



25 February 2019

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

**Boral Limited**  
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[www.boral.com.au](http://www.boral.com.au)

Dear Sir

- **Results for announcement to the market for the half year ended 31 December 2018**
- **Progress on value-creating growth strategy for USG Boral**
- **Senior executive changes**

We attach the following:

1. Half Year Report (Appendix 4D) in accordance with ASX Listing Rule 4.2A
2. Media Release: Boral announces half year results in line with recent guidance and announces progress on a value-creating growth strategy for USG Boral
3. ASX Release: Boral announces senior executive changes
4. Management Discussion & Analysis - Results Announcement for the half year ended 31 December 2018.

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 2018

Boral Limited  
ABN 13 008 421 761

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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 2018 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.

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# APPENDIX 4D

## HALF-YEAR REPORT

25 February 2019

Name of Entity: **Boral Limited**  
 ABN: **13 008 421 761**  
 For the half year ended: **31 December 2018**

**Boral Limited**

ABN 13 008 421 761

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 North Sydney NSW 2060  
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### Results for announcement to the market

				Dec-2018 \$m	Dec-2017 \$m
Revenue from continuing operations	up	4.6%	to	2,928.8	2,798.7
Revenue from discontinued operations				61.5	138.3
<b>Total revenue</b>	<b>up</b>	<b>1.8%</b>	<b>to</b>	<b>2,990.3</b>	<b>2,937.0</b>
Profit from continuing operations before net interest expense, income tax and significant items	down	(2.7%)	to	297.1	305.4
Profit from discontinued operations before net interest expense, income tax and significant items				-	10.9
Profit before net interest expense, income tax and significant items	down	(6.1%)	to	297.1	316.3
Net interest expense from continuing operations before significant items				(48.8)	(50.1)
Profit before income tax and significant items	down	(6.7%)	to	248.3	266.2
Income tax from continuing operations before significant items				(48.1)	(48.0)
Income tax from discontinued operations before significant items				-	(4.3)
Net profit before significant items attributable to members	down	(6.4%)	to	200.2	213.9
Significant items from continuing operations net of tax <sup>1</sup>				(9.8)	(40.9)
Significant items from discontinued operations net of tax <sup>1</sup>				46.1	-
<b>Net profit attributable to members</b>	<b>up</b>	<b>36.7%</b>	<b>to</b>	<b>236.5</b>	<b>173.0</b>

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 2018, but have not been subject to audit or review.

Dividends	Amount per security	Franked amount per security at 30% tax
Current period: Interim - ordinary	13.0 cents	6.5 cents
Previous corresponding period: Interim - ordinary	12.5 cents	6.25 cents
Record date for determining entitlements to the dividend	4 March 2019	
Comparative Period: Half Year ended 31 December 2017		

### 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 2018 - Management Discussion and Analysis" dated 25 February 2019.

## 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 2018 ("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:

Kathryn Fagg	- Appointed Chairman 1 July 2018
Mike Kane	- Chief Executive Officer and Managing Director
Peter Alexander	- Appointed 1 September 2018
Catherine Brenner	- Retired 30 October 2018
Eileen Doyle	
John Marlay	
Karen Moses	
Paul Rayner	

All of those persons, other than Peter Alexander and Catherine Brenner, 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.



**Kathryn Fagg**  
Director



**Mike Kane**  
Director

Sydney, 25 February 2019



## 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 of Boral Limited for the half-year ended 31 December 2018 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.

A handwritten signature in black ink, appearing to read 'Kevin Leighton'.

**KPMG**

A handwritten signature in black ink, appearing to read 'Kevin Leighton'.

**Kevin Leighton**  
Partner

Sydney, 25 February 2019

## Income Statement

BORAL LIMITED AND CONTROLLED ENTITIES

	Note	Half-Year 31 Dec 2018 \$m	Restated <sup>1</sup> Half-Year 31 Dec 2017 \$m
<b>Continuing operations</b>			
Revenue	4	2,928.8	2,798.7
Cost of sales		(1,987.8)	(1,878.8)
Selling and distribution expenses		(500.4)	(476.1)
Administrative expenses		(187.6)	(192.6)
		(2,675.8)	(2,547.5)
Other income		8.5	6.0
Other expenses		(13.3)	(56.2)
Share of equity accounted income	9	36.4	48.5
<b>Profit before net interest expense and income tax</b>		<b>284.6</b>	<b>249.5</b>
Interest income		1.2	0.8
Interest expense		(50.0)	(50.9)
Net interest expense		(48.8)	(50.1)
<b>Profit before income tax</b>		<b>235.8</b>	<b>199.4</b>
Income tax expense	5	(45.4)	(33.0)
<b>Profit from continuing operations</b>		<b>190.4</b>	<b>166.4</b>
<b>Discontinued operations</b>			
Profit from discontinued operations (net of income tax)	3	46.1	6.6
<b>Net profit attributable to members of the parent entity</b>		<b>236.5</b>	<b>173.0</b>
Basic earnings per share	7	20.2c	14.8c
Diluted earnings per share	7	20.1c	14.7c
<b>Continuing operations</b>			
Basic earnings per share	7	16.2c	14.2c
Diluted earnings per share	7	16.2c	14.1c

1. Refer Note 1(d) for further details.

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 2018 \$m	Half-Year 31 Dec 2017 \$m
<b>Net profit</b>	<b>236.5</b>	173.0
<b>Other comprehensive income</b>		
<b>Items that may be reclassified subsequently to Income Statement:</b>		
Net exchange differences from translation of foreign operations taken to equity	<b>133.5</b>	(19.7)
Foreign currency translation reserve transferred to net profit on disposal of controlled entities	<b>(10.8)</b>	-
Fair value adjustment on cash flow hedges	<b>(7.1)</b>	3.3
Income tax on items that may be reclassified subsequently to Income Statement	<b>30.0</b>	0.1
<b>Total comprehensive income for the half-year attributable to members of the parent entity</b>	<b>382.1</b>	156.7

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 2018 \$m	30 Jun 2018 \$m
<b>CURRENT ASSETS</b>			
Cash and cash equivalents		86.8	74.3
Receivables		832.1	879.7
Inventories		654.2	613.8
Financial assets		6.6	11.2
Current tax assets		3.0	-
Other assets		61.4	38.1
Assets classified as held for sale		-	121.2
<b>TOTAL CURRENT ASSETS</b>		<b>1,644.1</b>	<b>1,738.3</b>
<b>NON-CURRENT ASSETS</b>			
Receivables		35.1	35.1
Inventories		11.7	11.4
Investments accounted for using the equity method		1,462.6	1,411.3
Financial assets		31.1	32.8
Property, plant and equipment		2,786.1	2,782.1
Intangible assets		3,385.2	3,395.1
Deferred tax assets		90.6	69.6
Other assets		33.6	34.6
<b>TOTAL NON-CURRENT ASSETS</b>		<b>7,836.0</b>	<b>7,772.0</b>
<b>TOTAL ASSETS</b>		<b>9,480.1</b>	<b>9,510.3</b>
<b>CURRENT LIABILITIES</b>			
Trade creditors		667.6	752.0
Loans and borrowings	11	20.0	19.2
Financial liabilities		15.2	8.6
Current tax liabilities		23.3	20.0
Employee benefit liabilities		113.9	129.6
Provisions		52.1	55.1
Liabilities classified as held for sale		-	10.7
<b>TOTAL CURRENT LIABILITIES</b>		<b>892.1</b>	<b>995.2</b>
<b>NON-CURRENT LIABILITIES</b>			
Loans and borrowings	11	2,361.7	2,507.6
Financial liabilities		20.6	26.9
Deferred tax liabilities		62.0	39.5
Employee benefit liabilities		38.9	40.6
Provisions		140.8	147.9
Other liabilities		20.7	21.8
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>2,644.7</b>	<b>2,784.3</b>
<b>TOTAL LIABILITIES</b>		<b>3,536.8</b>	<b>3,779.5</b>
<b>NET ASSETS</b>		<b>5,943.3</b>	<b>5,730.8</b>
<b>EQUITY</b>			
Issued capital	12	4,265.1	4,265.1
Reserves	13	297.9	155.8
Retained earnings		1,380.3	1,309.9
<b>TOTAL EQUITY</b>		<b>5,943.3</b>	<b>5,730.8</b>

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 30 June 2018	4,265.1	155.8	1,309.9	5,730.8
Transition impact from implementation of AASB 15	-	-	(2.0)	(2.0)
Balance at 1 July 2018	4,265.1	155.8	1,307.9	5,728.8
Net profit	-	-	236.5	236.5
<b>Other comprehensive income</b>				
Translation of net assets of overseas entities	-	226.6	-	226.6
Translation of long-term borrowings and foreign currency forward contracts	-	(93.1)	-	(93.1)
Foreign currency translation reserve transferred to net profit on disposal of controlled entities	-	(10.8)	-	(10.8)
Fair value adjustment on cash flow hedges	-	(7.1)	-	(7.1)
Income tax relating to other comprehensive income	-	30.0	-	30.0
<b>Total comprehensive income</b>	-	145.6	236.5	382.1
<b>Transactions with owners in their capacity as owners</b>				
Share acquisition rights vested	-	(7.5)	-	(7.5)
Dividend paid	-	-	(164.1)	(164.1)
Share-based payment	-	4.0	-	4.0
<b>Total transactions with owners in their capacity as owners</b>	-	(3.5)	(164.1)	(167.6)
<b>Balance at 31 December 2018</b>	<b>4,265.1</b>	<b>297.9</b>	<b>1,380.3</b>	<b>5,943.3</b>
Balance at 1 July 2017	4,265.1	19.3	1,156.1	5,440.5
Net profit	-	-	173.0	173.0
<b>Other comprehensive income</b>				
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
<b>Total comprehensive income</b>	-	(16.3)	173.0	156.7
<b>Transactions with owners in their capacity as owners</b>				
Share acquisition rights vested	-	(22.4)	-	(22.4)
Dividend paid	-	-	(140.7)	(140.7)
Share-based payment	-	4.3	-	4.3
<b>Total transactions with owners in their capacity as owners</b>	-	(18.1)	(140.7)	(158.8)
<b>Balance at 31 December 2017</b>	<b>4,265.1</b>	<b>(15.1)</b>	<b>1,188.4</b>	<b>5,438.4</b>

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 2018 \$m	Half-Year 31 Dec 2017 \$m
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts from customers		3,256.0	3,200.2
Payments to suppliers and employees		(2,937.0)	(2,839.3)
		319.0	360.9
Dividends received		34.5	36.1
Interest received		1.0	0.8
Borrowing costs paid		(47.0)	(43.2)
Income taxes paid		(35.9)	(56.4)
Restructure, acquisition and integration costs paid	15	(18.7)	(82.1)
<b>Net cash provided by operating activities</b>		<b>252.9</b>	<b>216.1</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of property, plant and equipment		(182.3)	(164.0)
Purchase of intangibles		(0.4)	-
Purchase of controlled entities and businesses		(10.9)	-
Repayment of loans to associates		-	(5.6)
Proceeds on disposal of non-current assets		4.4	10.8
Proceeds on disposal of controlled entities and associates (net of transaction costs)		377.3	7.6
<b>Net cash provided by/(used in) investing activities</b>		<b>188.1</b>	<b>(151.2)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Dividends paid		(164.1)	(140.7)
Proceeds from borrowings		-	1,228.5
Repayment of borrowings		(268.2)	(1,241.6)
<b>Net cash used in financing activities</b>		<b>(432.3)</b>	<b>(153.8)</b>
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>		<b>8.7</b>	<b>(88.9)</b>
Cash and cash equivalents at the beginning of the year		74.3	237.8
Effects of exchange rate fluctuations on the balances of cash and cash equivalents held in foreign currencies		0.8	(0.6)
Cash and cash equivalents at the end of the half-year	15	83.8	148.3

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 2018 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 2018 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 25 February 2019.

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 2018 Annual Financial Report, except as stated in Note 1(c). 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.

Effective 1 July 2018, the Group adopted AASB 15 Revenue from Contracts with Customers. The Group utilised the cumulative effect method on the initial application of the standard, and therefore has not applied the requirements of AASB 15 to the comparative period presented in this report. The net transition impact was recorded as a reduction in retained earnings of \$2.0 million, and is disclosed in the Statement of Changes in Equity.

The implementation of this standard did not have a significant impact on the revenue recognition practice of the Group. Further information with respect to the impact of Boral's accounting for revenue is included in Note 1D of the 30 June 2018 Annual Financial Report.

