Build something great™

Boral Limited
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www.boral.com.au

13 February 2018

The Manager, Listings
Australian Securities Exchange
ASX Market Announcements
Level 14, Exchange Centre
20 Bridge Street
Sydney NSW 2000

Dear Sir

Results for announcement to the market – half year ended 31 December 2017

We attach the following:

1. Half Year Report (Appendix 4D) in accordance with ASX Listing Rule 4.2A

2. Results Announcement for the half year ended 31 December 2017 - Media Release

3. Results Announcement for the half year ended 31 December 2017 - Management Discussion & Analysis.

The information contained in this announcement should be read in conjunction with Boral's most recent annual financial report.

Yours faithfully

Dominic Millgate
Company Secretary

Half-Year Financial Report

31 December 2017

Boral Limited
ABN 13 008 421 761

The half-year financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, it is recommended that this report be read in conjunction with the annual report for the year ended 30 June 2017 and any public announcements made by Boral Limited during the half-year in accordance with the continuous disclosure requirements of the Listing Rules of the Australian Securities Exchange.

Boral Limited
ABN 13 008 421 761

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APPENDIX 4D

HALF-YEAR REPORT

13 February 2018

Name of Entity:	**Boral Limited**
ABN:	**13 008 421 761**
For the half year ended:	**31 December 2017**

Results for announcement to the market

				Dec-2017 $m	Dec-2016 $m
Revenue from continuing operations	up	49.7%	to	**2,937.0**	1,961.6
Revenue from discontinued operations				**-**	131.3
Total revenue	**up**	**40.3%**	**to**	**2,937.0**	2,092.9
Profit from continuing operations before net interest expense, income tax and significant items	up	53.2%	to	**316.3**	206.4
Profit from discontinued operations before net interest expense, income tax and significant items				**-**	4.5
Profit before net interest expense, income tax and significant items	up	50.0%	to	**316.3**	210.9
Net interest expense from continuing operations before significant items				**(50.1)**	(27.2)
Profit before income tax and significant items	up	44.9%	to	**266.2**	183.7
Income tax from continuing operations before significant items				**(52.3)**	(34.9)
Income tax from discontinued operations before significant items				**-**	0.2
Net profit before significant items attributable to members	up	43.6%	to	**213.9**	149.0
Significant items from continuing operations net of tax[1]				**(40.9)**	(9.9)
Significant items from discontinued operations net of tax[1]				**-**	15.5
Significant items from equity accounted results[1]				**-**	(1.2)
Net profit attributable to members	**up**	**12.8%**	**to**	**173.0**	153.4

1 Refer note 6 of the attached half-year financial report.

Profit before significant items is a Non IFRS measure reported to provide a greater understanding of the underlying business performance of the Group. The above disclosures are extracted or derived from the financial report for the period ended 31 December 2017, but have not been subject to audit or review.

Dividends	Amount per security	Franked amount per security at 30% tax
Current period: Interim - ordinary	12.5 cents	6.25 cents
Previous corresponding period: Interim - ordinary	12.0 cents	12.0 cents

Record date for determining entitlements to the dividend	20 February 2018
Comparative Period: Half Year ended 31 December 2016	

Commentary on the results for the period

The commentary on the results of the period is contained in the "Results Announcement for the half-year ended 31 December 2017 - Management Discussion and Analysis" dated 13 February 2018.

Directors' Report

The Directors of Boral Limited ("the Company") report on the consolidated entity, being the Company and its controlled entities, for the half-year ended 31 December 2017 ("the half-year"):

1. Review of Operations

The Directors' review of the operations of the consolidated entity during the half-year and the results of those operations are as set out in the attached Results Announcement for the half-year.

2. Names of Directors

The names of persons who have been Directors of the Company during or since the end of the half-year are:

Brian Clark - Chairman
Mike Kane - Chief Executive Officer and Managing Director
Catherine Brenner
Eileen Doyle
Kathryn Fagg
John Marlay
Karen Moses
Paul Rayner

All of those persons have been Directors at all times during and since the end of the half-year.

3. Lead Auditor's Independence Declaration

The lead auditor's independence declaration made under Section 307C of the *Corporations Act 2001* is set out on page 2 and forms part of this Directors' Report.

4. Rounding of Amounts

Unless otherwise expressly stated, amounts have been rounded off to the nearest whole number of millions of dollars and one place of decimals representing hundreds of thousands of dollars in accordance with ASIC Corporations Instrument 2016/191, dated 24 March 2016. Amounts shown as "–" represent zero amounts and amounts less than $50,000 which have been rounded down.

Signed in accordance with a resolution of the Directors.

Brian Clark   MKane

Dr Brian Clark
Director

Mike Kane
Director

Sydney, 13 February 2018

Lead Auditor's Independence Declaration

under Section 307C of the Corporations Act 2001

To: The Directors of Boral Limited

I declare that, to the best of my knowledge and belief, in relation to the review for the half-year ended 31 December 2017 there have been:

(i) no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the review; and

(ii) no contraventions of any applicable code of professional conduct in relation to the review.

KPMG

KPMG

Kevin Leighton
Partner

Sydney, 13 February 2018

Income Statement

BORAL LIMITED AND CONTROLLED ENTITIES

	Note	**Half-Year 31 Dec 2017 $m**	Half-Year 31 Dec 2016 $m
Continuing operations			
Revenue	4	**2,937.0**	1,961.6
Cost of sales		**(2,019.6)**	(1,289.0)
Selling and distribution expenses		**(455.7)**	(372.0)
Administrative expenses		**(199.6)**	(146.7)
		(2,674.9)	(1,807.7)
Other income		**6.0**	2.8
Other expenses		**(56.2)**	(13.9)
Share of equity accounted income	9	**48.5**	49.9
Profit before net interest expense and income tax		**260.4**	192.7
Interest income		**0.8**	7.2
Interest expense		**(50.9)**	(34.4)
Net interest expense		**(50.1)**	(27.2)
Profit before income tax		**210.3**	165.5
Income tax expense	5	**(37.3)**	(32.3)
Profit from continuing operations		**173.0**	133.2
Discontinued operations			
Profit from discontinued operations (net of income tax)	3	**-**	20.2
Net profit attributable to members of the parent entity		**173.0**	153.4
Basic earnings per share	7	**14.8c**	17.7c
Diluted earnings per share	7	**14.7c**	17.5c
Continuing operations			
Basic earnings per share	7	**14.8c**	15.4c
Diluted earnings per share	7	**14.7c**	15.2c

The Income Statement should be read in conjunction with the accompanying notes which form an integral part of the half-year financial report.

Statement of Comprehensive Income

BORAL LIMITED AND CONTROLLED ENTITIES

	Half-Year 31 Dec 2017 $m	Half-Year 31 Dec 2016 $m
Net profit	**173.0**	153.4
Other comprehensive income		
Items that may be reclassified subsequently to Income Statement:		
Net exchange differences from translation of foreign operations taken to equity	**(19.7)**	1.8
Foreign currency translation reserve transferred to net profit on disposal of controlled entities	**-**	(24.5)
Fair value adjustment on cash flow hedges	**3.3**	36.9
Income tax on items that may be reclassified subsequently to Income Statement	**0.1**	(7.0)
Total comprehensive income for the half-year attributable to members of the parent entity	**156.7**	160.6

The Statement of Comprehensive Income should be read in conjunction with the accompanying notes which form an integral part of the half-year financial report.

Balance Sheet

BORAL LIMITED AND CONTROLLED ENTITIES

	Note	**31 Dec 2017 $m**	30 Jun 2017 $m
CURRENT ASSETS			
Cash and cash equivalents		**148.3**	237.8
Receivables		**777.7**	873.6
Inventories		**588.2**	606.6
Financial assets		**7.3**	3.8
Other assets		**43.8**	41.9
TOTAL CURRENT ASSETS		**1,565.3**	1,763.7
NON-CURRENT ASSETS			
Receivables		**30.7**	30.4
Inventories		**13.9**	13.1
Investments accounted for using the equity method		**1,380.0**	1,353.7
Financial assets		**32.6**	31.8
Property, plant and equipment		**2,757.6**	2,755.7
Intangible assets		**3,140.0**	3,208.6
Deferred tax assets		**114.6**	128.4
Other assets		**26.6**	28.2
TOTAL NON-CURRENT ASSETS		**7,496.0**	7,549.9
TOTAL ASSETS		**9,061.3**	9,313.6
CURRENT LIABILITIES			
Trade creditors		**626.3**	812.4
Loans and borrowings	11	**398.9**	407.4
Financial liabilities		**20.8**	15.4
Current tax liabilities		**55.2**	64.1
Employee benefit liabilities		**116.2**	115.5
Provisions		**51.6**	53.5
TOTAL CURRENT LIABILITIES		**1,269.0**	1,468.3
NON-CURRENT LIABILITIES			
Loans and borrowings	11	**2,115.1**	2,163.7
Financial liabilities		**13.1**	10.9
Employee benefit liabilities		**41.5**	44.4
Provisions		**157.3**	157.5
Other liabilities		**26.9**	28.3
TOTAL NON-CURRENT LIABILITIES		**2,353.9**	2,404.8
TOTAL LIABILITIES		**3,622.9**	3,873.1
NET ASSETS		**5,438.4**	5,440.5
EQUITY			
Issued capital	12	**4,265.1**	4,265.1
Reserves	13	**(15.1)**	19.3
Retained earnings		**1,188.4**	1,156.1
TOTAL EQUITY		**5,438.4**	5,440.5

The Balance Sheet should be read in conjunction with the accompanying notes which form an integral part of the half-year financial report.

Statement of Changes in Equity

BORAL LIMITED AND CONTROLLED ENTITIES

	Issued capital $m	Reserves $m	Retained earnings $m	Total Equity $m
Balance at 1 July 2017	**4,265.1**	**19.3**	**1,156.1**	**5,440.5**
Net profit	**-**	**-**	**173.0**	**173.0**
Other comprehensive income				
Translation of net assets of overseas entities	**-**	**(16.0)**	**-**	**(16.0)**
Translation of long-term borrowings and foreign currency forward contracts	**-**	**(3.7)**	**-**	**(3.7)**
Fair value adjustment on cash flow hedges	**-**	**3.3**	**-**	**3.3**
Income tax relating to other comprehensive income	**-**	**0.1**	**-**	**0.1**
Total comprehensive income	**-**	**(16.3)**	**173.0**	**156.7**
Transactions with owners in their capacity as owners				
Share acquisition rights vested	**-**	**(22.4)**	**-**	**(22.4)**
Dividend paid	**-**	**-**	**(140.7)**	**(140.7)**
Share-based payment	**-**	**4.3**	**-**	**4.3**
Total transactions with owners in their capacity as owners	**-**	**(18.1)**	**(140.7)**	**(158.8)**
Balance at 31 December 2017	**4,265.1**	**(15.1)**	**1,188.4**	**5,438.4**
Balance at 1 July 2016	2,246.2	162.0	1,098.1	3,506.3
Net profit	-	-	153.4	153.4
Other comprehensive income				
Translation of net assets of overseas entities	-	15.5	-	15.5
Translation of long-term borrowings and foreign currency forward contracts	-	(13.7)	-	(13.7)
Foreign currency translation reserve transferred to net profit on disposal of controlled entities	-	(24.5)	-	(24.5)
Fair value adjustment on cash flow hedges	-	36.9	-	36.9
Income tax relating to other comprehensive income	-	(7.0)	-	(7.0)
Total comprehensive income	-	7.2	153.4	160.6
Transactions with owners in their capacity as owners				
Share acquisition rights vested	-	(3.6)	-	(3.6)
Dividend paid	-	-	(85.5)	(85.5)
Shares issued under capital raising net of costs	2,017.7	-	-	2,017.7
Share-based payment	-	8.1	-	8.1
Total transactions with owners in their capacity as owners	2,017.7	4.5	(85.5)	1,936.7
Balance at 31 December 2016	4,263.9	173.7	1,166.0	5,603.6

The Statement of Changes in Equity should be read in conjunction with the accompanying notes which form an integral part of the half-year financial report.

Statement of Cash Flows

BORAL LIMITED AND CONTROLLED ENTITIES

	Note	**Half-Year 31 Dec 2017 $m**	Half-Year 31 Dec 2016 $m
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		**3,200.2**	2,237.0
Payments to suppliers and employees		**(2,839.3)**	(2,062.5)
		360.9	174.5
Dividends received		**36.1**	49.2
Interest received		**0.8**	7.2
Borrowing costs paid		**(43.2)**	(33.5)
Income taxes paid		**(56.4)**	(27.1)
Restructure, acquisition and integration costs paid	15	**(82.1)**	(12.3)
Net cash provided by operating activities		**216.1**	158.0
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		**(164.0)**	(140.7)
Purchase of intangibles		**-**	(2.8)
Purchase of controlled entities and businesses		**-**	(8.6)
Repayment of loans (to)/by associates		**(5.6)**	3.2
Proceeds on disposal of non-current assets		**10.8**	19.6
Proceeds on disposal of controlled entities and associates (net of transaction costs)		**7.6**	125.8
Net cash used in investing activities		**(151.2)**	(3.5)
CASH FLOWS FROM FINANCING ACTIVITIES			
Capital raising net of transaction costs		**-**	2,017.7
Dividends paid		**(140.7)**	(85.5)
Proceeds from borrowings		**1,228.5**	-
Repayment of borrowings		**(1,241.6)**	(0.2)
Net cash provided by/(used in) financing activities		**(153.8)**	1,932.0
NET CHANGE IN CASH AND CASH EQUIVALENTS		**(88.9)**	2,086.5
Cash and cash equivalents at the beginning of the year		**237.8**	452.1
Effects of exchange rate fluctuations on the balances of cash and cash equivalents held in foreign currencies		**(0.6)**	0.8
Cash and cash equivalents at the end of the half-year	15	**148.3**	2,539.4

The Statement of Cash Flows should be read in conjunction with the accompanying notes which form an integral part of the half-year financial report.

