Build something great™

Results Announcement

for the half year ended 31 December 2016

15 February 2017

Management Discussion & Analysis

Boral continues to deliver its strategy and grow earnings

- **Reported revenue of $2.1b** for the half year down 5% but **EBITDA[1] of $333m** up 3%
- **EBIT[1] of $211m**, up 6%
- Underlying **profit after tax[1] of $149m**, up 9%
- Statutory **net profit after tax of $153m**, up 12% after a net gain of $4m for significant items
- **Net cash of $1.2b** reflecting capital raising
- **Earnings per share[1] of 17.2 cents**, up 2%
- **Interim dividend of 12.0 cents per share, fully franked,** up 9%

Strengthening underlying performance, with strong EBIT uplift from USG Boral and Boral USA

- **Boral Australia** – A substantial 2Q catch up supported by favourable weather conditions followed a significant rain affected 1Q result. EBIT for the half year of $164m was down 3% with strong East Coast residential markets, emerging infrastructure volumes, pricing gains, margin improvements and higher property earnings ($9m, up from $5m last year) offset by the impacts of LNG and Barangaroo projects completing, and a significant decline in WA.
- **USG Boral** – underlying EBIT of $117m was up 28% on the prior period; Boral's 50% share of post-tax earnings from the JV of $40m was 25% higher. This was due to growth in Korea and Australia from strong housing markets, continued penetration of premium Sheetrock® products, and cost reduction benefits.
- **Boral USA[2]** – delivered EBIT of A$13m, compared with a breakeven result in the prior period. This is in line with our expectations of the ongoing recovery in US housing activity, improving operational efficiencies and strengthening prices.

Delivering on Boral's strategy

- ✓ **Business transformation** – the strategically compelling US$2.6b acquisition of Headwaters Inc. announced, funding secured and completion expected mid-CY2017.
- ✓ **Consolidating Boral's strong position in Australia** while **leveraging growth in North America and across Asia**.
- ✓ **Driving safety excellence** – a 27% reduction in recordable injury frequency rate (RIFR) to 8.8 in FY16, followed by a further improvement to 8.4 in 1H FY17, lost time injury FR (LTIFR) increased slightly to 1.5.
- ✓ **Driving performance excellence** – increase in return on funds employed (ROFE)[3] to 9.3% in 1H FY2017, underpinned by Boral Australia's 12.9% ROFE and improvements from Boral USA and USG Boral.

FY2017 outlook is for continued growth with EBIT expected to be stronger than FY2016

We expect Boral's FY2017 EBIT to be higher than FY2016, with improved performance partially offset by the loss of ~$6.5m of EBIT associated with the divestment of Boral's 40% share of Boral CSR Bricks in Nov-16. **Boral Australia should deliver higher EBIT in FY2017**, with first and second half earnings being broadly balanced, including Property earnings. **Boral USA earnings should continue to strengthen** in line with the US market recovery, and **USG Boral will continue to grow**.

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[1] Excluding significant items

[2] Denver Construction Materials is intended to be divested, as such A$4.9m of EBIT from this business is reported in Discontinued Operations

[3] Calculated on a moving annual total EBIT (excl significant items) on funds employed at 31 December. Divisional ROFE is EBIT on segment assets less segment liabilities

Commentary in this document refers to Group operations before significant items. Profit before significant items is a non-IFRS measure – refer to page 13 for reconciliation to statutory profit. Figures may not add due to rounding.

Financial Overview

Growth in USG Boral and Boral USA together with strong results from Boral Australia

(A$ millions)	1H FY2017	1H FY2016	Var %
Revenue	2,093	2,194	(5)
EBITDA[1]	333	322	3
EBIT[1]	**211**	**200**	**6**
Net interest	(27)	(31)	
Tax[1]	(35)	(32)	
PAT[1]	**149**	**137**	**9**
Significant items (net)	4	-	
NPAT	**153**	**137**	**12**
EPS (cents)[1]	17.2	16.9	2
Interim dividend (cents)	12.0	11.0	9

Boral's reported **sales revenue of $2.1b was down 5%** on the prior year, reflecting a reduced revenue contribution from US Bricks following formation of the Meridian Brick JV on 1 November (and associated impact of equity accounting), coupled with the completion of Barangaroo and LNG projects, and the market decline in WA, all of which was only partially offset by strong activity in Eastern Australia and USA growth.

Earnings before interest & tax (**EBIT**)[1] **increased 6% to $211m** reflecting stronger earnings from Boral USA and USG Boral, partially offset by the earnings impact of the sale of Boral's 40% share of the Boral CSR Bricks JV in November 2016 and the decline in earnings from Boral's remaining bricks WA business.

Depreciation and amortisation remained broadly flat on the prior year at $122m.

Net interest expense was $4m lower due to interest earned on $2.0b of cash proceeds from the equity raise.

Income tax expense increased by $3m due to higher earnings from Boral USA. The effective tax rate of around 19% includes a favourable adjustment for tax liabilities in relation to land and buildings and also from alignment of our deferred tax asset balance associated with our US carried forward losses. Excluding these adjustments, our effective tax rate is around 21%.

Profit after tax (**PAT**)[1] of $149m was 9% higher on the prior year's PAT of $137m.

A **net gain of $4m for significant items** was reported for the half year. A net gain from divestments, including the sale of our 40% share in Boral CSR Bricks and the formation of the Meridian Brick JV, were partially offset by transaction costs incurred in relation to the Headwaters acquisition.

