Build something great™

Results Announcement

for the full year ended 30 June 2018

29 August 2018

Management Discussion & Analysis

Substantial earnings growth, with a strong fourth quarter result from Boral Australia and Boral North America, and above target acquisition synergies

- **Reported revenue of $5,869m** for FY2018, up 34%
- **EBITDA**[1,2] **of $1,056m**, up 47%, **EBITA**[1,2] **of $749m**, up 59% and **EBIT**[1,2] **of $688m**, up 50%
- **EBITDA**[1,2] **margins of 18.0%**, up from 16.4%
- **NPATA**[1,2] **of $514m**, up 47%, **NPAT**[1,2] **of $473m**, up 38%, **statutory NPAT**[2] **of $441m**, up 49%
- **EPSA**[1,2] **of 43.8 cents**, up 28%, and EPS[1,2] of 40.4 cents, up 20%
- **Final dividend of 14.0 cents** per share (50% franked); full year dividend of 26.5 cents per share up 10%
- **Operating cashflow of $578m**, up 40%

Significant lift in earnings driven by Headwaters acquisition and Boral Australia growth

- **Boral Australia** – EBITDA of $634m up 15% and EBIT up 24% on FY2017 driven by strong growth in infrastructure, higher non-residential activity, higher contribution from property and solid margins. This exceeded guidance provided in April. Excluding Property earnings, EBITDA was up 8% year-on-year.
- **USG Boral** – Historically high revenues and strong margins in Australia and Korea, and higher earnings from China, offset by higher input costs, $11m in one-off costs and softer results in Thailand, Indonesia, India and Vietnam. Underlying EBITDA of $268m was down 6% and Boral's post-tax earnings from the JV down 9% to $63m. This was below guidance, with a lower than expected 4Q result due to cost impacts not expected to repeat. In FY2019, expect a rebound and, as a result of Knauf's agreement to acquire USG, a return to 100% Boral ownership or an expanded JV as discussions with several industry players progress.
- **Boral North America** – EBITDA of A$368m for continuing operations[3] was up from A$111m in FY2017 reflecting the full year contribution from Headwaters. On a prior year proforma basis, EBITDA was A$345m. Year 1 synergy targets were exceeded with US$39m of net synergies delivered. EBITDA was affected by adverse weather events, one-off operational issues, short-term impacts from repositioning fly ash supply in Texas and challenges in Meridian Brick. Q3 was particularly impacted, with a decline on prior year Q3 proforma EBITDA. A substantial year on year lift in EBITDA in Q4 with strong EBITDA margins is encouraging going into FY2019. The result was within the guidance range provided in April.

Focused on delivering results

✓ **Safety** – with strong improvements in recent years, recordable injury frequency rate (RIFR) of 8.7 and lost time injury frequency rate of 1.6 broadly plateaued in FY2018. This largely reflects the inclusion of Headwaters and all JVs irrespective of equity or management control, adding around 4,500 employees and contractors to Boral's safety statistics. Pleasingly, there was solid progress in Headwaters businesses with a 27% improvement in RIFR to 10.7 in FY2018.

✓ **Solid returns on capital** – Boral delivered a return on funds employed (ROFE) of 8.4%[4], with Boral Australia's ROFE[4] of 17.5% being well above Boral's ROFE equivalent cost of capital of ~9.0-9.5%. USG Boral delivered a solid underlying ROFE of 9.9% and Boral North America is well placed to deliver above cost of capital returns over time through full realisation of acquisition synergies and expected growth.

✓ **Business transformation** – the successful integration of Headwaters into Boral North America marks a significant milestone. Acquisition net synergies of US$39m were ahead of our US$35m target and our four-year synergy target has increased to US$115m.

In FY2019, expect further gains from Boral Australia, improving results from USG Boral and strong growth from Boral North America (see page 14).

1. Excluding significant items
2. See page 16 for a reconciliation and explanation of these items
3. Excludes Denver Construction Materials business sold on 2 July 2018
4. EBIT before significant items on funds employed as at 30 June 2018. Divisional ROFE is EBIT before significant items on divisional funds employed

Financial Overview

Total operations basis (A$ millions) figures may not add due to rounding	FY2018	FY2017	Var %
Revenue	5,869	4,388	34
EBITDA[1,2]	**1,056**	**720**	**47**
EBITA[1,2]	**749**	**472**	**59**
EBIT[1,2]	688	460	50
Net interest	(104)	(51)	
Tax[1]	(111)	(67)	
NPAT[1,2]	**473**	**343**	**38**
Significant items (gross)	(102)	(65)	
Tax on significant items	69	19	
Statutory NPAT[2]	**441**	**297**	**49**
NPATA[1,2]	**514**	**350**	**47**
EPSA (cents)[1, 2]	43.8	34.4	28
EPS (cents)[1,2]	40.4	33.7	20
Dividend (cents)	26.5	24.0	10

Boral's reported **sales revenue** of $5,869m increased 34%, with a full 12 month period contribution from the Headwaters acquisition for Boral North America and solid revenue growth in Boral Australia.

EBITDA[1,2] **of $1,056m was up 47%** over the prior year, reflecting a full 12 month contribution from Headwaters and strong earnings growth from Boral Australia.

EBITA[1,2] **increased 59% to $749m** and earnings before interest & tax (EBIT[1,2]) increased 50% to $688m.

Depreciation and amortisation was up 41% to $368m, reflecting the impact of the Headwaters acquisition. Depreciation was $307m and amortisation of acquired intangibles was $60m.

Net interest expense of $104m, up from $51m in the prior year, reflects higher debt following the Headwaters acquisition.

Income tax expense of $111m and an effective tax rate of ~19% was towards the lower end of our guidance and reflected the recognition of previously unrecognised tax losses arising from higher property sales and US earnings, as well as benefits from lower income tax rates on US earnings.

A net loss of $32m for significant items reflects Headwaters integration costs and one-off costs incurred in the Meridian Brick and USG Boral joint ventures, along with the provision for site rehabilitation at the Waurn Ponds cement operation (Vic) recorded in the first half. In addition, there was a $43m benefit largely arising from adjustments to deferred tax balances following changes to US tax legislation.

Statutory net profit after tax (**NPAT**) **of $441m** was 49% ahead of the prior year's NPAT of $297m.

Net profit after tax before amortisation (**NPATA**)[1,2] **of $514m was 47%** higher on the prior year.

EPSA[1,2] **of 43.8 cents** increased 28% and **EPS**[1,2] **of 40.4 cents** increased 20%.

A final **dividend of 14.0 cents** per share (50% franked), to be paid 2 October 2018, represents a payout ratio of 66%, which is in line with Boral's Dividend Policy[3]. This brings the full year dividend to 26.5 cents, 10% higher than last year.

Operating cash flow of $578m was 40% higher on the prior year, reflecting a strong earnings lift from the Headwaters acquisition and Boral Australia, partly offset by higher interest and tax payments. Operating cash flow includes $118m in restructuring, acquisition and integration costs.

Capital expenditure of $425m ($375m of stay-in-business and $51m of growth expenditure) was up from $340m in the prior year. FY2018 expenditure included investments in new and upgraded concrete and asphalt plants, quarry upgrades and the Berrima alternative fuels facility in Australia, and a land acquisition for the Stone business and investments in storage facilities and reclaim activities in Fly Ash in the US.

