Build something great™

Results Announcement

for the year ended 30 June 2016

24 August 2016

Management Discussion & Analysis

Boral continues to strengthen profitability with delivery against plan

- **Reported revenue of $4.3b** for the year down 2% but revenue from continuing operations was broadly steady on the prior year
- **EBITDA[1] of $645m**, up 6%
- **EBIT[1] of $398m**, up 12%
- Underlying **profit after tax[1] of $268m**, up 8%
- Statutory **net profit after tax of $256m** broadly steady after a net loss of $12m for significant items
- **Net debt of $893m** increased from $817m at 30 June 2015; gearing of 20%
- **Earnings per share[1] of 35.8 cents**, up 12%
- **Full year dividend of 22.5 cents per share, fully franked,** up 25%

Focus on operational excellence continues to improve margins across all divisions

- **Boral Construction Materials & Cement** (CM&C) – Excluding Property, EBIT was up $10m primarily due to successful cost improvements, pricing gains and continued strong East Coast residential construction activity offsetting lower construction activity in WA, and regional QLD and VIC. EBIT (including Property) of $293m was $8m lower than FY2015 with lower earnings from Property, as anticipated.
- **Building Products** – EBIT of $33m was $3m above FY2015 reflecting a continuation of strong East Coast housing activity, price gains and depreciation savings, offsetting the equity accounting impact for Boral CSR Bricks and declining housing activity in WA.
- **Boral Gypsum** – USG Boral's underlying EBIT of $179m was up 27% on FY2015, and Boral's 50% share of post-tax earnings from the JV of $59m was 21% higher due to strong growth in Australia, continued penetration of premium and adjacent products and cost reduction benefits.
- **Boral USA** – delivered EBIT of A$44m, which is A$38m higher than FY2015, reflecting further recovery in US housing activity, benefits from operational cost savings and a one-off land sale of A$10m.

Delivering on Boral's transformation strategy

- ✓ **Driving safety excellence** – a significant 28% reduction in lost time injury frequency rate (LTIFR) to 1.3 and a 27% reduction in recordable injury frequency rate (RIFR) to 8.8.
- ✓ **Driving performance excellence** – increase in return on funds employed (ROFE)[2] to 9.0% in FY2016, underpinned by a strong contribution from CM&C achieving 14.2% ROFE, improved earnings from Boral USA and USG Boral and operational improvements across all divisions.
- ✓ **Growing through product innovation** – the roll out of our world-leading Sheetrock® gypsum technologies across USG Boral remains ahead of plan, with product acceptance and price premiums tracking well.

FY2017 outlook is for continued growth

In FY2017 we expect slightly improved earnings from Boral Australia, underpinned by infrastructure activity and a thriving NSW market, lower property earnings and softer results from building products businesses. We expect continued underlying growth from USG Boral, and earnings from Boral USA to continue to strengthen in line with the housing market recovery.

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[1] Excluding significant items

[2] EBIT (excl significant items) on funds employed at 30 June. CM&C divisional ROFE is EBIT on segment assets less segment liabilities

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

Financial Overview

Ongoing focus on operational excellence, costs and productivity drives profit growth

(A$ millions)	FY2016	FY2015	Var %
Revenue	4,311	4,415	(2)
EBITDA[1]	645	605	6
EBIT[1]	**398**	**357**	**12**
Net interest[1]	(63)	(64)	
Tax[1]	(67)	(44)	
PAT[1]	**268**	**249**	**8**
Significant items (net)	(12)	8	
NPAT	**256**	**257**	**-**
EPS (cents)[1]	35.8	31.9	12
Full year dividend (cents)	22.5	18.0	25

Boral's reported **sales revenue of $4.3b was down 2%** on the prior year, reflecting the absence of revenue contribution from the East Coast brick operations following the formation of the Boral CSR Bricks joint venture on 1 May 2015, and the Landfill business, which was sold effective 1 March 2015. **On a continuing operations basis, revenue was broadly steady** as higher revenues associated with stronger residential activity in Australia and the USA offset the decline in resource-based and other major project activity.

