while cost management initiatives and Sheetrock® price premiums benefited the result, revenues and earnings were softer. USG Boral's volumes were down ~3%, while the estimated market decline was down more.

Indonesia revenue and earnings were lower with higher board volumes offset by competitive pressure, particularly around price. While market conditions are expected to persist in the near term, the business is focused on self-help operational and marketing opportunities.

China recorded softer earnings with increased Sheetrock® sales, price increases and efficiencies offset by higher production costs and a subdued economy.

Other regions delivered continued revenue and earnings growth, including Vietnam and India.

FY2017 vs FY2016	Board Volume *Var %*	Board Price (ASP) *Var %*
Australia	5	3
Asia	7	N/A

Boral North America

Construction Materials (Fly Ash, Block, Denver Construction Materials), Building Products (Roofing, Stone, Light Building Products, Windows) & Meridian Brick JV

Profit growth driven by continued market recovery and expansion through acquisition

- **Business transformation** underway with Headwaters acquisition and formation of Meridian Brick JV
- **Continued market growth** with single family housing construction up 7%, leading to continued improvements in underlying revenue and earnings
- **US$50m (A$66m) EBIT** reflecting benefits of price and volume gains plus **eight week contribution from Headwaters**
- **Early integration of Headwaters provides strong start for synergy delivery** in FY2018 and US$100m per annum within 4 years

Boral North America

(A$ millions)	FY2017	FY2016	Var %
Revenue	1,093	1,033	▲6
EBITDA[1]	123	93	▲32
EBIT[1]	66	44	▲50

(US$ millions)	FY2017	FY2016	Var %
Revenue	823	751	▲10
Boral businesses[2]	*530*	*485*	*▲ 9*
Boral Bricks	*98*	*266*	
Headwaters[3]	*195*	-	
EBITDA[1]	93	68	▲37
Boral businesses[2]	*54*	*60*	*▼10*
Boral Bricks	*4*	*7*	
Meridian Brick JV[4]	*(1)*	-	
Headwaters[3]	*35*	-	
EBIT[1]	50	32	▲56
Boral businesses[2]	*30*	*38*	*▼22*
Boral Bricks	*(0)*	*(6)*	
Meridian Brick JV[4]	*(1)*	-	
Headwaters[3]	*21*	-	

FY2017 *(US$ millions)*	External revenue		EBIT
Boral[5]			
Cladding (Stone, Trim & Siding)	157	▲13%	▲
Roofing	187	▲6%	▲
Fly Ash	88	steady	▲
Denver CM	98	▲20%	▼

1. Excludes significant items
2. Excluding Bricks
3. Headwaters contribution from 8 May to 30 June 2017
4. Share of post-tax equity income, excluding significant items
5. Excludes Headwaters businesses

From 1H FY2018, with a full period of earnings from the Headwaters acquisition, results (revenue, EBITDA and EBIT) for Boral North America will be provided for Building Products and Construction Materials. The separate contribution from Headwaters businesses is being shown for this current period only. A template for future reporting of Boral North America is provided in the Appendix on page 15.

With the acquisition of Headwaters Inc completed on 8 May 2017, the FY2017 result includes eight weeks of revenue and earnings from Headwaters businesses. The Meridian Brick JV formed on 1 November 2016, and as such the FY2017 result includes four months of Boral Bricks revenue and earnings, and eight months of post-tax equity income from Meridian Brick. As a result of equity accounting, Boral's share of revenue from Meridian Brick is not reported in Boral's revenue.

Reported revenue of A$1.1b for Boral North America was up 6% and EBIT of A$66m was up 50%.

In USD, **revenue of US$823m** was up 10% on last year, reflecting additional revenue from Headwaters partially offset by the impact of equity accounting the Meridian Brick JV for eight months. Excluding Bricks and Headwaters, revenue was up 9%, with growth in Cladding, Roofing and Denver Construction Materials. Fly Ash revenues were broadly steady despite a Boral contract being lost to Headwaters.

EBIT of US$50m compares with US$32m reported last year.

Excluding the impact of Headwaters, FY2017 EBIT of US$29m compares with US$32m in FY2016. Last year's EBIT included a one-off US$7m land sale benefit while this year included a US$2.4m cost incurred in the Denver business for rehabilitation of the Brighton Quarry.