Net debt at 30 June 2018 was $2,453m compared to $2,333m at 30 June 2017, in part due to Headwaters acquisition and integration costs. Denver Construction Materials divestment proceeds received in July 2018 will further reduce net debt from $2,453m to $2,281m. Boral remains well within its funding covenants, with Boral's principal debt gearing covenant (gross debt/ (gross debt + equity)) of 31% well within the threshold of less than 60%. Gearing (net debt/(net debt + equity)) was unchanged at 30%.

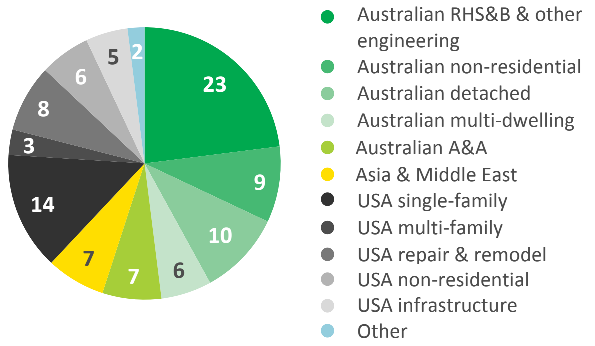
1. Excluding significant items
2. See page 16 for a reconciliation and explanation of these items
3. Dividend policy of between 50% and 70% of earnings before significant items, subject to the Company's financial position

Market Conditions and External Impacts

Significant growth in Australian infrastructure and non-residential demand; growth in US markets but impacted by severe weather events; mixed conditions in Asian markets

- Strong growth in **Australian** infrastructure projects across all key regions, growing non-residential activity and robust housing construction which remained at prior year levels
- Solid growth in **US** single-family housing starts partly offset by lower multi-family starts, with solid growth in repair & remodel demand and infrastructure activity
- In **Asia**, continued strong market demand in Korea, subdued markets in Thailand and Indonesia, with China continuing to benefit from plasterboard market supply constraints

Boral FY2018 external revenue[1] by market, %



Australia

Boral Australia's largest exposure is to the **roads, highways, subdivisions & bridges** (RHS&B) segment. RHS&B value of work done[2] is estimated to have grown by 15% in FY2018, with 26% growth in Vic, 20% in Qld, 15% in NSW and 15% in SA.

Other engineering activity[2] grew in FY2018, primarily through growth in railways and electricity sectors as well as in mining and heavy industry.

Australian **housing starts**[3] remain robust, at a rate of 222,000 starts in FY2018, in line with FY2017. **Detached housing starts** are estimated to be up 3%, with **multi-residential starts** down 3%.

In NSW, Qld and WA, housing starts declined by an estimated 9%, 9%, and 7%, respectively. Offsetting this, housing starts in Vic and SA increased by an estimated 17% and 15% respectively, driven by multi-residential. Overall detached housing starts as a proportion of total starts remain at low levels of ~54%, compared to a 20-year average of 63%.

Market forecasters[4] expect housing starts to be down ~9% to ~202,000 starts in FY2019, which remains 17% above the 20-year average.

Australian alterations & additions (A&A) activity[5] is estimated to have declined by 4% in FY2018 compared with the prior year.

Non-residential activity[5] is estimated to have grown 13% in FY2018 compared with the prior year with growth in all states particularly Vic, NSW and SA.

The **list of project work** in Table 1 below includes the largest infrastructure projects across each State awarded to Boral, together with a selection from the potential pipeline of work.

Table 1: Australia – Project Work

Bringelly Road Stage 1, NSW Northern Beaches Hospital, NSW NorthLink stage 1, WA Toowoomba Second Range, Qld	Est. completion 2018
Warrego Highway (including stage 2), Qld Amrun Project, Qld Forrestfield – Airport Link (precast), WA Gateway Upgrade North, Qld Kingsford Smith Drive, Qld Logan Motorway, Qld NorthConnex, NSW Northern Road stage 2, NSW	Est. completion 2019
Northern Connector, SA Northern Road stage 3, NSW Pacific Motorway, (M1 & M3 merge) Qld Sydney Metro (City/SW precast), NSW Warrego Highway stage 3, Qld Melbourne Metro Rail (precast), Vic	Est. completion 2020
Albion Park Rail Bypass, NSW Cross River Rail, Qld Haughton River Bridge, Qld Inland Rail, Qld, NSW, Vic Newell Hwy Upgrade, NSW Outer Suburban Arterial Roads, Vic Pacific Hwy W2B, NSW Perth Metro Road Maintenance, WA Smithfield Transport Corridor, Qld Princes Hwy Upgrade, NSW Snowy Hydro, NSW Sunshine Coast Airport, Qld Sydney Metro (Stations), NSW WestConnex (stages 1A&B, 3A&B) NSW West Gate Tunnel, Vic	Currently tendering
Melbourne third runway, Vic Badgerys Creek Airport, NSW	Pre-tendering

1. Includes Boral's 50% share of underlying revenue from USG Boral and Meridian Brick joint ventures, which are not included in Group reported revenue
2. RHS&B and Other Engineering: average of Macromonitor and BIS Oxford Economics forecasts
3. ABS original housing starts; average of Macromonitor, BIS Oxford Economics and HIA for June 2018 quarter
4. Average of HIA, BIS Oxford Economics and Macromonitor forecasts
5. Original series (constant 2015/16 prices) from ABS. Average of BIS Shrapnel and Macromonitor forecast for June 2018 quarter

Market Conditions and External Impacts (cont.)

USA

The **US market** is strong with GDP growth estimated to be over 4% in the June 2018 quarter[1], and unemployment and inflation numbers amongst the best in the world.

US housing starts[2] were up 4% to 1.25m starts and continue to be driven by higher single family starts, partly offset by a decline in multi-family starts. **Single-family starts grew by 8%**[2] and multi-family starts were down 5%[2], resulting in single-family starts as a proportion of total starts increasing from 68% to 71%, in line with the long-term average of 71%[2].

On average, market forecasters[3] expect total US housing starts to grow by ~5% in FY2019 to ~1.31m starts.

Other US construction markets also strengthened in FY2018. Activity in the **repair & remodel**[4] market was up 7%. **Non-residential**[5] construction market activity was steady. **US infrastructure**[6] activity, based on estimated ready mix concrete volumes, was up ~5%.

In FY2018, a series of exceptionally severe **weather events** and wildfires disrupted our operations and slowed activity in the first half. March quarter earnings were also below our expectations due to significant rainfall and a more severe and prolonged winter compared with the prior year.

Collectively the following events impacted activity:

- Hurricane Harvey in Texas impacted Block, Roofing, Meridian Brick JV and Fly Ash sales, as well as input costs for Light Building Products;
- Hurricane Irma impacted Meridian Brick JV, Roofing, Stone, and Fly Ash;
- Wildfires in Northern California in October impacted our Roofing and Stone businesses;
- Significant rain in the Texas region and Midwest in the March quarter, together with a prolonged, more severe winter relative to prior year, impacted volumes, particularly for Stone and Light Building Product as well as Fly Ash.