Earnings before interest & tax (**EBIT**)[1] **increased 12% to $398m** despite lower Property earnings this year compared to the prior year, and reflects stronger earnings as a result of operational cost improvements, lower fuel costs and some pricing gains.

Depreciation and amortisation remained broadly unchanged on the prior year at $247m.

Income tax expense excluding significant items increased by $23m due to higher earnings from Boral USA and lower available capital losses in FY2016. The effective tax rate of 19.9% reflects the tax benefit arising from share acquisition rights that vested in 1H FY2016. Excluding this, the effective tax rate was 21.2%.

Profit after tax (**PAT**)[1] of $268m was 8% higher on the prior year's PAT of $249m.

A **net loss of $12m for significant items** includes the favourable resolution of various long-term tax matters offset by a A$45m post-tax impairment of the three- and five-year earnout receivables recognised at commencement of the USG Boral JV in February 2014. While the strengthening USD benefited Boral when completing the USG Boral transaction, further strengthening since February 2014 means that USD denominated earnouts are now unlikely to be achieved. In local currencies, USG Boral earnings targets remain on track with the joint venture transaction proving to be highly successful.

Statutory net profit after tax (**NPAT**) of $256m was in line with the prior year's NPAT of $257m.

EBITDA[1] of $645m was 6% higher than the prior year while **operating cash flow** of $478m was 14% higher, with improved earnings and higher dividends received from equity-accounted joint ventures, offset by higher tax payments primarily arising from the capital gain from the Landfill sale in the prior year.

Capital expenditure was $324m ($281m of stay-in-business and $43m of growth expenditure), up from $250m the prior year, reflecting ongoing disciplined capital allocation measures. Capital expenditure included quarry upgrades at Deer Park (VIC), Orange Grove (WA) and Holton Morton (Colorado), new and upgraded concrete plants, acquisition of tile making equipment in Texas and a number of capital projects to improve manufacturing costs, including in Timber.

Net debt at 30 June 2016 of $893m increased by $76m since 30 June 2015, largely due to the $115m cash outflow related to the share buy-back completed on 21 September 2015. **Gearing**, net debt / (net debt + equity), increased slightly to 20% from 19% at 30 June 2015 and Boral's principal debt gearing covenant of 30%, up from 29% at 30 June 2015, is still well within the threshold of less than 60%.

Earnings per share[1] **of 35.8 cents increased 12%**. A fully franked final **dividend of 11.5 cents** per share will be paid on 26 September 2016, representing a payout ratio of 62%, in line with Boral's **Dividend Policy** of between 50% and 70% of earnings before significant items, subject to the Company's financial position.

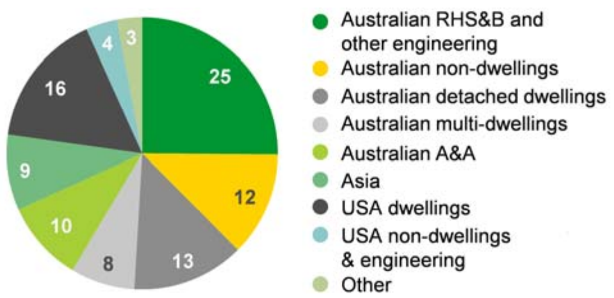
[1] Excluding significant items

Market Conditions and External Impacts

FY2016 saw record Australian residential activity, further improvements in US markets, a transition period in Australian roads and engineering, and slower growth in key Asian markets

- Continuing to capitalise on strength in the Australian residential market, offsetting transition from resources / LNG projects to the expected pick-up in major roads and infrastructure investments from FY2017
- Infrastructure pipeline building, with Boral supplying NorthConnex from FY2017 and winning a number of other projects; growing pipeline of tendering opportunities
- Continued recovery of US housing market with single- and multi-family house construction improving; Boral well positioned to benefit from further growth with an increasing suite of innovative composite products
- Strengthened market position in Asia through Sheetrock® brand products with ongoing penetration opportunities despite slower construction activity in Indonesia, Thailand and China

Boral revenue exposure[1] by market, %



Australia – Boral's largest exposure is to the **roads, highways, subdivisions & bridges** (RHS&B) segment in Australia. In FY2016 the value of work done (VWD) in RHS&B grew by an estimated 4% and a further 26% growth in VWD is expected in FY2017[2].

