

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

- x Reported revenue of \$5,869m for FY2018, up 34%
- x EBITDA^{1,2} of \$1,056m, up 47%, EBITA^{1,2} of \$749m, up 59% and EBIT^{1,2} of \$688m, up 50%
- x EBITDA^{1,2} margins of 18.0%, up from 16.4%
- x NPATA^{1,2} of \$514m, up 47%, NPAT^{1,2} of \$473m, up 38%, statutory NPAT² of \$441m, up 49%
- x EPSA^{1,2} of 43.8 cents, up 28%, and EPS^{1,2} of 40.4 cents, up 20%
- x Final dividend of 14.0 cents per share (50% franked); full year dividend of 26.5 cents per share up 10%
- x Operating cashflow of \$578m, up 40%

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

- x Boral Australia – EBITDA of \$634m up 15% and EBIT up 24% on FY2017 driven by strong growth in infrastructure, higher non-residential activity, higher contribution from property and solid margins. This exceeded guidance provided in April. Excluding Property earnings, EBITDA was up 8% year-on-year.
- x USG Boral – Historically high revenues and strong margins in Australia and Korea, and higher earnings from China, offset by higher input costs, \$11m in one-off costs and softer results in Thailand, Indonesia, India and Vietnam. Underlying EBITDA of \$268m was down 6% and Boral's post-tax earnings from the JV down 9% to \$63m. This was below guidance, with a lower than expected 4Q result due to cost impacts not

Financial Overview

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

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

EBITA^{1,2} increased 59% to \$749m and earnings before interest & tax (EBIT^{1,2}) increased 50% to \$688m.

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

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

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

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

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

Net profit after tax before amortisation (NPATA)^{1,2} of \$514m was 47% higher on the prior year.

EPSA^{1,2} of 43.8 cents increased 28% and EPS^{1,2} of 40.4 cents increased 20%.

A final dividend of 14.0 cents per share (50% franked), to be paid 2 October 2018, represents a payout ratio of 66%, which is in line with Boral's Dividend Policy³. This brings the full year dividend to 26.5 cents, 10% higher than last year.

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

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

Market Conditions and External Impacts (cont.)

USA

The US market is strong with GDP growth estimated to be over 4% in the June 2018 quarter¹, and unemployment and inflation numbers amongst the best in the world.

US housing starts ²

Boral Australia

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

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

- x EBITDA excluding Property up 8% driven by growth in construction materials businesses particularly in NSW, Qld and Vic
- x Revenue growth underpinned by significant volume lift in downstream construction materials coupled with

Boral Australia (cont.)

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Boral's reported result

(A\$ millions)	FY2018	FY2017	Var %	x
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USG Boral (cont.)

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

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

Boral North America

Construction Materials (Fly Ash, Block), Building Products
Meridian Brick JV

(Roofing, Stone, Light Building Products (LBP), Windows) &

Strong earnings lift through acquisition and successful integration of Headwaters

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

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

The following commentary relates to FY2018 results for continuing businesses relative to the underlying proforma consolidated Boral and Headwaters businesses for the

Boral North America (cont.)

Construction Materials

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

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

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

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

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

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

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

Strategy and priorities

Our goals are to deliver:

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

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

FY2019 Outlook

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

On a divisional basis, we expect the following:

- x **Boral Australia** to deliver high single-digit EBITDA growth or more in FY2019, excluding Property in both years. If we include Property in both years, we expect EBITDA to remain at least in line with the prior year. FY2019 Property earnings are expected to be around \$20m compared with \$63m in FY2018. The anticipated year-on-year improvement is underpinned by forecast growth in RHS&B (up 8%)¹ and non-residential demand (up around 10%)¹ more than offsetting the impacts of a moderating housing construction market. Detached housing starts are forecast to be down 5% and multi-residential starts down 13%². Volumes and margins are expected to strengthen in FY2019 relative to FY2018.
- x **USG Boral** to deliver profit growth of around 10% or more in FY2019. The FY2019 outlook for USG Boral reflects a forecast moderation in residential construction in our largest markets of Australia and South Korea, and improvements in other countries including China, Indonesia, Thailand and India. The year-on-year improvement in earnings is expected to come through in the second half of FY2019.
- x **Boral North America** to deliver EBITDA growth of around 20% or more in FY2019 (for continuing operations), reflecting further synergy delivery, operational improvements and underlying market growth. The outlook for Boral North America is based on:
 - o expected additional Headwaters acquisition synergies of ~US\$25m in FY2019
 - o continued growth in underlying market demand, including ~5% growth in housing starts (to ~1.31m),

Results at a Glance

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1. Excludes significant items
 2. See page 16 for a reconciliation and explanation of these items
 3. Return on funds employed (ROFE) for FY2017 is based on average monthly funds employed to better reflect the impact of the Headwaters acquisition. Based on 30

Non – IFRS Information

Boral Limited's statutory results are reported under International Financial Reporting Standards.

A number of non-IFRS measures are reported in order to provide a greater understanding of the underlying business performance of the Group.

Significant items are detailed in Note 7 of the Preliminary Financial Report and relate to amounts of income and expense that are associated with significant business restructuring, business disposals, impairment or individual transactions.

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

(A\$ millions)		Earnings before significant items	Significant items	Reported Result ¹
Sales revenue		5,869.0	-	5,869.0
Profit before depreciation, amortisation, interest & income tax	EBITDA	1,056.0	(101.6)	954.4
Depreciation & amortisation, excluding amortisation of acquired intangibles		(307.4)	-	(307.4)
Profit before amortisation of acquired intangibles, interest & tax	EBITA	748.6	(101.6)	647.0
Amortisation of acquired intangibles		(60.2)	-	(60.2)
Profit before interest & income tax	EBIT	688.4	(101.6)	586.8
Interest		(103.8)	-	(103.8)
Profit before tax	PBT	584.6	(101.6)	483.0
Tax benefit / (expense)		(111.4)	69.4	(42.0)
Net profit after tax	NPAT	473.2	(32.2)	441.0
Add back: Amortisation of acquired intangibles		60.2		

Less: Tax eff. 149 & 1 Tf2.6647 0 TD-.00028 0 Ti 3..28 610.28 .4800s.5ef392.4 338.54 1503s 0 d.754 bf467.288 .480772.9

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

The results announcement has not been subject to review or audit, however it contains disclosures which are extracted or derived from the Preliminary Financial Report for the 12 months ended 30 June 2018.

The Full Year Financial Report for the 12 months ended 30 June 2018 is prepared in accordance with the ASX listing rules and should be read in conjunction with any announcements to the market made by the Group during the year.

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

Non – IFRS Information (cont.)

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

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

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