While market growth was slower than expected, volumes lifted, prices strengthened and underlying margins improved for Boral's legacy businesses.

In FY2017 **Headwaters businesses contributed US$195m of revenue, US$35m of EBITDA and US$21m (A$28m) of EBIT**, in line with Boral's guidance provided when the acquisition completed.

Headwaters' US$21m EBIT included US$13m of post-acquisition purchase price accounting adjustments. Excluding these, EBIT would have been US$34m.

For the eight week period from 8 May to 30 June 2017, **Headwaters Construction Materials** businesses (Fly Ash and Block) delivered 10% revenue growth and 12% EBIT growth on the same eight week period in the prior year. **Headwaters Building Products** businesses delivered 29% revenue growth and 10% EBIT growth due primarily to the contribution from the Windows business purchased during the year. This impact was somewhat offset by softer earnings in Roofing due to operational issues at its metal roofing plant in California.

Modest synergy benefits in the first two months of integration were offset by the impacts of issues in Roofing, which are being resolved.

Confidence remains strong around delivery of FY2018 and longer-term synergy targets, as integration and mobilisation activities have successfully rolled out through the organisation in the first three months.

Turning to Boral's legacy businesses in the USA.

Cladding revenue grew 13% to US$157m**.**

Stone volumes increased 4%, with growth broadly in line with construction activity. On a like-for-like basis prices were up 2%, and average prices were up 1%. Stone manufacturing utilisation rose to 44%.

Trim & Siding continued to grow with volumes up by more than 50% and prices up by 3%. Dealer stocking locations have reached 792.

Roofing revenue **was up 6% to US$187m** with strong growth in Florida, Arizona and Nevada. Volumes rose 5% underpinned by strong growth in concrete tiles. Clay tile volumes were softer as custom home builds and re-roof activity slowed in California. While like-for-like prices were up ~2%, average prices were up 1%. Plant utilisation was ~30%.

Fly Ash revenues of US$88m were broadly steady on the prior year, with the benefits of higher prices and underlying volume growth offset by the loss of the Rockdale contract to Headwaters in the second half of the year. Price increases ranged from zero to 11% depending on location and source, with an average 8% price increase achieved nationally. Celceram® product sales were lower in FY2017 compared with the prior year. Fly Ash earnings were higher than the prior year as margins strengthened.

Denver Construction Materials (CM) revenue grew strongly by 20% underpinned by strong price and volume growth in aggregates and concrete. Earnings however, were down on the prior year due to the impact of a US$2.4m quarry reclamation cost this year and a US$7m one-off land resumption gain reported in the prior year.

While the intention to divest Denver CM was reported in 1H FY2017, the transaction did not complete as anticipated. As such, the business will continue to be reported under Construction Materials as a continuing business.

FY2017 vs FY2016[1]	**Volume** *Var %*	**Price (ASP)** *Var %*
Fly Ash	Steady	8
Cultured Stone	4	1
Roofing	5	1
Trim & Siding	52	3

1. Excludes Headwaters contribution

In the first eight months of operations, the **Meridian Brick JV** generated US$282m of revenue and delivered US$0.1m of underlying EBIT.

Boral reported a breakeven result from Boral Bricks in the first four months of the year and an eight month post-tax equity contribution from the JV of a loss of US$1m.

Delivery of the joint venture's targeted synergies of US$25m per annum by year 4 is progressing well. An estimated synergy run rate of ~US$8m p.a. was achieved by 30 June 2017 through the closure of 12 distribution operations and 6 plants.

Meridian Brick underlying result: Nov-16 to Jun-17

(US$ millions)	**FY2017**
Revenue	282
EBIT[1]	0.1

1. Excludes significant items

Strategy and priorities

We are continuing to transform Boral for performance excellence and sustainable growth, by targeting:

- **world class health & safety** outcomes based on **Zero Harm;**
- **returns that exceed the cost of capital** through the cycle; and
- more **sustainable growth**, through innovation and, where it makes sense, strategic acquisitions.