Statutory net profit after tax (**NPAT**) of $153m was ahead of the prior year's NPAT of $137m.

EBITDA[1] of $333m was 3% higher than the prior year while **operating cash flow** of $158m was 40% higher, with improved earnings, lower tax payments and lower restructuring costs, offset by an increase in working capital from the timing of debtor collections and capital payments.

Capital expenditure was $144m ($124m of stay-in-business and $20m of growth expenditure), up from $115m in the prior year. Capital expenditure included quarry upgrades at Deer Park (VIC) and Orange Grove (WA), an upgrade at the Lake Wales roofing plant (US), a replacement concrete plant in Granville (NSW) and Kirrawee (NSW) and building new capacity in our siding business in the US.

Net cash at 31 December 2016 of $1.2b is due to the equity raising in relation to the Headwaters acquisition. The Group was well within all its funding covenants at the close of the period. Boral's principal debt gearing covenant[2] was 22%, down from 30% at 30 June 2016 and well within the threshold of less than 60%.

Earnings per share[1] of 17.2 cents increased 2% on a reported basis. **On an adjusted basis**, to demonstrate underlying performance excluding the impact of the equity raising, **EPS of 19.7 cents increased 8%**. A table summarising the EPS calculations and adjustments is provided on page 14.

A fully franked interim **dividend of 12.0 cents** per share will be paid on 10 March 2017, representing a payout ratio of 94%. This exceeds the Company's **Dividend Policy** of between 50% and 70% of earnings before significant items, subject to the Company's financial position, in line with the Company's commitment to maintain the level of dividends while the Headwaters acquisition is finalised.

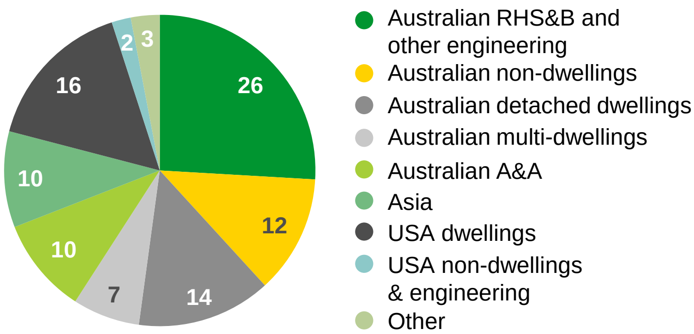
[1] Excluding significant items
[2] Gross debt / (gross debt + equity)

Market Conditions and External Impacts

Australian residential activity continues at strong levels and roads activity emerging, further improvements in US housing markets, and mixed conditions in Asian markets

- Continuing to capitalise on historically strong levels of activity in the **Australian** residential market, offsetting the transition from resources and LNG projects to the emerging pick-up in major roads and infrastructure investments
- Continued recovery of **US** housing market with single-family house construction growing; Boral well positioned to benefit from further growth with an increasing suite of innovative products
- Strengthened market position in **Asia** through Sheetrock® brand products, with ongoing penetration opportunities; strength in Korea but more subdued activity in Indonesia, Thailand and China

Boral 1H FY2017 external revenue[1] by market, %



Australia – Boral's largest exposure is to the **roads, highways, subdivisions & bridges** (RHS&B) segment in Australia. RHS&B value of work done (VWD) grew by 5% year-on-year in FY2016, and a further 23% growth in VWD is forecast in FY2017[2].

Other engineering activity is forecast to continue to contract in FY2017 with the continued slowdown of mining and LNG project activity[2].

Housing starts in Australia reached a record high of ~232,000 in FY2016[3]. 1H FY2017 starts are estimated to have moderated, down 4% on 1H FY2016 to an annualised rate of ~227,000 starts[3]. **Detached housing starts** were down 1% in 1H FY2017 while **multi-residential starts** were down by 7%[3].

Housing activity in New South Wales and Queensland was strong with growth in housing starts of 9% and 5% respectively, while housing starts in Victoria, Western Australia and South Australia declined by an estimated 11%, 28% and 2%, respectively[3]. Detached housing starts as a proportion of total starts remain at historically low levels of an estimated 53%, compared to the prior 20-year average of 65%[3].

Market forecasters[4] are expecting Australian housing activity to remain at historically strong levels of ~212,000 starts in FY2017.

Australian alterations & additions (A&A) activity is estimated to have been steady in 1H FY2017 compared with the prior period[5].

[1] Includes Boral's 50% share of underlying revenue from USG Boral and Boral's 50% share of underlying revenue for two months from Meridian Brick (US Brick JV)

Non-residential activity is estimated to be 6% lower in 1H FY2017 compared with the prior period[5].