### (d) Comparative Figures

Where necessary to facilitate comparison, comparative figures have been restated to conform with changes in presentation in the current financial year. In addition, comparative figures have been restated to reflect the treatment of Denver Construction Materials and US Block as discontinued operations.

### (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

## 1. ACCOUNTING POLICIES (continued)

### (f) Accounting policies applied from 1 July 2018

#### Revenue recognition

##### *Revenue from sale of goods*

Revenue from the sale of goods, such as quarry product, concrete, cement, flyash and building products, is recognised at the point in time the customer obtains control of the goods. This is typically at the time of delivery to the customer.

##### *Revenue from contracting businesses*

Revenue from contracting businesses, such as asphalt and concrete placing, is included in sale of goods and is recognised progressively over the period of time the performance obligation is fulfilled and the customer obtains the control of the goods being provided in the contract, with the Group having a right to payment for performance to date.

The Group predominantly uses the output method to determine the amount of revenue to recognise in a given period.

When estimating the transaction price, variable consideration is considered, which typically relates to claims or variations submitted in connection with the performance of a contract. Assumptions are made in order to determine the amount of variable consideration that can be recognised, including consideration of whether the variable consideration is constrained. Claims and variations are included to the extent they are approved, or if not approved, are estimated whilst also considering the constraint requirement.

##### *Revenue from rendering of services*

Revenue from the rendering of services, which is predominantly in Flyash, is allocated across each service or performance obligation based on their stand-alone selling price, and recognised as the service or performance obligation is performed.

##### *Revenue from the sale of land*

Revenue from the sale of land is recognised at the point in time the customer obtains control of the land. This is typically at the point in time the customer obtains unrestricted access to the land which was sold. The revenue is measured at the transaction price agreed under the contract.

##### *Bundling of performance obligations*

Contracts with customers, particularly in concrete and asphalt, may contain revenue items for ancillary services such as mobilisation and demobilisation of plant, concrete testing, and other related services. These services are typically combined into the core performance obligation of delivering concrete, or the supply and lay of asphalt. On occasion, ancillary services may be deemed to have a stand-alone value to the customer, and are accounted for as a separate performance obligation.

## 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	- Flyash, stone, roofing, light building products, windows and 50% share of the Meridian Brick joint venture.
Discontinued Operations	- Denver construction materials and US block.
Unallocated	- Non-trading operations and unallocated corporate costs.

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.

	Note	Half-Year 31 Dec 2018 \$m	Restated <sup>1</sup> Half-Year 31 Dec 2017 \$m
<b>Reconciliations of reportable segment revenues and profits</b>			
External revenue		<b>2,990.3</b>	2,937.0
Less: Revenue from discontinued operations	3	<b>(61.5)</b>	(138.3)
Revenue from continuing operations		<b>2,928.8</b>	2,798.7
<b>Profit before tax</b>			
Profit before net interest expense and income tax from reportable segments		<b>349.8</b>	260.4
Less: Profit before net interest expense and income tax from discontinued operations	3	<b>(65.2)</b>	(10.9)
Profit before net interest expense and income tax from continuing operations		<b>284.6</b>	249.5
Net interest expense from continuing operations		<b>(48.8)</b>	(50.1)
Profit before tax from continuing operations		<b>235.8</b>	199.4

1. Refer Note 1(d) for further details.

## 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 2018 \$m	Half-Year 31 Dec 2017 \$m	Half-Year 31 Dec 2018 \$m	Half-Year 31 Dec 2017 \$m	Half-Year 31 Dec 2018 \$m	Restated <sup>1</sup> Half-Year 31 Dec 2017 \$m	Half-Year 31 Dec 2018 \$m	Restated <sup>1</sup> Half-Year 31 Dec 2017 \$m	Half-Year 31 Dec 2018 \$m	Half-Year 31 Dec 2017 \$m	Half-Year 31 Dec 2018 \$m	Half-Year 31 Dec 2017 \$m
External Revenue	1,825.1	1,804.3	-	-	1,103.7	994.4	61.5	138.3	-	-	2,990.3	2,937.0
Profit/(loss) before depreciation, amortisation, interest, income tax expense and significant items (EBITDA)	270.6	294.4	24.7	38.2	195.6	165.2	4.2	18.9	(10.0)	(16.5)	485.1	500.2
Depreciation and amortisation, excluding amortisation of acquired intangibles	(102.8)	(100.4)	-	-	(51.3)	(43.9)	(1.9)	(5.4)	(0.4)	(0.3)	(156.4)	(150.0)
Profit/(loss) before amortisation of acquired intangibles, interest, income tax expense and significant items (EBITA)	167.8	194.0	24.7	38.2	144.3	121.3	2.3	13.5	(10.4)	(16.8)	328.7	350.2
Amortisation of acquired intangibles	-	-	-	-	(29.3)	(31.3)	(2.3)	(2.6)	-	-	(31.6)	(33.9)
Profit/(loss) before interest, income tax and significant items (EBIT)	167.8	194.0	24.7	38.2	115.0	90.0	-	10.9	(10.4)	(16.8)	297.1	316.3
Significant items before income tax expense	-	(23.8)	-	-	(12.5)	(32.1)	65.2	-	-	-	52.7	(55.9)
Profit/(loss) before interest and income tax expense	167.8	170.2	24.7	38.2	102.5	57.9	65.2	10.9	(10.4)	(16.8)	349.8	260.4
Equity accounted income	10.9	12.5	24.7	38.2	0.8	(2.2)	-	-	-	-	36.4	48.5

1. Refer Note 1(d) for further details.

## 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	Half-Year	Half-Year	Half-Year	Half-Year	Half-Year	Half-Year	Half-Year	Half-Year	Half-Year	Half-Year	Half-Year
	31 Dec 2018	31 Dec 2017	31 Dec 2018	31 Dec 2017	31 Dec 2018	31 Dec 2017	31 Dec 2018	31 Dec 2017	31 Dec 2018	31 Dec 2017	31 Dec 2018	31 Dec 2017
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
Concrete	754.5	801.1	-	-	-	-	-	60.7	-	-	754.5	861.8
Fly ash	-	-	-	-	383.8	358.7	-	-	-	-	383.8	358.7
Asphalt	376.2	371.1	-	-	-	-	-	-	-	-	376.2	371.1
Roofing	50.2	47.5	-	-	248.1	198.5	-	-	-	-	298.3	246.0
Quarry products	223.0	203.8	-	-	-	-	-	6.1	-	-	223.0	209.9
Stone	-	-	-	-	187.3	171.6	-	-	-	-	187.3	171.6
Light building products	-	-	-	-	184.3	166.8	-	-	-	-	184.3	166.8
Cement	163.5	156.5	-	-	-	-	-	-	-	-	163.5	156.5
Concrete Placing	107.6	72.5	-	-	-	-	-	-	-	-	107.6	72.5
Windows	-	-	-	-	100.2	95.0	-	-	-	-	100.2	95.0
Other	150.1	151.8	-	-	-	3.8	61.5	71.5	-	-	211.6	227.1
External revenue by product	1,825.1	1,804.3	-	-	1,103.7	994.4	61.5	138.3	-	-	2,990.3	2,937.0

1. Refer Note 1(d) for further details.

## 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	Full Year	Half-Year	Full Year	Half-Year	Full Year	Half-Year	Full Year	Half-Year	Full Year	Half-Year	Full Year
	31 Dec 2018	30 Jun 2018	31 Dec 2018	30 Jun 2018	31 Dec 2018	30 Jun 2018	31 Dec 2018	30 Jun 2018	31 Dec 2018	30 Jun 2018	31 Dec 2018	30 Jun 2018
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
Segment assets (excluding equity accounted investments)	3,179.9	3,159.6	-	-	4,640.7	4,481.5	-	293.8	16.5	20.2	7,837.1	7,955.1
Equity accounted investments	20.1	23.0	1,015.7	977.7	426.8	410.6	-	-	-	-	1,462.6	1,411.3
	3,200.0	3,182.6	1,015.7	977.7	5,067.5	4,892.1	-	293.8	16.5	20.2	9,299.7	9,366.4
Cash and cash equivalents											86.8	74.3
Tax assets											93.6	69.6
Total assets	3,200.0	3,182.6	1,015.7	977.7	5,067.5	4,892.1	-	293.8	16.5	20.2	9,480.1	9,510.3
Segment liabilities	638.5	700.8	-	-	344.1	378.6	-	19.1	87.2	94.7	1,069.8	1,193.2
Loans and borrowings											2,381.7	2,526.8
Tax liabilities											85.3	59.5
Total liabilities	638.5	700.8	-	-	344.1	378.6	-	19.1	87.2	94.7	3,536.8	3,779.5
	Half-Year	Half-Year	Half-Year	Half-Year	Half-Year	Restated <sup>1</sup> Half-Year	Half-Year	Restated <sup>1</sup> Half-Year	Half-Year	Half-Year	Half-Year	Half-Year
	31 Dec 2018	31 Dec 2017	31 Dec 2018	31 Dec 2017	31 Dec 2018	31 Dec 2017	31 Dec 2018	31 Dec 2017	31 Dec 2018	31 Dec 2017	31 Dec 2018	31 Dec 2017
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
Acquisition of segment assets*	108.3	110.6	-	-	71.8	49.6	2.1	3.6	0.5	0.2	182.7	164.0

1. Refer Note 1(d) for further details.

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

### Geographical location

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

#### NON-CURRENT ASSETS

	Half-Year	Full Year
	31 Dec 2018	30 Jun 2018
	\$m	\$m
Australia	2,546.4	2,531.0
Asia	706.1	670.0
United States of America	4,308.0	4,323.6
Other	153.8	145.0
	7,714.3	7,669.6
Deferred tax assets	90.6	69.6
Financial assets	31.1	32.8
	7,836.0	7,772.0



## Notes to the Financial Report

### BORAL LIMITED AND CONTROLLED ENTITIES

### 3. DISCONTINUED OPERATIONS AND DISPOSALS

#### (i) Discontinued operations

During the period, the Group completed the divestment of its Concrete and Quarries business in Denver, Colorado and the divestment of its US Block business.

The earnings in the current and comparative periods for these respective businesses, as well as the gain on sale, have been reclassified to "Discontinued Operations" in the Income Statement, and are summarised below.

	Note	Half-Year 31 Dec 2018 \$m	Restated <sup>1</sup> Half-Year 31 Dec 2017 \$m
<b>Results of discontinued operations</b>			
Revenue		61.5	138.3
Expenses		(61.5)	(127.4)
Share of equity accounted income		-	-
<b>Trading profit before significant items, net interest expense and income tax</b>		-	10.9
Net gain on sale of discontinued operations	6	65.2	-
<b>Profit before income tax</b>		65.2	10.9
Income tax expense	5	(19.1)	(4.3)
<b>Net profit attributable to members of the parent entity</b>		46.1	6.6

1. Refer Note 1(d) for further details.

#### Cash flows of discontinued operations

Net cash provided by operating activities	7.5	22.3
Net cash provided by/ (used in) investing activities	375.3	(3.6)
<b>Net cash provided by discontinued operations</b>	<b>382.8</b>	<b>18.7</b>

#### (ii) Disposal of Denver construction materials

During July 2018, the Group sold its Concrete and Quarries business in Denver, Colorado to Brannan Sand and Gravel Company, LLC for A\$173.2 million. Proceeds from the sale were used to reduce debt.

The following disposal entries were recorded in the current period. The gain on disposal is subject to finalisation of working capital adjustments, which is expected by 30 June 2019.

	Half-Year 31 Dec 2018 \$m
<b>Consideration</b>	<b>173.2</b>
Receivables	(20.6)
Inventories	(2.9)
Property, plant and equipment	(78.1)
Intangible assets	(16.6)
Other assets	(3.2)
Payables	10.2
Provisions	0.4
<b>Net assets disposed</b>	<b>(110.8)</b>
Costs incurred	(8.0)
Foreign currency translation reserve transferred to net profit on disposal of controlled entities	8.3
<b>Gain on disposal before income tax</b>	<b>62.7</b>

## Notes to the Financial Report

### BORAL LIMITED AND CONTROLLED ENTITIES

#### 3. DISCONTINUED OPERATIONS AND DISPOSALS (continued)

##### (iii) Disposal of US Block business

In November 2018, the Group sold the US Block business to Quikrete Holdings, Inc for A\$210.1 million. This divestment helps to further strengthen the Group's balance sheet and focus on core operations.

The following disposal entries were recorded in the current period. The gain on disposal is subject to finalisation of working capital adjustments, which is expected by 30 June 2019.