Notes to the Financial Report

BORAL LIMITED AND CONTROLLED ENTITIES

1. ACCOUNTING POLICIES

Boral Limited is a company domiciled in Australia. The consolidated half-year financial report of Boral Limited as at and for the half-year ended 31 December 2017 comprises Boral Limited and its controlled entities (the "Group").

(a) Basis of Preparation

The half-year consolidated financial report is a general purpose financial report which has been prepared in accordance with Accounting Standard AASB 134 *Interim Financial Reporting* and the Corporations Act 2001. The financial report also complies with IAS 34 *Interim Financial Reporting*.

The half-year financial report does not include full note disclosures of the type normally included in an annual financial report. As a result the half-year financial report should be read in conjunction with the 30 June 2017 Annual Financial Report and any public announcements by Boral Limited and its controlled entities during the half-year in accordance with continuous disclosure obligations under the Corporations Act 2001.

The half-year financial report was authorised for issue by the Directors on 13 February 2018.

The half-year financial report is presented in Australian dollars.

(b) Significant Accounting Policies

The accounting policies have been consistently applied by each entity in the consolidated entity and are consistent with those applied in the 30 June 2017 Annual Financial Report. The half-year financial report has been prepared on the basis of historical cost, except where assets and liabilities are stated at their fair values in accordance with relevant accounting policies.

The preparation of a financial report in conformity with Australian Accounting Standards requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis.

(c) Changes in Accounting Policies

Adoption of new and revised accounting standards

The Group has adopted all new and amended Australian Accounting Standards and Australian Accounting Standards Board (AASB) interpretations that are mandatory for the current reporting period and relevant to the Group. Adoption of these standards and interpretations has not resulted in any material changes to the Group's half-year financial report.

The Group has early adopted AASB 9 *Financial Instruments* as issued in December 2014. The new standard provides greater flexibility going forward with respect to the Group’s hedging arrangements, compared with the requirements of the previous Accounting Standard AASB 139 *Financial Investments: Recognition and Measurement*.

The adoption of this standard has no material impact on the measurement of the Group’s financial assets. The Group has elected to apply the standard retrospectively, however there is no restatement of prior period comparatives as there has been no material impact. Under the adoption of AASB 9, cash and cash equivalents, trade receivables and other receivables continue to be measured at amortised cost.

With the adoption of AASB 9, the Group assesses on a forward looking basis the expected credit losses associated with assets carried at amortised cost and fair value through other comprehensive income. For trade receivables only, the Group applies the simplified approach permitted by AASB 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables. The change in policy did not result in any material impact to the carrying value of the Group’s assets.

On adoption of AASB 9, the Group adopted the AASB 9 hedge accounting model. The adoption of AASB 9 has changed the Group’s accounting policies by simplifying and improving hedge accounting for the Group and means that the accounting results will better align with its risk management practices. The adoption of AASB 9 does not impact the original carrying amount of the Group’s financial assets and liabilities, previously measured under AASB 139.

Notes to the Financial Report

BORAL LIMITED AND CONTROLLED ENTITIES

1. ACCOUNTING POLICIES (continued)

(d) Comparative Figures

Where necessary to facilitate comparison, comparative figures have been adjusted to conform with changes in presentation in the current financial year.

(e) Rounding of Amounts

Unless otherwise expressly stated, amounts have been rounded off to the nearest whole number of millions of dollars and one place of decimals representing hundreds of thousands of dollars in accordance with ASIC Corporations Instrument 2016/191, dated 24 March 2016. Amounts shown as "–" represent zero amounts and amounts less than $50,000 which have been rounded down.

Notes to the Financial Report

BORAL LIMITED AND CONTROLLED ENTITIES

2. SEGMENTS

An operating segment is a component of an entity that engages in business activities from which it may earn revenue and incur expenses, whose operating results are regularly reviewed by the Group's chief operating decision maker in order to effectively allocate Group resources and assess performance.

The Group has identified its operating segments based on the internal reports that are reviewed and used by the CEO and Managing Director in assessing performance and in determining the allocation of resources. The operating segments are identified by the Group based on consideration of the nature of the services provided as well as the geographical region. Discrete financial information about each of these operating businesses is reported to the CEO and Managing Director on a recurring basis.

The following summary describes the operations of the Group's reportable segments:

Boral Australia	- Construction Materials & Cement (comprising quarries, concrete, asphalt, transport, landfill, property, cement and concrete placing) and Building Products (comprising West Coast bricks, roofing, masonry and timber products).
USG Boral	- 50/50 joint venture between USG Corporation and Boral Limited responsible for the manufacture and sale of plasterboard and associated products.
Boral North America*	- Construction Materials (comprising fly ash, block and Denver construction materials), Building Products (comprising stone, roofing, light building products and windows), and 50% share of the Meridian Brick joint venture, which was formed on 1 November 2016. Prior year comparatives also include US bricks up to the disposal date of 31 October 2016.
Discontinued Operations	- Boral CSR bricks joint venture, disposed on 31 October 2016.
Unallocated	- Non-trading operations and unallocated corporate costs.

* The results of the US bricks operations for the prior year comparative period is shown as part of "Boral North America" in the Segment note and "Discontinued Operations" in the Income Statement.

The major end use markets for Boral's products include residential and non-residential construction and the engineering and infrastructure markets.

Inter-segment pricing is determined on an arm's-length basis.

The Group has a large number of customers to which it provides products, with no single customer responsible for more than 10% of the Group's revenue.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

Reconciliations of reportable segment revenues and profits	Note	**Half-Year 31 Dec 2017 $m**	Half-Year 31 Dec 2016 $m
External revenue		**2,937.0**	2,092.9
Less: Revenue from discontinued operations	3	**-**	(131.3)
Revenue from continuing operations		**2,937.0**	1,961.6
Profit before tax			
Profit before net interest expense and income tax from reportable segments		**260.4**	236.2
Less: Profit before net interest expense and income tax from discontinued operations	3	**-**	(43.5)
Profit before net interest expense and income tax from continuing operations		**260.4**	192.7
Net interest expense from continuing operations		**(50.1)**	(27.2)
Profit before tax from continuing operations		**210.3**	165.5

Notes to the Financial Report

BORAL LIMITED AND CONTROLLED ENTITIES

2. SEGMENTS (continued)

	Boral Australia		USG Boral		Boral North America*		Discontinued Operations		Unallocated		Total	
	Half-Year 31 Dec 2017 $m	Half-Year 31 Dec 2016 $m	**Half-Year 31 Dec 2017 $m**	Half-Year 31 Dec 2016 $m	**Half-Year 31 Dec 2017 $m**	Half-Year 31 Dec 2016 $m	**Half-Year 31 Dec 2017 $m**	Half-Year 31 Dec 2016 $m	**Half-Year 31 Dec 2017 $m**	Half-Year 31 Dec 2016 $m	**Half-Year 31 Dec 2017 $m**	Half-Year 31 Dec 2016 $m
External Revenue	**1,804.3**	1,615.7	**-**	-	**1,132.7**	477.2	**-**	-	**-**	-	**2,937.0**	2,092.9
Profit/(loss) before depreciation, amortisation, interest, income tax expense and significant items (EBITDA)	**294.4**	263.9	**38.2**	39.9	**184.1**	40.6	**-**	5.0	**(16.5)**	(16.3)	**500.2**	333.1
Depreciation and amortisation, excluding amortisation of acquired intangibles	**(100.4)**	(99.6)	**-**	-	**(49.3)**	(21.6)	**-**	-	**(0.3)**	(0.3)	**(150.0)**	(121.5)
Profit/(loss) before amortisation of acquired intangibles, interest, income tax expense and significant items (EBITA)	**194.0**	164.3	**38.2**	39.9	**134.8**	19.0	**-**	5.0	**(16.8)**	(16.6)	**350.2**	211.6
Amortisation of acquired intangibles	**-**	-	**-**	-	**(33.9)**	(0.7)	**-**	-	**-**	-	**(33.9)**	(0.7)
Profit/(loss) before interest, income tax and significant items (EBIT)	**194.0**	164.3	**38.2**	39.9	**100.9**	18.3	**-**	5.0	**(16.8)**	(16.6)	**316.3**	210.9
Significant items before income tax expense	**(23.8)**	-	**-**	-	**(32.1)**	(13.7)	**-**	39.0	**-**	-	**(55.9)**	25.3
Profit/(loss) before interest and income tax expense	**170.2**	164.3	**38.2**	39.9	**68.8**	4.6	**-**	44.0	**(16.8)**	(16.6)	**260.4**	236.2
Equity accounted income before significant items	**12.5**	11.6	**38.2**	39.9	**(2.2)**	(0.4)	**-**	5.0	**-**	-	**48.5**	56.1
Significant items	**-**	-	**-**	-	**-**	(1.2)	**-**	-	**-**	-	**-**	(1.2)
Equity accounted income after significant items	**12.5**	11.6	**38.2**	39.9	**(2.2)**	(1.6)	**-**	5.0	**-**	-	**48.5**	54.9

* The results of the US bricks operations for the prior year comparative period is shown as part of "Boral North America" in the Segment note and "Discontinued Operations" in the Income Statement.

Effective 1 July 2017, Boral elected to record the depreciation of molds as depreciation expense in order to align with Headwater's treatment of the depreciation of molds. If this policy was applied effective 1 July 2016, depreciation and amortisation excluding amortisation of acquired intangibles for Boral North America would have increased from $21.6 million to $29.8 million, and profit/(loss) before depreciation, amortisation, interest, income tax expense and significant items (EBITDA) would have increased from $40.6 million to $48.8 million for the half year ended 31 December 2016. There would have been no change to profit/(loss) before interest, income tax and significant items (EBIT).

Notes to the Financial Report

BORAL LIMITED AND CONTROLLED ENTITIES

2. SEGMENTS (continued)

	Boral Australia		USG Boral		Boral North America*		Discontinued Operations		Unallocated		Total	
	Half-Year 31 Dec 2017 $m	Full Year 30 Jun 2017 $m	**Half-Year 31 Dec 2017 $m**	Full Year 30 Jun 2017 $m	**Half-Year 31 Dec 2017 $m**	Full Year 30 Jun 2017 $m	**Half-Year 31 Dec 2017 $m**	Full Year 30 Jun 2017 $m	**Half-Year 31 Dec 2017 $m**	Full Year 30 Jun 2017 $m	**Half-Year 31 Dec 2017 $m**	Full Year 30 Jun 2017 $m
Segment assets (excluding equity accounted investments)	**3,018.9**	3,050.2	**-**	-	**4,379.8**	4,526.9	**-**	-	**19.7**	16.6	**7,418.4**	7,593.7
Equity accounted investments	**21.4**	19.8	**960.3**	931.1	**398.3**	402.8	**-**	-	**-**	-	**1,380.0**	1,353.7
	3,040.3	3,070.0	**960.3**	931.1	**4,778.1**	4,929.7	**-**	-	**19.7**	16.6	**8,798.4**	8,947.4
Cash and cash equivalents											**148.3**	237.8
Deferred tax assets											**114.6**	128.4
Total assets	**3,040.3**	3,070.0	**960.3**	931.1	**4,778.1**	4,929.7	**-**	-	**19.7**	16.6	**9,061.3**	9,313.6
Segment liabilities	**590.1**	681.3	**-**	-	**349.8**	428.6	**-**	-	**113.8**	128.0	**1,053.7**	1,237.9
Loans and borrowings											**2,514.0**	2,571.1
Tax liabilities											**55.2**	64.1
Total liabilities	**590.1**	681.3	**-**	-	**349.8**	428.6	**-**	-	**113.8**	128.0	**3,622.9**	3,873.1

	Half-Year 31 Dec 2017 $m	Half-Year 31 Dec 2016 $m	**Half-Year 31 Dec 2017 $m**	Half-Year 31 Dec 2016 $m	**Half-Year 31 Dec 2017 $m**	Half-Year 31 Dec 2016 $m	**Half-Year 31 Dec 2017 $m**	Half-Year 31 Dec 2016 $m	**Half-Year 31 Dec 2017 $m**	Half-Year 31 Dec 2016 $m	**Half-Year 31 Dec 2017 $m**	Half-Year 31 Dec 2016 $m
Acquisition of segment assets**	**110.6**	122.8	**-**	-	**53.2**	20.7	**-**	-	**0.2**	-	**164.0**	143.5

* The results of the US bricks operations for the prior year comparative period is shown as part of "Boral North America" in the Segment note and "Discontinued Operations" in the Income Statement.

** Excludes amounts attributable to the acquisition of controlled entities and businesses.

Notes to the Financial Report

BORAL LIMITED AND CONTROLLED ENTITIES

2. SEGMENTS (continued)

Geographical location

In presenting information on a geographical basis, assets are based on the geographical location of the assets.

	NON-CURRENT ASSETS	
	Half-Year 31 Dec 2017 $m	Full Year 30 Jun 2017 $m
Australia	**2,457.9**	2,449.7
Asia	**653.2**	625.0
United States of America	**4,094.4**	4,176.0
Other	**143.3**	139.0
	7,348.8	7,389.7
Deferred tax assets	**114.6**	128.4
Financial assets	**32.6**	31.8
	7,496.0	7,549.9

Product

	EXTERNAL REVENUE BY PRODUCT	
	Half-Year 31 Dec 2017 $m	Half-Year 31 Dec 2016 $m
Concrete	**861.8**	751.0
Asphalt	**371.1**	299.5
Fly ash	**358.7**	62.5
Roofing	**246.0**	170.6
Quarry products	**209.9**	213.7
Stone	**171.6**	79.1
Light building products	**166.8**	13.9
Cement	**156.5**	153.8
Windows	**95.0**	-
Bricks	**36.7**	174.6
Other	**262.9**	174.2
	2,937.0	2,092.9

Notes to the Financial Report

BORAL LIMITED AND CONTROLLED ENTITIES

3. DISCONTINUED OPERATIONS AND DISPOSALS

Discontinued operations

During the period, there were no business operations that required reclassification to "Discontinued Operations" in the Income Statement.