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

Boral's Australian project work & potential pipeline

Perth Stadium, WA	Est. completion mid-2017
Mitchell Freeway, WA	Est. completion mid-2017
Wheatstone LNG, WA	Est. completion end 2017
NorthLink stage 1, WA	Est. completion 2018
Bringelly Road Stage 1, NSW	Est. completion 2018
Pacific Hwy, Nambucca, NSW	Est. completion 2018
Toowoomba Second Range, Qld	Est. completion 2018
Gateway Motorway North, Qld	Est. completion 2019
NorthConnex, NSW	Est. completion 2019
Forrestfield – Airport Link, WA	Est. completion 2019
Amrun Project, Qld	Est. completion 2019
Kingsford Smith Drive, Qld	Currently tendering
Northern Road, NSW	Currently tendering
Pacific Motorway M1 Widening, NSW	Currently tendering
Pacific Hwy W2B, NSW	Currently tendering
Roe 8, Mains Roads, WA	Currently tendering
Northern Connector, SA	Currently tendering
NorthLink stages 2 & 3, WA	Currently tendering
Melbourne Metro, Vic	Currently tendering
Western Distributor, Vic	Currently tendering
Sydney Metro, City&SW, NSW	Currently tendering
Warrego Hway, Qld	Currently tendering
Brisbane Airport Runway, Qld	Currently tendering
Outer Suburban Arterial Roads, Vic	Currently tendering
West. Sydney Stadium, NSW	Pre-tendering
Sunshine Coast Airport, Qld	Pre-tendering
WestConnex (stage 3), NSW	Pre-tendering
Bandon Road Link, NSW	Pre-tendering

Projects recently awarded to Boral are highlighted in grey

[2] Average of Macromonitor and BIS Shrapnel forecasts for RHS&B; BIS Shrapnel forecasts for Other engineering
[3] ABS original housing starts; Dec-16 quarter based on HIA forecast
[4] HIA, BIS Shrapnel and Macromonitor
[5] ABS value of work done 2014/15 constant prices; average of Macromonitor and BIS Shrapnel forecasts for Dec-16 quarter

USA market conditions continued to strengthen with **total US housing starts** increasing 3% in 1H FY2017 to an annualised rate of 1.18 million starts[1].

Single-family starts increased by 6% nationally, were **up 9%** in Boral's Tile States and **up 7%** in Boral's Brick States[2]. With multi-family starts down 2% nationally[1], single-family starts as a proportion of total starts increased from 65% to 67%, but remain below the long-term average of 71%[1].

If the market improvement trajectory of the past three years of around 10% per annum continues in the US, housing starts in FY2017 will be around 1.26 million. On average, market forecasters expect total US housing starts to lift to ~1.25 million starts in FY2017[4].

In **Asia**, construction market growth in **Korea** was underpinned by the strongly performing residential sector. Markets remained more subdued in **Thailand** and **Indonesia**, in line with general economic conditions, while construction activity in **China** has been impacted by slowing economic growth. Other markets in Asia, such as **Vietnam** and **the Philippines**, continue to grow.

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[1] Seasonally adjusted US Census Housing Starts for national figures
[2] McGraw Hill / Dodge raw data - Brick States: Alabama, Arkansas, Georgia, Kentucky, Louisiana, Mississippi, North Carolina, Oklahoma, South Carolina, Tennessee, Texas. Tile States: Arizona, California, Florida, Nevada
[3] Brick Industry Association reporting July – November 2016
[4] Average of analysts' forecasts (Dodge, Wells Fargo, NAR, NAHB, Fannie Mae, Freddie Mac, MBA) from January 2017 forecast

Boral Australia

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

Continued strong results from construction materials but lower building products earnings

- **Strong 2Q catch up** supported by dry weather following a **significant rain impacted 1Q**
- **Earnings growth on the east coast offset by declines in WA and NT**
- Above cost of capital **13% return on funds employed**[1]**, solid 10% EBIT margins** from Boral Australia
- EBIT down 3% with **strong east coast volumes, pricing gains, margin improvements and higher property earnings** offset by **completion of LNG projects and Barangaroo,** and **WA market decline**
- Result impacted by a 34% volume decline in Bricks WA
- **Excluding the impact of LNG and Barangaroo projects and Bricks WA,** revenues remained at similar strong levels

(A$ millions)	1H FY2017	1H FY2016	Var %
Revenue	1,616	1,681	▼4
EBITDA[1,2]	264	266	▼1
EBIT[1,2]	164	169	▼3
Property	*9*	*5*	▲69
EBIT[1] excl. Property	*156*	*164*	▼5

1H FY2017	External revenue		EBIT
Concrete	687	▼3%	▼
Quarries	210	▲2%	▲
Asphalt	300	▼6%	▲
Cement	154	▼4%	▲
Concrete Placing	57	▼11%	▼
Bricks WA & Roofing[2]	101	▼13%	▼
Timber	77	Steady	Steady

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

Revenue from Boral Australia decreased by 4% to $1.6b, reflecting lower revenues from the now largely complete LNG projects in QLD, WA and NT and the Barangaroo project in NSW, together with the decline in Bricks WA due to the market downturn.

Despite extreme wet weather events significantly impacting volumes in the first quarter, improved conditions in the second quarter saw a catch-up in volumes and supported a strong December quarter. The result was underpinned by continued strong east coast residential construction activity, solid price gains in NSW and QLD, and the early benefits from growth in infrastructure activity, including NorthConnex and Pacific Highway work in NSW.

EBIT from Boral Australia of $164m decreased by 3% or $5m, and included $4m of higher Property earnings compared with 1H FY2016. **EBIT excluding Property** decreased by 5%, reflecting an $8m decline in EBIT from Bricks WA and $8m of lower EBIT from LNG and Barangaroo projects.

In addition, the prior period included $4m of damages received from the CFMEU settlement.

Excluding the impacts of LNG and Barangaroo project completions, and the decline in Bricks WA, revenue from Boral Australia in 1H FY2017 was steady and EBIT excluding Property grew by 5%.