	Note	Half-Year 31 Dec 2018 \$m
<b>Consideration</b>		<b>210.1</b>
Receivables		(15.8)
Inventories		(14.2)
Property, plant and equipment		(41.5)
Intangible assets		(95.9)
Other assets		(0.2)
Payables		2.8
Provisions		4.1
<b>Net assets disposed</b>		<b>(160.7)</b>
Costs incurred		(5.3)
Goodwill allocated to disposal		(44.1)
Foreign currency translation reserve transferred to net profit on disposal of controlled entities		2.5
<b>Gain on disposal before income tax</b>		<b>2.5</b>

## Notes to the Financial Report

### BORAL LIMITED AND CONTROLLED ENTITIES

	Note	Half-Year 31 Dec 2018 \$m	Restated <sup>1</sup> Half-Year 31 Dec 2017 \$m
<b>4. REVENUE FROM CONTINUING OPERATIONS</b>			
Sale of goods		<b>2,798.0</b>	2,664.3
Rendering of services		<b>130.8</b>	134.4
Revenue from continuing operations		<b>2,928.8</b>	2,798.7
<b>5. INCOME TAX EXPENSE</b>			
<b>Reconciliation of income tax expense to prima facie tax</b>			
Income tax expense on profit at Australian tax rates 30% (2017: 30%)		<b>90.3</b>	63.1
Variation between Australian and overseas tax rates		<b>(6.5)</b>	0.9
Share of associates' net income		<b>(10.3)</b>	(14.8)
Tax benefit arising from share acquisition rights vested		<b>(1.7)</b>	(6.7)
Non-deductible difference from sale of business		<b>11.3</b>	-
Change in US federal tax rate	6	-	6.4
Income tax losses brought to account		<b>(13.0)</b>	(6.4)
Other items		<b>(5.6)</b>	(5.2)
Income tax expense		<b>64.5</b>	37.3
Income tax expense relating to continuing operations		<b>45.4</b>	33.0
Income tax expense relating to discontinued operations		<b>19.1</b>	4.3
		<b>64.5</b>	37.3

1. Refer Note 1(d) for further details.

## Notes to the Financial Report

### BORAL LIMITED AND CONTROLLED ENTITIES

## 6. SIGNIFICANT ITEMS

### December 2018

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.

	Note	Sale of business \$m	Integration costs \$m	Total \$m
Gain on disposal of Denver Construction Materials	Discontinued (i)	62.7	-	62.7
Gain on disposal of Block	Discontinued (ii)	2.5	-	2.5
Headwaters integration costs	Continuing (iii)	-	(12.5)	(12.5)
		65.2	(12.5)	52.7

	Sale of business \$m	Integration costs \$m	Total \$m
<b>Summary of significant items from continuing operations</b>			
Loss before interest and tax	-	(12.5)	(12.5)
Income tax benefit	-	2.7	2.7
Net significant items from continuing operations	-	(9.8)	(9.8)
<b>Summary of significant items from discontinued operations</b>			
Profit before interest and tax	65.2	-	65.2
Income tax expense	(19.1)	-	(19.1)
Net significant items from discontinued operations	46.1	-	46.1
<b>Summary of significant items</b>			
Profit/(loss) before interest and tax	65.2	(12.5)	52.7
Income tax (expense)/benefit	(19.1)	2.7	(16.4)
Net significant items	46.1	(9.8)	36.3

#### (i) Gain on disposal of Denver Construction Materials

On 1 July 2018, the Group sold the Denver Construction Materials business for cash proceeds of \$173.2 million, and generated a profit before tax of \$62.7 million.

#### (ii) Gain on disposal of Block

In November 2018, the Group sold the Block business for cash proceeds of \$210.1 million, and generated a profit before tax of \$2.5 million.

#### (iii) Headwaters integration costs

During the period, \$12.5 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, consultant fees supporting the integration, integration of IT systems and closure costs arising from rationalisation of Stone plants.

## Notes to the Financial Report

### BORAL LIMITED AND CONTROLLED ENTITIES

#### 6. SIGNIFICANT ITEMS (continued)

December 2017

	Headwaters integration costs (i) \$m	Waurin Ponds rehabilitation and closure costs (ii) \$m	Reassessment of US tax balances (iii) \$m	Total \$m
<b>Summary of significant items from continuing operations</b>				
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 prior period, \$32.1 million of costs was 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) Waurin Ponds rehabilitation and closure costs

During the prior period, the organisation developed plans to improve our cement position in Victoria. This led to a reassessment of the expected end use of the Waurin 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 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 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 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.

	Half-Year 31 Dec 2018 \$m	Half-Year 31 Dec 2017 \$m
<b>Segment summary of significant items before interest and tax</b>		
Boral Australia	-	(23.8)
Boral North America	(12.5)	(32.1)
Discontinued Operations	65.2	-
	<b>52.7</b>	<b>(55.9)</b>

## 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.

	Half-Year 31 Dec 2018	Half-Year 31 Dec 2017
<b>Weighted average number of ordinary shares used as the denominator</b>		
Number for basic earnings per share	<b>1,172,331,924</b>	1,172,331,924
Effect of potential ordinary shares	<b>4,653,649</b>	7,528,973
<b>Number for diluted earnings per share</b>	<b>1,176,985,573</b>	1,179,860,897

	Continuing operations	Discontinued operations	Total	Restated <sup>1</sup> Continuing operations	Restated <sup>1</sup> Discontinued operations	Total
	Half-Year 31 Dec 2018 \$m	Half-Year 31 Dec 2018 \$m	Half-Year 31 Dec 2018 \$m	Half-Year 31 Dec 2017 \$m	Half-Year 31 Dec 2017 \$m	Half-Year 31 Dec 2017 \$m
<b>Earnings reconciliation</b>						
Net profit attributable to members of the parent entity excluding significant items	<b>200.2</b>	-	<b>200.2</b>	207.3	6.6	213.9
Net significant items (refer note 6)	<b>(9.8)</b>	<b>46.1</b>	<b>36.3</b>	(40.9)	-	(40.9)
<b>Net profit attributable to members of the parent entity</b>	<b>190.4</b>	<b>46.1</b>	<b>236.5</b>	166.4	6.6	173.0
Basic earnings per share*	<b>16.2c</b>	<b>3.9c</b>	<b>20.2c</b>	14.2c	0.6c	14.8c
Diluted earnings per share	<b>16.2c</b>	<b>3.9c</b>	<b>20.1c</b>	14.1c	0.6c	14.7c
Basic earnings per share (excluding significant items)*	<b>17.1c</b>	-	<b>17.1c</b>	17.7c	0.6c	18.2c
Diluted earnings per share (excluding significant items)*	<b>17.0c</b>	-	<b>17.0c</b>	17.6c	0.6c	18.1c

1. Refer Note 1(d) for further details.

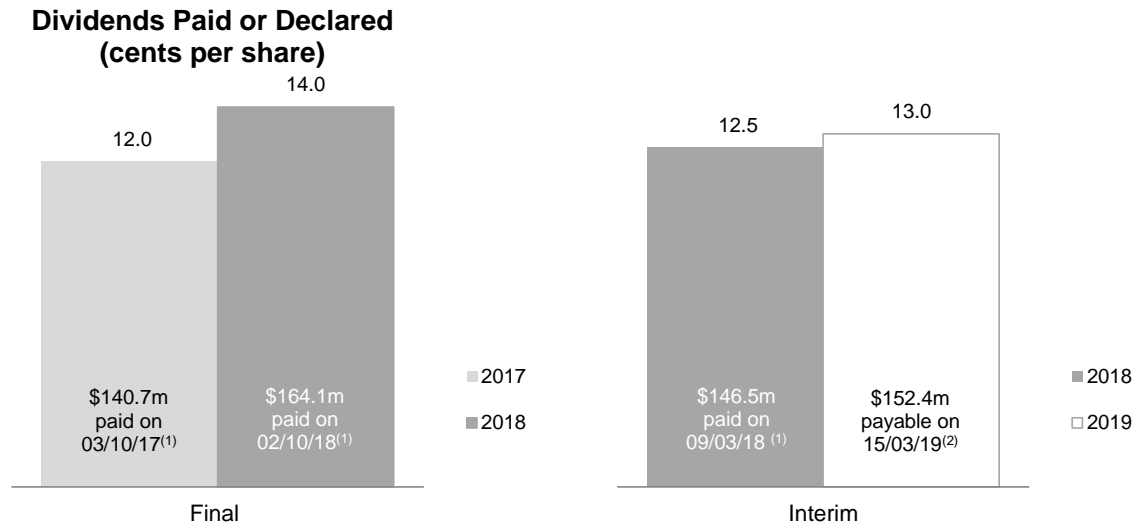
\* Numbers may not add due to rounding.

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 50% franked.

(2) 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 2018 has not been brought to account in the financial report for the period ended 31 December 2018 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 2018	30 Jun 2018
			%	%
<b>DETAILS OF EQUITY ACCOUNTED INVESTMENTS</b>				
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 <sup>1</sup>	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 <sup>2</sup>	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).

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	
	Half-Year	Half-Year	Half-Year	Half-Year	Half-Year	Half-Year
	31 Dec 2018	31 Dec 2017	31 Dec 2018	31 Dec 2017	31 Dec 2018	31 Dec 2017
	\$m	\$m	\$m	\$m	\$m	\$m
<b>RESULTS OF EQUITY ACCOUNTED INVESTMENTS</b>						
<b>Summarised Income Statement at 100%</b>						
Profit/(loss) before income tax	82.4	111.0	2.5	(2.5)	115.6	145.0
Income tax expense	(31.6)	(31.1)	(0.8)	(1.7)	(41.6)	(44.6)
Non-controlling interest	(1.3)	(3.5)	-	-	(1.3)	(3.5)
Net profit/(loss) - equity accounted relating to continuing operations	49.5	76.4	1.7	(4.2)	72.7	96.9

#### The Group's share based on % ownership:

Net profit/(loss) before significant items	24.7	38.2	0.8	(2.1)	36.4	48.5
Integration costs disclosed as significant item net of tax	-	-	-	-	-	-
Net profit/(loss) - equity accounted relating to continuing operations	24.7	38.2	0.8	(2.1)	36.4	48.5

#### OTHER INTERESTS IN EQUITY ACCOUNTED INVESTMENTS

Results include the following equity accounted share of net profit:

Sunstate Cement Ltd	5.5	7.0
Penrith Lakes Development Corporation Ltd	(0.4)	(0.4)

	31 Dec 2018	30 Jun 2018	31 Dec 2017
<b>10. NET TANGIBLE ASSET BACKING</b>			
Net tangible asset backing per ordinary security	\$2.18	\$1.99	\$1.96



## Notes to the Financial Report

### BORAL LIMITED AND CONTROLLED ENTITIES

	31 Dec 2018 \$m	30 Jun 2018 \$m
<b>11. LOANS AND BORROWINGS</b>		
<b>CURRENT</b>		
Bank overdrafts - unsecured	3.0	-
Other loans - unsecured	13.1	13.0
Finance lease liabilities	3.9	6.2
	<b>20.0</b>	<b>19.2</b>
<b>NON-CURRENT</b>		
Other loans - unsecured	2,357.9	2,497.0
Finance lease liabilities	3.8	10.6
	<b>2,361.7</b>	<b>2,507.6</b>
<b>TOTAL</b>	<b>2,381.7</b>	<b>2,526.8</b>

### TERM AND DEBT REPAYMENT SCHEDULE

Terms and conditions of outstanding loans were as follows:

	Currency	Effective interest rate 31 Dec 2018	Calendar year of maturity	31 Dec 2018 Carrying amount \$m	30 Jun 2018 Carrying amount \$m
<b>CURRENT</b>					
Bank overdrafts - unsecured	USD	3.38%	2019	3.0	-
Other loans - unsecured	GBP	1.91%	2019	13.1	13.0
Finance lease liabilities	AUD/USD	3.37%	2019	3.9	6.2
				<b>20.0</b>	<b>19.2</b>
<b>NON-CURRENT</b>					
US senior notes - private placement - unsecured	USD	4.44%	2020 - 2030	811.2	771.5
CHF notes - unsecured	CHF	2.25%	2020	216.5	204.3
US senior notes - 144A/Reg S - unsecured	USD	3.39%	2022 - 2028	1,330.2	1,261.2
Term credit facility - unsecured	Multi	-	2021	-	260.0
Finance lease liabilities	AUD/USD	3.44%	2019 - 2022	3.8	10.6
				<b>2,361.7</b>	<b>2,507.6</b>
<b>TOTAL</b>				<b>2,381.7</b>	<b>2,526.8</b>

# Notes to the Financial Report

## BORAL LIMITED AND CONTROLLED ENTITIES

	31 Dec 2018 \$m	30 Jun 2018 \$m
<b>12. ISSUED CAPITAL</b>		
1,172,331,924 (30 Jun 2018: 1,172,331,924) ordinary shares	<b>4,265.1</b>	4,265.1

There were no movements in issued capital during the current or prior periods.