Combined, these weather events, fires and prolonged adverse weather conditions impacted earnings by ~US$15m as a result of lost sales and higher costs relative to FY2017.

Asia[7]

In **Korea,** residential market activity continued to underpin market growth in the first half, although government measures to curb rising house prices have seen growth moderate in the second half.

In **China**, general market growth is continuing and environmental regulations are reducing the plasterboard industry's manufacturing capacity.

In **Indonesia**, activity remains subdued, while in **Thailand,** the construction market continues to decline relative to the prior year.

Emerging markets of India and Vietnam continue to grow.

Divisional Reviews

The following pages provide results and commentary for Boral's three divisions. Summary results are:

(A$ millions) figures may not add due to rounding	Sales revenue		EBITDA[8]		EBIT[8]	
	FY2018	FY2017	**FY2018**	FY2017	**FY2018**	FY2017
Boral Australia	**3,590**	3,296	**634**	551	**433**	349
USG Boral (Boral's 50% post tax earnings)	**-**	-	**63**	70	**63**	70
Boral North America (continuing operations)	2,141	963	368	111	208	60
Denver Construction Materials (discontinued)	138	130	23	12	16	6
Boral North America including Denver CM	**2,279**	1,093	**390**	123	**224**	66
Corporate	**-**	-	**(31)**	(29)	**(32)**	(30)
Other discontinued (Boral CSR Bricks JV)	**-**	-		5		5
TOTAL REPORTED (total operations basis)	**5,869**	4,388	**1,056**	720	688	460

1. "Advance" estimate released by the Bureau of Economic Analysis, US Department of Commerce
2. US Census seasonally adjusted annualised housing starts
3. Based on average of analysts' forecasts (Dodge, Wells Fargo, NAR, NAHB, Fannie Mae, Freddie Mac, MBA), Jan - Jun 2018
4. Moody's retail sales of building products, July 2018
5. Dodge & Analytics. Non-residential square feet area (millions), June 2018
6. Infrastructure Ready Mix Demand from McGraw Hill Dodge, June 2018
7. Based on various indicators of building and construction activity
8. Before significant items. Based on reported results. Proforma FY2017 results for Boral North America are provided on p.9

Boral Australia

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

Strong result underpinned by growing infrastructure, non-residential activity and property

- **EBITDA excluding Property up 8%** driven by growth in construction materials businesses particularly in NSW, Qld and Vic
- Revenue growth underpinned by **significant volume lift** in downstream construction materials coupled with **average selling price (ASP) gains** of 3% and 1% in Concrete and Cement respectively reflecting positive mix shifts and modest price increases
- **EBITDA** and **EBIT** grew by **15%** and **24%** respectively, exceeding the 10-20% guidance range in April

(A$ millions)	**FY2018**	**FY2017**	**Var%**
Revenue	3,590	3,296	▲9
EBITDA[1]	634	551	▲15
EBITDA ROS[1]	*17.6%*	*16.7%*	
EBIT[1]	433	349	▲24
EBIT ROS[1]	*12.1%*	*10.6%*	
EBIT return on funds employed (ROFE)[1]	*17.5%*	*14.6%*	
Property	*63*	*24*	▲168
EBITDA[1] excl. Property	*570*	*528*	▲8
EBITDA[1] ROS excl. Property	*15.9%*	*16.0%*	

FY2018	**External revenue**		**EBITDA**
Concrete	1,506	▲10%	▲
Asphalt	802	▲16%	▲
Quarries	404	▼5%	▼
Cement	302	Steady	▲
Concrete Placing	179	▲58%	▲
Bricks WA & Roofing	182	▼6%	▼
Timber	152	▲6%	▲

Revenue increased by 9% to $3,590m driven by a higher Concrete, Concrete Placing and Asphalt contribution from continued acceleration of infrastructure project work and growth in non-residential construction.

Overall, average selling price (ASP) was higher across most businesses, with the exception of Quarries, which was impacted by an adverse product mix shift, and WA Bricks where conditions remain challenging.

Boral benefited from exceptionally dry weather on the east coast in Q1, compared to extremely wet weather in the prior year. Q2 and Q3 were impacted by rainfall in SEQ, while Q4 saw drier weather patterns, particularly on the east coast.

EBITDA was up 15% to $634m exceeding Boral's earnings guidance provided in April. **Excluding Property earnings** of $63m compared to $24m in the prior year, EBITDA **increased by 8%**.

Growth in **EBITDA margins to 17.6%** reflects higher property earnings.

Cement, Quarries, Concrete and Asphalt margins all improved, however **EBITDA margins of 15.9% excluding Property**, were broadly steady, reflecting increased investment in divisional improvement programs and a higher proportion of revenue from lower margin businesses (Concrete, Asphalt & Concrete Placing).

Price gains were offset by higher costs including higher energy costs, increased cost to serve due to supply constraints, and increased investment in excellence programs and innovation, which will deliver future benefits.

With stronger earnings and marginally higher funds employed, ROFE improved from 14.6% to 17.5%.

Concrete earnings improved significantly, with higher volumes and prices and a growing contribution from major projects which included NorthConnex and Pacific Highway in NSW, Amrun in Qld and Forrestfield Airport Link in WA.

Concrete volumes increased 7%, with all regions reporting higher volumes including strong growth in east coast metro markets and major projects.

Concrete ASP was up 3% and on a like-for-like (LFL) basis prices were up 2%. While LFL price growth in east coast metro markets averaged 3%, this was partially offset by pricing pressures in regional areas, WA and Tas.

Asphalt delivered strong earnings growth and improved margins, driven by a 16% revenue increase. Substantial volume growth continued to be underpinned by a strong increase in maintenance funding by Vic Roads and infrastructure projects including: Gateway Upgrade North, Warrego Hwy stage 2 and Dalby East West in Qld. Contracting productivity and performance continues to improve.

Quarries earnings were modestly lower reflecting a 5% decline in external revenue, in part due to an adverse mix shift to lower value products in NSW metro and SEQ, together with an increased cost to serve due to supply constraints. Quarry volumes (internal and external) increased 1% with higher demand in NSW, Qld and SA partially offset by lower volumes in WA and Tas. Volumes in Vic were steady, impacted by supply disruptions in Vic metro, particularly in the first half.

1. Excluding significant items

Boral Australia (cont.)

Nationally, ASP for Quarries declined by 3% reflecting the increase in low value product in NSW and Qld, including an abundance of tunnelling spoils and recycled materials in NSW. Excluding low value product, ASP was up 1%.

On a LFL basis, Quarry prices were up an average of 1% nationally, with price growth across Vic, SA and Tas.

While total **Cement** volumes (external and internal) increased 2%, external volumes were lower reflecting a shift to internal supply to support growth in Boral's concrete business.

LFL cement prices were up 2% and ASP increased by 1%, due to a less favourable mix shift.

Cement earnings and margins improved reflecting higher prices and an ongoing contribution from Boral's *commercial and operational excellence* program. These benefits were partly offset by cost inflation and higher energy costs.