Concrete delivered improved earnings in east coast metropolitan regions. However, earnings were lower overall due to the decline in LNG projects, completion of Barangaroo and the CFMEU settlement in the prior period.

Overall, volumes were 4% weaker, with a reduction in LNG (Curtis Island and Wheatstone) and Barangaroo volumes in 1H FY2017 compared with 1H FY2016 accounting for 3% of the decline.

On a *like-for-like basis*, concrete prices were up by an average of 2% nationally, with ~3-4% increases in metro NSW and QLD partially offset by price pressure in WA and steady pricing outcomes in VIC. The *average selling price* in Concrete was only up around 1% nationally, due to the impact of mix change, particularly impacted by Wheatstone.

Quarries delivered stronger earnings, supported by growth in NSW, metro VIC and SEQ. However, quarry volumes were only up 1% nationally due to weaker activity in regional QLD, WA and NT.

On a *like-for-like basis*, aggregate prices were up by an average of 1% nationally, with 5-6% increases in QLD, largely offset by pricing pressure in WA and regional NSW. The *average selling price* across all quarry materials was down 1% nationally, reflecting geographic and product mix.

1H FY2017 v 1H FY2016	Total Volume, *Var %*	Price, *Var %*
Concrete	(4)	2
Quarries	1	(1)
Aggregates	3	1
Cement	3	1

[1] Moving annual total EBIT return on divisional funds employed at 31 December 2016. EBIT excludes significant items

In **Asphalt**, wet weather in the first quarter had a significant impact on volumes and earnings, and delayed the commencement of some major road projects in QLD and WA, although the pipeline of work remains encouraging. Overall, Asphalt delivered improved earnings in the half year through margin growth. This was despite weaker volumes in all states except NSW, driven by the completion of Gateway WA and Cooroy to Curra Sections B2 & C (QLD) road projects.

In **Cement,** despite a 3% increase in total cement volumes, **external revenue decreased by 4% to $154m,** due to wholesale clinker volumes being lower during the period to support higher direct sales volumes of cement. Average selling price gains of 1% in bulk cement and 3% in packaged products (which account for around one-quarter of external revenues) were achieved.

While competitive pressures continue for the Cement business, and energy costs (coal and power) are increasing, other **cost improvement initiatives continued to deliver benefits,** including improved utilisation of assets and benefits from restructuring in the Southern Highlands.

Concrete Placing revenue was down in the half year as expected, following the completion of work on Barangaroo. Earnings were down on the prior year as a result of lower volumes and sales mix.

Property contributed a solid first half EBIT of $9m, compared with $5m in 1H FY2016. The 1H FY2017 result included the second settlement at Nelsons Ridge, NSW.

Building products businesses reported lower revenues and earnings in the first half, underpinned by a significant decline in Bricks WA, but broadly steady results from Timber and Roofing.

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

In Boral's remaining **Bricks WA** business, volumes were 34% lower on 1H FY2016 and prices were down 4%. Following the mothballing of Kiln 8 in 2H FY2016 and 50 positions being made redundant, production was slowed further in 1H FY2017 with a reduction of 50 more positions. The business incurred a one-off restructuring cost of $2m in 1H FY2017. While earnings are down on the prior year, the business remains profitable and inventory levels are being managed.

In **Roofing** (including masonry operations in SA and QLD), strong east coast activity and price increases supported increased revenues. EBIT, however, remained steady.

In **Timber**, revenues and EBIT were broadly steady with solid gains in Hardwood offset by lower sales and earnings from the Softwood business. Core Hardwood volumes (decking, flooring and structural timber) were up 8% and average prices were up 4%, while an exit from the hardwood poles business in FY2016 had a negative impact on speciality volumes and earnings. In Softwood, prices were down 8% despite a 5% lift in volumes.

An ongoing ***operational excellence*** program is helping to deliver underlying margin expansion benefits more broadly across Boral Australia. In 1H FY2017, the operational excellence program included procurement initiatives, fleet optimisation and plant efficiency projects as well as new product development and market repositioning initiatives in building products.

While overhead costs were higher year on year as a result of IT and ***commercial excellence*** initiatives, the multi-year commercial excellence program is strengthening the way we manage revenue and margins. After a 6 month pilot in the Southern Region, more flexible and dynamic pricing structures are delivering benefits as they better align value-added products and services to different customer segments. At this stage of our pilot program in the Southern Region, we are tracking at around 0.5% margin improvement. We will continue to expand the program in the Southern Region and to the other states.

Boral Australia continues to capitalise on the strength of the east coast residential market, helping to offset the transition from LNG projects to **major roads and infrastructure.** Substantial tendering activity is continuing on numerous road, rail and airport projects across QLD, NSW, WA, VIC and SA in coming years.

Early benefits from the infrastructure pipeline were delivered in 1H FY2017, with the Bringelly Road – Stage 1 project activity, Pacific Highway upgrade progressing and early concrete volumes poured at NorthConnex in NSW. Boral secured fixed plant concrete supply to the Toowoomba Second Range Crossing project. Also in QLD, the Gateway Upgrade North project will deliver benefits particularly in FY2018. In WA, the Mitchell Freeway Extension will be completed in FY2017, NorthLink Stage 1 should deliver substantial benefits in FY2017 and FY2018, and Boral has also commenced concrete supply for Forrestfield Airport Link which will continue to FY2020.