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

Foreign currency translation reserve	<b>265.8</b>	115.2
Hedging reserve - cash flow hedges	<b>0.3</b>	5.3
Share-based payments reserve	<b>31.8</b>	35.3
Balance at the end of the period	<b>297.9</b>	155.8

## 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 2018 \$m	Half-Year 31 Dec 2017 \$m
<b>15. NOTES TO STATEMENT OF CASH FLOWS</b>		
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	86.8	148.3
Bank overdrafts	(3.0)	-
	<b>83.8</b>	<b>148.3</b>
During the half year, the Group incurred costs associated with:		
Acquisition costs	-	(49.9)
Integration costs	(16.6)	(29.5)
Restructure and business closure costs	(2.1)	(2.7)
	<b>(18.7)</b>	<b>(82.1)</b>

#### 16. ACQUISITIONS

##### Acquisition of Pro Concrete Group

On 2 July 2018, the Group acquired 100% of Pro Concrete Group Pty Limited, a concrete placing business in Queensland, Australia for total consideration of \$10.9 million.

## 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 2018.

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 2018	30 June 2018	31 Dec 2018	30 June 2018
	\$m	\$m	\$m	\$m
<b>Assets</b>				
Equity Securities	28.8	32.3	-	-
Derivative financial assets	-	-	8.9	11.7
<b>Total assets</b>	<b>28.8</b>	<b>32.3</b>	<b>8.9</b>	<b>11.7</b>
<b>Liabilities</b>				
Derivative financial liabilities	-	-	35.8	35.5
<b>Total liabilities</b>	<b>-</b>	<b>-</b>	<b>35.8</b>	<b>35.5</b>

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 2018 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:



**Kathryn Fagg**  
Chairman



**Mike Kane**  
CEO & Managing Director

Sydney, 25 February 2019



## 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 2018 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 consolidated Balance Sheet as at 31 December 2018;
- consolidated Income Statement and consolidated Statement of Comprehensive Income, consolidated Statement of Changes in Equity and consolidated 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 2018 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.

#### Independence

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

KPMG

KPMG

**Kevin Leighton**

Partner

Sydney, 25 February 2019

KPMG, an Australian partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

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# Results Announcement for the half year ended 31 December 2018

25 February 2019

## Media Release

### Boral announces half year results in line with recent guidance<sup>1</sup> and announces progress on a value-creating growth strategy for USG Boral

Boral Limited (ASX: BLD) today reported a net profit after tax before amortisation (**NPATA**) & significant items<sup>2</sup> of **\$224 million** for the half year ended 31 December 2018, 6% lower than the first half last year.

Boral's half year result reflects growth from Boral North America more than offset by lower earnings associated with divestments, and lower first half earnings from Boral Australia and USG Boral.

Boral's half year results include:

- Net profit after tax (**NPAT**) before significant items of **\$200 million down 6%** on 1H FY2018
- Statutory **NPAT including significant items of \$237 million up 37%** on 1H FY2018
- **Sales revenue of \$2.99 billion up 2%** on 1H FY2018, reflecting a modest revenue lift in Boral North America and Boral Australia
- First half earnings before interest, tax, depreciation & amortisation (**EBITDA**) before significant items of **\$485 million** compared with \$500 million last year, with the \$15 million year on year difference in EBITDA equivalent to the reduced earnings due to the divestments of Denver Construction Materials and US Block; **EBITDA was steady for continuing operations**
- Half year **Headwaters synergies of US\$14 million** against a full year target of US\$25 million
- An **interim dividend of 13.0 cents per share**, up 4% on last year's interim dividend.

**Commenting on the half year result, Boral's CEO & Managing Director, Mike Kane, said:**

*"Boral's half year results reflect strong underlying businesses, which were impacted by adverse weather, particularly in North America, as well as project-related volume delays in Australia. We expect to deliver growth in the second half."*

*"Excellent **safety** improvements were delivered in the half year, with a lost time injury frequency rate<sup>3</sup> of 1.1 compared with 1.6 for FY2018."*

**Boral Australia** delivered an EBITDA of \$271 million, down 8% and EBITDA margins of 15% which were slightly softer. *"Boral Australia benefited from growing infrastructure activity offsetting softer residential construction and improved pricing outcomes. However, project delays and phasing, and adverse weather in NSW in October translated into lower concrete volumes which contributed to a less favourable product mix in Australia relative to last year."*

**Boral North America** delivered a half year EBITDA of US\$141 million, 9% above the prior year first half, with strong and improving EBITDA margins nearing 18%. *"We remain pleased with the integration of the Headwaters acquisition, with further synergies of US\$14 million delivered in the half year, adding to US\$39 million already delivered, and on track for US\$115 million in year 4. Performance was impacted by extreme rainfalls in key US states, which slowed volumes in most businesses. Underlying demand growth has been mixed, with Roofing particularly benefiting from strong growth markets. Price growth is encouraging and is substantially offsetting cost pressures."*

**USG Boral** delivered an underlying EBITDA of A\$125 million (100% of the business), 16% lower than the same period last year with softer EBITDA margins of 15%. *"Revenue growth in USG Boral was underpinned by Australia, China, Vietnam and India while lower earnings were largely attributed to South Korea's cyclical housing decline that is underway in a highly competitive environment. USG Boral remains strong and contributed \$25 million of equity income to Boral in the half."*



**Commenting on Boral's outlook for the remainder of FY2019**, Mr Kane said the Company expects higher EBITDA this year relative to last year underpinned by earnings growth in Boral North America.

*"We expect that **Boral Australia** will deliver broadly similar EBITDA this year to FY2018 excluding Property in both years, with Property earnings to be around \$30 million compared with \$63 million in FY2018. **Boral North America** is expected to deliver EBITDA growth of approximately 15% in USD in FY2019 for continuing operations, reflecting volume growth, further synergy delivery and operational improvements. And **USG Boral** is expected to deliver slightly lower profits in FY2019 compared with FY2018. Across most businesses, higher volumes, together with business improvement initiatives will contribute to an expected second half skew."* added Mr Kane.

## Progressing strategic options for USG Boral

**On strategic matters, Boral announced that it is working with Knauf to progress a value-creating strategy for the USG Boral plasterboard business.**

Boral has executed non-binding term sheets with Knauf, subject to valuations, negotiation and execution of definitive documents, and completion of the USG Knauf Merger Agreement, which could see Boral and Knauf form a new joint venture (JV) for its respective Asian plasterboard businesses.

Boral is also working with Knauf to consider the opportunity for Boral to acquire USG Boral's Australasian<sup>4</sup> plasterboard business returning Boral to 100% ownership in that region, subject to valuations and negotiation of definitive documents.

Boral has also entered into contractual arrangements with Knauf to preserve its right, but not an obligation, to call the remaining 50% of the existing USG Boral JV in the event that a transaction is not agreed to with Knauf. As such, the current valuation process underway with USG for the USG Boral business is continuing.

Knauf and Boral have also entered into contractual arrangements that provide a standstill, while negotiations are continuing, on any potential litigation by Boral against Knauf in relation to breach of the existing Shareholders Agreement should Knauf complete its merger with USG before reaching a definitive deal with Boral.

**Commenting on the strategic growth opportunities for USG Boral, Mr Kane said:**

*"The USG Boral business is a highly attractive gypsum business with outstanding long term growth prospects.*

*"We are pleased to be working with Knauf to progress a value-creating strategy for the business, which could see an expanded footprint in Asia.*

*"Importantly though, in the absence of an acceptable agreement, Boral is under no compulsion to make further investment or complete a transaction. In this event we would remain a 50% owner of USG Boral. We will only invest in the business if it is value creating for Boral's shareholders."*

In the event an investment is to be made by Boral, Boral's strong preference is to use debt and proceeds from asset sales. A committed acquisition facility is in place.

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*Boral also announced changes to its senior leadership team in a separate ASX announcement today.*

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<sup>1</sup> As outlined in Boral's Trading Update and Revised Guidance announcement to the market on 4 February 2019.

<sup>2</sup> Profit before amortisation and significant items is a non-IFRS measure reported to provide greater understanding of the Group's underlying business performance. Non-IFRS information has not been subject to audit or review. Full details of significant items are contained in Note 6 of the Half Year Financial Report. In summary, a net profit of \$36 million for significant items includes the gain on disposal of Denver Construction Materials and US Block, as well as additional Headwaters integration costs.

<sup>3</sup> LTIFR is lost time injury frequency rate per million hours worked for employees and contractors.

<sup>4</sup> Includes Australia, New Zealand, Papua New Guinea and islands in the South West Pacific.

### Investor & media enquiries:

Kylie FitzGerald | Tel: 0401 895 894

Boral Limited ABN 13 008 421 761 - PO Box 1228 North Sydney NSW 2059 - [www.boral.com](http://www.boral.com)





# ASX RELEASE

25 February 2019

## Boral announces senior executive changes

Boral Limited (ASX:BLD) today announced changes to its senior executive team to broaden leadership roles and responsibilities as the company looks to the future. These changes take effect 1 March 2019.

Joe Goss, currently Chief Executive Boral Australia, moves to a senior advisory role reporting to Boral's CEO & Managing Director, Mike Kane.

Wayne Manners, currently Executive General Manager, Western Australia, Building Products & Major Projects, will become President & CEO Boral Australia.

Ross Harper, currently Executive General Manager Cement will become Group President Operations, responsible for Boral Australia and Boral North America as well as Group HS&E. Ross will be working closely with Wayne Manners and David Mariner (President & CEO Boral North America) in this new role.

Ros Ng, currently Chief Financial Officer (CFO) and Chair of USG Boral will have an expanded role as Group President Ventures and CFO, which includes Group Strategy and M&A and broader responsibility for USG Boral and Meridian Brick joint ventures. Ros will work closely with Frederic de Rougemont (CEO USG Boral) and Chris Fenwick (CEO Meridian Brick) to deliver the strategy and results of the joint ventures.

*Boral's new leadership structure and biographies of key executives are provided on the next page.*

In addition to these key changes, Greg Price, currently Executive General Manager, New South Wales, for Boral Australia will take on an expanded role including responsibility for Boral's Project Management Office, which manages major projects.

Commenting on the executive changes, Mike Kane, Boral's CEO & Managing Director said:

*"These changes recognise the skills, capabilities and track record of key executives to deliver value to the Boral business and our shareholders. These new and expanded roles will create opportunity for deeper operational development and leadership.*

*"This is an important evolution in our successful senior executive development program, which has been in place for several years. It is about ensuring Boral is well positioned around executive capability today and in the future, and that we are prepared for an orderly succession of the CEO role in the coming years."*

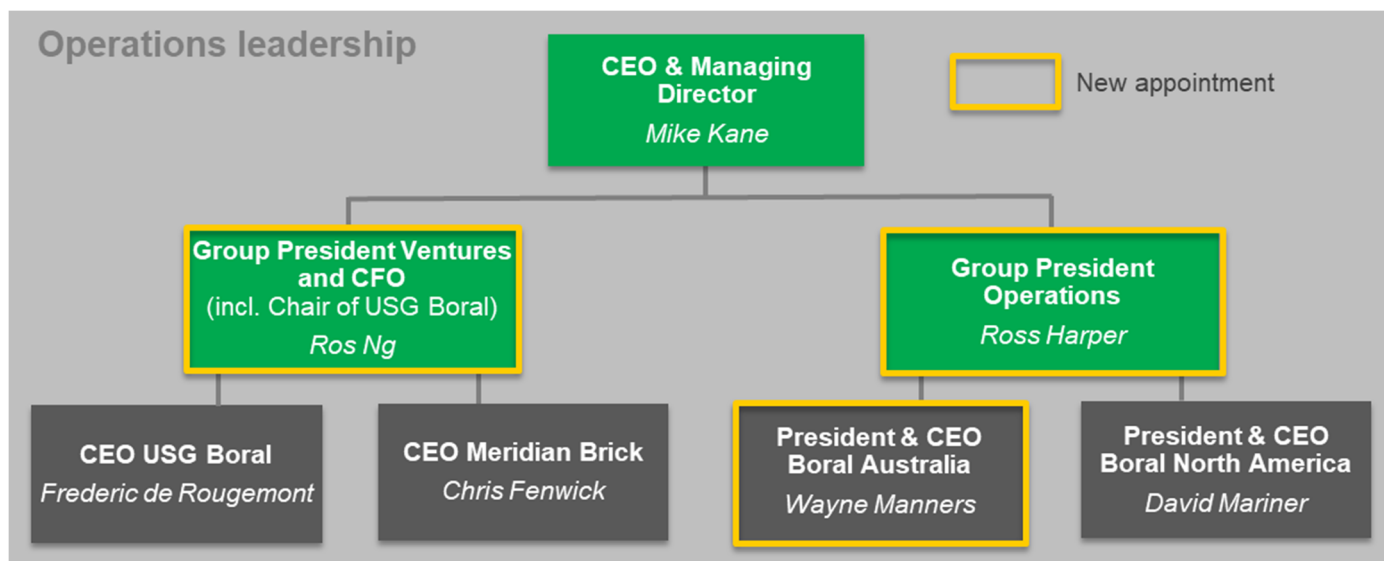
Commenting on Joe Goss' transition to a senior advisory role, Mike Kane said:

*"I want to thank Joe for his tremendous commitment and leadership as Chief Executive of Boral Australia over the past six years.*

*"Under Joe's leadership, the division has delivered strong financial and safety improvements and has seen a strengthened organisational culture including a clear commitment to safety, customers and continuous improvement."*

The Board expects that Mike Kane will continue in the role as Boral's CEO & Managing Director for another two to three years. In the meantime, the Board will continue to develop Boral's senior executives to support internal candidacies for consideration of key roles in the future.