The prior year comparatives include the discontinued operations relating to the Boral CSR bricks joint venture and US bricks operations.

	Note	**Half-Year 31 Dec 2017 $m**	Half-Year 31 Dec 2016 $m
Results of discontinued operations			
Revenue		-	131.3
Expenses		-	(131.8)
Share of equity accounted income		-	5.0
Trading profit before significant items, net interest expense and income tax		-	4.5
Net gain on sale of discontinued operations	6	-	39.0
Profit before income tax		-	43.5
Income tax expense	5	-	(23.3)
Net profit attributable to members of the parent entity		-	20.2
Cash flows of discontinued operations			
Net cash used in operating activities		-	(0.6)
Net cash provided by investing activities		-	120.5
Net cash provided by discontinued operations		-	119.9

Disposal of Headwaters Energy business

During October 2017, the Group disposed the Headwaters Energy business for net proceeds of $16.8 million, including $7.6 million received on settlement and $9.2 million to be received in annual instalments from October 2018 to October 2021. No gain or loss was generated on the sale of this business.

The disposal of the Headwaters Energy business has not been recorded as a discontinued operation as it is not considered a material business of the Group.

Notes to the Financial Report

BORAL LIMITED AND CONTROLLED ENTITIES

	Note	**Half-Year 31 Dec 2017 $m**	Half-Year 31 Dec 2016 $m
4. REVENUE FROM CONTINUING OPERATIONS			
Sale of goods		**2,802.6**	1,928.4
Rendering of services		**134.4**	33.2
Revenue from continuing operations		**2,937.0**	1,961.6

5. INCOME TAX EXPENSE

Reconciliation of income tax expense to prima facie tax

	Note	**Half-Year 31 Dec 2017 $m**	Half-Year 31 Dec 2016 $m
Income tax expense on profit at Australian tax rates 30% (2016: 30%)		**63.1**	62.7
Variation between Australian and overseas tax rates		**0.9**	0.4
Share of associates' net income		**(14.8)**	(16.4)
Tax benefit arising from share acquisition rights vested		**(6.7)**	(1.1)
Adjustments for sale of business		**-**	14.2
Change in US federal tax rate	6	**6.4**	-
Income tax losses realised	6	**(6.4)**	-
Other items		**(5.2)**	(4.2)
Income tax expense		**37.3**	55.6
Income tax expense relating to continuing operations		**37.3**	32.3
Income tax expense relating to discontinued operations		**-**	23.3
		37.3	55.6

Notes to the Financial Report

BORAL LIMITED AND CONTROLLED ENTITIES

6. SIGNIFICANT ITEMS

December 2017

Net profit includes the following significant items, which relate to material transactions that are disclosed separately in order to better explain financial performance. Management considers significant items when assessing performance of the Group, and in order to provide a meaningful and consistent representation of the underlying performance of each operating segment and the Boral Group.

Significant items is not a defined performance measure in IFRS. The Company's definition of significant items may not be comparable with similarly titled performance measures and disclosures by other entities.

	Headwaters integration costs (i) $m	Waurn Ponds rehabilitation and closure costs (ii) $m	Reassessment of US tax balances (iii) $m	Total $m
Summary of significant items from continuing operations				
Loss before interest and tax	(32.1)	(23.8)	-	(55.9)
Income tax benefit	7.9	7.1	-	15.0
Net significant items from continuing operations	(24.2)	(16.7)	-	(40.9)

(i) Headwaters integration costs

During the period, $32.1 million of costs have been incurred on the integration of the Headwaters business into the Boral North America business, which forms part of the implementation costs of US$90 million - $100 million expected over financial years 2018 and 2019. The costs during the period predominantly relate to redundancies, employee incentives implemented by Headwaters, consultant fees supporting the integration, integration of IT systems, brand consolidation, and asset impairments upon consolidation of the Boral and Headwaters concrete roofing business.

(ii) Waurn Ponds rehabilitation and closure costs

During the period, the organisation has continued to develop plans to improve our cement position in Victoria. This has led to a reassessment of the expected end use of the Waurn Ponds cement facility, resulting in the recognition of a provision of $23.8 million with respect to rehabilitation of the limestone quarry attached to the facility.

(iii) Reassessment of US tax balances

On 22 December 2017, a tax bill, H.R. 1, was enacted into US law. This triggered a revaluation of the carrying value of deferred tax balances associated with the Boral North America division, primarily as a result of a reduction in the federal tax rate from 35% to 21%.

The reduction in tax rate has resulted in a net tax expense of A$6.4 million, reflecting a reduction in the carrying value of:
• Deferred tax assets relating to US tax losses of A$106.0 million; and
• Deferred tax liabilities relating to timing differences of A$99.6 million.

In addition, the Group has reassessed its US tax losses which have not been recognised on the Balance Sheet, given improved earnings following the acquisition of Headwaters Incorporated in May 2017. This has led to a benefit of A$6.4 million being recorded during the period.

The net impact of the above adjustments on income tax expense is nil.

As at 31 December 2017, the Group has unrecognised US tax losses of A$62.5 million (US$48.8 million).

Notes to the Financial Report

BORAL LIMITED AND CONTROLLED ENTITIES

6. SIGNIFICANT ITEMS (continued)

December 2016

		Note	Sale of Business $m	Redundancies & Restructure $m	Acquisition Costs $m	Total $m
Gain on disposal of Boral CSR bricks joint venture	Discontinued	(i)	35.8	-	-	35.8
Gain on disposal of US bricks	Discontinued	(ii)	12.1	-	-	12.1
Meridian Brick joint venture restructure	Continuing	(iii)	-	(1.2)	-	(1.2)
Headwaters acquisition costs	Continuing	(iv)	-	-	(12.5)	(12.5)
Adjustment to disposal of Thailand Construction Materials	Discontinued	(v)	(8.9)	-	-	(8.9)
			39.0	(1.2)	(12.5)	25.3

	Sale of Business $m	Redundancies & Restructure $m	Acquisition Costs $m	Total $m
Continuing operations				
Other expenses	-	-	(12.5)	(12.5)
Share of equity accounted income	-	(1.2)	-	(1.2)
Discontinued operations	39.0	-	-	39.0
	39.0	(1.2)	(12.5)	25.3

	Sale of Business $m	Redundancies & Restructure $m	Acquisition Costs $m	Total $m
Summary of significant items from continuing operations				
Loss before interest and tax	-	(1.2)	(12.5)	(13.7)
Income tax benefit	-	0.3	2.3	2.6
Net significant items from continuing operations	-	(0.9)	(10.2)	(11.1)
Summary of significant items from discontinued operations				
Profit before interest and tax	39.0	-	-	39.0
Income tax expense	(23.5)	-	-	(23.5)
Net significant items from discontinued operations	15.5	-	-	15.5
Summary of significant items				
Profit/(loss) before interest and tax	39.0	(1.2)	(12.5)	25.3
Income tax (expense)/benefit	(23.5)	0.3	2.3	(20.9)
Net significant items	15.5	(0.9)	(10.2)	4.4

Notes to the Financial Report

BORAL LIMITED AND CONTROLLED ENTITIES

6. SIGNIFICANT ITEMS (continued)

December 2016 Significant items

(i) Gain on disposal of Boral CSR bricks joint venture

On 31 October 2016, the Group disposed of its 40% interest in the Boral CSR bricks joint venture. This resulted in a net gain of $35.8 million.

(ii) Gain on disposal of US bricks

During the prior comparative period, the Group entered into an agreement with an affiliate of Forterra Inc. ("Forterra"), to combine its US Bricks business with Forterra US and Canadian businesses into two 50/50 owned joint ventures. On disposal of its interest, Boral deconsolidated its existing US Bricks business, and recognised an equity accounted investment in respect of its 50% shareholding in each of the US and Canadian entities, that operate as the Meridian Brick joint venture. This resulted in a net gain of $12.1 million.

(iii) Meridian Brick joint venture restructure

Following formation of the Meridian Brick joint venture, restructuring and integration costs of $1.2 million were incurred, as the joint venture commenced plant rationalisation and an organisational restructure, in order to achieve targeted synergies and streamline the organisation for optimal performance.

(iv) Headwaters acquisition costs

Costs of $12.5 million were incurred in relation to the acquisition of Headwaters Incorporated, mostly related to various due diligence costs.

(v) Adjustment to disposal of Thailand Construction Materials

This relates to additional costs attributable to the finalisation of working capital adjustments from the sale of the Thailand Construction Materials' business in December 2012.

Segment summary of significant items before interest and tax	**Half-Year 31 Dec 2017 $m**	Half-Year 31 Dec 2016 $m
Boral Australia	(23.8)	-
Boral North America	(32.1)	(13.7)
Discontinued Operations	-	39.0
	(55.9)	25.3

Notes to the Financial Report

BORAL LIMITED AND CONTROLLED ENTITIES

7. EARNINGS PER SHARE

Classification of securities as ordinary shares

Only ordinary shares have been included in basic earnings per share.

Classification of securities as potential ordinary shares

Options outstanding under the Executive Share Option Plan and Share Performance Rights have been classified as potential ordinary shares and are included in diluted earnings per share only.

Calculation of Weighted Average number of ordinary shares

The calculation for the comparative periods have been adjusted to reflect the bonus element in the renounceable entitlement offer which occurred during November and December 2016.

	Half-Year 31 Dec 2017	Half-Year 31 Dec 2016
Weighted average number of ordinary shares used as the denominator		
Number for basic earnings per share	**1,172,331,924**	864,902,133
Effect of potential ordinary shares	**7,528,973**	10,127,392
Number for diluted earnings per share	**1,179,860,897**	875,029,525

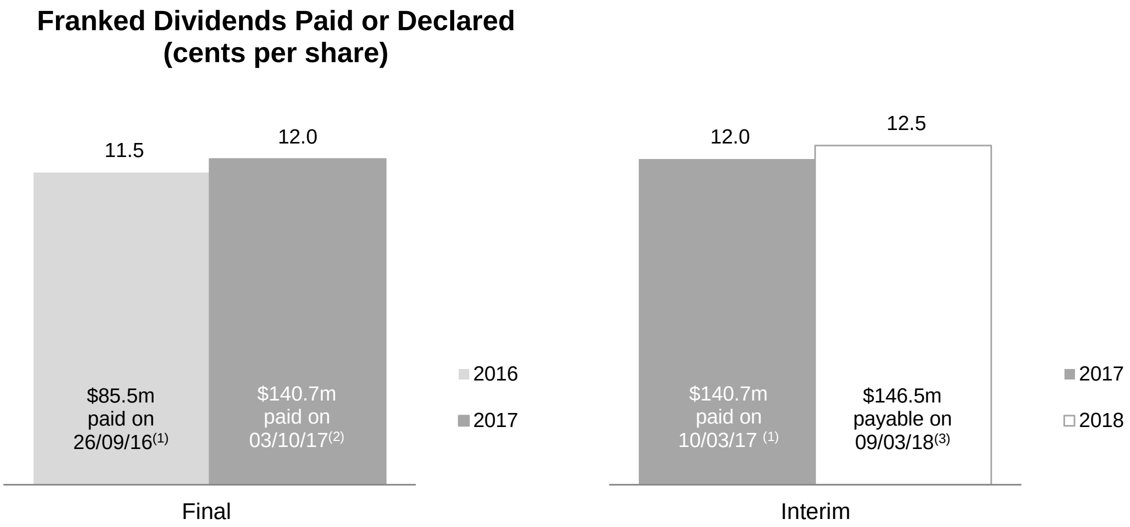
	Continuing operations	**Discontinued operations**	**Total**	Continuing operations	Discontinued operations	Total
	Half-Year 31 Dec 2017 $m	**Half-Year 31 Dec 2017 $m**	**Half-Year 31 Dec 2017 $m**	Half-Year 31 Dec 2016 $m	Half-Year 31 Dec 2016 $m	Half-Year 31 Dec 2016 $m
Earnings reconciliation						
Net profit attributable to members of the parent entity excluding significant items	**213.9**	**-**	**213.9**	144.3	4.7	149.0
Net significant items (refer note 6)	**(40.9)**	**-**	**(40.9)**	(11.1)	15.5	4.4
Net profit attributable to members of the parent entity	**173.0**	**-**	**173.0**	133.2	20.2	153.4
Basic earnings per share	**14.8c**	**-**	**14.8c**	15.4c	2.3c	17.7c
Diluted earnings per share	**14.7c**	**-**	**14.7c**	15.2c	2.3c	17.5c
Basic earnings per share (excluding significant items)	**18.2c**	**-**	**18.2c**	16.7c	0.5c	17.2c
Diluted earnings per share (excluding significant items)	**18.1c**	**-**	**18.1c**	16.5c	0.5c	17.0c

The average market value of the Company's shares for the purpose of calculating the dilutive effect of share options was based on quoted market prices for the period that the options were outstanding.

Notes to the Financial Report

BORAL LIMITED AND CONTROLLED ENTITIES

8. DIVIDENDS



(1) Declared, paid and fully franked.

(2) Declared, paid and 50% franked.

(3) Estimated interim dividend payable, 50% franked, subject to variations in number of shares up to record date. The financial effect of the interim dividend for December 2017 has not been brought to account in the financial report for the period ended 31 December 2017 but will be recognised in subsequent financial reports.

Dividend Reinvestment Plan

The Group's Dividend Reinvestment Plan, which was suspended following the interim dividend paid on 24 March 2014, will remain suspended until further notice.