Boral's safety performance has improved dramatically in recent years and is strong relative to industry peers. Boral's recordable injury frequency rate (**RIFR**)[1] at 8.1 for FY2017 is down from 19.0 in FY2012 and 8.8 in FY2016. Boral's combined employee and contractor lost time injury frequency rate (**LTIFR**)[1] at 1.5 is down from 1.8 in FY2012 but up slightly from 1.3 in FY2016, a reminder that there is still work to do.

For the year ended 30 June 2017, Headwaters businesses delivered an employee LTIFR of 3.9 and a RIFR of 14.6. This compares with Boral USA's LTIFR of 0.3 and RIFR of 6.7, demonstrating the work we have to do to bring Headwaters operations in line with Boral's leadership in safety.

We target to deliver **returns that exceed the cost of capital,** and in FY2017 both Boral Australia and USG Boral delivered on that goal with underlying divisional EBIT return on funds employed (**ROFE**)[2] of 14.6% and 11.6%, respectively. Currently, Boral's cost of capital is equivalent to a ROFE of ~10.5-11.0%.

Earnings from Boral North America are continuing to grow with returns expected to exceed the cost of capital in coming years as demand recovers towards, and then exceeds, mid-cycle levels of activity, and as full synergies from the **Headwaters acquisition** are delivered. The Headwaters acquisition strengthens Boral's ability to deliver above cost of capital returns through the cycle and we expect the business will deliver less cyclical, more stable ROFE as a result of the more diversified market exposures in the USA and less exposure to high fixed cost businesses. However, before full acquisition synergies are delivered in year four, the rate at which ROFE is growing will be dampened due to the significant increase in funds employed.

The reported FY2017 **ROFE** for Boral North America is artificially low as it reflects only eight weeks' of earnings contribution in FY2017 while funds employed reflects the full increase of the Headwaters acquisition as at 30 June 2017. This is also reflected in Boral's reported ROFE in FY2017 if funds employed at 30 June is used. However, using the average monthly funds employed for the year, Boral's FY2017 ROFE was 9.2%. This compares with Boral's reported ROFE of 9.0% in FY2016.

To meet our **objective of returns that exceed the cost of capital** through the cycle and **more sustainable growth**, we are delivering on our strategy to:

- Consistently apply best practice (including **operational** and **commercial excellence)**
- Draw on Boral's **strength of geographic diversification**
- Build a portfolio of businesses with a **balance of traditional and innovative products** and a **more flexible cost structure**
- **Invest in innovation** and, **where it makes sense, grow through M&A** opportunities.

Boral Australia

Boral's position in Australia is strong and the business is performing well. The priority for **Boral Australia** is to protect and **strengthen our leading, integrated construction materials position**, which is starting to benefit from the **significant multi-year pipeline of major roads and infrastructure** work.

Effective **1 November 2016, Boral sold its 40% interest in Boral CSR Bricks** to CSR Limited for a total cash consideration of $133.9 million, with a $36 million pre-tax profit on sale recognised and reported as a significant item in 1H FY2017. Given future capital requirements in the Bricks JV, the divestment of Boral's share reflects the Company's stated strategy to focus capital in core construction materials businesses in Australia, and in growth platforms in the USA and USG Boral.

In FY2017, ~$56 million of capital was spent on Boral's **quarry reinvestments** at Deer Park (Vic), Orange Grove (WA) and Ormeau (Qld) quarries, part of a ~$200 million capital program to modernise and secure future resource positions in Melbourne, Perth and Brisbane markets. A decision to build a new port-side **clinker grinding and storage facility in Victoria** is expected by the end of CY2017. Plans for the $100-$150 million clinker facility are currently being finalised with a DA lodged, subject to Board approvals.

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[1] Per million hours worked

[2] EBIT (excluding significant items) on funds employed at 30 June. Boral's reported Group ROFE includes post tax earnings from USG Boral, whereas USG Boral's divisional ROFE is based on underlying EBIT on funds employed.

USG Boral

The **USG Boral JV** in Australia, Asia and the Middle East, which was formed in March 2014, is a long-term **organic growth** platform with the business growing through **innovation**, Asian **economic growth** and **as product penetration** accelerates for gypsum-based interior linings and ancillary products. In FY2017 the business achieved an important milestone of delivering returns that exceed the cost of capital.