Other engineering activity is continuing to contract in Australia[2] with the slowdown of the resources sector and associated infrastructure.

Housing starts in Australia increased by an estimated 4% in FY2016 on the prior year, to record high levels of ~226,000 starts[3]. **Detached housing starts** were down 3% while **multi-residential starts** increased by 11%[3]. Housing activity on the East Coast was strong, particularly for multi-residential, while housing starts in Western Australia and South Australia declined by an estimated 20% and 3%, respectively[3]. Market forecasters[4] are expecting Australian housing activity to fall by around 17% on average in FY2017, but still remain at historically high levels of ~188,000 starts. Australian housing approvals in the year to June 2016 show an overall 1% increase, with NSW and QLD multi-residential construction remaining at strong levels[5].

Detached housing starts as a proportion of total starts in Australia remain at historically low levels of 50% compared to the prior 20-year average of 65%[3].

Australian alterations & additions (A&A) activity increased by an estimated 2% in FY2016 compared with the prior year[6].

Non-residential activity is estimated to be 5% lower in FY2016 compared with the prior year[6].

The **accompanying list of current Australian project work**, which includes major RHS&B as well as larger non-residential and other engineering work, shows projects awarded to Boral (including projects recently awarded to Boral highlighted in grey) and the potential pipeline of work being tendered. The major LNG project Ichthys in NT, commercial high-rise project Barangaroo in NSW, asphalt project Gateway in WA, and road projects Cooroy to Curra Section A in QLD and Reid Highway in WA were completed during the year.

[1] Includes Boral's 50% share of underlying revenue from USG Boral which does not appear in Boral's consolidated accounts
[2] Average of Macromonitor and BIS Shrapnel forecasts for RHS&B. BIS Shrapnel forecast for Other engineering
[3] ABS original housing starts; Jun-16 quarter based on average of HIA, BIS Shrapnel and Macromonitor forecasts
[4] HIA, BIS Shrapnel and Macromonitor
[5] ABS original housing approvals
[6] ABS value of work done 2013/14 constant prices; average of Macromonitor and BIS Shrapnel forecasts used for Jun-16 quarter

Boral's Australian project pipeline	
Perth Stadium, WA	Est. completion Oct-16
Bringelly Road Stage 1, NSW	Est. completion Jun-17
Mitchell Fwy, WA	Est. completion Jun-17
Pacific Hwy Nambucca, NSW	Est. completion Jul-17
Wheatstone, WA	Est. completion Dec-17
Torrens to Torrens, SA	Est. completion Feb-18
Gateway Upgrade North, QLD	Est. completion Mar-18
NorthConnex, NSW	Est. completion Jun-19
Airport Link, WA	Commencing Apr-17
Amrun Project, QLD	Commencing Jul-16
Pacific Hwy W2B, NSW	Currently tendering
Toowoomba Bypass, QLD	Currently tendering
Roe 8, Main Roads, WA	Currently tendering
Northern Connector, SA	Currently tendering
Northlink stages 1, 2 & 3, WA	Currently tendering
Darlington Upgrade, SA	Currently tendering
Kingsford Smith Dr, QLD	Currently tendering
Cooroy to Curra Sect.C, QLD	Currently tendering
Sydney Metro City&SW, NSW	Currently tendering
Northern / Bringelly Rds, NSW	Currently tendering
Brisbane Airport Runway, QLD	Currently tendering
Western Distributor, VIC	Pre-tendering
Melbourne Metro, VIC	Pre-tendering
West. Sydney Stadium, NSW	Pre-tendering
Sunshine Coast Airport, QLD	Pre-tendering
WestConnex Stage 3, NSW	Pre-tendering

Projects recently awarded to Boral are highlighted in grey

USA market conditions continue to strengthen with **total US housing starts** increasing 9% to an annualised rate of 1.15 million starts[1].