Notes to the Financial Report

BORAL LIMITED AND CONTROLLED ENTITIES

9. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

Name	Principal activity	Balance date	OWNERSHIP INTEREST 31 Dec 2017 %	30 Jun 2017 %
DETAILS OF EQUITY ACCOUNTED INVESTMENTS				
Bitumen Importers Australia Pty Ltd	Bitumen importer	30-Jun	**50**	50
Caribbean Roof Tile Company Limited	Roof tiles	31-Dec	**50**	50
Flyash Australia Pty Ltd	Fly ash collection	31-Dec	**50**	50
Highland Pine Products Pty Ltd	Timber	30-Jun	**50**	50
Meridian Brick [1]	Bricks	30-Jun	**50**	50
Penrith Lakes Development Corporation Ltd	Property development	30-Jun	**40**	40
South East Asphalt Pty Ltd	Asphalt	30-Jun	**50**	50
Sunstate Cement Ltd	Cement manufacturer	30-Jun	**50**	50
USG Boral Building Products [2]	Plasterboard	30-Jun	**50**	50
US Tile LLC	Roof tiles	31-Dec	**50**	50

1. The Group has a 50% interest in the joint ventures in the USA (Meridian Brick LLC) and Canada (Meridian Brick Canada Ltd). The results were equity accounted from 1 November 2016 when the joint venture was formed.
2. The Group has a 50% interest in the Gypsum joint ventures in Australia (USG Boral Building Products Pty Ltd) and Asia (USG Boral Building Products Pte Ltd).

	USG Boral Building Products		**Meridian Brick**		**Total**	
RESULTS OF EQUITY ACCOUNTED INVESTMENTS	**Half-Year 31 Dec 2017 $m**	Half-Year 31 Dec 2016 $m	**Half-Year 31 Dec 2017 $m**	Half-Year 31 Dec 2016 $m	**Half-Year 31 Dec 2017 $m**	Half-Year 31 Dec 2016 $m
Summarised Income Statement at 100%						
Profit/(loss) before income tax	**111.0**	117.4	**(2.5)**	0.2	**145.0**	152.3
Income tax expense	**(31.1)**	(34.4)	**(1.7)**	(0.9)	**(44.6)**	(46.1)
Non-controlling interest	**(3.5)**	(3.3)	**-**	-	**(3.5)**	(3.3)
Net profit/(loss) before significant items	**76.4**	79.7	**(4.2)**	(0.7)	**96.9**	102.9
Integration costs disclosed as significant item net of tax	**-**	-	**-**	(2.4)	**-**	(2.4)
Net profit/(loss) - equity accounted relating to continuing operation:	**76.4**	79.7	**(4.2)**	(3.1)	**96.9**	100.5
The Group's share based on % ownership:						
Net profit/(loss) before significant items	**38.2**	39.9	**(2.1)**	(0.4)	**48.5**	51.1
Integration costs disclosed as significant item net of tax	**-**	-	**-**	(1.2)	**-**	(1.2)
Net profit/(loss) - equity accounted relating to continuing operation:	**38.2**	39.9	**(2.1)**	(1.6)	**48.5**	49.9

MATERIAL INTERESTS IN EQUITY ACCOUNTED INVESTMENTS

Results include the following equity accounted share of net profit:

Sunstate Cement Ltd	**7.0**	5.8
Penrith Lakes Development Corporation Ltd	**(0.4)**	1.3

	31 Dec 2017	30 Jun 2017	31 Dec 2016
10. NET TANGIBLE ASSET BACKING			
Net tangible asset backing per ordinary security*	**$1.96**	$1.90	$4.67

* Decrease in net tangible asset backing per ordinary security since December 2016 is reflective of increased intangible assets following the acquisition of Headwaters Incorporated.

Notes to the Financial Report

BORAL LIMITED AND CONTROLLED ENTITIES

	31 Dec 2017 $m	30 Jun 2017 $m
11. LOANS AND BORROWINGS		
CURRENT		
Other loans - unsecured	**391.9**	398.3
Finance lease liabilities	**7.0**	9.1
	398.9	407.4
NON-CURRENT		
Other loans - unsecured	**2,109.0**	2,157.2
Finance lease liabilities	**6.1**	6.5
	2,115.1	2,163.7
TOTAL	**2,514.0**	2,571.1

TERM AND DEBT REPAYMENT SCHEDULE

Terms and conditions of outstanding loans were as follows:

	Currency	Effective interest rate 31 Dec 2017	Calendar year of maturity	31 Dec 2017 Carrying amount $m	30 Jun 2017 Carrying amount $m
CURRENT					
US senior notes - private placement - unsecured	USD	7.12%	2018	**391.9**	398.3
Finance lease liabilities	AUD	3.68%	2018	**7.0**	9.1
				398.9	407.4
NON-CURRENT					
US senior notes - private placement - unsecured	USD	4.96%	2020 - 2030	**347.8**	355.4
CHF notes - unsecured	CHF	2.25%	2020	**196.7**	203.2
US senior notes - 144A - unsecured	USD	3.39%	2022 - 2028	**1,204.1**	-
Acquisition loan facility - unsecured	USD	-	-	**-**	1,237.0
Term credit facility - unsecured	Multi	2.98%	2021	**360.4**	361.6
Finance lease liabilities	AUD	3.47%	2018 - 2022	**6.1**	6.5
				2,115.1	2,163.7
TOTAL				**2,514.0**	2,571.1

CHANGES TO BANK FACILITIES

US Senior notes - 144A

The Group issued US$950 million of senior notes pursuant to Rule 144A and Regulation S under the US Securities Act of 1933, as amended, which were drawn down on 1 November 2017. US$450 million notes are due in 2022 and US$500 million senior notes are due in 2028.

Acquisition loan facility

The Group utilised the proceeds from the US$950 million draw down of the US senior notes – 144A to repay the acquisition loan facility on 1 November 2017. This facility is no longer available to the Group.

Notes to the Financial Report

BORAL LIMITED AND CONTROLLED ENTITIES

	31 Dec 2017 $m	30 Jun 2017 $m
12. ISSUED CAPITAL		
1,172,331,924 (30 Jun 2017: 1,172,331,924) ordinary shares	**4,265.1**	4,265.1
MOVEMENTS IN ISSUED CAPITAL		
Balance at the beginning of the period	**4,265.1**	2,246.2
Nil (30 Jun 2017: 428,732,487) shares issued under capital raising net of costs	**-**	2,018.9
Balance at the end of the period	**4,265.1**	4,265.1

In the prior year, the Group undertook an equity raising of $2,018.9 million net of transaction costs of $38.9 million. The equity raising consisted of a 1 for 2.22 pro rata accelerated renounceable entitlement offer at an offer price of $4.80 per share. The capital raising resulted in the issue of 93,750,000 ordinary shares under the Institutional Placement, 233,648,069 ordinary shares under the Institutional Entitlement Offer and 101,334,418 ordinary shares under the Retail Entitlement Offer.

Ordinary shares issued are classified as equity and are fully paid, have no par value and carry one vote per share and the right to dividends. Incremental costs directly attributable to the issue of new shares or the exercise of options are recognised as a deduction from equity, net of any related income tax benefit.

In the event of a winding up of Boral Limited, ordinary shareholders rank after creditors and are fully entitled to any proceeds of liquidation.

13. RESERVES

	31 Dec 2017 $m	30 Jun 2017 $m
Foreign currency translation reserve	**(44.5)**	(25.9)
Hedging reserve - cash flow hedges	**0.2**	(2.1)
Share-based payments reserve	**29.2**	47.3
Balance at the end of the period	**(15.1)**	19.3

Notes to the Financial Report

BORAL LIMITED AND CONTROLLED ENTITIES

14. CONTINGENT LIABILITIES

The Company has given to its bankers letters of responsibility in respect of accommodation provided from time to time by the banks to controlled entities.

A number of sites within the Group and its associates have been identified as contaminated, generally as a result of prior activities conducted at the sites, and review and appropriate implementation of clean-up requirements for these is ongoing. For sites where the requirements can be assessed, estimated clean-up costs have been expensed or provided for. For some sites, the requirements cannot be reliably assessed at this stage.

Certain entities within the Group are, from time to time, subject to various lawsuits, claims, regulatory investigations, and, on occasion, prosecution.

Consistent with other companies of the size and diversity of Boral, the Group is the subject of periodic information requests, investigations and audit activity by the Australian Taxation Office (ATO) and taxation authorities in other jurisdictions in which Boral operates.

The Group has considered all of the above claims and, where appropriate, sought independent advice and believes it holds appropriate provisions.

	Half-Year 31 Dec 2017 $m	Half-Year 31 Dec 2016 $m
15. NOTES TO STATEMENT OF CASH FLOWS		
Reconciliation of cash and cash equivalents		
Cash includes cash on hand, at bank and short-term deposits at call, net of outstanding bank overdrafts. Cash as at the end of the financial period as shown in the Statement of Cash Flows is reconciled to the related items in the Balance Sheet as follows:		
Cash and cash equivalents	**148.3**	2,539.4
	148.3	2,539.4
During the half year, the Group incurred costs associated with:		
Acquisition costs	**(49.9)**	-
Integration costs	**(29.5)**	-
Restructure and business closure costs	**(2.7)**	(12.3)
	(82.1)	(12.3)

16. ACQUISITIONS

Headwaters Incorporated acquisition

Since the initial purchase price accounting performed in June 2017, and as disclosed in Note 6.3 of the Group's June 2017 Financial Report, there has been no material opening balance sheet adjustments reflected in the financial statements. Initial purchase price accounting is ongoing, and will be finalised by June 2018.

Notes to the Financial Report

BORAL LIMITED AND CONTROLLED ENTITIES

17. FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The fair value measurement principles adopted in this report are consistent with those applied in the Group's Annual Financial Report for the year ended 30 June 2017.

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 - Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3 - Inputs for asset or liability that are not based on observable market data.

The following table presents the Group's financial assets and liabilities that are measured at Level 1 and Level 2 fair value:

	Level 1		Level 2	
	31 Dec 2017	30 June 2017	**31 Dec 2017**	30 June 2017
	$m	$m	**$m**	$m
Assets				
Equity Securities	**31.2**	29.5	**-**	-
Derivative financial assets	**-**	-	**8.7**	6.1
Total assets	**31.2**	29.5	**8.7**	6.1
Liabilities				
Derivative financial liabilities	**-**	-	**33.9**	26.3
Total liabilities	**-**	-	**33.9**	26.3

The Group does not have financial instruments that have been valued at Level 3.

Statutory Statements

BORAL LIMITED AND CONTROLLED ENTITIES

Directors' Declaration

In the opinion of the Directors of Boral Limited:

1. The financial statements and notes set out on pages 3 to 25, are in accordance with the *Corporations Act 2001* , including:

   (a) giving a true and fair view of the financial position of the consolidated entity as at 31 December 2017 and of its performance, as represented by the results of its operations and cash flows, for the half-year ended on that date; and

   (b) complying with Australian Accounting Standard AASB 134 "*Interim Financial Reporting*" and the *Corporations Regulations 2001* ; and

2. There are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the Directors:

Dr Brian Clark
Director

Mike Kane
Director

Sydney, 13 February 2018

Independent Auditor's Review Report to the Members of Boral Limited

Report on the Half-year Financial Report

Conclusion

We have reviewed the accompanying half-year financial report of Boral Limited.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Boral Limited is not in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the Group's financial position as at 31 December 2017 and of its performance for the half-year ended on that date; and

(ii) complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001* .

The half-year financial report comprises:

- the Balance Sheet as at 31 December 2017;
- Income Statement and Statement of Comprehensive Income, Statement of Changes in Equity and Statement of Cash Flows for the half-year ended on that date;
- notes 1 to 17 comprising a summary of significant accounting policies and other explanatory information; and
- the Directors' Declaration.

The Group comprises Boral Limited (the Company) and the entities it controlled at the half year's end or from time to time during the half-year.

Responsibilities of the Directors for the Half-Year Financial Report

The Directors of the Company are responsible for:

- the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* ; and
- for such internal control as the Directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's responsibility for the review of the Half-year Financial Report

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity,* in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's financial position as at 31 December 2017 and its performance for the half-year ended on that date; and complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001* . As auditor of Boral Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001* .

KPMG

KPMG

Kevin Leighton
Partner
Sydney, 13 February 2018

Build something great™

Results Announcement

for the half year ended 31 December 2017

13 February 2018

Media Release

Transformation in Boral North America and growth in Australia support Boral's significant increase in earnings

Boral Limited (ASX: BLD) today reported a 58% increase in **net profit after tax before amortisation and significant items[1] to $237 million** for the half year ended 31 December 2017 compared with the prior corresponding period.

The result reflects a full period contribution from the acquired Headwaters businesses in North America together with strong operating results from Boral Australia and the USG Boral joint venture.

Net profit after tax (after significant items) of $173 million was 13% up on 1H FY2017.

Sales revenue of $2.9 billion increased 40% on the prior corresponding period, reflecting the Headwaters acquisition and good revenue growth in Boral Australia.

Earnings before interest, tax, depreciation and amortisation (**EBITDA**) before significant items **increased 50% to $500 million**, compared with the prior corresponding period**.**

The **significant contribution from Headwaters, including the delivery of US$18 million of synergies in the first six months**, as well as revenue growth in Boral Australia and USG Boral were highlights of the result.

Net interest of $50 million and tax of $52 million increased as a result of acquisitive growth, but the effective tax rate was lower than expected due to increased recognition of tax losses, benefits from the vesting of long term incentive payments and a lower US tax rate.

A **net expense of $41 million for significant items** for integration costs in relation to Headwaters and a provision for site rehabilitation at the Waurn Ponds cement operation following its anticipated closure.

An **interim dividend of 12.5 cents per share** was announced and will be paid on 9 March 2018.

Boral's CEO & Managing Director, Mike Kane, said that Boral's transformation of the business, following the acquisition of Headwaters Inc. in the USA, has underpinned significant earnings growth.