## Boral's new leadership structure, effective 1 March 2019, and key executive biographies



### Rosaline Ng, Group President Ventures and CFO

Rosaline (Ros) Ng was appointed CFO of Boral in 2013, with responsibility for the finance function including risk, treasury, taxation and audit. She subsequently took on responsibility for corporate development and M&A, as well as becoming Chair of USG Boral and joining the Board of Meridian Brick.

Ros joined Boral in 1995 as a member of the Group Finance team for Building Products. She has held a number of senior finance roles, including General Manager Finance for Timber (1995-2001) and Building Products (2002-2009). Between these two divisional finance roles, Ros spent 15 months as Finance Director in the telecommunications industry before re-joining Boral in late 2002. In 2009, Ros was appointed CFO of Boral Industries Inc (Boral USA) and spent four years overseeing the finance function in the USA before becoming CFO of Boral. Ros has been a member of Boral's Executive Committee since 2013.

She holds a Bachelor of Commerce from UNSW and is a member of the Institute of Chartered Accountants.

### Ross Harper, Group President Operations

Ross Harper has over 30 years' experience with industrial process industries, including the energy, pulp and paper and building material sectors.

Ross joined Boral in January 2006 and has held senior roles in Boral's Cement division over the past 13 years including Executive General Manager Boral Cement since 2012. Ross has also maintained overlay responsibilities for Innovation, Logistics, Energy and Sustainability. He is Chairman of Fly Ash Australia, a Director of Sunstate Cement, on the Boards of the Cement Industry Federation and the Cement Concrete and Aggregates Association (CCAA). Ross has been a member of Boral's Executive Committee since 2012.

He holds a Doctorate in Chemistry and completed the Executive Management Programme at the University of Michigan, Ann Arbor.

### Wayne Manners, President & CEO Boral Australia

Wayne Manners joined Boral as Regional General Manager WA Construction Materials in 2012 after a 20 year career in industrial companies including as Chief Executive Officer of Gemco Rail and Fleetwood Pty Ltd.

Wayne became Boral's Executive General Manager WA/NT and then took on additional responsibilities leading Building Products in Australia and Boral's Major Projects Office. Wayne has overlay responsibility for Boral Australia's Transformation & Innovation group and Value Improvement Program (VIP), is Chairman of Boral's Diversity & Inclusion Council and he leads Boral's Veteran Employment Initiative.

He holds a diploma in Civil Engineering and a Master of Business Administration from Deakin University, and is a Graduate of the Australian Institute of Company Directors.

#### For more information:

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Build something great™



# Results Announcement

for the half year ended 31 December 2018

Management Discussion & Analysis  
25 February 2019

# 1H FY2019 results summary

**Excluding the impact of divestments, EBITDA broadly steady**

**Higher Boral North America earnings but lower earnings from Boral Australia and USG Boral**

- Reported revenue of \$2,990m, up 2%
- EBITDA<sup>1,2</sup> of \$485m down 3%; EBIT<sup>1,2</sup> of \$297m, down 6%
- EBITDA<sup>1,2</sup> margins of 16.2%, compared with 17.0%
- NPATA<sup>1,2</sup> of \$224m down 6%; statutory NPAT<sup>2</sup> of \$237m up 37%; and underlying NPAT<sup>1,2</sup> of \$200m down 6%
- EPSA<sup>1,2</sup> of 19.1 cents, versus 20.2 cents
- Interim dividend of 13.0 cents per share (50% franked), up 4%
- Operating cashflow of \$253m up 17%
- ROFE<sup>3</sup> of 8.1%, down from 8.5%



## Divisional overview

- **Boral Australia** – EBITDA down 8% to \$271m. Moderating residential demand and infrastructure volume lags and delays, coupled with extensive rain in NSW in October, resulted in lower concrete volumes and contributed to higher overall costs which more than offset price gains.
- **Boral North America** – EBITDA up 18% to A\$196m (up 9% to US\$141m) for continuing operations<sup>4</sup>, underpinned by strong growth in Roofing earnings and Headwaters acquisition synergies. Synergies and price gains were partially offset by higher costs and the impact of above average rainfalls in key US states which slowed building products and fly ash volumes.
- **USG Boral** – Underlying EBITDA down 16% to \$125m and Boral's post-tax earnings contribution of \$25m, down 35%. Continued strong results from Australia, but lower results from South Korea due to a cyclical decline in volumes and increasing competition, which heavily impacted earnings. Several countries experienced input cost pressures and intensifying competition. Boral's share of NPAT from USG Boral was also impacted by a higher effective tax rate in the JV.



## Strategic objectives

- **Safety** – strong improvements of recent years continued, with a recordable injury frequency rate (RIFR)<sup>5</sup> of 6.7, a 19% improvement on the prior corresponding period. Lost time injury frequency rate remained low at 1.1<sup>5</sup>. Improvements were delivered across all divisions with significant progress made in legacy Headwaters businesses in North America.
- **Solid returns on capital** – Boral delivered a return on funds employed (ROFE)<sup>3</sup> of 8.1%, with Boral Australia's ROFE of 15.9% being well above Boral's equivalent cost of capital ROFE of ~9.0-9.5%. USG Boral delivered a lower underlying ROFE of 8.1% due to softer earnings. Boral North America is well placed to deliver above cost of capital returns over time through the full realisation of acquisition synergies and expected growth.
- **Business transformation** – Headwaters acquisition continues to deliver good results with acquisition synergies of US\$14m delivered in 1H FY2019 against a FY2019 target of US\$25m. We remain on track to deliver our four-year synergy target of US\$115m.

**FY2019 Outlook:** Expect higher full year EBITDA relative to last year for continuing operations, with a skew to the second half. The outlook includes ~15% EBITDA growth in US dollars from Boral North America, broadly steady EBITDA from Boral Australia (excluding Property earnings of \$30m compared with \$63m in FY2018) and slightly lower profits from USG Boral (see page 12).



## Group financial overview

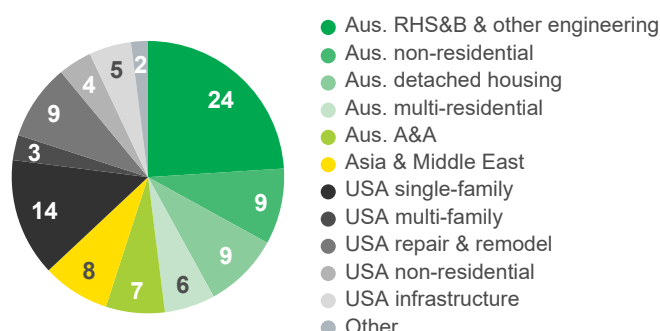
<i>Total operations basis</i> (A\$m)	1H FY2019	1H FY2018	Var %
Revenue	2,990	2,937	2
<b>EBITDA<sup>1,2</sup></b>	<b>485</b>	<b>500</b>	(3)
<b>EBITA<sup>1,2</sup></b>	<b>329</b>	<b>350</b>	(6)
EBIT <sup>1,2</sup>	297	316	(6)
Net interest	(49)	(50)	
Tax <sup>1</sup>	(48)	(52)	
<b>NPAT<sup>1,2</sup></b>	<b>200</b>	<b>214</b>	(6)
Significant items (gross)	53	(56)	
Tax on significant items	(16)	15	
<b>Statutory NPAT<sup>2</sup></b>	<b>237</b>	<b>173</b>	37
<b>NPATA<sup>1,2</sup></b>	<b>224</b>	<b>237</b>	(6)
EPSA (cents) <sup>1, 2</sup>	19.1	20.2	(6)
EPS (cents) <sup>1,2</sup>	17.1	18.2	(6)
Dividend (cents)	13.0	12.5	4

Figures may not add due to rounding.

- **Reported revenue** of \$2,990m was up 2% but **EBITDA<sup>1,2</sup>** of \$485m was down 3%. Excluding the \$15m EBITDA decline due to the sale of Denver Construction Materials (on 2 July 2018) and the US Block business (on 30 November 2018), EBITDA for 1H FY2019 was broadly steady on the prior year first half. The A\$31m EBITDA lift from Boral North America and lower corporate costs was offset by lower earnings from Boral Australia and USG Boral. Lower corporate costs reflect reduced head office costs and timing of costs.
- **Depreciation, amortisation and interest expense** were relatively steady.
- **Income tax expense of \$48m and an effective tax rate of 19.4%** are lower than FY2019 guidance, reflecting further recognition of previously unrecognised tax losses as well as a favourable adjustment to tax provisions from a reassessment of tax exposures. Excluding these items, the underlying effective tax rate was ~22%.
- **Interim dividend of 13.0 cents** per share (50% franked), an increase of 4% over the prior period, to be paid 15 March 2019 and representing a payout ratio of 76%.
- **A net gain of \$36m for significant items** reflects profits from the sale of Denver Construction Materials and US Block businesses partially offset by Headwaters integration costs.
- **Operating cash flow of \$253m was up 17%**, largely reflecting lower restructuring and integration payments of \$19m compared to \$82m in the prior half year. Working capital increased with inventories higher as sales volumes were lower than expected and debtor days slightly higher due to a greater proportion of work coming from major projects.
- **Capital expenditure** of \$183m (\$132m of stay-in-business and \$51m of growth expenditure) was up from \$164m in the prior year first half and included investments in the new Port of Geelong clinker import terminal in Vic, quarry upgrades and investments in storage facilities and reclaim activities in US Fly Ash.
- **Net debt at 31 December 2018 was \$2,295m** down from \$2,453m at 30 June 2018. Proceeds received during 1H FY2019 from the sale of Denver Construction Materials and US Block were partially offset by adverse exchange rate impacts. Boral is well within its funding covenants, with Boral's principal debt gearing covenant (gross debt/ (gross debt + equity)) of 29% well within the threshold of less than 60%. Gearing (net debt/(net debt + equity)) was 28% at 31 December 2018, down from 30% at 30 June 2018.

# Market conditions and external impacts

## Boral 1H FY2019 external revenue<sup>6</sup> by market, %



**Growth in Australian RHS&B infrastructure demand as residential market softens**

**Growth across US markets**

**Mixed market conditions in Asia**

**Weather impacted key markets**



## Australia

Boral Australia's largest exposure is to **roads, highways, subdivisions & bridges (RHS&B)**. Forecasts for RHS&B value of work done<sup>7</sup> is for the industry to grow 4% in FY2019, with 3% growth in NSW and Vic, and 8% in Qld. Other **engineering** activity<sup>7</sup> is forecast to decline, driven by lower mining and heavy industry activity.

Australian **housing starts**<sup>8</sup> moderated by 6% to an estimated 214,000 annualised starts in 1H FY2019, from 229,000 starts in 1H FY2018. **Detached housing** starts are estimated to be down 4%, with **multi-residential** starts down 10%.