Single-family starts increased by 13% nationally, were **up 16%** in Boral's Tile States and **up 6%** in Boral's Brick States[1]. With multi-family starts up 2% nationally, single-family starts as a proportion of total starts increased from 64% to 66%, but remain below the long-term average of 71%[1]. At just over 3,600 bricks per housing start, brick intensity levels remained relatively flat on the prior period.

If the market improvement trajectory of the past three years of around 10% per annum continues in the US, housing starts in FY2017 will be around 1.26 million. On average, market forecasters expect total US housing starts to lift to ~1.3 million starts[2] in FY2017.

In **Asia,** market demand in **Korea** remained solid in FY2016 underpinned by residential construction. In **Indonesia** and **Thailand** a slowdown in construction activity was seen as GDP growth rates eased. Activity in the high-end **China** market remains subdued. USG Boral's **other construction markets in Asia,** including Vietnam, India, the Philippines, Malaysia and Singapore, are continuing to grow.

Other external impacts

Due to lower global oil prices, **diesel costs** in Australia in FY2016 were ~$16m lower than the prior year, net of hedging costs and haulage contracts.

[1] Seasonally adjusted US Census Housing Starts for national figures. McGraw Hill / Dodge raw data - Brick States: Alabama, Arkansas, Georgia, Kentucky, Louisiana, Mississippi, North Carolina, Oklahoma, South Carolina, Tennessee, Texas. Tile States: Arizona, California, Florida, Nevada

[2] Average of analysts' forecasts (Dodge, Wells Fargo, NAR, NAHB, Fannie Mae, Freddie Mac, MBA) between June and July 2016

Boral Construction Materials & Cement (CM&C)

Concrete, Quarries, Asphalt, Cement, Concrete Placing, Transport, Landfill and Property

Strong returns and margin expansion despite lower project activity

- Delivered **14% return on funds employed**[1], exceeding the cost of capital
- **EBIT excluding property earnings increased 4%** with pricing gains and ongoing operational cost improvements offsetting inflation
- **Earnings growth across all regions except WA and NT; NSW particularly strong**
- **Revenue decreased 6% due largely to the decline in major project activity and the sale of the Landfill business**; excluding these items, revenues remained at broadly similar strong levels
- **As flagged, FY2016 was a transition year** from resource projects to major roads and infrastructure, held up by strong residential construction markets

(A$ millions)	FY2016	FY2015	Var %
Revenue	2,907	3,091	▼6
EBITDA[1]	480	485	▼1
EBIT[1]	293	301	▼3
Property	*28*	*46*	▼40
EBIT[1] excl. property	*265*	*255*	▲4

FY2016	External revenue		EBIT
Concrete	1,345	▼2%	▲
Quarries	402	▼8%	▲
Asphalt	649	▼9%	Steady
Cement	303	▲3%	▲
Concrete Placing	125	▲17%	▼

1. Excludes significant items

Revenue decreased by 6% to $2.9b reflecting the decline in major project activity, including LNG projects in QLD, WA and NT and the Barangaroo project in NSW, and the sale of the Landfill business to Transpacific Industries in the prior year. Excluding these impacts, **revenue remained at similar strong levels** to the prior year, with continued strong East Coast residential construction activity and pricing gains, offset by lower activity in WA, and other construction activity in regional QLD and VIC.