FY2018 v FY2017	**Total Volume**[1] *Var %*	**Price (ASP)**[2] *Var %*	**Price (LFL)**[2] Var %
Concrete	7	3	2
Quarries	1	(3)[3]	1
Aggregates	*1*	*1*	*2*
Cement	2[4]	1[5]	2[5]

Concrete Placing delivered a 58% lift in revenue and higher earnings, reflecting strong underlying market demand, especially in the multi-residential Sydney market in the first half and the ramp up of commercial projects in the second half of FY2018.

Property contributed $63m EBITDA, compared to $24m in FY2017. The FY2018 result included the sale of the Prospect Masonry property in NSW and earnings from the new development agreements for Donnybrook in Vic.

Building products businesses overall reported stable revenue and a slight increase in earnings, as improved earnings in Timber were partly offset by a decline in Bricks.

Roofing (including masonry operations in SA and Qld) reported stable revenue and lower earnings driven primarily by higher inflationary and energy costs, which offset a 2% increase in LFL prices.

While **Bricks WA** (including WA masonry) reported declines in revenue and earnings in line with challenging conditions, the business is performing above breakeven.

Brick volumes were down 11% on lower housing starts and a drop in commercial volumes. Brick ASP was down 4%.

Timber revenue increased 6% and earnings improved due to favourable product mix and higher prices. Despite lower volumes, Softwood revenues were up 7%, reflecting price increases of 10% as a result of pricing initiatives in April and October 2017, and April 2018.

Hardwood revenue grew by 6%, reflecting a 3% lift in volumes and 1% increase in ASP. Hardwood margins were slightly lower as price increases were offset by higher product costs due to an adverse mix shift.

Excellence programs

A **customer experience** program commenced in FY2018 focused on further improving the customer journey with Boral. As part of this program, a new Concrete Deliveries App and Multi Order SMS were launched. Boral has seen a strong take-up from customers, and is working with them to evaluate other digital opportunities, including an Online Customer Portal and digital proof of purchase.

Boral Australia's **commercial excellence** program, which is focused on improving commercial outcomes, continued to be rolled out across the business with approximately 250 sales people attending a newly developed national sales training program in FY2018. The program has also developed and is rolling out new pricing tools across Concrete and Quarry businesses, and has implemented improved systems and reporting.

At the beginning of 2018, Boral commenced a multi-year **supply chain optimisation** project as part of operational excellence. The program is intended to support margin expansion across the business, reduce cost to serve and provide better service to customers. Boral spends more than $650m pa transporting materials and finished goods by road, rail and ship.

To date, Boral has identified initiatives to reduce supply chain costs by 5% to 10% over the next three years. Part of this program includes the development of new logistics measures, implementing a new standard approach to sales and operations planning across the business, and improving network connectivity.

1. Includes external and internal sales volumes
2. For external sales only
3. Excluding low value product, ASP increased by 1%
4. For external and internal sales including wholesale cement volumes
5. For external cement sales excluding wholesale volumes

USG Boral

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

Strong revenue growth driven by volume and price gains although earnings softer

- **Higher earnings from South Korea and China**, with softer earnings from Thailand, Indonesia, Vietnam and India; strong Australia/NZ contribution with steady underlying earnings, excluding one-off gypsum supply impact and production issues
- **Underlying EBITDA down 6%** compared with half year guidance of mid-single digit growth, due to impacts not expected to be repeated
- **EBITDA impacted by $11m in one-off costs** including **operational issues late in Q4,** together with **higher input costs** and some **pricing pressures** throughout the year
- **High adoption of Sheetrock®** products, higher margin **technical board** and non-board revenues

Boral's **equity accounted income of $63m, down 9%** on the prior year, represents Boral's 50% share of USG Boral's post-tax earnings.

Boral's reported result

(A$ millions)	FY2018	FY2017	Var %
Equity income[1]	63	70	(9)

USG Boral underlying business result

(A$ millions)	FY2018	FY2017	Var %
Revenue	1,575	1,478	7
EBITDA[2]	268	284	(6)
EBITDA ROS[2]	*17.0%*	*19.2%*	
EBIT[2]	194	217	(10)
EBIT ROS[2]	*12.3%*	*14.7%*	
EBIT return on funds employed (ROFE)[2]	*9.9%*	*11.6%*	

Revenue increased 7% to $1,575m in the underlying business, with continued adoption of premium Sheetrock® products and technical board primarily in Australia, Korea, China and Thailand.

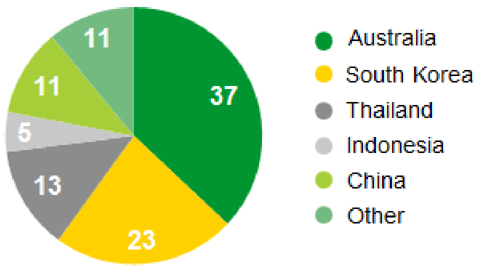
While prices increased in some key markets, inflationary cost pressures in other markets including Thailand, Indonesia and Vietnam, together with increased competition (especially in Indonesia) and one-off costs saw margins contract.

Overall board volumes increased 3% and technical board, which represents 20% of volumes, grew by 20%. Plasterboard volumes grew in Australia and China, and strong price gains were achieved in Korea and China.

Sheetrock® brand products continue to maintain a price premium of ~3% with adoption rates at June ranging from ~40% in Korea to more than 90% in Australia, China and Vietnam.

Non-board revenue, which includes ceiling tiles, metal stud, compounds and plasters, and contracting increased 9% and represented 40% of USG Boral's total revenue.

External Revenue %



Underlying EBITDA declined by 6% to $268m. Benefits from revenue growth were offset by unexpected one-off costs, higher input costs, particularly paper, and ongoing competitive pressure in Indonesia, Thailand and Vietnam.

EBITDA was impacted by one-off costs of $11m associated with the three-month closure of the port facility in SA impacting gypsum supply in Australia in the first half and an unfavourable operational reserve adjustment in India which impacted both halves. Further, unfavourable foreign exchange movements relating to intercompany loans had a $3m adverse impact on earnings.

The fourth quarter was below our expectation due to operational and product supply issues in Australia, the additional reserve adjustment in India as well as higher than expected costs associated with exiting a distribution agreement in Korea.

Excluding one-off costs of $11m, EBITDA was slightly lower year on year.

Average plant utilisation of ~80% was up from 76% in FY2017.

Australia/NZ revenue increased 9% to $577m with solid gains across board and non-board revenue driven by higher volumes, while ASP was steady on the prior year.

1. Post-tax equity income from Boral's 50% share of USG Boral JV
2. Excluding significant items

USG Boral (cont.)

Earnings in Australia were impacted by higher energy costs, higher gypsum costs in the first half as gypsum was temporarily sourced from Oman and WA, stock transfer costs to meet strong NSW demand and higher costs associated with now resolved product supply issues in Melbourne in 2H FY2018.

Asia revenue increased by 5% to $998m driven by volume and price increases in China and Korea and volume growth in Thailand.

Korea delivered revenue and earnings growth, underpinned by higher prices. Margins held steady. In the second half of FY2018, competitive pressures increased and growth rates moderated.

China delivered a substantial lift in revenue and earnings, supported by strong price growth and volume gains. Higher input costs were more than offset by price increases.

Thailand reported revenue growth despite lower prices, driven by higher domestic and export volumes. Ongoing competitive pressures, higher input and energy costs resulted in lower earnings compared with the prior year.