USG Boral's **roll-out of Sheetrock® technology** remains ahead of schedule. The technology-related plant upgrade program should complete by December 2017 with total capital expenditure expected to be ~US$46m, which is under the budgeted amount of US$50 million.

The higher strength, lighter weight, improved sag-resistance Sheetrock® plasterboard is being produced across 18 of the 23 USG Boral board lines in Australia, Korea, Indonesia, Thailand, China, Vietnam and Oman. Adoption of Sheetrock® plasterboard is on target, ranging from around 13% in China to ~90% in Australia, with average price premiums of around 4% being achieved. **USG's next generation of Sheetrock®** provides further opportunities for USG Boral – the technology and product offering is currently being piloted in USG Boral's Queensland business.

At the time of the joint venture formation, synergies totalling US$50 million per annum were identified and targeted for delivery within three years of the full technology roll-out. As at 30 June 2017, **in excess of US$50 million per annum** of total synergies have been realised from technologies, adjacent products, procurement and supply chain synergies.

In FY2017, a new warehouse was constructed at USG Boral's Dangjin facility in **Korea** to add incremental capacity and support the longer-term **addition of at least 30 million m^2 of plasterboard manufacturing capacity** at the site, which has existing capacity to produce around 70 million m^2 of plasterboard per annum. In **India, production capacity is being increased by 30 million m^2** from USG Boral's current capacity of 9 million m^2. These investments are being self-funded through the joint venture.

Boral North America

In May 2017, Boral completed the **US$2.6 billion acquisition of Headwaters Incorporated**.

The Headwaters acquisition is strategically compelling and in line with our stated strategy to pursue strategic M&A opportunities in the USA. The acquisition:

- delivers scale, more product offerings, geographic breadth, multi-channel distribution and increased diversification across growing US construction markets, and
- builds a more balanced portfolio of traditional and lightweight products with strengthened ability to grow in large, contestable US markets and through innovation.

The highly complementary businesses of Boral USA and Headwaters have combined proforma revenues of over US$1.8 billion, more than doubling Boral's US position. The acquisition delivers significant scale to Boral's fly ash business, which will play favourably into the infrastructure spend underway in the USA, and accelerate development of Boral's light building products platform.

Significant cost and revenue[1] synergies have been identified and are expected to be ~US$100 million p.a. within four years of closing, with FY2018 delivered synergies of US$30-$35 million and a run rate of around US$50-$55 million by the end of FY2018.

One-off **implementation costs** including severance, restructuring and consolidation costs, spread over the first two years, are expected to be around US$100 million.

We also have **transaction costs** coming through, including advisor and M&A fees, costs associated with due diligence, change in control contracts paid to certain members of Headwaters' management team, and costs associated with raising capital. A$63 million of these transaction costs were reported as significant items in Boral's FY2017 result while some of the transaction costs were expensed by Headwaters prior to completion (eg. Headwaters M&A fee and change in control payments). The remaining portion (eg. equity fee and financing costs) has been capitalised.

On 1 November 2016, Boral's and Forterra's North American brick businesses came together to form **a new JV, known as Meridian Brick**. The JV is on track to deliver identified cost synergies of over US$25 million within four years. Approximately US$15-$20 million of non-recurring restructuring, rationalisation and integration costs are expected in the Bricks JV, spread over FY2017 and FY2018, of which Boral's 50% share will be accounted for as significant items, including US$6 million in this FY2017 result.

[1] Refers to distribution and cross selling revenue synergies

FY2018 Outlook

Boral's outlook for FY2018 is for continued growth across all businesses, with a significant lift in earnings from Boral North America as we deliver on the Headwaters acquisition objectives.

On a **divisional basis**, we expect the following:

- **Boral Australia to deliver higher EBIT in FY2018 compared with FY2017, excluding property in both years.** The pre-Property result is expected to be broadly balanced between 1H and 2H.

  The expected year-on-year improvement is **underpinned by infrastructure volume growth,** with RHS&B activity forecast to grow by ~15% in FY2018, driving a lift in volumes, particularly in asphalt and associated pull-through of quarry products, as well as continued strength in concrete and cement. Margins are expected to continue to improve through a combination of price and cost disciplines.

  Over the past five years, **Property earnings** have ranged from a low of $8m to a high of $46m. The contribution from property in FY2018 is **currently expected to be at the low end of the historical range** and weighted towards the second half.