EBIT decreased by 3% to $293m reflecting lower Property earnings compared to FY2015 as previously flagged. **EBIT excluding Property increased by 4%** due to the continued focus on operational cost improvements. Lower fuel and energy costs together with the $4m of damages received from the CFMEU settlement in the first half, were offset by $9m lower earnings from the divested Landfill business and various restructuring costs, including the logistics fleet in WA and VIC, and a voluntary redundancy program in the Southern Highlands.

Concrete delivered improved earnings with strong results in NSW and South-East Queensland (SEQ), partially offset by reduced resource-based activity in QLD and WA, falling residential activity in WA and a slight decline in VIC.

Volumes were 2% weaker, driven by the decline in LNG projects (Curtis Island and Wheatstone) in FY2016 compared with FY2015.

On a like-for-like basis, concrete prices were up by an average of 2% with strength in SEQ and metro NSW in particular. However, average realised prices were only up 1% due to a change in mix.

Quarries delivered stronger earnings despite lower volumes, as activity in NSW, metro VIC and SEQ was offset by weaker infrastructure and resource-based activity in regional QLD, and declining construction activity in WA and NT. On a like-for-like basis, aggregate prices were up by an average of 1% nationally, while the average selling price across all quarry materials was down 1% due to a mix shift to lower value products. External sales in NSW continue to be impacted by an abundance of excavation materials from tunnel projects in the market.

Asphalt delivered steady earnings through improved margins despite weaker volumes following the completion of key projects in WA during the year, and in QLD in the prior period. While new projects have been announced in QLD and SA, underlying conditions are highly competitive and interstate crews with excess capacity continue to migrate to NSW where activity is stronger and includes the ongoing Pacific Highway work. New road projects have been delayed in VIC and QLD but the pipeline remains encouraging.

[1] EBIT return on divisional funds employed at 30 June. EBIT excludes significant items

FY2016 v FY2015	Total Volume, *Var %*	Price, *Var %*
Concrete	(2)	2
Quarries	(2)	(1)
Aggregates	(2)	1
Cement	6	2

Cement external revenue increased by 3% to $303m, benefiting from a 6% increase in cement volumes due to stronger NSW activity and 2% higher average prices, partially offset by lower wholesale clinker volumes due to kiln availability. Earnings also grew with cost improvement initiatives, including improved utilisation of assets and sourcing of lower cost raw materials and energy.

Concrete Placing revenue increased with stronger activity in Sydney's inner city high-rise multi-residential and commercial markets. The business delivered positive earnings although slightly down on the prior year.

Landfill contributed $9m lower earnings following the sale of the business on 1 March 2015. Boral now receives a royalty-based payment from the new owner.

Property contributed $28m to EBIT, compared to $46m in FY2015. The FY2016 result included the first settlement at Nelsons Ridge, NSW (with the second contract expected to settle in FY2017) and sale of land at the former Stapylton quarry, QLD.

Boral Building Products[1]

Australian Bricks including 40% share of Boral CSR Bricks, Roofing and Timber

Rising profits with continued strength in housing market, cost savings and efficiency gains

- **EBIT increased 11%** with pricing gains across most products and cost savings, including energy and depreciation costs from previous restructuring; there was also strong growth in Boral CSR Bricks underlying earnings
- Excluding the impact of equity accounting for the Boral CSR Bricks JV which commenced on 1 May 2015, **revenue increased by 1%**

(A$ millions)	FY2016	FY2015	Var %
Revenue	372	485	▼23
EBITDA[1]	42	50	▼15
EBIT[1]	33	30	▲11

FY2016	External revenue		EBIT
Bricks & Roofing	221	▼36%	▲
Timber	151	▲8%	▼

1. Excludes significant items

Boral CSR Bricks underlying business result

(A$ millions)	FY2016
Revenue	292
EBIT	44

Reported revenue decreased by 23%; however, adjusting for the impact of equity accounting which excludes our share of revenue from the Boral CSR Bricks JV, **underlying revenue increased by 1%**.

EBIT increased 11% with strength in Bricks, Roofing, Masonry and Hardwood Timber offsetting ongoing import competition in Softwood Timber. There were energy cost savings, operational efficiency improvements from investments made in the Hardwood business and depreciation savings from the $70m asset write-down in FY2015.