Indonesia continued to experience competitive pricing pressures and weaker demand, resulting in lower revenues and earnings.

India reported revenue growth, including higher plasterboard and non-board sales. Earnings were lower due to an unfavourable operational reserve adjustment.

While **Vietnam** continues to offer growth opportunities, during FY2018 the business experienced competitive pricing pressures and higher input costs, resulting in lower earnings. Second half performance improved.

Boral North America

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

Strong earnings lift through acquisition and successful integration of Headwaters

- **Substantial lift in reported revenue and EBITDA,** with **revenue of A$2,141m** compared to A$963m in the same period last year and **EBITDA of A$368m (excl Denver CM)** compared to A$111m last year.
- **Acquisition synergies of US$39m** were ahead of our US$35m target; four-year synergy target has increased to US$115m from an initial US$100m target
- Second half **EBITDA** and **EBIT** lifted **12%** and **22%,** respectively, relative to first half, in line with guidance provided in April of EBITDA and EBIT growth of ~10-25% (including Denver CM)
- **EBITDA growth moderated** reflecting adverse weather events, plant operational issues, repositioning of fly ash supply in Texas and lower earnings from Meridian Brick JV, reflected in April guidance

Continuing operations

(A$ millions)	FY2018	FY2017	FY2017PF[2]
Revenue	2,141	963	2,211
EBITDA[1]	368	111	345
EBITA[1]	268	72	250
EBIT[1]	208	60	210
(US$ millions)	**FY2018**	**FY2017**	**FY2017PF[2]**
Revenue	1,656	726	1,666
EBITDA[1]	284	84	260
EBITDA[1] ROS	*17.2%*	*11.6%*	*15.6%*
EBITA[1]	208	55	188
EBITA[1] ROS	*12.5%*	*7.6%*	*11.3%*
EBIT[1]	161	45	158
EBIT[1] return on funds employed (ROFE)	4.4%	4.3%	

Total operations **(including Denver Construction Materials)**

(A$ millions)	FY2018	FY2017	FY2017PF[2]
Revenue	2,279	1,093	2,341
EBITDA[1]	390	123	357
EBIT	224	66	216

(A$ millions)	2H FY2018	1H FY2018	*Var %*
EBITDA[1]	206	184	▲12
EBIT[1]	123	101	▲22

The FY2018 result includes the first full year contribution from the Headwaters acquisition (completed 8 May-17). The prior year includes revenue and earnings from Headwaters for eight weeks. The result also includes post-tax equity income from Meridian Brick JV formed 1 Nov-16. In May 2018, Boral agreed to sell its Denver Construction Materials business, which settled on 2 Jul-18 and appears in discontinued businesses; it is not in Boral North America earnings for continuing operations.

The following commentary relates to FY2018 results for continuing businesses relative to the underlying proforma consolidated Boral and Headwaters businesses for the 12 months to 30 June 2017.

An average AUD/USD exchange rate of 77.35c is used for FY18 and 75.36c for FY17.

Revenue of US$1,656m was flat on the prior year due to the inclusion of four months of Bricks revenue in 1H FY2017 prior to the formation of Meridian Brick JV. **Excluding Bricks, revenue was up 6%.**

EBITDA of US$284m was up 9% with benefits from underlying revenue growth and substantial synergies of US$39m resulting in higher margins.

During the period, earnings were impacted by adverse weather (US$15m), one-off plant operational issues, which progressively improved during the year (US$10m) and lower profits associated with repositioning fly ash supply in Texas.

Earnings were below our expectation in Q3 and down on the prior year Q3 proforma result due to a later spring construction season and persisting winter conditions coupled with the challenges of reconfiguring fly ash supply in the Texas market following the permanent closure of three utilities.

Pleasingly, there was a substantial earnings lift in Q4 as more normal weather patterns returned and trading conditions improved. Significant year on year Q4 earnings growth was delivered by both Construction Materials and Building Products.

The FY2018 EBITDA result includes an US$11m benefit from aligning the accounting policy between Boral and Headwaters for Stone molds. This was offset by one-off favourable adjustments in the prior period under Headwaters ownership.

1. Excludes significant items
2. Proforma results for 12 months to June 2018

Boral North America (cont.)

Construction Materials

(US$ millions)	FY2018	FY2017 PF[2]	Var %
Revenue	640	612	▲5
EBITDA[1]	142	134	▲6
EBITDA ROS[1]	*22.2%*	*21.9%*	
EBITA[1]	126	119	▲6
EBITA ROS[1]	*19.7%*	*19.4%*	
(US$ millions)	**External revenue[4]**		**EBITDA[4]**
Fly Ash	523	▲7%	▲
Block	117	▼ 4%	▼

Revenue for **Construction Materials,** which includes Fly Ash and Block, increased 5% to US$640m, and EBITDA increased by 6% to US$142m. EBITDA margins increased modestly to 22.2%.

FY2018 vs FY2017PF[2]	Volume Var %[3]	Price Var %[3]
Fly Ash	(6)	9
Block	(4)	1

Fly Ash revenue increased 7% to US$523m, reflecting an increase in site services revenue and an average 9% like for like price increase, partly offset by lower volumes. In FY2018 site services represented 28% of revenue benefiting from two major site services construction projects. As these projects complete, site services are expected to account for ~20% of Fly Ash revenue in FY2019.

Fly Ash earnings increased, benefiting from US$11.5m in synergies although margins were impacted by the mix shift towards site services and higher costs.

Fly ash volumes declined 6% to 7.1 million tons due to weather impacts, the Texas utility closures in the second half of the year and supply constraints due to intermittent unplanned power plant outages.

The volume impact of the Texas closures was around 200k tons in FY2018, and including a fourth utility to close in FY2019 is estimated to be around 300k tons in FY2019 relative to FY2018. We are continuing to reconfigure and optimise our Texas supply network, with previously landfilled volumes from other utilities being utilised. We are also increasing storage capacity, to help fully recover volumes and improve costs.

Boral's fixed storage capacity currently totals 537,000 tons. We are investing in our mobile rail car fleet providing additional storage capacity which can be leveraged with multiple turns.

We aim to grow fly ash volumes in line with cement demand and over time exceed cement growth by increasing substitution rates of fly ash in ready mix.

Work continues on a program to reclaim ash, with the first project in Pennsylvania currently being commissioned. Additional reclaim ash sites are in planning or investigation stages.

Block, which largely services the non-residential Texas market, reported lower earnings with revenue down 4%. Volumes were significantly impacted by Hurricane Harvey in the first half and the continued focus of remediation work by builders on interior rather than exterior repairs.

Benefits from post hurricane remediation work as well as future planned school construction projects are expected to commence in FY2019. Boral has won several large school construction projects as part of this work.