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

USG Boral

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

Strong profit growth through volume gains including product penetration

- Revenue growth through **volume gains**, including **continued penetration of premium Sheetrock®**
- **Benefits from cost reduction programs, energy savings and higher plant utilisation combined with Sheetrock® price premiums** to underpin solid margin expansion
- **Australia and Korea market strength** continues to support growth
- **Roll-out of Sheetrock® technology on track** to be within the two-year capital expenditure of US$50m, and synergies of US$50m per annum expected within three years of the full technology roll-out

Boral reported **equity accounted income of $40m, up 25%** on the prior year, representing Boral's 50% share of the post-tax earnings of USG Boral, and reflected in Boral's EBIT result.

Boral's reported result

(A$ millions)	**1H FY2017**	**1H FY2016**	**Var %**
Equity income[1]	40	32	▲25

1. Post-tax equity income, excludes significant items

USG Boral underlying business result

(A$ millions)	**1H FY2017**	**1H FY2016**	**Var %**
Revenue	735	718	▲2
EBITDA[1]	151	128	▲18
EBIT[1]	117	91	▲28

1. Excludes significant items

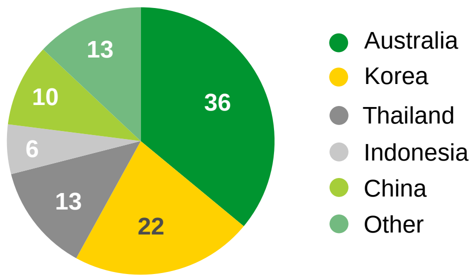
For the underlying business, **revenue increased by 2%** to A$735m underpinned by continued growth in premium Sheetrock® plasterboard sales. Strong board volume and price growth in Korea and Australia, together with volume growth in Indonesia and steady volumes in Thailand were partially offset by contraction in the construction market in China as economic growth moderated.

Sheetrock® brand products continue to maintain a price premium of around 5% with adoption rates at December ranging from around 10% in China to over 90% in Australia.

EBIT increased 28% to $117m reflecting volume growth and ongoing cost management, including procurement savings and lower production and energy costs. Average plant utilisation lifted to 77% from 75% for 1H FY2016. The ongoing price premium achieved for Sheetrock® also contributed to the growth, offset by competitive pricing pressure in Thailand, Indonesia, China and some emerging regions.

Australia/NZ revenue increased by 4% to $266m with board volumes up 8%, reflecting strong activity in the eastern states and growth in non-board sales. Average selling prices rose 3%, supported by growth of Sheetrock® volumes.

External Revenue %



A further 5% price rise was announced effective 1 March 2017. A strong lift in earnings from Australia was reported for the half year.

Asia revenue increased by 2% to $469m in AUD terms, despite softer revenues in China and steady sales in Thailand, due to subdued economic activity in those markets.

Korea reported record sales volumes and price growth of around 6% to deliver a significant year on year earnings lift. Cost savings were also achieved, particularly in energy. Sheetrock® adoption continues to grow, now approaching 40%.

Thailand reported steady revenue and earnings, reflecting subdued domestic activity offset by export sales growth, strong cost management and improvement initiatives. Competitive price pressure was experienced in the period.

Indonesia revenue and earnings growth from higher board volumes were largely offset by competitive pressures, including softer prices.

China delivered improved earnings despite softer revenues and a one-off cost associated with the closure of the Chengdu plant.

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

1H FY2017 vs 1H FY2016	**Board Volume** *Var %*	**Board ASP** *Var %*
Australia	8	3
Asia	6	N/A

Boral USA

Cladding (Cultured Stone, Trim & Siding), Roof Tiles, Fly Ash and Bricks JV

Profit growth driven by improving housing market and strong business performance

- **Business transformation underway** with formation of Meridian Brick JV and announced acquisition of Headwaters Inc.
- **Continued growth in the housing market with single family starts up 6%** leading to **continued** improvements in **underlying revenue** and profitability
- **US$10m (A$13m) EBIT** reflecting the benefits of price and volume gains

(A$ millions)	1H FY2017	1H FY2016	Var %
Revenue[1]	410	455	▼10
EBITDA[1,2]	33	23	▲44
EBIT[1,2]	13	0	▲
(US$ millions)	**1H FY2017**	**1H FY2016**	**Var %**
Revenue[1]	307	326	▼6
EBITDA[1,2]	25	16	▲51
EBIT[1,2]	10	0	▲

1H FY2017 *(US$ millions)*	**External revenue**		**EBIT**
Cladding[3]	70	▲15%	▲
Roofing	92	▲6%	▲
Fly Ash	47	▼5%	▲

1. Excludes Denver Construction Materials for both current and comparative periods, which is reported under Discontinued Operations
2. Excludes significant items
3. Includes Cultured Stone, Trim & Siding

During the half, the Forterra Boral Bricks JV formed and the acquisition of Headwaters Inc was announced. We are intending to divest our non-core construction materials business in Denver and as such it is reported under Discontinued Operations.

Revenue of **US$307m** was down 6% on last year, reflecting the impact of equity accounting, which excludes our share of revenue from the Meridian Brick JV for two months. Excluding Bricks, **revenue was up by 6%**, with growth in Cladding and Roofing but a modest decline in Fly Ash primarily due to lower Celceram®[1] product sales.