In NSW, Vic, SA and WA, housing starts declined by an estimated 6%, 11%, 18% and 16% respectively. Housing starts in Qld increased by an estimated 2%, driven by multi-residential.

Market forecasters<sup>9</sup> expect housing starts of ~199,000 in FY2019, down 13% from FY2018, which remains 16% above the 20-year average.

Australian **alterations & additions (A&A)** activity<sup>10</sup> increased by an estimated 6%.

**Non-residential** activity<sup>10</sup> grew by an estimated 3% with higher demand in NSW, Vic and SA.

**Rainfall** in October was well above average in NSW disrupting activity and impacting volumes.

The **list of project** work in Table 1 includes some of the largest infrastructure projects Boral is currently supplying and a selection from the potential pipeline.

**Table 1: Australia – Project Work**

Barangaroo – Crown Casino, NSW	Est. completion 2019
Bringelly Road – Stage 1, NSW	
Forrestfield Airport Link Part 1, WA	
Geraldton Airport, WA	
Logan Motorway – Enhancement Works, Qld	
NorthConnex, NSW	
Northern Beaches Hospital, NSW	Est. completion 2020
Pacific Motorway M1 M3 Merge, Qld	
Cairns Southern Access Corridor – Stage 4	
Kingsford Smith Drive, Qld	
Northern Road Stage 2 & 3, NSW	
North-South Corridor Adelaide, SA	
Pacific Highway W2B various sections, NSW	Est. completion 2021
Pacific Motorway M2VL, Qld	
Sydney Metro (City/SW precast), NSW	
Melbourne Metro Rail Project (Precast), Vic	
West Gate Tunnel segments – Benalla, Vic	
Barangaroo – One Sydney Harbour Basement	Currently tendering
Capricorn Highway, Qld	
Cross River Rail, Qld	
Haughton River Bridge, Qld	
Inland Rail Project – Narrabri to NorthStar	
Norfolk Island Airport 2018, Qld	
Northern Road – Stages 4,5 & 6, NSW	
RAAF – East Sale, Vic	
Smithfield Transport Corridor, Qld	
Sydney Metro O/S, NSW	
Warrego Highway – Safety Upgrade, Qld	
WestConnex – Stage 3A & 3B, NSW	
West Gate Tunnel, Vic	
Western Sydney Airport, NSW	
Melbourne Airport - Third Runway, Vic	Pre-tendering
Snowy Hydro 2.0, NSW	

## Market conditions and external impacts (continued)



**US housing starts**<sup>11</sup> were up 2% to an estimated 1.23m starts with single-family starts down 1% and multi-family starts up 8%. On average, market forecasters<sup>12</sup> expect total US housing starts to grow by ~2% in FY2019 to ~1.27m starts.

Other US construction markets also strengthened in 1H FY2019. Activity in the **repair & remodel**<sup>13</sup> market was up an estimated 3%. **Non-residential**<sup>14</sup> construction market grew an estimated 5% and **US infrastructure**<sup>15</sup> activity, based on estimated ready mix concrete volumes, increased 4%.

Extended periods of **well above average rainfall**, in some cases at record levels, impacted the South, Midwest and Northeast during 1H FY2019. The extreme rain caused significant delays in construction activity, particularly in Texas, our key US state, with the disruption more extensive and over a wider geography than that experienced from two hurricanes in 1H FY2018.



In **Korea**, residential market activity slowed significantly with the market falling from its cyclical peak. This follows the implementation of government measures to tighten mortgage lending.

In **China**, while general market growth is positive, construction has been slowing due to tighter lending policies. Environmental regulations also continue to reduce the plasterboard industry's manufacturing capacity, but not to the same extent as the prior period.

In **Indonesia**, activity remains subdued and the depreciation of the local currency against the USD resulted in higher raw material and transport costs.

In **Thailand**, construction market activity remained subdued, while emerging markets of **India** and **Vietnam** continue to grow.

## Divisional reviews

(A\$m)	Sales revenue		EBITDA <sup>1</sup>		EBIT <sup>1</sup>	
	1H FY2019	1H FY2018	1H FY2019	1H FY2018	1H FY2019	1H FY2018
<b>Boral Australia</b>	<b>1,825</b>	1,804	<b>271</b>	294	<b>168</b>	194
<b>Boral North America</b> (continuing operations)	1,104	994	196	165	115	90
<b>USG Boral</b> (Boral's 50% post-tax earnings)	-	-	<b>25</b>	38	<b>25</b>	38
Discontinued (US Block and Denver CM)	62	138	4	19	-	11
<b>Corporate</b>	-	-	<b>(10)</b>	(17)	<b>(10)</b>	(17)
<b>TOTAL reported (total operations basis)</b>	<b>2,990</b>	2,937	<b>485</b>	500	<b>297</b>	316

Figures may not add due to rounding.

The following pages provide a review of Boral's three divisions.

**Concrete & Placing, Asphalt, Quarries, Cement, Transport, Property, Building Products** (Timber, Roofing, Bricks WA)

(A\$m)	1H FY2019	1H FY2018	Var%
Revenue	1,825	1,804	▲ 1
EBITDA <sup>1</sup>	271	294	▼ 8
EBITDA <sup>1</sup> ROS	14.8%	16.3%	
EBIT <sup>1</sup>	168	194	▼ 14
EBIT <sup>1</sup> ROS	9.2%	10.8%	
ROFE <sup>1,3</sup>	15.9%	15.4%	
Property	(3)	0	▼
EBITDA <sup>1</sup> excluding Property	274	294	▼ 7
EBITDA <sup>1</sup> ROS excl. Property	15.0%	16.3%	

Figures may not add due to rounding

1H FY2019	External revenue		EBITDA
Concrete & Placing	862	▼ 1%	▼
Asphalt	376	▲ 1%	▼
Quarries	223	▲ 9%	▼
Cement	164	▲ 4%	▼
Building Products	172	Steady	▼

**Revenue up 1% but EBITDA down 8% due to lower concrete volumes, inefficiencies from project delays and rain impacts and less favourable product and geographic mix**

**Revenue increased by 1%** to \$1,825m with higher contributions from Quarries, Cement and Asphalt but lower revenue from Concrete & Placing.

Increasing infrastructure activity substantially offset overall moderating residential demand as well as softer non-residential activity in Qld. However, delays in several major projects combined with a heavily rain-impacted October in NSW slowed revenue growth and impacted margins.

Overall, like-for-like (LFL) prices were higher across Quarries, Cement and Concrete.

**EBITDA decreased 8%** to \$271m with earnings lower across Boral Australia businesses. **EBITDA margins** of 14.8% compare with 16.3% in the prior year first half. Excluding Property, EBITDA was down 7%.

Lower earnings and margins reflect softer concrete volumes, a less favourable product and geographic mix and operational inefficiencies from project delays and weather impacts as well as a ~\$10m increase in energy and fuel costs, largely due to higher diesel fuel costs.

**ROFE<sup>1,3</sup>** increased to 15.9% from 15.4% in the prior year first half. This reflects the higher 2H FY2018 EBIT compared to the prior corresponding period, as ROFE is calculated on a moving annual basis.

**Concrete & Placing** earnings (EBITDA) declined with revenue down 1%. Earnings were adversely impacted by lower concrete volumes, a higher proportion of revenue from the lower margin Concrete Placing business which reported strong growth, and extensive rain in NSW in October.

While demand from infrastructure continued to grow, concrete volumes declined 8% driven by: moderating residential demand across all regions, particularly in the multi-residential sector in NSW; a decline in commercial activity in WA; a marked decline in non-residential construction in Qld, partly reflecting prior period accelerated volumes due to the Commonwealth Games; and weather related delays. Volumes to major projects were higher year on year but below our expectation as some projects experienced disruptions and delays, impacting productivity and costs. Major infrastructure projects contributing to revenue during the period included North Connex and Pacific Highway in NSW and Forresterfield Airport link in WA.

Concrete LFL prices were up 3% with solid gains across most regions, including NSW, Qld and Vic.



## Boral Australia (continued)

**Quarries** reported lower earnings on external revenue growth of 9%, reflecting strong growth in lower value products in South East Queensland (SEQ) and NSW and higher production costs, particularly in Vic where the existing and new plant are operating at Deer Park to supply demand.

Quarry volumes (internal and external) increased 5% with significant growth in Vic and SEQ, partially offset by a marked decline in WA.

1H FY2019 vs 1H FY2018	Variance %		
	Volume <sup>17</sup>	Price (ASP) <sup>18</sup>	Price (LFL) <sup>18</sup>
Concrete	(8)	4	3
Quarries	5	(3)	1 <sup>19</sup>
<i>Aggregates</i>	(1)	1	1
Cement	(1) <sup>20</sup>	2 <sup>21</sup>	2 <sup>21</sup>

Nationally, average selling price (ASP) for Quarries declined by 3% reflecting an adverse mix shift as well as price pressures from a continued abundance of tunneling spoils and recycled materials in NSW and low value fill in SEQ. Excluding low value products, ASP was up 1%. On a LFL basis, quarry prices were also up an average of 1% nationally, with price growth in Vic and Qld.

**Asphalt** earnings declined on a revenue increase of 1%, as strong growth in infrastructure activity was tempered by several major project delays and phasing impacts in Qld and NSW, rain impacts in NSW in October as well as some project delays in Victoria. Earnings were adversely impacted by higher costs and lower productivity on some major projects. Major projects contributing to revenue in the half year included: Gateway Upgrade North, Logan Enhancement and Dalby East West in Qld and Northern Road and Pacific Highway in NSW.

**Cement** revenue was up 4% reflecting price gains and higher external cement volumes, although total cement volumes (external and internal) were down 1%, and down 3% including the Sunstate JV. Earnings were modestly lower, impacted by lost production days at our Berrima kiln, as well as higher fuel and clinker costs.

**Property** reported an EBITDA loss of \$3m, compared to a breakeven result in 1H FY2018, with earnings expected to flow through in 2H FY2019.

**Building Products** (Timber, Roofing and Bricks WA) reported steady revenue with weaker earnings, as inflationary cost pressures, particularly in Timber and Roofing, more than offset the benefit of higher ASP and cost reduction initiatives in these businesses. Bricks WA will benefit from restructuring initiatives undertaken in 1H FY2019.

### Excellence programs

We are seeing benefits from our **commercial excellence** program, which has now been rolled out across most businesses, as well as our **customer experience** program initiated in FY2018 that is focused on transforming the Boral customer experience and improving profitability.

Our multi-year **supply chain** project is part of our Operational Excellence program and is delivering cost savings in 1H FY2019 in line with expectations. Over the next three years, we are aiming to reduce supply chain costs, which total ~\$650m, by 5% to 10%, and provide better service to our customers.

Additional cost reduction initiatives that have been identified and implemented include the consolidation of our Roofing and Timber businesses into an east coast building products business to reduce overhead costs, as well as a restructuring of Construction Materials and Midland Brick in WA into a single WA management team.

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

(Note: Denver Construction Materials divested 1 Jul-18, US Block divested 30 Nov-18)

**CONTINUING OPERATIONS**

(A\$m) <sup>22</sup>	1H FY2019	1H FY2018	Var %
Revenue	1,104	994	▲ 11
EBITDA <sup>1</sup>	196	165	▲ 18
EBIT <sup>1</sup>	115	90	▲ 28
(US\$m)			
Revenue	796	776	▲ 3
EBITDA <sup>1</sup>	141	129	▲ 9
EBITDA <sup>1</sup> ROS	17.7%	16.6%	
EBIT <sup>1</sup>	83	70	▲ 18
ROFE <sup>1,3</sup>	4.6%	4.4%	

Figures may not add due to rounding

1H FY2019 (US\$m)	External revenue		EBITDA
Fly Ash	277	▼ 1%	Steady
Roofing	179	▲ 16%	▲
Stone	135	▲ 1%	▲
Light Building Products	133	▲ 2%	▼
Windows	72	▼ 3%	▲

The commentary relates to results for continuing operations.

**Revenue up 3% driven by strong lift in Roofing with above average rainfall impacting volumes, particularly Fly Ash and Windows**

**EBITDA up 9% benefiting from synergies**

**Revenue was up 3% to US\$796m** largely driven by significant growth in Roofing. Extensive rainfalls in the South, Midwest and Northeast delayed construction activity with the impact exceeding that experienced from two hurricanes in 1H FY2018. Record rainfall was experienced in many areas, including Texas and the Northeast, which particularly impacted Windows and Fly Ash.