> "These strong results confirm that our transformation strategy is on track. The Headwaters acquisition has helped transform Boral into a construction materials and building products group with a greater geographic reach and improved prospects for growth.
>
> "It is very clear that we are seeing synchronised global growth benefiting all three divisions.
>
> "Our largest division, Boral Australia, delivered an exceptionally strong result. Higher revenues and earnings were driven by increased spending on infrastructure, in line with our expectations that a large proportion of our work would gradually shift from residential to infrastructure projects, primarily in the eastern states. The business is demonstrating a clear capability to efficiently deliver on more technical, innovative projects in a high demand environment.
>
> "We are very pleased with our transformed North American division, which reported a significant increase in earnings as a result of a full period contribution from the Headwaters businesses.
>
> "We are well on the way to exceed our targeted synergies for the full year, with US$18 million of synergy benefits banked in the first half, and to exceed US$100 million in four years.

1 Profit before amortisation and significant items is a non-IFRS measure reported to provide greater understanding of the Group's underlying business performance. Full details of significant items are contained in Note 16 of the Half Year Financial Report. Non-IFRS information has not been subject to audit or review.

"There is more work to be done in North America, especially in improving some short-term operational issues and continuing to improve the safety record of our new businesses, but overall, these results highlight significantly better growth prospects in North America.

"In our joint venture, USG Boral, we continue to strengthen our competitive advantage through innovation and to see solid underlying growth. Strong growth in Australia, Korea and China were dampened by higher input costs, some one-off costs and softness in Thailand and Indonesia but we are confident of ongoing growth in this business.

"**In terms of safety**, Boral's LTIFR at 1.1 is at the lowest level in Boral's history, even with the impact of incorporating Headwaters safety statistics and the Meridian Brick JV. Despite improved safety statistics, we had two tragic vehicle-related incidents at or near our sites during the period. We recognise there is still a lot of work to do to deliver our goal of Zero Harm."

Referring to the financial results from Boral's three divisions, Mr Kane reported the following:

- **Boral Australia** delivered a strong 12% lift in EBITDA to $294 million, with growth in infrastructure and non-residential activity, resilience in the housing market and exceptionally favourable weather underpinning volume and margin gains. The Australian business is performing at very strong levels with EBITDA margins of 16.3% and a 15.4% EBIT return on funds employed (ROFE).
- **USG Boral** delivered $38 million of post-tax earnings to Boral, and an underlying EBITDA result of $149 million, which was 1% down on the prior corresponding period. The JV's result was muted by $8 million of one-off costs associated with temporary gypsum supply constraints in Australia and an operational reserve adjustment in India. Excluding these impacts, EBITDA was up 5% with growth in Korea and China and continued strength in Australia. The JV delivered EBITDA margins of 18.3% and a ROFE of 11.1%.
- **Boral North America** – delivered a substantial lift in EBITDA to A$184 million (US$144 million) from A$41 million (US$30 million) reported in the same period last year. The result includes a full period contribution from Headwaters with US$18 million of synergy benefits for the half year against the FY2018 target of US$30-$35 million, which we now expect to exceed. On a proforma basis, EBITDA growth of 4% to US$144 million was tempered by a series of significant weather events including two hurricanes, as well as temporary plant operational issues, and lower earnings from Meridian Brick. The division reported an EBITDA margin of 16.3% and is well placed to deliver above cost of capital returns over time through full realisation of synergies and market growth.

Commenting on outlook, Mr Kane said Boral expects **continued growth** across all businesses in FY2018, including a significant lift in earnings from Boral North America. In summary:

- **Boral Australia** is **expected to deliver high single-digit EBITDA growth and low double-digit EBIT growth in FY2018, excluding property in both years**. The pre-property result is expected to be skewed towards 1H, with 1H having benefited from exceptionally dry weather on the east coast and more working days. Strong growth in infrastructure and non-residential activity is expected to underpin volume growth in FY2018. We continue to expect the Property EBIT contribution to be at the low end of the five year historical range ($8-$46 million).
- **Profits from USG Boral are expected to grow at a mid-single digit rate in FY2018**, with strong year-on-year growth expected in 2H. Due to typical seasonality impacts 2H earnings are expected to be lower than 1H, despite one-off cost impacts in 1H. FY2018 earnings growth should be underpinned by strong outcomes in Australia, Korea and China together with continued benefits from growth of Sheetrock®. These should more than offset the impacts of a slower than expected recovery in Thailand and Indonesia, pressures in Vietnam and higher raw material and energy costs.
- **Boral North America is expected to deliver a significantly higher EBITDA in FY2018** reflecting the Headwaters acquisition, over US$35 million of year one synergy benefits and underlying market growth. EBITDA is expected to be **substantially skewed to 2H** as a result of: further delivery of synergies; price growth; a return to normal weather conditions; progress in resolving operational issues; and normal seasonal impacts, which typically result in much higher volumes and activity in Q4.

Investor & media enquiries:

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Build something great™

Results Announcement

for the half year ended 31 December 2017

13 February 2018

Management Discussion & Analysis

Delivering significant earnings growth and transformation

- **Reported revenue of $2.9b** for 1H FY2018, up 40%
- **EBITDA**[1,2] **of $500m**, up 50%
- **EBITA**[1,2] **of $350m**, up 66% and EBIT[1,2] of $316m, up 50%
- **NPATA**[1,2] **of $237m**, up 58%, and NPAT[1,2] of $214m, up 44%
- Statutory **NPAT**[2] **of $173m**, up 13%, after a $41m net loss for significant items
- **EPSA**[1,2] **of 20.2 cents**, up 17%, and EPS[1,2] of 18.2 cents, up 6%
- **Interim dividend of 12.5 cents per share**, 50% franked, up 4%

Significant lift in earnings driven by Headwaters acquisition and Boral Australia

- **Boral Australia** – EBITDA of $294m was up 12% on 1H FY2017 driven by strong growth in infrastructure, higher non-residential activity, favourable weather and strengthening capabilities all supporting underlying margin improvement.
- **USG Boral** – underlying EBITDA of $149m was down 1% on the prior period with Boral's 50% share of post-tax earnings from the JV down 4% to $38m. Strong revenue gains in Australia, Korea and China and increased penetration of premium priced Sheetrock® across all regions was offset by higher input costs, $8m in one-off costs, and softer results in Thailand, Indonesia and Vietnam.
- **Boral North America** – EBITDA of A$184m was up from A$41m and EBITA of A$135m was up from A$19m in the prior period, reflecting a full period contribution from Headwaters. EBITDA growth benefited from US$18m in synergies but was moderated by severe weather events, operational issues in Roofing, Stone and the Magnolia Windows business, and challenges in the Meridian Brick JV.

Focused on delivering results

- ✓ **Safety performance** – lost time injury frequency rate (LTIFR) improved 27% to 1.1, and recordable injury frequency rate (RIFR) was broadly steady at 8.3.
- ✓ **Above cost of capital returns** – Boral Australia and USG Boral delivered return on funds employed (ROFE[3]) of 15.4% and 11.1% respectively, above Boral's cost of capital. Boral North America and the Boral group are well placed to deliver above cost of capital returns over time through full realisation of synergies from the Headwaters acquisition and market growth. Boral's ROFE for 1H FY2018 was 8.5%[4].
- ✓ **Business transformation** – the Headwaters acquisition has transformed Boral to a more global construction materials and building products group with Boral North America, a scaled building products and fly ash business with diverse product offerings and greater geographic reach and growth prospects.

FY2018 outlook remains strong with substantially higher North American earnings

In FY2018, we expect growth across all divisions with a significant lift in **Boral North America** EBITDA from a full year contribution from Headwaters, synergy benefits and market growth. **Boral Australia** should deliver strong underlying earnings growth underpinned by increased infrastructure and non-residential activity, partly offset by a lower contribution from Property. **USG Boral** earnings are expected to grow with strong outcomes in Australia, Korea and China together with benefits from our Sheetrock® products moderated by competitive pressures in several markets, rising input costs, and one-off costs impacting 1H.

1 Excluding significant items
2 See page 16 for a reconciliation and explanation of these items
3 Moving annual total EBIT (excluding significant items) on divisional funds employed at 31 December
4 Moving annual total EBIT (excluding significant items) on monthly average funds employed for the 12 months to 31 December

Financial Overview

(A$ millions) figures may not add due to rounding	1H FY2018	1H FY2017	Var %
Revenue	2,937	2,093	40
EBITDA[1,2]	**500**	**333**	**50**
EBITA[1,2]	**350**	**212**	**66**
EBIT[1,2]	316	211	50
Net interest	(50)	(27)	
Tax[1]	(52)	(35)	
NPAT[1,2]	214	149	44
Significant items (net)	(41)	4	
Statutory NPAT[2]	173	153	13
NPATA[1,2]	**237**	**149**	**58**
EPSA (cents)[1, 2]	20.2	17.3	17
EPS (cents)[1,2]	18.2	17.2	6
Interim dividend (cents)	12.5	12.0	4

Boral's reported **sales revenue** of $2.9b increased 40%, with a full-period contribution from the Headwaters acquisition for Boral North America and strong revenue growth in Boral Australia.

EBITDA[1,2] **of $500m was up 50%** over the prior year, reflecting a full period contribution from Headwaters and strong earnings growth from Boral Australia.

EBITA[1,2] **increased 66% to $350m** and earnings before interest & tax (EBIT[1,2]) increased 50% to $316m.

Depreciation and amortisation was up 50% to $184m, reflecting the impact of the Headwaters acquisition.

Net interest expense of $50m, up from $27m in the prior year, reflects higher debt following the Headwaters transaction.

Income tax expense of $52m and an effective tax rate of ~20% was a better than expected outcome due to a $7m benefit from the vesting of long term incentives, a $6m benefit from the recovery of previously unrecognised capital and income tax losses, and a $4m benefit from lower income tax rates on US earnings. Excluding these impacts, the effective tax rate would have been ~26%.

A **net loss of $41m for significant items** reflects integration costs in relation to Headwaters and a provision for site rehabilitation at the Waurn Ponds cement operation (Vic) following its anticipated closure. In addition, there was a nil net impact from a $6m adjustment to deferred tax assets, offset by a $6m benefit from recovery of previously unrecognised tax losses, following changes to US tax legislation.

Statutory net profit after tax (**NPAT**) **of $173m** was 13% ahead of the prior year's NPAT of $153m. **Net profit after tax before amortisation** (**NPATA**)[1,2] of $237m was 58% higher on the prior year.

EPSA[1,2] **of 20.2 cents** increased 17% and EPS[1,2] of 18.2 cents increased 6%, reflecting the increased number of shares following the equity raising in December 2016.

An interim **dividend of 12.5 cents** per share (50% franked), to be paid on 9 March 2018, represents a payout ratio of 68%. This is in line with Boral's Dividend Policy[3].

Operating cash flow of $216m was 37% higher on the prior year, reflecting a strong earnings lift from the Headwaters acquisition and Boral Australia, partially offset by higher interest and tax payments, and restructuring, acquisition and integration costs paid.

Capital expenditure of $164m ($149m of stay-in-business and $15m of growth expenditure) was up from $144m in the prior year, and included quarry upgrades at Deer Park (Vic), Orange Grove (WA) and Ormeau (Qld), a new concrete plant at Redbank Plains (Qld) and a replacement plant at West Melbourne (Vic).

Net debt at 31 December 2017 was $2.4b compared to $2.3b at 30 June 2017 and net cash of $1.2b at 31 December 2016; the latter which reflected the equity raising for the Headwaters acquisition. Boral remains well within its funding covenants, with Boral's principal debt gearing covenant (gross debt/ (gross debt + equity)) of 32% well within the threshold of less than 60%. Gearing (net debt/(net debt + equity)) was 30% at 31 December 2017, unchanged from 30 June 2017.

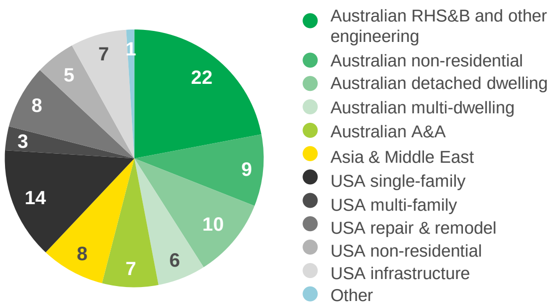
[1] Excluding significant items
[2] See page 16 for a reconciliation and explanation of these items
[3] Dividend policy of between 50% and 70% of earnings before significant items, subject to the Company's financial position

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 modest softening in residential markets from record high levels
- Solid growth in **US** single-family housing starts substantially offset by lower multi-family starts, with solid growth in non-residential and infrastructure activity, and strong lift in repair & remodel demand
- In **Asia**, continued strong market demand in Korea, subdued markets in Thailand and Indonesia, with China benefiting from plasterboard market supply constraints

Boral 1H 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 forecast to grow by 17% in FY2018, with 21% growth in NSW and 22% in Qld.

Other engineering activity[2] is forecast to grow in FY2018, primarily through growth in railways and electricity sectors.

Australian **housing starts**[3] remain strong, moderating from a record high annualised rate of 238,000 starts in 1H FY2017 down 6% to an expected ~224,000 starts in 1H FY2018. **Detached housing starts** were down 4%, while **multi-residential starts** were down 8%.

In NSW, Qld and WA housing starts are estimated to have declined by 15%, 15%, and 8% respectively. Conversely, housing starts in Vic and SA are estimated to have grown by 9% and 13% respectively, driven by increased multi-residential starts. Overall detached housing starts as a proportion of total starts remain at low levels of ~53%, compared to a 20-year average of 64%.

Market forecasters[4] expect Australian housing starts to be down ~6% to ~208,000 starts in FY2018.

The **list of project work** in Table 1 below includes the largest projects across each State in infrastructure awarded to Boral and the potential pipeline of work.