Boral USA continued to benefit from increased housing construction. US single-family starts grew 6% year on year but were up 9% in Boral's Tile States and 7% in Boral's Brick States.

EBIT improved to a US$10m profit from a breakeven result last year. Margins improved with price gains in all businesses and volume growth in Cladding and Roofing. Costs were tightly managed and plant efficiencies improved in the period. Investment continues to grow the Trim & Siding business.

The bricks **joint venture** with Forterra, which started in Nov-16, is now known as **Meridian Brick.** The first half for Boral USA contains four months of Boral bricks earnings and two months of equity income.

In the first two months, the JV generated US$67m of revenue and delivered a breakeven profit result. Integration and delivery of US$25m per annum of synergies by year 4 are progressing well.

Meridian Brick underlying result[1]

(US$ millions)	*1H FY2017*
Revenue	*67*
EBIT	*0*

1. Underlying result for first two months of JV between Boral and Forterra

Cladding revenue grew 15% to US$70m**. Stone** volumes increased 6%, with the value positioned ProStone® and leading Cultured Stone® products growing in line with the market. Versetta® experienced strong growth off a small base. Average prices rose 3%. Stone manufacturing utilisation rose to 41%.

Trim & Siding continued to grow in the period, doubling volume and lifting prices by 2%. The dealer footprint grew from 540 a year ago to 716 locations. High value siding is being well received by customers and contributed to a strong performance in eastern markets. The business continues to invest in growth and to benefit from improved manufacturing and cost outcomes. The business is targeting breakeven in FY2017.

Roofing revenue **was up 6% to US$92m** with strong growth in resale products. Volumes rose 6% with housing activity in Florida being a key driver. All key regions experienced growth except Southern California, where custom home builds and re-roof activity slowed. Like-for-like prices were up ~3-4%. Plant utilisation held at ~30%.

Fly Ash revenue of **US$47m was down 5%,** reflecting lower Celceram®[1] sales. Prices were up 5% and while volumes increased in the east, overall volumes were down 2%, partly due to rain impacts in Texas. Earnings improved on the previous corresponding period.

1H FY2017 vs 1H FY2016	**Volume,** *Var %*	**ASP,** *Var %*
Cultured Stone	6	3
Roof Tiles	6	1
Fly Ash	(2)	5

[1] Specialty ash used as filler in carpet backing materials

Strategy and priorities

Four years ago, we articulated a vision to transform Boral for performance excellence and sustainable growth. To realise this vision, we have been working to deliver:

- **World class health & safety** outcomes based on **Zero Harm**
- **Returns that exceed the cost of capital** through the cycle
- More **sustainable growth**.

Safety performance has improved dramatically in recent years and is approaching world class with Boral's recordable injury frequency rate (**RIFR**)[1] at 8.4 for 1H FY2017, down from 17.4 in FY2013 and 8.6 in 1H FY2016. Boral's combined employee and contractor lost time injury frequency rate (**LTIFR**)[1] at 1.5 is down from 1.9 in FY2013 but up from 1.2 in 1H FY2016, a reminder that there is still considerable work to do to maintain the positive momentum.

Boral Australia and USG Boral delivered underlying divisional EBIT return on funds employed (**ROFE**)[2] of 12.9% and 10.7%, respectively, in 1H FY2017, with Boral Australia exceeding the cost of capital. Earnings from Boral USA are continuing to improve with returns expected to exceed the cost of capital in coming years as demand recovers towards, and then exceeds, mid-cycle levels of activity. **The Headwaters acquisition** will strengthen Boral's ability to deliver returns that exceed the cost of capital through the cycle.

Boral's reported **ROFE**[2] of 9.3% in 1H FY2017 was up from 8.6% in 1H FY2016.

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

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

Geographic diversification across Australia, North America and Asia positions Boral well to benefit from strong markets and to leverage growth opportunities. Boral's position in Australia is strong and the business is performing well, but **Boral's growth platforms are in North America and Asia** – markets Boral understands well, having had operations in both since the 1970s and 1980s, respectively.

The priority for **Boral Australia** is to protect and **strengthen our leading, integrated construction materials position**, which will benefit from the **significant pipeline of major roads and infrastructure work** over the next several years, and to **optimise returns** across all building products and construction materials businesses.

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

In November 2016, Boral announced the **US$2.6 billion acquisition of Headwaters** Incorporated, in line with our stated strategy to pursue strategically aligned M&A opportunities **in the USA**.

Boral Australia

Effective 1 July 2016, Boral's **Building Products** combined with **Construction Materials & Cement** (CM&C) to form a new Boral Australia division.

Effective 1 November 2016, Boral sold its 40% interest in Boral CSR Bricks to CSR Limited for a total cash consideration of $133.9 million. Boral recognised a $36 million pre-tax profit on sale, reported as a significant item in 1H FY2017. For the first four months of FY2017, prior to the divestment, Boral reported $5 million of equity earnings from the JV (compared with ~$12 million of equity earnings contribution for the full year in FY2016). Given future capital requirements in the Bricks JV, the divestment of Boral's share reflects the Company's stated strategy to focus capital in core construction materials businesses in Australia and in growth platforms in the USA and USG Boral.

[1] Per million hours worked
[2] Moving annual total EBIT (excluding significant items) on funds employed at 31 December. Boral's reported ROFE includes post tax earnings from USG Boral.