**EBITDA increased 9% to US\$141m** with benefits from a further US\$14m in synergies. Solid overall price gains across all businesses and operational improvements substantially offset cost pressures. Higher earnings contributions from Roofing, Stone, Windows and Meridian Brick JV were partially offset by weaker earnings from Light Building Products.

**Fly Ash** revenue declined 1% reflecting completion of two major one-off site services construction projects and lower fly ash volumes which were substantially offset by an overall LFL price increase of 13%. Site services represented 24% of Fly Ash revenue, down from 27% in the prior half year.

Fly Ash earnings were broadly steady, with the benefit of price growth and synergies of US\$3m offset by a decline in volumes and higher costs. EBITDA margins of ~24% were broadly steady.

Fly ash volumes declined 6% to 3.7 million tons due to the anticipated impact of prior period Texas utility closures, which totalled ~400k tons, as well as intermittent unplanned power plant outages and extreme wet weather conditions substantially slowing activity. Supply constraints were mitigated by optimising our network, including through additional storage capacity and increasing available ash through beneficiation, imports, new contracts and landfill reclamation.

An additional ~20k tons in floating storage capacity through our mobile rail car fleet was added during 1H FY2019. A further 50k-55k tons in fixed and floating storage capacity is currently underway and expected to be completed by the end of CY2019, increasing our storage capacity to over 600k tons.

In October 2018, Boral acquired the marketing rights for fly ash produced at two large utilities in Mexico. While initial volumes are small, these are expected to ramp up following logistical infrastructure upgrades.

Fly ash sales from our landfill reclaim operation at Montour, Pennsylvania which was commissioned in the half year, are expected to ramp up through 2H FY2019, and should contribute around 40k-50k tons in FY2019.

## Boral North America (continued)

**Roofing** delivered strong earnings growth driven by a 16% increase in revenue. Overall sales volumes were up 16% with significant growth in Concrete Tile products underpinned by strength in the Florida market, where demand growth exceeded housing starts<sup>23</sup>. Volume growth was tempered by production constraints at the Oceanside metal roofing plant (CA). A 5% increase in Concrete Roofing ASP more than offset inflationary and demand driven cost pressures.

1H FY2019 vs 1H FY2018 variance %		
	Volume	Price <sup>24</sup>
Fly Ash	(6)	13
Roofing	16	5
Stone	(1)	3
Windows	(4)	3

Earnings benefited from improved manufacturing performance at the Okeechobee plant (FL) and the prior period Lake Wales plant (FL) upgrade. Production optimisation initiatives at the Oceanside plant have progressively improved manufacturing capacity, with increased volumes and lower manufacturing costs expected in 2H FY2019. Additional Roofing synergies of US\$4.5m were in line with our expectations.

**Stone** earnings were modestly higher on revenue growth of 1%. Earnings benefited from solid price gains, synergies of US\$2m and completion of commissioning of the upgrade at the Greencastle Eldorado Stone plant. This was partly offset by costs pressures, particularly from raw materials and labour, and a modest decline in volumes reflecting softer demand in US Central, Northeast and Southern regions.

**Light Building Products** reported a revenue increase of 2% and softer earnings. Revenue growth benefited from significant volume gains in Versetta and TruExterior® Siding and Trim which offset softer volumes across most other product categories. Shutters, Accessories and Siding were impacted by weaker market demand in Northeast and Midwest markets which were weather affected.

Earnings were adversely impacted by higher raw material and labour costs and continued higher production costs in the TruExterior® Siding and Trim business which more than offset synergies of US\$2m. Profitability is expected to improve in 2H FY2019 as manufacturing efficiency in the TruExterior® business increases.

**Windows** reported stronger earnings despite a decline in revenue. Volumes were down due to record rain in Texas with customers reporting continued strong underlying demand.

Earnings benefited from price gains, lower glass costs and improved manufacturing performance at the Magnolia plant.

**Meridian Brick JV** delivered post-tax equity earnings of US\$1m, up from a loss of US\$2m in the prior period. The underlying Meridian Brick JV generated US\$188m of revenue and US\$13m of EBITDA. Compared to the prior period, revenue declined 7% while earnings increased 24%, benefiting from prior year asset rationalisation and cost reductions.

MERIDIAN BRICK UNDERLYING RESULT		
(US\$m)	1H FY2019	1H FY2018
Revenue	188	202
EBITDA <sup>25</sup>	13	11

Brick volumes were lower, reflecting a smaller distribution network following prior period manufacturing and distribution asset closures, softer market demand in Canada, weather impacts as well as a continued decline in brick intensity. Revenue benefited from solid price gains and a modest increase in resale revenue.

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

#### BORAL'S REPORTED RESULT

(A\$m)	1H FY2019	1H FY2018	Var %
Equity income <sup>26</sup>	25	38	(35)

#### USG BORAL UNDERLYING BUSINESS RESULT

(A\$m)	1H FY2019	1H FY2018	Var %
Revenue	831	815	2
EBITDA <sup>1</sup>	125	149	(16)
EBITDA <sup>1</sup> ROS	15.1%	18.3%	
EBIT <sup>1</sup>	84	113	(26)
EBIT <sup>1</sup> ROS	10.1%	13.9%	
ROFE <sup>1,3</sup>	8.1%	11.1%	

**Underlying revenue grew 2% but EBITDA down 16% largely reflecting a slowdown in South Korea which performed very strongly in prior corresponding half year**

Boral's **equity accounted income of \$25m, down 35%** on the prior half year, represents Boral's 50% share of USG Boral's post-tax earnings. Boral's share of NPAT from the JV was also impacted by a higher effective tax rate in the JV mainly due to higher Australian earnings and higher withholding tax.

**Revenue increased 2% to \$831m** in the underlying business. Volume growth in Australia, Indonesia, Vietnam and India, higher overall non-board revenue and a favourable currency translation in Thailand largely offset the market-driven decline in revenue from South Korea. Price outcomes were mixed.

**Non-board revenue**, which represented 42% of total revenue and includes ceiling tiles, metal stud, compounds and plasters, gypsum, and contracting, increased 8% mainly due to higher gypsum and metal stud sales and contracting in Australia.

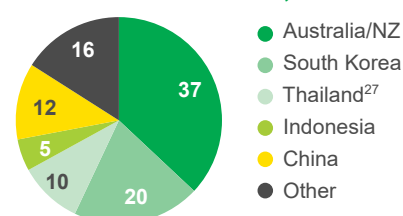
**Underlying EBITDA declined by 16% to \$125m**, primarily reflecting lower earnings from South Korea and overall cost increases including raw materials, labour and energy. Excluding South Korea, earnings were marginally lower as increased contributions from Australia, Vietnam and India were offset by lower earnings from Indonesia, China and the Philippines.

**Australia/NZ revenue increased 3% to \$307m** driven by higher board volumes and growth in non-board revenue, most notably contracting services. Board prices were broadly steady.

Earnings in Australia increased reflecting continued strength in residential and commercial construction demand as well as lower costs compared with the prior half year which was impacted by one-off costs associated with gypsum supply issues through GRA.

**Asia revenue increased by 1% to \$524m** with growth across most countries offset by a marked decline in South Korea. Earnings were significantly impacted by lower volumes in South Korea as well as higher costs more broadly.

1H FY2019 revenue, %



- **South Korea** volumes were down around 15-20% and prices were also lower, reflecting declining market demand and intensifying competition as the housing market came off its cyclical peak. Volumes and margins were also impacted by Typhoon Soulik and associated rain in the September quarter. While margins were down year on year, the business is sustaining its market share with margins continuing to be well above USG Boral's average margins.
- **China** revenue increased due to growth in non-board products and a favourable currency translation. Earnings were softer with price gains offset by lower plasterboard volumes and cost increases. Flooding at our Chongqing plant in July and August resulted in five days of lost production.
- **Thailand** earnings were broadly steady with margins remaining strong. Domestic and export volumes were lower with competitive pressures ongoing.
- **Indonesia** revenue was steady with volumes higher as demand slowly strengthened although competitive pricing pressures continued. Earnings declined reflecting price weakness and higher raw material and transportation costs.
- **India and Vietnam** both reported revenue growth and improved earnings with strong volume gains in India and Vietnam and price improvement in Vietnam.

# Strategy and priorities

Our goals are to deliver:



world class health & safety outcomes based on **Zero Harm**



returns that exceed the cost of capital through the cycle



more sustainable growth, including through innovation.

**Boral's safety performance** noticeably improved in the first half of FY2019, with combined employee and contractor recordable injury frequency rate (**RIFR**)<sup>5</sup> of 6.7 compared with 8.3 in 1H FY2018 and 8.7 in FY2018. Lost time injury frequency rate (**LTIFR**)<sup>5</sup> of 1.1 compared with 1.6 for FY2018 and 1.1 in the same period last year. All divisions reported improvements in RIFR for the half year relative to FY2018.

The legacy Headwaters businesses delivered a significant turnaround in performance, and Meridian Brick operations also improved.

Our strategy continues to **focus on delivering above cost of capital returns** through the cycle and more sustainable growth, by:

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

Boral's weighted average cost of capital is currently equivalent to an EBIT return on funds employed (**ROFE**) of ~9.0-9.5%. In 1H FY2019, we delivered a ROFE<sup>3</sup> of 8.1%. **Boral Australia** continued to deliver above cost of capital **ROFE**<sup>3</sup> returns of 15.9%, while USG Boral and Boral North America delivered 8.1% and 4.6%, respectively.

In line with our acquisition expectations, **Boral North America** is on track to deliver above cost of capital returns in coming years as earnings continue to grow and as full synergies from the **Headwaters acquisition** are delivered in year four. The Headwaters acquisition strengthens Boral's ability to deliver strong earnings through the cycle, with a less cyclical, more stable ROFE from more diverse US market exposures and less exposure to high fixed cost businesses.

**USG Boral** delivered above cost of capital returns in FY2018 but first half returns dipped below the cost of capital.

## **BORAL AUSTRALIA**

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

During 1H FY2019, a total of \$108m of capital was invested in Boral Australia including progressing the new 1.3 million tonne **clinker and slag grinding plant** and cementitious storage facility at the Port of Geelong in Victoria, expected to cost up to \$130m. The investment will improve delivered cement costs by eliminating road transport of imported clinker and reducing handling and grinding costs. The increased capacity will meet future demand growth and expand Boral's cement product offering, and is expected to be completed in 2020.

Further progress was made at our **quarry reinvestments** with the Orange Grove Quarry (WA) plant upgrade completed in 1H FY2019 and Ormeau Quarry (Qld) capacity expansion expected to be completed in 2H FY2019.

We also continued to make modest investments in Boral's **concrete and asphalt plant network**, with a new higher capacity concrete batch plant at West Melbourne (Vic) being commissioned to replace our closed North Melbourne plant. In Asphalt, we are currently commissioning a new plant at Toowoomba (Qld).



## Strategy and priorities (continued)

### BORAL NORTH AMERICA

In October 2018, we announced the divestment of our US Block business for US\$156m, in line with our strategy to focus on building products and fly ash in the Boral North America business. The transaction settled on 30 November 2018.

We continue to make good progress integrating the **Headwaters acquisition**. In Stone, we are undertaking plant network optimisation initiatives, while in Roofing, we are optimising our branding and channel to market strategies. Consolidation of back office, finance and IT systems also continues in line with our expectations.

We continue to deliver improvements in plant operational issues in Roofing, Stone and Windows that impacted in FY2018 and expect to deliver further earnings benefits from operational improvements in 2H FY2019.

Additional cost and revenue synergies achieved in 1H FY2019 of US\$14m are in line with our year two target of an additional US\$25m pa in FY2019, with the benefit of prior period headcount reductions skewed to the 1H. We continue to expect year four synergies of US\$115m pa with synergies expected to total US\$64m by end of FY2019.

In the **Fly Ash business**, we are making good progress to meet our target of increasing annual supply of available fly ash to the market by 1.5–2.0 million tons over the next three years. We have started selling fly ash from our landfill reclaim operation at Montour, Pennsylvania and recently acquired the marketing rights for fly ash produced at two large utilities in Mexico which will support our fly ash import volumes.

During 1H FY2019, we invested US\$52m of capital into Boral North America, including US\$15m in additional fly ash storage and completing our Montour fly ash reclamation facility, in addition to upgrading our Stonecraft manufactured stone plant in Ohio.

### USG BORAL

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

As previously advised, the entry into a merger agreement between USG Corporation and Knauf constitutes a default under the USG Boral shareholders' agreement that we have with USG, which triggers the right for Boral to acquire USG's interest in the **USG Boral JV**. As such, we have been in discussions with industry players, including Knauf, to assess a broad range of alternatives relating to the USG Boral JV including a return to 100% Boral ownership or the formation of an expanded joint venture.