Table 1: Australia – Project Work

Boral's Australian project work & potential pipeline
Projects recently awarded to Boral are highlighted in grey

Bringelly Road Stage 1, NSW	Est. completion 2018
Northern Beaches hospital, NSW	Est. completion 2018
NorthLink stage 1, WA	Est. completion 2018
Pacific Hwy, NSW	Est. completion 2018
Toowoomba Second Range, Qld	Est. completion 2018
Warrego Highway stage 2, Qld	Est. completion 2019
Amrun Project, Qld	Est. completion 2019
Forrestfield – Airport Link, WA	Est. completion 2019
Gateway Upgrade North, Qld	Est. completion 2019
Kingsford Smith Drive, Qld	Est. completion 2019
NorthConnex, NSW	Est. completion 2019
Northern Connector, SA	Est. completion 2020
Northern Road stage 2, NSW	Est. completion 2019
Northern Road stage 3, NSW	Est. completion 2020
Pacific Motorway, Qld	Est. completion 2020
Sydney Metro (City/SW precast), NSW	Est. completion 2020
Warrego Highway stage 3, Qld	Est. completion 2020
Albion Park Rail Bypass, NSW	Currently tendering
Brisbane Airport Runway, Qld	Currently tendering
Haughton River Bridge, Qld	Currently tendering
Inland Rail, Qld, NSW, Vic	Currently tendering
Logan Motorway, Qld	Currently tendering
Melbourne Airport Runway, Vic	Currently tendering
Melbourne Metro, Vic	Currently tendering
Newell Hwy Upgrade, NSW	Currently tendering
Outer Suburban Arterial Roads, Vic	Currently tendering
Pacific Hwy W2B, NSW	Currently tendering
Perth Metro Road Maintenance, WA	Currently tendering
Smithfield Transport Corridor, Qld	Currently tendering
Princes Hwy Upgrade, NSW	Currently tendering
Sunshine Coast Airport, Qld	Currently tendering
Sydney Metro (Stations), NSW	Currently tendering
WestConnex Stage 3, NSW	Currently tendering
West Gate Tunnel, Vic	Currently tendering
Badgerys Creek Airport, NSW	Pre-tendering
Bruce Hwy, Qld	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: average of Macromonitor and BIS Oxford Economics forecasts; Other Engineering: Macromonitor
[3] ABS original housing starts; December 2017 quarter
[4] Average of HIA, BIS Oxford Economics and Macromonitor forecasts

Market Conditions and External Impacts (cont.)

Australian alterations & additions (A&A) activity[1] is estimated to have declined by 3% in 1H FY2018 compared with the prior period and is expected to be steady in FY2018.

Non-residential activity[1] is estimated to have grown 11% in 1H FY2018 compared with the prior period and is expected to grow 14% in FY2018.

USA

While weather is a factor that impacts our operations every year, a series of exceptionally severe weather events and wildfires disrupted our operations and slowed activity during 1H FY2018:

- Hurricane Harvey in Texas impacted Block, Roofing, and Fly Ash sales, as well as input costs for our Light Building Product business;
- Hurricane Irma in Florida and the South East impacted Meridian Brick JV, Roofing, Stone, and Fly Ash;
- Wildfires in Northern California in October impacted our Roofing and Stone businesses.

Combined these weather events and fires impacted earnings by ~US$10m as a result of lost sales and higher costs.

Housing activity momentum slowed in 1H FY2018 driven by a decline in multi-family starts, with total **US housing starts**[2] up 1% to an annualised rate of 1.21m starts.

Single-family starts however **grew by 9%** nationally[2], and were up 13% in Boral's Tile States[2,3]. Multi-family housing starts were down 15% nationally[2], resulting in single-family starts as a proportion of total starts increasing from 66% to 72%, compared to the long-term average of 71%[2].

On average, market forecasters[4] expect total US housing starts to lift by ~4% in FY2018 to ~1.25m starts.

Other US construction markets also strengthened during the period with **non-residential[5]** activity up 4%, and the **repair & remodel[6]** market up by an estimated 10%.

US infrastructure[7] activity, based on estimated ready mix concrete volumes, was up ~3%.

Asia

In Asia[8], **Korea** continued to report strong market growth driven by residential market activity, although government measures to curb housing prices resulted in growth moderating in Q2.

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

Emerging markets of India, Vietnam and the Philippines continue to grow.

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1 ABS value of work done constant 2015/16 prices; average of Macromonitor and BIS Oxford Economics for December 2017 quarter and FY2018
2 US Census seasonally adjusted annualised housing starts
3 Boral US Tile States: Arizona, California, Florida, Nevada
4 Average of analysts' forecasts (Dodge, Wells Fargo, NAR, NAHB, Fannie Mae, Freddie Mac, MBA) from December 2017 / January 2018
5 Dodge and Analytics non-residential square foot area, November 2017, forecast used for December 2017 quarter
6 Moody's Retail Sales of Building Products, January 2018
7 Infrastructure Ready Mix Demand from McGraw Hill Dodge ,November 2017; forecast used for December 2017 quarter
8 Based on various indicators of building and construction activity

Boral Australia

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

Strong result underpinned by growing infrastructure and non-residential activity

- **EBITDA excluding Property up 15%** driven by growth in construction materials businesses particularly in NSW and Qld including strengthening capabilities in servicing customers
- Revenue growth underpinned by **significant volume lift** in downstream construction materials coupled with **average selling price gains** of 1-5% across construction materials businesses reflecting mix shifts and modest price increases

(A$ millions)	1H FY2018	1H FY2017	Var %
Revenue	1,804	1,616	▲12
EBITDA[1,2]	294	264	▲12
EBITDA ROS[1,2]	*16.3%*	*16.3%*	
EBIT[1,2]	194	164	▲18
EBIT ROS[1,2]	*10.8%*	*10.2%*	
Property	*0*	*9*	▼
EBITDA[1,2] excl. Property	*294*	*255*	▲15

1H FY2018	External revenue		EBITDA
Concrete	801	▲17%	▲
Asphalt	371	▲24%	▲
Quarries	204	▼3%	▲
Cement	157	▲2%	▲
Concrete Placing	73	▲26%	▲
Bricks WA & Roofing[2]	93	▼7%	▼
Timber	79	▲2%	▲

Revenue increased by 12% to $1.8b, driven by acceleration of infrastructure project work and strong growth in non-residential construction which more than offset moderating housing demand in NSW, Qld and WA. Overall higher average selling prices were achieved across all businesses, except in WA.

The strong result benefited from exceptionally dry weather on the east coast in Q1, compared to extremely wet weather in the prior year. Rainfall in Q2 returned to more normalised patterns.

EBITDA was up 12% to $294m. **Excluding Property,** which reported nil earnings in 1H FY2018 compared to $9m in the prior period, EBITDA **increased by 15%**. Volume growth, price gains and cost efficiencies in construction materials businesses combined with favourable weather on the east coast supported the strong result and offset cost pressures including a $7m increase in energy costs.

Excluding Property, EBITDA margin increased to 16.3% from 15.9% in 1H FY2017, reflecting capabilities to effectively service strong markets and deliver customer and operational excellence.

Concrete earnings (EBITDA) improved significantly, benefiting from a marked lift in infrastructure volumes, with projects including NorthConnex and Pacific Highway in NSW, Amrun Project in Qld, and Forrestfield Airport Link in WA.

Concrete volumes were up 13%, and average selling price (ASP) up 4%. All regions reported volume growth with particularly high metro demand and growth in major projects where Boral is able to deliver innovative, highly technical solutions. ASP increased across all regions, except WA, reflecting a favourable shift towards infrastructure work. On a like-for-like (LFL) basis, concrete prices were up an average of 1% nationally, with modest price growth in NSW, Qld and SA offset by declines in WA and steady pricing in Vic.

Asphalt delivered strong earnings growth and improved margins, driven by a 24% increase in revenue. Substantial volume growth was underpinned by increased maintenance funding by Vic Roads and SEQ city councils as well as infrastructure projects including: Gateway Upgrade North and Warrego Highway stage 2 in Qld, Northern Road and Bringelly Road in NSW, and Vic Roads project work on the Princes and Western Highway. Capacity in metro regions is now highly utilised.

Quarries earnings were steady with external revenue down 3% due to supply interruptions in Vic metro, and a shift to higher internal supply to meet growing demand in concrete and asphalt.

Quarry volumes (internal and external) increased 2% with strong demand in NSW, Qld and SA largely offset by lower volumes in Vic due to supply issues. Aggregate volumes increased 8% with strong growth in most regions.

Quarry ASP was up 5% nationally, with higher prices across most regions, except WA and NSW, reflecting a favourable mix shift. ASP in NSW was impacted by an adverse mix shift towards low value products and an abundance of recycled product supply in the market.

[1] Excluding significant items
[2] Excludes contribution from Boral CSR Bricks JV which was divested on 1 November 2016, with earnings reported under Discontinued Operations

Boral Australia (cont.)

On a LFL basis, quarry prices were up an average of 1% nationally, with modest price growth across SEQ and Vic.

Cement total volumes (external and internal) were up 7% and while LFL prices were up 3%, ASP was only up 1% due to an adverse mix shift. External revenue was up 2%, reflecting a shift from wholesale clinker to internal supply to support growth in Boral's concrete business. Earnings and margins improved reflecting higher volumes, price gains, fewer rain days and benefits from the *commercial and operational excellence* programs which together more than offset cost inflation and higher energy costs.

1H FY2018 v 1H FY2017	Total Volume[1] *Var %*	Price (ASP)[2] *Var %*	Price (LFL)[2] Var %
Concrete	13	4	1
Quarries	2	5	1
Aggregates	*8*	*2*	*1*
Cement	7[3]	1[4]	3[4]

Concrete Placing delivered higher earnings with revenue up 26%, reflecting strong underlying market demand, particularly in the multi-residential Sydney market. Earnings also benefited from favourable weather on the east coast in Q1.

Property contributed nil EBITDA, compared to $9m in 1H FY2017.

Building products businesses overall reported steady earnings with a decline in Bricks WA EBITDA offset by earnings growth in Timber and lower overhead costs.

Roofing (including masonry operations in SA, and Qld) reported steady earnings on lower revenue. An adverse mix shift and lower masonry revenues offset a 1% lift in roofing volumes and 2% increase in LFL prices.

Bricks WA (including WA masonry) delivered a breakeven EBITDA, down on the prior year, with a 15% decline in revenue more than offsetting full-period cost reduction benefits from restructuring initiatives completed in FY2017. Brick volumes were down 9% and prices down 6%. Brick inventory levels declined 10% compared to 30 June 2017.

The earnings contribution from Boral's 40% share of Boral CSR Bricks sold to CSR in October 2016 is reported under Discontinued Operations.

Timber revenue and earnings improved driven by higher Softwood revenues and earnings. Softwood prices were up 7% due to a favourable mix shift and announced price increases with volumes down 2%. Hardwood revenue was steady reflecting a 2% lift in prices and 3% decline in volumes, with earnings negatively impacted by an adverse mix shift and cost inflation.

The division's ***commercial excellence*** program, which is focused on improving commercial outcomes, continued to be rolled out across the business, with parts of NSW and Qld completed during 1H FY2018. The program was rolled out in the Southern Region and Cement in FY2017, and is delivering margin improvement in those businesses so far, in line with our expectations.

As part of our ***operational excellence*** program, which includes our ongoing Value Improvement Program (VIP), work commenced on the early phase of the division's multi-year supply chain transformation program. The ***supply chain transformation program*** aims to deliver cost efficiencies and improvements through the business' integrated supply chain, from making of materials through to delivery of materials to our customers.

[1] Includes external and internal sales volumes
[2] For external sales only
[3] For external and internal sales, including wholesale cement volumes
[4] For external cement sales excluding cement 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

- **Strong growth in Sheetrock®** products, higher margin **technical board** and non-board revenues
- **Underlying EBITDA impacted by higher input costs, $8m in one-off costs and pricing pressures**
- **Significant earnings growth in Korea and China**, with softer earnings from Thailand, Indonesia and Vietnam; strong Australia/NZ contribution with earnings steady, excluding one-off gypsum supply impact
- **Sheetrock® technology roll-out completed** under US$50m budget across 18 board lines with benefits from Sheetrock® adoption continuing

Boral's **equity accounted income of $38m, down 4%** on the prior year, represents Boral's 50% share of USG Boral's post-tax earnings, and is reflected in Boral's EBITDA result.

Boral's reported result

(A$ millions)	1H FY2018	1H FY2017	Var %
Equity income[1]	38	40	▼4

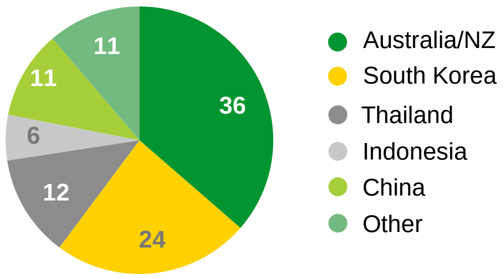
USG Boral underlying business result

(A$ millions)	1H FY2018	1H FY2017	Var %
Revenue	815	735	▲11
EBITDA[2]	149	151	▼1
EBITDA ROS[2]	*18.3%*	*20.5%*	
EBIT[2]	113	117	▼3
EBIT ROS[2]	*13.9%*	*15.9%*	

Revenue increased 11% to $815m in the underlying business, underpinned by continued growth in premium Sheetrock® products and technical board across all key markets, pricing gains and a strong lift in non-board revenue. Overall board volumes increased 6% with prices up 4%. Strong volume and price gains in China and Korea, coupled with solid volume growth in Australia and Indonesia underpinned board revenue growth. Non-board revenue, which includes ceiling tiles, metal stud, compounds and plasters, and contracting in Australia, increased by 14% and represented 40% of USG Boral's total revenue.

Sheetrock® brand products continue to maintain a price premium of ~3% with adoption rates at December ranging from ~45% in Korea to over 90% in Australia, China and Vietnam.