Building Products

(US$ millions)	FY2018	FY2017 PF[2]	Var %[3]
Revenue	1,013	945	7
EBITDA[1]	158	146	9
EBITDA ROS[1]	*15.6%*	*15.4%*	
EBITA[1]	99	97	2
EBITA ROS[1]	*9.8%*	*10.3%*	
FY2018	**External revenue[3]**		**EBITDA[3]**
Stone	268	▼2%	▲
Roofing	320	▲8%	▲
LBP	276	▲6%	▲
Windows	150	▲32%	▲

Building Products revenue was up 7% to US$1,013m, largely due to prior year Windows acquisitions as well as strong volume growth in LBP. Earnings were up 9%, with the benefit of strong revenue growth partly offset by the impact of hurricanes in the first half and adverse weather conditions in Q3. Plant integration issues, costs associated with commissioning new capacity and safety interventions impacted earnings. While these issues impacted more significantly in 1H, the Oceanside metal roofing consolidation (California) and commissioning of the Greencastle stone plant upgrade (Pennsylvania) continued to impact in 2H.

Stone revenue was down 2%, reflecting 4% lower stone volumes due to share loss and weaker multi-family starts. ASP increased by 2%.

Earnings improved primarily due to an US$11m benefit from re-aligning accounting policies between Boral and Headwaters for Stone molds.

1. Excludes significant items
2. Proforma results for 12 months to 30 June 2018
3. Change from FY2018 relate to FY2017 PF

Boral North America (cont.)

Excluding the accounting benefit, earnings for Stone were softer due to lower volumes, higher costs and production impacts in the first half due to safety interventions, and costs associated with commissioning the Greencastle Eldorado Stone plant upgrade.

In FY2019, share is expected to stabilise and costs improve as the Greencastle plant continues to ramp up.

Roofing delivered 8% revenue growth to US$320m and higher earnings. Volumes were up 6% with strong volume growth in Concrete Tile products, which in many markets exceeded housing starts. This was partly offset by supply constraint issues at the Oceanside metal roofing business. Selling prices were higher across all product categories with an average price increase of 3%. While FY2018 synergies of US$8m were delivered in line with our expectations, earnings were impacted by a number of one-off operational issues, more so in the first half. These related to the manufacturing challenges at the Okeechobee plant (FL) (previously part of the Entegra Roofing business, a Headwaters majority owned joint venture) and optimising capacity at Lake Wales (FL).

Improvement initiatives at Okeechobee and upgrades at Lake Wales are now substantially complete with earnings improvements expected in FY2019.

Operational issues related to the Oceanside metal roofing plant in California (where Headwaters had recently consolidated three plants into one site) continued to impact the business in the second half. The operational issues at Oceanside are expected to be largely resolved in 1H FY2019, and together with the progress made at Okeechobee and Lake Wales, are expected to lift performance.

FY2018 vs FY2017PF[1]	Volume *Var %*[2]	Price (ASP) *Var %*[2]
Roofing	3	3
Stone	(4)	2

Light Building Products (LBP) delivered revenue growth of 6% and synergies of US$11m. Revenues were underpinned by growing market demand and increased product penetration. Tapco revenue was up 6%[4]. Versetta and TruExterior® Trim and Siding reported a 30% and 4% increase in revenues, respectively.

Earnings grew modestly but were impacted by adverse weather in Q3, higher raw material and labour costs until final commissioning of the upgrade of Kleer trim plant, and higher production costs in the TruExterior® Trim and Siding business associated with production of one of the newer siding product lines, particularly in Q4, as well as higher raw materials costs more generally.

The expanded capacity at Kleer and continued penetration of Versetta and TruExterior® is expected to deliver an improved performance in FY2019, and the BCI production challenges are being addressed.

Windows revenue lift of 32% reflects the acquisitions by Headwaters of Krestmark in August 2016 and Magnolia in February 2017, coupled with underlying volume growth of 5%. Operational issues at Magnolia in the first half negatively impacted margins.

Operational improvement initiatives at the Magnolia plant, including the installation of a key new plant component and implementation of LEAN manufacturing principles, were completed in FY2018 and are expected to deliver improved performance in FY2019.

Meridian Brick JV delivered a post-tax equity contribution loss of US$1m, as the business continues to restructure.

Meridian Brick underlying result

(US$ millions)	FY2018	FY2017PF[1]
Revenue	395	432
EBITDA[3]	25	28

In FY2018, the underlying Meridian Brick JV generated US$395m of revenue and delivered US$25m of EBITDA. Compared to the prior period, EBITDA declined by US$3m. Brick volumes were down due to the decline in brick intensity, the impact of Hurricane Harvey in the South in the first half, and a smaller distribution network following the planned closure of manufacturing and distributions assets.

Since formation of the joint venture, eight plants have been permanently closed and 14 distribution centres closed or sold, as these sites were not sustainable in the long term.

While average selling prices were up 4%, resale revenues were down 11% largely due to lower brick sales and the closure or sale of distribution centres. Cost synergies of US$10m were offset by lower brick sales volumes, higher input costs and freight costs associated with repositioning volume from closed plants to ongoing operations.

The business is focused on delivering targeted cost synergies of US$25m within four years through a number of initiatives including plant network optimisation, improved freight and distribution, procurement savings and the streamlining of selling, marketing and administrative costs.

1. Proforma results for 12 months to 30 June 2017
2. Change from FY2018 relative to FY2017 PF
3. Excluding significant items and impact of holding costs of closed sites
4. Excludes Clubhouse Decking which was sold in FY2018

Strategy and priorities

Our goals are to deliver:

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

While **Boral's safety performance** has improved significantly in recent years and remains strong relative to industry peers, in FY2018 our primary safety measures showed a general plateauing in performance. In part, the plateauing of results reflects the inclusion of Headwaters businesses and all joint ventures irrespective of equity interest or management control, whereas up until FY2018, Boral's data only captured joint ventures where Boral's ownership was 50% or greater.

Against this backdrop, in FY2018, Boral's combined employee and contractor recordable injury frequency rate (**RIFR**)[1] was 8.7 compared with 8.1 in FY2017, and lost time injury frequency rate (**LTIFR**) was 1.6 compared with 1.5 for the same period last year.

As previously reported, in September 2017, a supplier's driver delivering diesel to our Concrite operation in Alexandria in Sydney was struck by one of Boral's concrete agitator vehicles on site, and later died from his injuries. The organisation was devastated by this tragic incident. Pedestrian and vehicle safety has been and continues to be a key safety focus for us globally.

We continue to target to deliver **returns that exceed Boral's cost of capital**. Currently, Boral's weighted average cost of capital is equivalent to a ROFE of ~9.0-9.5% and in FY2018, we delivered an EBIT return on funds employed (**ROFE**)[2] of 8.4%. Boral Australia continued to deliver above cost of capital returns with underlying **ROFE** of 17.5%. USG Boral delivered a solid return with a ROFE of 9.9%.

With a ROFE of 4.4% in FY2018, in line with our expectations Boral North America is not yet delivering above cost of capital returns, but in coming years as earnings continue to grow and as full synergies from the **Headwaters acquisition** are delivered in year four, returns are expected to exceed Boral's cost of capital. The Headwaters acquisition strengthens Boral's ability to deliver above cost of capital returns through the cycle, with a less cyclical, more stable ROFE as a result of more diverse US market exposures and less exposure to high fixed cost businesses.

Since 2012, our strategy, which is delivering benefits, has focused on **delivering above cost of capital returns** through the cycle and more **sustainable growth**, by:

- **consistently applying best practice (including operational and commercial excellence)**
- drawing on Boral's **strength of geographic diversification**
- building a portfolio of businesses with a **balance of traditional and innovative products**
- **growing through innovation** and, **where it makes sense, through M&A** opportunities.