During the half year, brick production at Boral's Midland Brick was curtailed due to the residential downturn in Western Australia which has seen a 34% year-on-year decline in brick volumes. Kiln 8 was mothballed in late FY2016 and production shifts further reduced in 1H FY2017 so that Kilns 9, 10 and 11 are now operating at 80% utilisation. The workforce in the Bricks WA business has reduced by around 25% in response to the downturn and a $2 million one-off restructuring cost was incurred in 1H FY2017.

Approximately $40 million of capital was spent on Boral's **Quarry reinvestment projects** at Deer Park (VIC) and Orange Grove (WA) quarries during the half year. This investment is part of a $130 million capital reinvestment program between FY2016-18 to modernise and upgrade these two key quarries, securing future resource positions in Melbourne and Perth markets.

USG Boral

The roll-out of Sheetrock® technology in USG Boral continued ahead of schedule with capital invested in the technology-related plant upgrade program now totalling ~US$44 million. It is expected the full roll-out will be completed in December 2017 and be under the total budgeted amount of US$50 million.

The new higher strength, lighter weight, improved sag-resistance Sheetrock® plasterboard is now being produced across 16 of the 23 USG Boral board lines in Australia, Korea, Indonesia, Thailand, China and Vietnam. Adoption of Sheetrock® plasterboard is on target, reaching over 90% in Australia and ranging from around 10% in China to over 40% in Vietnam, with price premiums of around 5% continuing to be achieved.

Approximately 40% of the targeted US$50 million per annum of joint venture synergies have been realised by the end of December 2016. We remain on track to deliver the full synergies within three years of the technology roll-out.

During 1H FY2017, construction of a new warehouse commenced at USG Boral's Dangjin facility in Korea to add incremental capacity and support the longer-term addition of at least 30 million m^2 of plasterboard manufacturing capacity at the site, which has existing capacity to produce around 70 million m^2 of plasterboard per annum. The investment will be self-funded through the joint venture.

Boral USA

In late September 2016, merger clearance was obtained to bring together Boral's and Forterra's North American brick businesses, one month after the joint venture was announced. Commencing on 1 November 2016, the new JV, now named Meridian Brick, is expected to deliver cost synergies of over US$25 million within four years. Approximately US$15-$20 million of non-recurring restructuring, rationalisation and integration costs are expected in the Bricks JV, spread over FY2017 and FY2018, of which Boral's 50% share will be accounted for as significant items, including US$1 million in this 1H FY2017 reporting period.

The Headwaters acquisition, announced on 21 November 2016, which has been given approval by shareholders of Headwaters but remains subject to regulatory approval, is strategically compelling and delivers on Boral's stated objectives. It:

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

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

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

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

Pre-completion transaction costs of US$9 million have been reported as significant items in 1H FY2017, including legal and other advisory fees, with financing costs built into the cost of debt and equity, and other transaction costs including banking fees, to be paid on completion.

[1] Refers to distribution and cross selling revenue synergies

FY2017 Outlook

Boral's outlook for FY2017 remains largely unchanged. We expect continuing solid performance in FY2017 with Boral's EBIT expected to be higher than EBIT delivered in FY2016. This is despite the divestment of Boral's 40% share of Boral CSR Bricks in 1H FY2017 having an adverse year-on-year impact on the Group's reported EBIT in FY2017 of around $6.5 million[1].

We **expect Boral Australia to deliver higher EBIT in FY2017 compared with FY2016**. However, in November 2016, at Boral's Annual General Meeting, we said FY2017 earnings would be skewed to 2H due to softer major project and WA activity ahead of the ramp-up in infrastructure work, exacerbated by the severe wet weather in 1Q. Given the faster than anticipated catch up in the 2Q following the wet weather impacts of the 1Q, **we now expect Boral Australia earnings to be broadly balanced between 1H and 2H**.

Property earnings in 2H FY2017 are also expected to be broadly similar to the $9 million contribution in the 1H.

Fewer working days in the second half of the year in Australia should be offset by:

- anticipated stronger pricing outcomes in 2H FY2017 and ongoing operational improvements, which combined, are expected to more than offset inflationary impacts and result in margin expansion
- increasing infrastructure work, benefiting Boral's upstream quarry and cement businesses and downstream concrete and asphalt operations
- the one-off restructuring cost in Bricks WA being taken up in 1H will not be repeated in 2H
- an anticipated return to more normal weather patterns in 2H.

Earnings from **USG Boral** will continue to grow in FY2017. While 2H FY2017 earnings from USG Boral will be lower than 1H earnings due to normal seasonality impacts, USG Boral will continue to deliver solid year-on-year growth in FY2017. The expected growth in FY2017 reflects continued cost and synergy benefits as well as volume and price gains in several markets, including further penetration of Sheetrock® products. Softening in approvals for multi-residential construction in Australia is not expected to flow through to plasterboard volumes in FY2017.

Boral USA is expected to report continued growth in earnings in FY2017, in line with the US market recovery. Housing starts are broadly expected to be ~1.25 million for FY2017[2], up around 10%, in line with the market improvement trajectory of the past three years, but still 17% below the 50-year average levels of activity recorded prior to the global financial crisis.

Earnings from the US Bricks JV and Boral's emerging Trim & Siding businesses are expected to be around breakeven in FY2017.