External Revenue %



Underlying EBITDA declined by 1% to $149m, with benefits from revenue growth offset by higher input costs, particularly paper, $8m in one-off costs, and competitive pricing pressure in Thailand, Indonesia and Vietnam. The one-off costs include impacts of the three-month closure of the port facility in South Australia impacting gypsum supply in Australia, and an unfavourable operational reserve adjustment in India. **Excluding these one-offs, EBITDA was up 5%.**

Average plant utilisation was ~82%, up from 77% in 1H FY2017.

Australia/NZ revenue increased 12% to $297m with solid board volume gains, average selling price up 1%, and a strong lift in non-board revenue, including contracting. Price growth was muted due to competitive pressures. Softer earnings were negatively impacted by higher gypsum costs in Q1 as gypsum was temporarily sourced from Oman and WA, as well as stock transfer costs to meet strong NSW demand.

Asia revenue increased by 10% to $519m driven by significant volume and price gains in Korea and China, together with volume growth in Indonesia and Thailand.

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

USG Boral (cont.)

Korea delivered earnings margin expansion driven by continued record sales volumes and double digit price growth, which more than offset rising input costs. New direct distribution arrangements established in early 2H FY2017 supported the strong result. With volume growth softening in Q2 and increased competitor capacity coming online, competitive pressures are expected to increase in 2H FY2018.

Thailand delivered volume growth despite softer market demand, benefiting from increasing adoption of Sheetrock® and growing exports. Earnings were softer, negatively impacted by competitive price pressures and higher energy costs.

Indonesia benefited from volume gains through Sheetrock® adoption and significant growth in non-board revenue, although earnings were lower due to ongoing competitive price pressures.

China delivered significant revenue and earnings growth, with a strong price lift and volume gains underpinned by market supply shortages stemming from paper supply shortages, and the temporary closure of a number of competitors' plasterboard plants in the North due to new environmental controls to curb pollution. Price growth more than offset higher paper input and gypsum costs due to tightening demand, and benefited from increased Sheetrock® adoption to ~95%, up from ~10% in the prior period.

Other regions delivered steady revenue but a decline in earnings. India, Vietnam, and the Philippines reported lower earnings with Vietnam impacted by competitive pricing pressures.

Boral North America

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

Substantial earnings lift through acquisition

- **EBITDA growth tempered** by severe weather events (US$10m), US$7m of plant operational issues, and US$6m of lower earnings from Meridian Brick JV
- **Synergies of US$18m**[1] achieved in 1H FY2018; on track to exceed US$35m of synergies in FY2018
- **Continued growth** in underlying markets but not as strong as anticipated

(A$ millions)	1H FY2018	1H FY2017	1H FY2017PF[2]
Revenue	1,133	477	1,208
EBITDA[3]	184	41	185
EBITA[3]	135	19	130
EBIT[3]	101	18	113
(US$ millions)	**1H FY2018**	**1H FY2017**	**1H FY2017PF[2]**
Revenue	884	357	904
EBITDA[3]	144	30	139
EBITDA ROS[3]	*16.3%*	*8.5%*	*15.3%*
EBITA[3]	105	15	98
EBITA ROS[3]	*11.9%*	*4.1%*	*10.8%*
EBIT[3]	79	14	85

With the acquisition of Headwaters Inc completed on 8 May 2017, the 1H FY2018 result includes revenue and earnings from the combined Boral USA and Headwaters businesses, as well as post-tax equity income from Meridian Brick JV formed 1 November 2016. As a result of equity accounting, Boral's share of revenue from Meridian Brick is not reported in Boral's revenue following formation of the JV.

There was a **substantial lift in reported revenue and EBITDA,** with **revenue of A$1.1b** compared to A$477m in the same period last year and **EBITDA of A$184m** compared to A$41m last year.

The following commentary relates to the 1H FY2018 performance relative to the underlying proforma consolidated Boral and Headwaters businesses for the six months to December 2016.

Revenue of US$884m was down 2% on the same period last 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 10%**, benefiting from strong growth in Fly Ash from site services revenue and price gains, a full period contribution from Krestmark and Magnolia Windows businesses acquired during FY2017, strong volume growth in Light Building Products (LBP), modest growth in Roofing and a higher contribution from Denver CM.

EBITDA of US$144m was up 4% with benefits from underlying revenue growth and substantial synergies of US$18m[1]. During the period, earnings were adversely impacted by:

- a US$10m impact from Hurricane Harvey in Texas and Irma in Florida, and wildfires in California;
- a US$7m impact from plant operational issues associated with:
  - o **commissioning plant upgrades** (at Lake Wales Roofing, Greencastle Stone and the Kleer LBP plant in Boston);
  - o **integration of businesses acquired by Headwaters prior to acquisition** (Okeechobee Entegra roofing plant in Florida, Oceanside metal roofing in California and Magnolia Windows in Georgia); and
  - o **safety interventions** (Stonecraft in Ohio);
- a challenged result from Meridian Brick JV which was impacted by higher operating costs and lower volumes due to declining brick intensity and a smaller rationalised network.

A US$6m benefit from aligning the accounting policy between Boral and Headwaters for Stone molds was largely offset by an adverse one-off US$4m Purchase Price Accounting adjustment reflecting the expensing of the fair value inventory uplift.

Construction Materials

(US$ millions)	1H FY2018	1H FY2017 PF[2]	Var %
Revenue	388	363	7
EBITDA[3]	82	78	5
EBITDA ROS[3]	*21.1%*	*21.6%*	
EBITA[3]	73	69	6
EBITA ROS[3]	*18.8%*	*19.0%*	

(US$ millions)	External revenue[4]		EBITDA[4]
Fly Ash	280	▲11%	▲
Block	56	▼ 6%	▼
Denver CM	52	▲ 3%	▲

1 Synergies are net of earnings impact due to market share loss in Stone
2 Proforma consolidated Boral and Headwaters businesses for the six months to Dec-16, with Headwaters on a comparable basis to previously reported results. Proforma 1H FY2017 EBITDA of US$139m includes US$30m from Boral legacy businesses and $109m from Headwaters
3 Excluding significant items
4 Change from 1H FY2018 results relative to 1H FY2017PF

Boral North America (cont.)

Construction Materials revenue grew 7% to US$388m, and EBITDA increased 5% to US$82m, driven by solid revenue growth in Fly Ash and higher Fly Ash and Denver CM earnings.

1H FY2018 vs 1H FY2017PF[1]	Volume *Var %*[2]	Price (ASP) *Var %*[2]
Fly Ash	1	8
Block	(6)	1

Fly Ash delivered revenue growth of 11% to US$280m, reflecting a substantial increase in site services revenue, 1% volume growth and an average price increase of 8% nationally. Price increases ranged from 2% to 20% depending on location and source. Volumes were relatively steady due to supply constraints associated with intermittent closure of a number of power plants due to weather (especially in Texas), temporary switching of some generators from coal to gas (as a result of low gas prices), and suppliers' operational issues.

Earnings increased, benefiting from US$4m in synergies although margins were adversely impacted by the mix shift towards site services, as well as some contract renewals which benefitted from contract extensions. We expect the proportion of site services work to return to historical levels in FY2019 as current projects are completed.

The 2H supply impact from the closure of four of our electricity generator suppliers in Texas as a result of consolidation in the sector is expected to be mitigated by optimising our supply network and strengthening our storage facility capabilities which are laying the foundation for future growth. Work also continues on a program to reclaim ash.

Block, which largely services the non-residential Texas market, reported lower earnings with revenue down 6% reflecting a 6% decline in volume with average selling prices up 1%. Volumes were significantly impacted by lower shipments during 1H due to Hurricane Harvey and the subsequent focus of remediation work by builders on interior rather than exterior repairs, as well as a decline in school construction work. Benefits from post hurricane remediation work as well as future planned school construction/reconstruction are expected over the next 12 months.

Denver Construction Materials delivered a 3% increase in revenue and solid growth in earnings. Higher aggregates and concrete prices and volume gains in aggregates were underpinned by solid regional demand.

The business is expected to benefit from continued robust regional demand as well as operational improvements in the quarry operations and procurement initiatives.

Building Products

(US$ millions)	1H FY2018	1H FY2017 PF[1]	Var %[2]
Revenue	493	437	13
EBITDA[3]	72	70	4
EBITDA ROS[3]	*14.7%*	*15.9%*	
EBITA[3]	45	45	(1)
EBITA ROS[3]	*9.0%*	*10.3%*	

1H FY2018	External revenue[2]		EBITDA[2]
Roofing	155	▲4%	▼
Stone	134	▼2%	▲
LBP	130	▲11%	▲
Windows	74	▲ 78%	▲

Building Products revenue was up 13% to US$493m, largely driven by the Windows acquisitions and strong volume growth in LBP. Earnings were up 4%, with the benefit of strong revenue growth largely offset by a US$4m impact from one-off weather events and US$7m from plant integration issues, costs associated with commissioning new capacity, and safety interventions disrupting operations.

Stone revenue was down 2%, with average prices up 2% and volumes down 5% due to some acquisition related share loss in the stone businesses.

Earnings were modestly higher, with a US$6m benefit arising from an alignment in accounting policy between Boral and Headwaters for Stone molds more than offsetting the impact of lower volumes, higher costs due to safety interventions and the resulting impact on production, and costs associated with commissioning of the upgraded Greencastle Eldorado Stone plant. Stone manufacturing utilisation was ~60%.

We are seeing market share stabilise and in the 2H we expect benefits from the Greencastle plant in Pennsylvania as well as from improved safety measures across the Stone business.

[1] Proforma consolidated Boral and Headwaters businesses for the six months to Dec-16, with Headwaters on a comparable basis to previously reported results
[2] Change from 1H FY2018 relative to 1H FY2017PF
[3] Excluding significant items

Boral North America (cont.)

Roofing delivered 4% revenue growth to US$155m and lower earnings. Volumes were up 2% with strong volume growth in California, Arizona and Nevada of ~10% moderated by lower growth in Florida, Texas and emerging tile markets, in part due to the hurricanes. Average selling price was up 1%.

While 1H synergies were delivered in line with our expectations, earnings were impacted by ongoing operational issues at our Oceanside metal roofing plant in California (where Headwaters had recently consolidated three plants into one site) together with integration related 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 the two plants are being implemented and will largely be completed in 2H. These initiatives will improve operating efficiency and plant utilisation (from ~40% in the 1H), which together with pricing gains and completion of commissioning the Lake Wales plant upgrade, are expected to lift performance.

1H FY2018 vs 1H FY2017PF[1]	Volume *Var %*[2]	Price (ASP) *Var %*[2]
Roofing	2	1
Stone	(5)	2

Light Building Products delivered higher earnings and margin expansion driven by revenue growth of 11% and US$4m in synergies. Tapco revenue was up 6%, with Versetta and TruExterior® (trim and siding) reporting a 30% increase in revenues, underpinned by growing market demand and increased product penetration.

Earnings grew strongly despite commissioning costs of a new line at the Kleer vinyl trim plant in Massachusetts to meet growing demand, and higher raw material and labour costs, partially due to Hurricane Harvey.

The expanded capacity at Kleer and continued penetration of Versetta and TruExterior® should deliver further performance improvement.

Windows revenue lift of US$33m reflects the acquisitions by Headwaters of Krestmark in August 2016 and Magnolia in February 2017, coupled with underlying volume growth of 12%. Earnings margin was negatively impacted by operational issues at Magnolia.

Operational improvement initiatives at Magnolia's plant, which includes installation of a key new plant component and implementation of LEAN manufacturing principles, should deliver improved performance in 2H.

Meridian Brick JV delivered a post-tax equity contribution loss of US$2m compared to a breakeven result for the first two months of the JV and four months of Boral bricks earnings of $4m in 1H FY2017.

Meridian Brick underlying result

(US$ millions)	1H FY2018	1H FY2017PF[1]
Revenue	202	218
EBITDA[3]	11	17

In 1H FY2018, the underlying Meridian Brick JV generated US$202m of revenue and delivered US$11m of EBITDA. Compared to the prior period proforma results, revenue was down 8% and EBITDA down US$6m.

Brick volumes were down, reflecting further deterioration in brick intensity, the impact of Hurricane Harvey in the South, and a smaller distribution network following the planned closure of manufacturing and distributions assets. This more than offset underlying growth in single-family housing starts in Brick States of 10%[4].

Since formation of the joint venture, eight plants have been permanently closed and 14 distribution centres closed or sold, which should minimise future capital investment.

Average selling price was up modestly, while resale revenues were down 12% due largely to the closure or sale of distribution centres.

Cost synergies of US$6m were more than offset by reduced manufacturing leverage due to lower sales volumes and inventory reduction initiatives, as well as costs associated with repositioning volume from closed plants to ongoing operations.

With most asset rationalisation activities now completed, the business is focused on margin expansion and delivering targeted cost synergies of US$25m within four years.

1 Proforma Meridian Brick JV business for six months to December 2016
2 Change from 1H FY2018 relative to 1H FY2017PF
3 Excluding significant items
4 McGraw Hill / Dodge raw data - Brick States: Alabama, Arkansas, Georgia, Kentucky, Louisiana, Mississippi, North Carolina, Oklahoma, South Carolina, Tennessee, Texas

Strategy and priorities

We are continuing to target:

- **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.

While **Boral's safety performance** has continued to improve in terms of lost time and medical treatment injuries, and remains strong relative to industry peers, two tragic events occurred during the half year. In late September, 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. Two months later, on 28 November, an off-duty contract worker at our Dutch Quality stone plant in Mt Eaton, Ohio in the US was killed in a two vehicle collision on a public road outside our site. We remain determined to learn from these devastating incidents to further advance safety for all people who work for us or visit our sites.

For the first half of FY2018, Boral's combined employee and contractor recordable injury frequency rate (**RIFR**)[1] was broadly steady at 8.3 (8.4 for the first half of FY2017), and lost time injury frequency rate (**LTIFR**) of 1.1 was a solid 27% improvement on reported LTIFR of 1.5 for the same period last year. From FY2018 reported data includes Headwaters businesses, and all joint ventures irrespective of equity or management control, whereas up until FY2018, Boral's data only captured joint ventures where Boral's ownership was 50% or greater. While reported RIFR was steady, continuing businesses improved 8% year on year, with, for example, Boral Australia reducing RIFR by more than 11%. Therefore the improvement in continuing businesses was offset by the higher rates of medical treatment injuries reported in the newly acquired and reported businesses. Since completing the acquisition of Headwaters in May 2017, safety performance in those businesses has improved, which is an encouraging early trend.