Today we announced that we have executed non-binding term sheets with Knauf, subject to valuations, negotiations and execution of definitive documents, and completion of the USG Knauf Merger Agreement, which could see Boral and Knauf form a new joint venture (JV) for its Asian plasterboard businesses. We are also working with Knauf to consider the opportunity for Boral to acquire USG Boral's Australasian<sup>28</sup> plasterboard business returning Boral to 100% ownership in that region, subject to valuations and negotiation of definitive documents.

We also have contractual arrangements with Knauf to preserve our right, but not an obligation, to call the remaining 50% of the existing USG Boral JV in the event that a transaction is not agreed to with Knauf. As such, the current valuation process underway with USG for the USG Boral business is continuing.

We have also entered into contractual arrangements with Knauf that provide a standstill, while negotiations are continuing, on any potential litigation by Boral against Knauf in relation to breach of the existing Shareholders Agreement should Knauf complete its merger with USG before reaching a definitive deal with Boral.

Importantly though, in the absence of an acceptable agreement, Boral is under no compulsion to make further investment or complete a transaction. In this event we would remain a 50% owner of USG Boral. We will only invest in the business if it is value creating for Boral's shareholders.

In the event an investment is to be made by Boral, our strong preference is to use debt and proceeds from asset sales. A committed acquisition facility is in place.

## FY2019 Outlook

Boral's FY2019 EBITDA is expected to be higher than FY2018 for continuing operations with a skew to 2H FY2019.

### On a divisional basis we expect the following:



#### **Boral Australia** to deliver broadly similar EBITDA in FY2019 excluding Property in both years.

FY2019 Property earnings are expected to be around \$30m compared with \$63m in FY2018, and are anticipated to come through in the second half of the year.

Our earnings expectation is underpinned by forecast industry growth in RHS&B (up 4%)<sup>7</sup> and non-residential demand (up around 7%)<sup>7</sup> offsetting the impacts of a softening housing construction market.

Detached housing starts are forecast to be down 7% and multi-residential starts down 20%<sup>9</sup>.

Higher volumes, together with business improvement initiatives will contribute to the 2H skew. The volume outlook is based on current known schedules for existing and new major projects.



#### **Boral North America** to deliver EBITDA growth of approximately 15% in USD in FY2019 for

continuing operations, reflecting volume growth, further synergy delivery and operational improvements.

Boral North America's outlook includes expected Headwaters acquisition synergies of ~US\$25m in FY2019.

After the US winter, we expect construction to recover from early March in line with a typical US Spring recovery. We also expect a modest level of continued growth in underlying market demand across our end-markets.

Fly ash volumes in 2H are expected to increase compared to the prior corresponding period, reflecting efforts to increase available supply.

Price growth for most products is anticipated with margins improving or at least holding.



#### **USG Boral** to deliver slightly lower profits in FY2019 compared with FY2018.

The revised FY2019 outlook for USG Boral reflects a decline in residential construction activity in South Korea and demand in the Australian business holding up.

Year-on-year improvement in 2H earnings is expected including growth in Australia, Indonesia, Thailand and Vietnam.

Boral is progressing strategic opportunities for the USG Boral plasterboard business, as announced today, but we have assumed there will be no impact in FY2019.

### FY2019 financial considerations

- With the full benefit from the reduction in the US corporate tax rate, Boral's **effective tax rate is expected to be in the range of 21–22%**.
- Boral's **interest expense** is expected to reflect a continued **cost of debt of ~4.25–4.50% pa** on a broadly steady net debt position and based on current market forecasts for government cash rates.
- Boral's **corporate costs** are expected to be broadly in line with FY2018.
- **Franking** rates for dividends are expected to be partially franked at or around 50% in line with the relative earnings from Australia in the total portfolio.
- Overall, we expect depreciation and amortisation to be in the range of **\$380–\$390m** in FY2019. Our expectation for **capital expenditure** for FY2019 is in the range of **\$425–450m**.

(A\$m unless stated)	1H FY2019	1H FY2018	Change %
Revenue	2,990	2,937	2
EBITDA <sup>1,2</sup>	485	500	(3)
EBITA <sup>1,2</sup>	329	350	(6)
EBIT <sup>1,2</sup>	297	316	(6)
Net interest <sup>1</sup>	(49)	(50)	
Profit before tax <sup>1</sup>	248	266	(7)
Tax <sup>1</sup>	(48)	(52)	
Net profit after tax <sup>1</sup>	200	214	(6)
Net significant items	36	(41)	
Statutory net profit after tax	237	173	37
Net profit after tax and before amortisation <sup>1</sup>	224	237	(6)
Cash flow from operating activities	253	216	
Gross assets	9,480	9,061	
Funds employed	8,238	7,804	
Liabilities	3,537	3,623	
Net debt	2,295	2,366	
Stay-in-business capital expenditure	132	149	
Growth capital expenditure	51	15	
Acquisition capital expenditure	11	-	
Depreciation and amortisation	188	184	
Boral employees	11,810	11,655	
Total employees including in joint ventures	17,098	16,621	
Revenue per Boral employee, \$ million	0.253	0.252	
Net tangible asset backing, \$ per share	2.18	1.96	
EBITDA margin on revenue <sup>1</sup> , %	16.2	17.0	
EBIT margin on revenue <sup>1</sup> , %	9.9	10.8	
EBIT return on funds employed <sup>1,3</sup> %	8.1	8.5	
EBIT return on average funds employed <sup>1,29</sup> %	8.3	9.2	
Return on equity <sup>1</sup> , %	7.7	7.5	
Gearing			
Net debt/equity, %	39	43	
Net debt/net debt + equity, %	28	30	
Interest cover <sup>1</sup> , times	6.1	6.3	
Earnings per share <sup>1</sup> , ¢	17.1	18.2	
Dividend per share, ¢	13.0	12.5	
Employee safety <sup>30</sup> : (per million hours worked)			
Lost time injury frequency rate	1.1	1.1	
Recordable injury frequency rate	6.7	8.3	



## 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\$m)		Earnings before significant items	Significant items	Reported Result <sup>31</sup>
Sales revenue		2,990.3	-	2,990.3
<b>Profit before depreciation, amortisation, interest &amp; income tax</b>	<b>EBITDA</b>	<b>485.1</b>	<b>52.7</b>	<b>537.8</b>
Depreciation & amortisation, excluding amortisation of acquired intangibles		(156.4)	-	(156.4)
<b>Profit before amortisation of acquired intangibles, interest &amp; tax</b>	<b>EBITA</b>	<b>328.7</b>	<b>52.7</b>	<b>381.4</b>
Amortisation of acquired intangibles		(31.6)	-	(31.6)
<b>Profit before interest &amp; income tax</b>	<b>EBIT</b>	<b>297.1</b>	<b>52.7</b>	<b>349.8</b>
Interest		(48.8)	-	(48.8)
<b>Profit before tax</b>	<b>PBT</b>	<b>248.3</b>	<b>52.7</b>	<b>301.0</b>
Tax benefit / (expense)		(48.1)	(16.4)	(64.5)
<b>Net profit after tax</b>	<b>NPAT</b>	<b>200.2</b>	<b>36.3</b>	<b>236.5</b>
<i>Add back: Amortisation of acquired intangibles</i>		<b>31.6</b>		<b>20.2</b>
<i>Less: Tax effect of amortisation of acquired intangibles</i>		(8.1)		
<b>Net profit after tax &amp; before amortisation of acquired intangibles</b>	<b>NPATA</b>	<b>223.7</b>		
<b>Basic earnings per share</b>	<b>EPS<sup>32</sup></b>	<b>17.1</b>		
<b>Basic earnings per share before amortisation of acquired intangibles</b>	<b>EPSA<sup>32</sup></b>	<b>19.1</b>		



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 6 months ended 31 December 2018.

The Half Year Financial Report for the 6 months ended 31 December 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.

## Non – IFRS information (continued)

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

(A\$m)		Continuing operations	Discontinued operations	Total
Sales revenue		2,928.8	61.5	2,990.3
<b>Profit before depreciation, amortisation, interest &amp; income tax</b>	<b>EBITDA</b>	<b>468.4</b>	<b>69.4</b>	<b>537.8</b>
Depreciation & amortisation, excluding amortisation of acquired intangibles		(154.5)	(1.9)	(156.4)
<b>Profit before amortisation of acquired intangibles, interest &amp; tax</b>	<b>EBITA</b>	<b>313.9</b>	<b>67.5</b>	<b>381.4</b>
Amortisation of acquired intangibles		(29.3)	(2.3)	(31.6)
<b>Profit before interest &amp; income tax</b>	<b>EBIT</b>	<b>284.6</b>	<b>65.2</b>	<b>349.8</b>
Interest		(48.8)	-	(48.8)
<b>Profit before tax</b>	<b>PBT</b>	<b>235.8</b>	<b>65.2</b>	<b>301.0</b>
Tax expense		(45.4)	(19.1)	(64.5)
<b>Net profit after tax</b>	<b>NPAT</b>	<b>190.4</b>	<b>46.1</b>	<b>236.5</b>

## FOOTNOTES

- <sup>1</sup> Excluding significant items
- <sup>2</sup> See page 14 for a reconciliation and explanation of these items
- <sup>3</sup> Return on funds employed (ROFE) is based on moving annual total EBIT before significant items on funds employed at period end, except for 1H FY2018 ROFE for Boral North America and Group which is based on monthly average funds employed
- <sup>4</sup> Excludes Denver Construction Materials and US Block businesses sold on 2 July 2018 and 30 November 2018 respectively
- <sup>5</sup> Per million hours worked
- <sup>6</sup> Includes Boral's 50% share of underlying revenue from USG Boral and Meridian Brick joint ventures, which are not included in Group reported revenue
- <sup>7</sup> Average of Macromonitor and BIS Oxford Economics value of work done forecasts (constant 2016/17 prices)
- <sup>8</sup> ABS original housing starts; average of Macromonitor, BIS Oxford Economics and HIA for December 2018 quarter
- <sup>9</sup> Average of HIA, BIS Oxford Economics and Macromonitor forecasts
- <sup>10</sup> Original series (constant 2016/17 prices) from ABS for September 2018 quarter; average of Macromonitor and BIS Oxford Economics forecasts for December 2018 quarter
- <sup>11</sup> US Census seasonally adjusted annualised housing starts. Based on data up to November 2018
- <sup>12</sup> Based on average of analysts' forecasts (Dodge, Wells Fargo, NAR, NAHB, Fannie Mae, Freddie Mac, MBA), July - December 2018
- <sup>13</sup> Moody's retail sales of building products, January 2019
- <sup>14</sup> Management estimate of square feet area utilising Dodge Data & Analytics and US Census data
- <sup>15</sup> Management estimate of ready mix demand utilising Dodge Data & Analytics and Portland Cement Association shipments
- <sup>16</sup> Based on various indicators of building and construction activity
- <sup>17</sup> Includes external and internal sales
- <sup>18</sup> For external sales only
- <sup>19</sup> Excluding low value fill
- <sup>20</sup> For external and internal sales including wholesale cement but excluding Sunstate JV
- <sup>21</sup> For external cement sales excluding wholesale cement and Sunstate JV volumes
- <sup>22</sup> An average AUD/USD exchange rate of 0.721 is used for 1H FY2019 and 0.7803 for 1H FY2018
- <sup>23</sup> Dodge Data & Analytics housing starts
- <sup>24</sup> Fly Ash price change based on LFL. Roofing, Stone and Windows price changes are based on ASP. Roofing price increased based on Concrete Tiles only
- <sup>25</sup> Excluding significant items and impact of holding costs of closed sites
- <sup>26</sup> Post-tax equity income from Boral's 50% share of USG Boral JV
- <sup>27</sup> Excludes inter-company sales
- <sup>28</sup> Includes Australia, New Zealand, Papua New Guinea and islands in the South West Pacific
- <sup>29</sup> Calculated as MAT EBIT (before significant items) on the average of opening and closing funds employed for the year
- <sup>30</sup> Includes employees and contractors in 100%-owned businesses and all joint venture operations regardless of equity interest (note that in prior periods safety data only captured 50%-owned joint ventures)
- <sup>31</sup> Includes continuing and discontinued operations. Refer page 15 for reconciliation between the reported result and continuing and discontinued operations
- <sup>32</sup> Based on weighted average number of shares on issue of 1,172,331,924

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