  Based on this expected Property contribution, FY2018 **EBIT from Boral Australia is expected to be broadly similar to FY2017 including Property in both years**.

- **Profits from USG Boral are expected to continue to grow in FY2018** underpinned by continued strength of Sheetrock® across all markets delivering price, volume and cost benefits, as well as expected performance improvements in Indonesia and Thailand.

  The rate of underlying profit growth is expected to be in the high single-digits in FY2018, which is lower than FY2017 growth due to forecast softer demand in Australian and Korean residential construction markets.

- **Boral North America** will deliver a significant growth in EBIT in FY2018, primarily as a result of a **full year contribution from Headwaters coupled with delivery of US$30-35m of year 1 synergies.**

  The **Meridian Brick joint venture will also contribute to the earnings uplift,** with a much-improved positive earnings contribution expected in FY2018. Meridian Brick will benefit from market growth as well as the ramp-up of synergies which are targeted at US$25m p.a. by November 2020.

  All of Boral's North American businesses are expected to benefit from **market growth**[1] including housing starts which are forecast to increase by ~8%, based on the average of market analysts' forecasts of ~1.29m starts in FY2018. US Infrastructure is expected to strengthen by ~5%, Non-Residential activity by ~12% and the Repair & Remodel market is expected to lift by ~6%.

With purchase price accounting adjustments continuing to be finalised, **additional depreciation and amortisation associated with Headwaters** post acquisition is expected to be between US$30-35m p.a. from FY2018.

Boral's **effective tax rate** is projected to be in the range of 29% to 31% in FY2018, reflecting the significant increase in earnings in the USA. Cash flow benefits will be delivered through the use of US tax loss carried forward, subject to meeting the requirements of the US tax code at the time of utilisation.

Boral's **interest expense** is expected to reflect a cost of debt of around 4.75-5.00% p.a. on a broadly steady net debt position.

Franking rates for dividends will continue to align with the relative earnings from Australia in the total portfolio, and as such, we expect dividends in FY2018 to be partially franked in the range of 50% to 70%.

Capital expenditure for FY2018 is expected to be in the range of A$425-475m, including stay-in-business and growth, and including incremental capex for Headwaters businesses.

[1] US market forecasts include: Housing starts based on average of analysts' forecasts (Dodge, Wells Fargo, NAR, NAHB, Fannie Mae, Freddie Mac, MBA) from July/August 2017 forecast; Non-residential from Dodge Data & Analytics; Repair & Remodel from Moody's Retail Sales of Building Products; and Infrastructure Ready Mix Demand from McGraw Hill Dodge

Results at a Glance

(A$ million unless stated)	FY2017	FY2016	% Change
Revenue	4,388	4,311	2
EBITDA[1]	720	645	12
EBITA[1,2]	472	400	18
EBIT[1]	460	398	16
Net interest[1]	(51)	(63)	20
Profit before tax[1]	409	335	22
Tax[1]	(67)	(67)	-
Profit after tax[1]	**343**	**268**	**28**
Net significant items	(46)	(12)	
Net profit / (loss) after tax	**297**	**256**	16
Profit after tax and before amortisation[2]	350	269	30
Cash flow from operating activities	413	478	
Gross assets	9,314	5,801	
Funds employed	7,774	4,399	
Liabilities	3,873	2,294	
Net debt / (cash)	2,333	893	
Stay-in-business capital expenditure	288	281	
Growth capital expenditure	52	43	
Acquisition capital expenditure	3,637	-	
Depreciation and amortisation	260	247	
Boral employees[3]	11,499	8,334	
Total employees including in joint ventures	16,475	12,058	
Revenue per Boral employee, $ million	0.382	0.517	
Net tangible asset backing, $ per share	1.90	4.40	
EBITDA margin on revenue[1], %	16.4	14.9	
EBIT margin on revenue[1], %	10.5	9.2	
EBIT return on funds employed[1, 4], %	9.2	9.0	
EBIT return on average funds employed[1,5], %	7.6	9.1	
Return on equity[1],%	6.3	7.6	
Gearing			
Net debt/equity, %	43	25	
Net debt/net debt + equity, %	30	20	
Interest cover[1], times	9.1	6.3	
Earnings per share[1], ¢	33.7	33.3	
Dividend per share, ¢	24.0	22.5	
Employee safety[6]: (per million hours worked)			
Lost time injury frequency rate	1.5	1.3	
Recordable injury frequency rate	8.1	8.8	