Boral Australia remains strong and the business is performing well. Our strategy is to protect and strengthen our **leading, integrated construction materials position**, which continues to benefit from the multi-year pipeline of major roads and infrastructure work.

During FY2018, a total of ~$284m of capital was invested in Boral Australia including further progressing our **quarry reinvestments** at Deer Park (Vic), Orange Grove (WA) and Ormeau (Qld), part of a ~$200m capital program to modernise and secure future resource positions in Melbourne, Perth and Brisbane markets.

We also continued to invest in Boral's **concrete and asphalt plant network** in growth markets, with a new concrete batch plant completed at Redbank Plains (Qld), and a new plant being built at West Melbourne (Vic) to replace our closed North Melbourne plant. In Asphalt, we completed the Deer Park (Vic) and Canberra (ACT) upgrades, and we are upgrading Toowoomba (Qld).

In FY2018, we progressed plans to invest up to ~$130m to build a new 1.3 million tonne clinker and slag grinding plant and cementitious storage **facility at the Port of Geelong** in Victoria. The investment will improve delivered cement costs by eliminating road transport of imported clinker and reducing handling costs. The increased capacity will meet future demand and expand Boral's cement product offering.

Regulatory approval has now been received and contract negotiations completed. Site establishment works have commenced and construction is expected to be completed in FY2020.

The **USG Boral JV** in Australia, Asia and the Middle East, formed in March 2014, is a long-term **organic growth** platform for Boral. The business is positioned to deliver strong growth through innovation, economic growth in Asia and as product penetration accelerates for gypsum-based linings and ancillary products.

1. Per million hours worked
2. EBIT before significant items on funds employed at 30 June

Strategy and priorities (cont.)

USG Boral continues to differentiate itself from the competition through its innovative products including higher strength, lighter weight more sag resistant Sheetrock® plasterboard offering. USG Boral's adoption of Sheetrock® continued to progress in FY2018, and at year end adoption rates were ~40% in Korea and more than 90% in Australia, China and Vietnam, with average price premiums of ~3% being achieved.

In FY2018, construction commenced to add 17m m^2 of additional capacity in Vietnam and 30m m^2 of new capacity in India, increasing USG Boral's capacity in Vietnam to 47m m^2 and in India to 39m m^2. These investments are self-funded through the joint venture.

On 11 June 2018 our joint venture partner USG Corporation and German building products maker Knauf announced they had entered into a definitive merger agreement, which USG has indicated it expects to close in early 2019, subject to approvals and customary closing conditions. The entry into the merger agreement constitutes a default under the shareholders agreement, which triggers the right for Boral to acquire **USG's interest in the USG Boral** JV. On 28 August Boral issued a Default Notice, commencing a process to establish fair market value of USG's interest. The shareholders' agreement defines fair market value and provides a process for determination, if not agreed. Only when fair market value is agreed or determined, does Boral then make a decision about whether or not to exercise its call option in relation to USG's interest. This process could take several months unless there is agreement between Boral and USG. We understand that the merger agreement requires USG to involve Knauf in USG's assessment of fair market value. In the meantime, discussions with industry players are continuing as we assess a full range of alternatives relating to the USG Boral JV including a return to 100% Boral ownership or the formation of an expanded joint venture.

In May 2018, we announced the divestment of our Denver Construction Materials business for US$127m, in line with our strategy to focus on building products and fly ash in the **Boral North America** business. The transaction settled on 2 July 2018.

During FY2018, we made further progress on the integration of the **Headwaters acquisition** with the businesses enjoying strong cultural alignment and excellent support from employees and customers. Combining Boral's US business with Headwaters has delivered significant scale, expanded product offerings, geographic breadth, multi-channel distribution and increased diversification across growing US markets.

The significant cost and revenue[1] **synergies** targeted in year 1 were exceeded and we have increased our year 4 target. Against an initial expectation of US$30–$35m of delivered synergies for FY2018, we delivered US$39m, and against a targeted year 1 run rate of US$50–55m, we finished the year with a synergy run rate of US$51m. Our year 4 target is now US$115m pa, against an initial expectation of ~US$100m.

Along with our earlier expectations for synergies being exceeded, we see greater potential for the longer term growth opportunities in our fly ash and light building products businesses than we initially identified. Some things however, have been slightly below expectation and we have responded accordingly, especially safety performance, which was lower than expected but has shown a rapid and pleasing improvement. Share loss in Stone, which has been included as a 'dis-synergy' in the FY2018 synergies, was also disappointing, and several plant operational and integration issues in Roofing, Stone and Windows impacted the FY2018 result. We are continuing to work on these areas of the business with strengthened leadership and focused improvement programs.

In the Fly Ash business, we experienced a short term disruption as three Texas utilities closed permanently during the period and we worked to reconfigure our supply network. Because of the Headwaters acquisition, we could more readily respond to the changes in supply, drawing on our broad fly ash network. Our **fly ash growth strategy** involves increasing fly ash supply through several opportunities, including: reducing fly ash going to landfill through network optimisation, increasing storage capability, securing new contracts, accelerating our landfill reclaim strategy, capturing fly ash recovered during the conversion of old wet pond storage facilities as well as the deployment of our technologies to beneficiate ash. We are targeting to increase our annual supply of available fly ash to the market by 1.5–2.0 million tons[2] over the next 3 years.

During FY2018, we invested $136m of capital into Boral North America including: safety upgrades across many Headwaters sites, capacity upgrades at Lake Wales Roofing, expanded capacity at the Kleer trim plant, a new Stone plant in Greencastle Pennsylvania, improvement initiatives at Okeechobee and additional fly ash storage capacity. The returns on these investments are expected to be well above our cost of capital.

1. Refers to distribution and cross selling revenue synergies
2. Based on currently known utility retirements as disclosed by the U.S. Energy Information Administration (EIA) www.eia.gov

FY2019 Outlook

Boral's outlook for FY2019 is for continued strong growth, underpinned by further improvements in volumes and margins in Boral Australia, improved outcomes in USG Boral and further significant earnings growth in Boral North America.

On a divisional basis, we expect the following:

- **Boral Australia to deliver high single-digit EBITDA growth or more in FY2019, excluding Property in both years.** If we include Property in both years, we expect EBITDA to remain at least in line with the prior year. FY2019 Property earnings are expected to be around $20m compared with $63m in FY2018.

  The anticipated year-on-year improvement is underpinned by forecast growth in RHS&B (up 8%)[1] and non-residential demand (up around 10%)[1] more than offsetting the impacts of a moderating housing construction market. Detached housing starts are forecast to be down 5% and multi-residential starts down 13%[2]. Volumes and margins are expected to strengthen in FY2019 relative to FY2018.

- **USG Boral to deliver profit growth of around 10% or more in FY2019.** The FY2019 outlook for USG Boral reflects a forecast moderation in residential construction in our largest markets of Australia and South Korea, and improvements in other countries including China, Indonesia, Thailand and India. The year-on-year improvement in earnings is expected to come through in the second half of FY2019.