We target to deliver **returns that exceed the cost of capital**, and in the first half of FY2018 Boral Australia and USG Boral both continued to deliver on that goal with underlying divisional EBIT return on funds employed (**ROFE**)[2] of 15.4% and 11.1%, respectively. Currently, Boral's cost of capital is equivalent to a ROFE of ~10-11.0%.

Returns from Boral North America are expected to exceed the cost of capital in coming years as earnings continue to grow with market recovery and as full synergies from the **Headwaters acquisition** are delivered in year four. The Headwaters acquisition strengthens Boral's ability to deliver above cost of capital returns through the cycle and we expect 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.

The reported first half FY2018 **ROFE** for Boral North America of 4.6%[3] compares with 5.7%[2] for the prior corresponding period. The softening of reported ROFE reflects the significant increase in funds employed following the Headwaters acquisition, ahead of the expected full earnings uplift.

Boral's reported Group ROFE has been similarly impacted, with ROFE in 1H FY2018 (using average monthly funds employed for the 12 months) of 8.5%[3], lower than the reported ROFE of 9.2%[2] for 1H FY2017.

To **deliver above cost of capital returns** through the cycle and more **sustainable growth**, we aim 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**
- **Grow through innovation** and, **where it makes sense, through M&A** opportunities.

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

In 1H FY2018, ~$111m of capital was invested in Boral Australia including further progress on **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. Capital was also allocated to strengthen Boral's **concrete and asphalt plant network** in growth markets.

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[1] Per million hours worked

[2] Moving annual total EBIT (excluding significant items) on funds employed at 31 December. 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

[3] Moving annual total EBIT (excluding significant items) on monthly average funds employed for the 12 months to 31 December

Strategy and priorities (cont.)

A new concrete batch plant was completed at Redbank Plains (Qld), and we are constructing a new concrete plant at West Melbourne (Vic) which replaces our closed North Melbourne plant. In Asphalt, we completed the Deer Park (Vic) upgrade, and we are upgrading Toowoomba (Qld) and Canberra (ACT).

We have finalised plans to invest up to approximately $130m to build a new clinker and slag grinding and cementitious storage **facility at the Port of Geelong** in Victoria. The investment will reduce delivered cement costs by eliminating road transport of imported clinker and reducing handling costs. It will also increase capacity to meet future demand and expand Boral's cement product offering. Boral's Waurn Ponds milling plant is running at full capacity, which is around 750,000 tonnes of clinker p.a. The new facility will allow for long-term growth and increased flexibility in Boral's cement supply network with raw material storage of clinker, slag, gypsum and limestone; and a modern milling plant with capacity of 1,300,000 tonnes p.a. of material. The planned investment remains subject to regulatory approvals and final contract negotiations. Timing will be determined when final approvals are received but it is anticipated that construction will take place over the next 18-24 months.

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.

USG Boral's **roll-out of Sheetrock® technology** was completed in December 2017 with total capital expenditure of ~US$46m, below the budgeted amount of US$50m. The technology adopted across USG Boral positions the network well to take advantage of future innovations in mix designs and manufacturing as developments progress in-house, as well as in each parent organisation, particularly in USG, which is the world leader in gypsum technologies.

USG Boral has differentiated itself from the competition through its Sheetrock® plasterboard offering, which compared with standard board, is higher strength, lighter weight, and delivers improved sag-resistance. USG Boral's adoption of Sheetrock® currently ranges from around 45% in Korea to close to 100% in Vietnam, with average price premiums of around 3% being achieved. **USG's next generation of Sheetrock®** continues to be tested in USG Boral's Queensland business.

In 1H FY2018, plans to add 17m m^2 of capacity in Vietnam were completed, increasing total **capacity** to 47m m^2 once operations commence in 1H FY2020. In India, production capacity is being increased by 30m m^2 from USG Boral's current capacity of 9m m^2. Investments are self-funded through the joint venture.

In **Boral North America** the **Headwaters acquisition** has delivered significant scale, expanded product offerings, geographic breadth, multi-channel distribution and increased diversification across growing US construction markets. Through the acquisition we have created a more balanced portfolio of traditional and lightweight products with strengthened ability to grow in large, contestable US markets and through innovation.

Significant cost and revenue[1] **synergies** have been identified and we are confident of delivering at least ~US$100m p.a. of synergy benefits in FY2021. In 1H FY2018, US$18m of synergies were delivered against a target of US$30-$35m for FY2018. We expect to deliver in excess of ~US$35m of synergies in FY2018 and an exit run rate exceeding US$50-$55m p.a. by the end of FY2018.

During the **integration** of Headwaters, some things have exceeded our expectations while some have been below expectation and we have responded accordingly, as summarised below:

Exceed expectation	Challenges & responses
• **Cultural alignment** and support of **employees and customers** • **Synergy opportunities** – confidence in exceeding US$35m in year 1 and US$100m within 4 years • **Fly Ash –** attractive medium- and longer-term opportunities • **Light Building Products** – better performance and growth opportunities • **Block and Windows** – offering attractive opportunities	• **Safety** performance and equipment – requiring increased management time and ~US$10m of capital • **Operational and integration issues in Roofing and Stone** requiring strengthened leadership and a focused improvement program • Some **share loss in Stone,** which has been included as a 'dis-synergy' in the US$18m of 1HFY2018 synergies • **Clubhouse Decking**, **Enviroshake®** roofing (in Canada) and the **Energy** business, all small underperforming businesses which have been divested • **Integration of Magnolia** Windows into Krestmark, requiring strengthened leadership and a focused improvement program

[1] Refers to distribution and cross selling revenue synergies

FY2018 Outlook

Boral's outlook for FY2018 is for growth across all divisions, with a significant lift in earnings from Boral North America reflecting a full year contribution from Headwaters and synergy benefits. On a divisional basis, we expect the following:

- **Boral Australia to deliver high single-digit EBITDA growth and low double-digit EBIT growth in FY2018, excluding property in both years**. The pre-property result is expected to be skewed towards 1H, with 1H having benefited from exceptionally dry weather on the east coast and more working days.

  The expected year-on-year improvement for FY2018 is underpinned by strong forecast growth in RHS&B and non-residential demand (up ~17% and ~14% respectively) more than offsetting a modest softening in housing construction. In FY2018 volumes are expected to grow and margins to remain strong, with improvement initiatives and modest like-for-like price increases in construction materials at least offsetting cost pressures, including higher energy costs estimated at ~$20m.

  We continue to expect the **Property earnings** contribution to be **at the low end of the five year historical range ($8m - $46m)**. Including Property contribution in both years, Boral Australia is expected to deliver mid-single digit EBITDA growth (and high single digit EBIT growth) in FY2018 compared with FY2017.

- **Profits from USG Boral to grow at mid-single digit rate in FY2018,** with strong year-on-year growth expected in 2H. Due to typical seasonality impacts 2H earnings are expected to be lower than 1H, despite one-off cost impacts in 1H.

  FY2018 earnings growth is expected to be underpinned by strong pricing and volume outcomes in China and Korea together with strong volumes in Australia albeit growth rates are expected to slow in the second half as market conditions soften. The growth in China, Korea and Australia together with continued benefits from increased penetration of Sheetrock® products and technical board, should offset a slower than expected recovery in market activity in Thailand and Indonesia, increased competitive pressures in Vietnam, and higher raw material and energy costs.

- **Boral North America** is **expected to deliver a significantly higher EBITDA in FY2018** reflecting the Headwaters acquisition, synergy delivery and underlying market recovery.

  EBITDA is expected to be substantially skewed to 2H as a result of:

  - continued progress in delivering synergies, strengthening our confidence to deliver synergies in excess of US$35m in FY2018;
  - progress in resolving the identified operational issues;
  - a return to normal weather patterns, with early benefits from hurricane rebuilding in Block;
  - price growth following announced price increases for nearly all products with most taking effect from January or February 2018, including some significant increases in bricks and fly ash;
  - continued growth in underlying market demand, including ~4% growth in housing starts (to ~1.25m), ~9% in repair & remodel , ~4% in non-residential and ~5% in infrastructure[1]; and
  - normal seasonal impacts which typically result in much higher volumes and activity in Q4.

  The **Meridian Brick JV is expected to deliver positive and improved earnings in 2H,** with price gains and synergy benefits more than offsetting the impact of lower volumes associated with a decline in brick intensity and as a result of plant closures.

With purchase price accounting adjustments continuing to be finalised, **additional amortisation of intangibles and amendments to depreciation of plant and equipment** resulting from the Headwaters acquisition is expected to be US$30-35m p.a. from FY2018.

Boral's **effective tax rate is projected to be in the range of 22% to 24% in FY2018**, reflecting the significant increase in earnings in the USA and reduced US corporate tax rate. In FY2019, with the full benefit from the reduction in the US corporate tax rate, we expect our effective tax rate to be in the range of 21% to 23%.

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

The 1H FY2018 dividend is 50% franked; **franking** rates for dividends will be partially franked in the range of 50% to 70% in line with the relative earnings from Australia in the total portfolio.

Our expectation for **capital expenditure** for FY2018 is towards the **lower end of A$425-475m**, including stay-in-business and growth, and including incremental capital expenditure for Headwaters businesses.

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[1] Housing starts based on average of Dodge, Wells Fargo, NAR, NAHB, Fannie Mae, Freddi Mac and MBA analysts between Dec-17 and Jan-18; Repair & remodel from Moody's Retail Sales of Building Products , Jan-18; Non-residential from Dodge Data & Analytics, Nov-17; and Infrastructure Ready Mix Demand from McGraw Hill Dodge, Nov-17

Results at a Glance

(A$ millions unless stated)	1H FY2018	1H FY2017	% Change
Revenue	2,937	2,093	40
EBITDA[1,2]	500	333	50
EBITA[1,2]	350	212	66
EBIT[1,2]	316	211	50
Net interest[1]	(50)	(27)	84
Profit before tax[1]	266	184	45
Tax[1]	(52)	(35)	51
Net profit after tax[1]	214	149	44
Net significant items	(41)	4	
Statutory net profit after tax	173	153	13
Net profit after tax and before amortisation[1]	237	149	58
Cash flow from operating activities	216	158	
Gross assets	9,061	7,821	
Funds employed	7,804	4,425	
Liabilities	3,623	2,218	
Net debt / (cash)	2,366	(1,179)	
Stay-in-business capital expenditure	149	124	
Growth capital expenditure	15	20	
Acquisition capital expenditure	0	9	
Depreciation and amortisation	184	122	
Boral employees	11,655	7,422	
Total employees including in joint ventures	16,621	12,167	
Revenue per Boral employee, $ million	0.383	0.282	
Net tangible asset backing, $ per share[3]	1.96	4.67	
EBITDA margin on revenue[1], %	17.0	15.9	
EBIT margin on revenue[1], %	10.8	10.1	
EBIT return on funds employed[1,4], %	8.5	9.3	
EBIT return on average funds employed[1,5] , %	9.2	9.2	
Return on equity[1],%	7.5	5.0	
Gearing			
Net debt/equity, %	43	0	
Net debt/net debt + equity, %	30	0	
Interest cover[1], times	6.3	7.8	
Earnings per share[1], ¢	18.2	17.2	
Interim dividend per share, ¢	12.5	12.0	
Employee safety[6]: (per million hours worked)			
Lost time injury frequency rate	1.1	1.5	
Recordable injury frequency rate	8.3	8.4	

1 Excludes significant items
2 See page 16 for a reconciliation and explanation of these items
3 Decrease in net tangible asset backing per ordinary security since December 2016 reflects increased intangible assets following the acquisition of Headwaters Inc.
4 Return on funds employed (ROFE) for 1H FY2017 is calculated as EBIT (before significant items) on funds employed at 31 December. ROFE for 1H FY2018 is based on average monthly funds employed to better reflect the impact of the Headwaters acquisition. Based on 31 December 2017 funds employed, ROFE for 1H FY2018 would be reported as 7.2%
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 all joint venture operations regardless of equity interest (note that in 1H FY2017 and prior periods safety data only captured 50%-owned joint ventures)

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 6 of the Half Year 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
Sales revenue		2,937.0	-	2,937.0
Profit before depreciation, amortisation, interest & income tax	**EBITDA**	**500.2**	(55.9)	**444.3**
Depreciation & amortisation, excluding amortisation of acquired intangibles		(150.0)	-	(150.0)
Profit before amortisation of acquired intangibles, interest & tax	**EBITA**	**350.2**	(55.9)	**294.3**
Amortisation of acquired intangibles		(33.9)		(33.9)
Profit before interest & income tax	**EBIT**	**316.3**	(55.9)	**260.4**
Interest		(50.1)	-	(50.1)
Profit before tax	**PBT**	**266.2**	(55.9)	**210.3**
Tax benefit / (expense)		(52.3)	15.0	(37.3)
Net profit after tax	**NPAT**	**213.9**	**(40.9)**	**173.0**
Add back: Amortisation of acquired intangibles		33.9		
Less: Tax effect of amortisation of acquired intangibles		(11.0)		
Net profit after tax & before amortisation of acquired intangibles	**NPATA**	**236.8**		
Weighted average number of shares on issue		1,172,331,924		
Basic earnings per share	**EPS**	**18.2**		**14.8**
Basic earnings per share before amortisation of acquired intangibles	**EPSA**	**20.2**		

The USG Boral division commentary also includes a non-IFRS measure of underlying results excluding significant items representing the 6 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 Half Year Financial Report for the six months ended 31 December 2017.

The Half Year Financial Report for the six months ended 31 December 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.

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