1 Excludes significant items
2 Excludes amortisation of acquired intangibles
3 On a full time equivalent (FTE) basis. FY2017 includes 4,016 FTE employees from Headwaters
4 FY2016 return on funds employed (ROFE) is calculated as EBIT (before significant items) on funds employed at 30 June. FY2017 ROFE is based on average monthly funds employed due to the impact of Headwaters only contributing eight weeks of EBIT in FY2017 but funds employed increasing fully at 30 June 2017. Based on year end funds employed, ROFE for FY2017 would be reported as 5.9%
5 Calculated as EBIT (before significant items) on the average of opening and closing funds employed for the year
6 Includes employees and contractors in 100%-owned businesses and 50%-owned joint venture operations. Does not include Headwaters.

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 7 of the Preliminary 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	4,388.3	-	4,388.3	4,257.8	130.5	4,388.3
EBIT	459.9	(65.2)	394.7	351.7	43.0	394.7
Finance costs	(50.7)	-	(50.7)	(50.7)	-	(50.7)
Earnings before tax	409.2	(65.2)	344.0	301.0	43.0	344.0
Tax benefit / (expense)	(66.5)	19.4	(47.1)	(51.4)	4.3	(47.1)
Net profit after tax	**342.7**	**(45.8)**	**296.9**	**249.6**	**47.3**	**296.9**

The USG Boral division commentary also includes a non-IFRS measure of underlying results excluding significant items representing the 12 months trading results to assist users to better understand the trading results of this division.

The results announcement has not been subject to review or audit, however it contains disclosures which are extracted or derived from the Preliminary Financial Report for the year ended 30 June 2017.

This Preliminary Financial Report for the year ended 30 June 2017 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.

A reconciliation of reported EBIT to EBITA and PATA is detailed below:

(A$ millions)	**FY2017**	**FY2016**
EBIT[1]	459.9	397.9
Amortisation of acquired intangibles	11.7	1.7
Earnings before interest tax and amortisation[1]	471.6	399.6
Profit after tax[1]	342.7	268.0
Amortisation of acquired intangibles	11.7	1.7
Tax effect of amortisation of acquired intangibles	(4.4)	(0.6)
Profit after tax and before amortisation[1]	**350.0**	**269.1**

[1] Excluding significant items

Appendix

Templates for Boral North America disclosure from FY2018

The following templates are provided to demonstrate the reporting structures and disclosure intended for Boral North America from 1H FY2018

Boral North America

(A$ millions)	FY2018	FY2017	Var %
Revenue	x	x	x
EBITDA	x	x	x
EBIT	x	x	x

(US$ millions)	FY2018	FY2017	Var %
Revenue	x	x	x
EBITDA	x	x	x
EBIT	x	x	x

EBITDA and EBIT for Boral North America will include Construction Materials, Building Products, Boral's share of post-tax earnings from Meridian Brick and divisional overhead costs.

FY2018 vs FY2017	Volume *Var %*	Price (ASP) *Var %*
Fly Ash	x	x
Denver CM	x	x
Block	x	x

FY2018 vs FY2017	Volume Var %	Price (ASP) Var %
Stone	x	x
Roofing	x	x
Windows	x	x
LBP	x	x

Construction Materials

(US$ millions)	FY2018	FY2017	Var %
Revenue	x	x	x
EBITDA	x	x	x
EBIT	x	x	x

FY2018 (*US$ millions*)	External revenue	EBIT
Fly Ash	x	direction
Denver CM	x	direction
Block	x	direction

Building Products

(US$ millions)	FY2018	FY2017	Var %
Revenue	x	x	x
EBITDA	x	x	x
EBIT	x	x	x

FY2018 (*US$ millions*)	External revenue	EBIT
Stone	x	direction
Roofing	x	direction
Windows	x	direction
LBP	x	direction

Meridian Brick underlying result

(US$ millions)	FY2018
Revenue	xxx
EBIT	xx

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