- **Boral North America to deliver EBITDA growth of around 20% or more in FY2019** (for continuing operations), reflecting further synergy delivery, operational improvements and underlying market growth. The outlook for Boral North America is based on:
  - expected additional Headwaters acquisition synergies of ~US$25m in FY2019
  - continued growth in underlying market demand, including ~5% growth in housing starts (to ~1.31m), ~3% in repair & remodel, ~2% in non-residential and ~6% in infrastructure[3]
  - growth in fly ash volumes at least in line with cement demand growth and reflecting efforts to increase available supply volumes
  - price growth for most products with margins improving or at least holding across all businesses
  - the Meridian Brick JV delivering positive and improved earnings
  - a return to normal weather patterns, with the spring recovery expected from March 2019.

In FY2019, with the full benefit from the reduction in the US corporate tax rate, Boral's **effective tax rate is expected to be in the range of 21–23%**.

Boral's **interest expense** is expected to reflect a continued **cost of debt of ~4.25–4.50% pa** on a broadly steady net debt position and based on current market forecasts for government cash rates.

Boral's **corporate costs** are expected to be slightly higher in FY2019, primarily due to increased investment of around $4m in product development and innovation.

Franking rates for dividends will continue to be partially franked at or around 50% in line with the relative earnings from Australia in the total portfolio.

Overall, we expect depreciation and amortisation to be in the range of **$380–$400m** in FY2019.

Our expectation for **capital expenditure** for FY2019 is in the range of **$400–450m**, including stay-in-business and growth.

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1. RHSB & Non-residential: average of Macromonitor and BIS Oxford Economics forecasts
2. Housing starts (detached and multi): average of Macromonitor, BIS Oxford Economics and HIA forecasts
3. Housing starts based on average of Dodge, Wells Fargo, NAR, NAHB, Fannie Mae, Freddie Mac and MBA analysts (March 2018); Repair & remodel from Moody's retail sales of building products , June 2018; Non-residential from Dodge & Analytics, square feet area (millions) June 2018; and Infrastructure Ready Mix Demand from McGraw Hill Dodge, June 2018

Results at a Glance

(A$ millions unless stated)	FY2018	FY2017	Change %
Revenue	5,869	4,388	34
EBITDA[1,2]	1,056	720	47
EBITA[1,2]	749	472	59
EBIT[1,2]	688	460	50
Net interest[1]	(104)	(51)	
Profit before tax[1]	585	409	43
Tax[1]	(111)	(67)	
Net profit after tax[1]	**473**	**343**	38
Net significant items	(32)	(46)	
Statutory net profit after tax	**441**	**297**	49
Net profit after tax and before amortisation[1]	**514**	**350**	47
Cash flow from operating activities	578	413	
Gross assets	9,510	9,381[6]	
Funds employed	8,183	7,774	
Liabilities	3,780	3,940[6]	
Net debt / (cash)	2,453	2,333	
Stay-in-business capital expenditure	375	288	
Growth capital expenditure	51	52	
Acquisition capital expenditure	-	3,637	
Depreciation and amortisation	368	260	
Boral employees	11,898	11,499	
Total employees including in joint ventures	17,131	16,475	
Revenue per Boral employee, $ million	0.493	0.382	
Net tangible asset backing, $ per share	1.99	1.79[6]	
EBITDA margin on revenue[1], %	18.0	16.4	
EBIT margin on revenue[1], %	11.7	10.5	
EBIT return on funds employed[1,3], %	8.4	9.2	
EBIT return on average funds employed[1,4] , %	8.6	7.6	
Return on equity[1],%	8.3	6.3	
Gearing			
Net debt/equity, %	43	43	
Net debt/net debt + equity, %	30	30	
Interest cover[1], times	6.6	9.1	
Earnings per share[1], ¢	40.4	33.7	
Dividend per share, ¢	26.5	24.0	
Employee safety[5]: (per million hours worked)			
Lost time injury frequency rate	1.6	1.5	
Recordable injury frequency rate	8.7	8.1	

1. Excludes significant items
2. See page 16 for a reconciliation and explanation of these items
3. Return on funds employed (ROFE) for FY2017 is based on average monthly funds employed to better reflect the impact of the Headwaters acquisition. Based on 30 June 2017 funds employed, ROFE for FY2017 would be reported as 5.9%
4. Calculated as EBIT (before significant items) on the average of opening and closing funds employed for the year
5. Includes employees and contractors in 100%-owned businesses and all joint venture operations regardless of equity interest (note that in prior periods safety data only captured 50%-owned joint ventures)
6. Restated following finalisation of acquisition accounting for Headwaters. Refer Note 21 of the Preliminary Financial Report for the year ended 30 June 2018 for further information

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 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 these non-IFRS measures to reported statutory profit is detailed below:

(A$ millions)		Earnings before significant items	Significant items	Reported Result[1]
Sales revenue		5,869.0	-	5,869.0
Profit before depreciation, amortisation, interest & income tax	**EBITDA**	**1,056.0**	**(101.6)**	**954.4**
Depreciation & amortisation, excluding amortisation of acquired intangibles		(307.4)	-	(307.4)
Profit before amortisation of acquired intangibles, interest & tax	**EBITA**	**748.6**	**(101.6)**	**647.0**
Amortisation of acquired intangibles		(60.2)	-	(60.2)
Profit before interest & income tax	**EBIT**	**688.4**	**(101.6)**	**586.8**
Interest		(103.8)	-	(103.8)
Profit before tax	**PBT**	**584.6**	**(101.6)**	**483.0**
Tax benefit / (expense)		(111.4)	69.4	(42.0)
Net profit after tax	**NPAT**	**473.2**	**(32.2)**	**441.0**
Add back: Amortisation of acquired intangibles		**60.2**		
Less: Tax effect of amortisation of acquired intangibles		(19.5)		
Net profit after tax & before amortisation of acquired intangibles	**NPATA**	**513.9**		
Weighted average number of shares on issue		1,172,331,924		
Basic earnings per share	**EPS**	**40.4**		**37.6**
Basic earnings per share before amortisation of acquired intangibles	**EPSA**	**43.8**		

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 12 months ended 30 June 2018.

The Full Year Financial Report for the 12 months ended 30 June 2018 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.

1. Includes continuing and discontinued operations. Refer page 17 for a reconciliation between the reported result and continuing and discontinued operations

Non – IFRS Information (cont.)

A reconciliation of non-IFRS measures for continuing and discontinued operations to reported statutory profit is detailed below:

(A$ millions)		Continuing operations	Discontinued operations	Total
Sales revenue		5,731.1	137.9	5,869.0
Profit before depreciation, amortisation, interest & income tax	**EBITDA**	**931.5**	22.9	**954.4**
Depreciation & amortisation, excluding amortisation of acquired intangibles		(300.0)	(7.4)	(307.4)
Profit before amortisation of acquired intangibles, interest & tax	**EBITA**	**631.5**	15.5	**647.0**
Amortisation of acquired intangibles		(60.2)	-	(60.2)
Profit before interest & income tax	**EBIT**	**571.3**	15.5	**586.8**
Interest		(103.8)	-	(103.8)
Profit before tax	**PBT**	**467.5**	15.5	**483.0**
Tax benefit / (expense)		(37.0)	(5.0)	(42.0)
Net profit after tax	**NPAT**	**430.5**	**10.5**	**441.0**

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