Boral's **effective tax rate** is projected to be in the range of 20% to 25% in FY2017, reflecting increasing earnings in the USA offset by an increasing contribution of post-tax equity accounted joint venture earnings.

Boral's **interest expense** is expected to be lower than FY2016 due to interest income accumulating from the cash proceeds of the equity raising. Currently A$2.1 billion is being held on deposit, until all required approvals are received, delivering interest at a rate of around 2% per annum, subject to timing.

We have maintained a fully **franked dividend** in 1H FY2017; however, going forward franking rates for dividends will align more with the relative earnings from Australia in the total portfolio, which is dependent on offshore earnings growth. We currently expect the final dividend for FY2017 to be partially franked in the range of 50% to 70%.

Shareholders of Headwaters approved the acquisition on 3 February 2017, and regulatory approval is progressing. The acquisition is expected to complete by mid calendar year 2017, with integration planning continuing to progress.

[1] EBIT impact will be reported under Discontinued Operations in FY2017
[2] Average of analysts' forecasts (Dodge, Wells Fargo, NAR, NAHB, Fannie Mae, Freddie Mac, MBA) from January 2017 forecast

Results at a Glance

(A$ million unless stated)	1H FY2017	1H FY2016	% Change
Revenue	2,093	2,194	(5)
EBITDA[1]	333	322	3
EBIT[1]	211	200	6
Net interest[1]	(27)	(31)	(13)
Profit before tax[1]	184	168	9
Tax[1]	(35)	(32)	10
Profit after tax[1]	**149**	**137**	**9**
Net significant items	4	-	
Net profit / (loss) after tax	**153**	**137**	12
Cash flow from operating activities	158	113	
Gross assets	7,821	5,712	
Funds employed	4,425	4,501	
Liabilities	2,218	2,236	
Net debt / (cash)	(1,179)	1,025	
Stay-in-business capital expenditure	124	103	
Growth capital expenditure	20	12	
Acquisition capital expenditure	9	-	
Depreciation and amortisation	122	122	
Boral employees[2]	7,422	8,104	
Total employees including in joint ventures	12,167	11,754	
Revenue per Boral employee, $ million	0.282	0.271	
Net tangible asset backing, $ per share	4.67	4.36	
EBITDA margin on revenue[1], %	15.9	14.7	
EBIT margin on revenue[1], %	10.1	9.1	
EBIT return on funds employed[1, 3], %	9.3	8.6	
EBIT return on average funds employed[1, 3], %	9.2	8.8	
Return on equity[1],%	5.0	7.9	
Gearing			
Net debt/equity, %	-	29	
Net debt/net debt + equity, %	-	23	
Interest cover[1], times	7.8	6.4	
Earnings per share[1], ¢	17.2	16.9	
Earnings per share adjusted[1,5], ¢	19.7	18.2	
Dividend per share, ¢	12.0	11.0	
Employee safety[4]: (per million hours worked)			
Lost time injury frequency rate	1.5	1.2	
Recordable injury frequency rate	8.4	8.6	

Figures relate to the total Group including continuing and discontinued operations

1 Excludes significant items
2 On a full time equivalent (FTE) basis
3 ROFE is calculated on a moving annual total EBIT (before significant items) on funds employed
4 Includes employees and contractors in 100%-owned businesses and 50%-owned joint venture operations
5 Adjusted to exclude additional shares on issue and interest income from equity raising. Refer page 14 for EPS reconciliation

Non – IFRS Information

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

Earnings before significant items is a non-IFRS measure reported to provide a greater understanding of the underlying business performance of the Group.

Significant items are detailed in Note 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 earnings before significant items to reported statutory profit is detailed below:

(A$ millions)	**Earnings before significant items**	**Significant items**	**Total**	**Continuing operations**	**Discontinued operations**	**Total**
Sales revenue	2,092.9	-	2,092.9	1,893.9	199.0	2,092.9
EBIT	210.9	25.3	236.2	187.8	48.4	236.2
Finance costs	(27.2)	-	(27.2)	(27.2)		(27.2)
Earnings before tax	183.7	25.3	209.0	160.6	48.4	209
Tax (expense)	(34.7)	(20.9)	(55.6)	(30.5)	(25.1)	(55.6)
Net profit after tax	**149.0**	**4.4**	**153.4**	**130.1**	**23.3**	**153.4**

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 2016.

The Half Year Financial Report for the six months ended 31 December 2016 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.

Adjusted EPS Reconciliation

The following earnings per share calculation adjusts for the impact of the equity raising undertaken in December 2016 to fund the Headwaters Inc. acquisition.

Adjusted EPS calculation	**1H FY2017**	**1H FY2016**
Net profit attributable to members of the parent entity excluding significant items	$149.0m	$136.6m
Interest earned from proceeds received from equity raising, net of tax	($2.5m)	0
Net profit attributable to members of the parent entity excluding significant items and impact of equity raise	$146.5m	$136.6m
Reported WANOS[1] for basic earnings per share	864,902,133	808,322,056
Less: impact of equity raise on reported WANOS[1]	(121,302,696)	(56,723,241)
WANOS[1] for basic earnings per share excluding impact of equity raising	743,599,437	751,598,815
Basic earnings per share (excluding significant items)	17.2 cents	16.9 cents
Basic earnings per share (excluding significant items and impact of equity raising)	19.7 cents	18.2 cents

[1] Weighted average number of ordinary shares

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