An equity-accounted post-tax earnings contribution of $11.7m from Boral's 40% interest in the **Boral CSR Bricks JV** for the full year compares with $1.5m in the two months following the transaction in FY2015. Strong earnings growth was delivered with continued strength in housing activity across the East Coast and solid pricing outcomes. To date, $5m of synergies have been realised and synergies of ~$10m in FY2017 remain on track.

Bricks & Roofing delivered stronger earnings with price increases of between 1% - 4%, as well as a shift towards higher-priced roofing products, lower energy costs and depreciation savings. This is despite lower reported earnings from the East Coast bricks business as it moved from fully-consolidated pre-tax to equity-accounted post-tax earnings despite underlying profit growth. In WA, slower housing activity in 2H FY2016 and restructuring costs following the mothballing of Kiln 8 were offset by stronger masonry volumes.

Timber revenue was up, with a 4% price rise in Hardwood. However, earnings benefits delivered from Hardwood operational improvements were more than offset by the impact of continued strong competition from imported Softwood products creating price pressure. A reduction in Hardwood inventory was achieved and managing working capital remains a priority.

[1] Remaining Masonry operations are incorporated into the Bricks business in Western Australia and the Roofing business in other states

Boral Gypsum

50%-owned USG Boral joint venture in 12 countries across Australia, New Zealand, Asia and Middle East[1]

Significant profit growth through new product penetration and strong cost management

- **Strong cost management, including manufacturing cost improvements and procurement savings, together with Sheetrock® price premium** underpinned solid margin expansion
- Revenue growth through **continued penetration of premium Sheetrock® and adjacent products**
- **Roll-out of Sheetrock® technology on track** to be within the two-year capital expenditure of US$50m, and synergies of US$50m per annum expected within three years of the full technology roll-out
- **Strong underlying business performance** in line with plan, in local currency terms

Boral Gypsum reported **equity accounted income of $59m, up 21%** on the prior year. This represents Boral's 50% share of the post-tax earnings of USG Boral, and is reflected in Boral's EBIT result.

Boral's reported Gypsum result

(A$ millions)	FY2016	FY2015	Var %
Equity income[1]	59	49	▲21

1. Post-tax equity income, excludes significant items

Earnings growth reflects strong business performance with the continued penetration of Sheetrock® plasterboard and adjacent (non-board) products, stronger board volumes in Australia and strong cost management driving margin expansion. Plant utilisation remained broadly unchanged at 70%.

USG Boral underlying business result

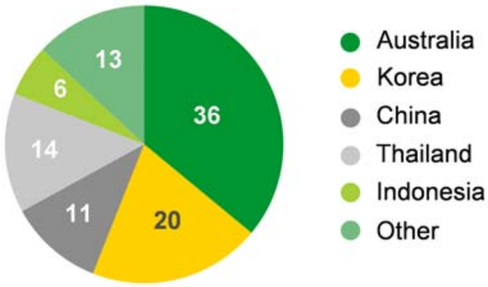
(A$ millions)	FY2016	FY2015	Var %
Revenue	1,397	1,268	▲10
EBITDA[1]	251	201	▲25
EBIT[1]	179	141	▲27

Revenue increased by 10% with growth in premium Sheetrock® plasterboard sales resulting in higher pricing, and growth in adjacent product (non-board) sales. Strong volume growth in Australia was offset by contraction in key Asian markets and price competition in Korea.

Sheetrock® brand products attracted a price premium of around 5% with adoption rates at year end ranging from 11% in China to over 70% in Vietnam. These outcomes are in line with expectations only 20 months after their launch across Australia, Korea, Thailand, Indonesia, China and Vietnam. The new product strengthens our leading positions in increasingly competitive markets.

EBIT increased 27% to $179m reflecting ongoing strong cost management, including manufacturing efficiency improvements, procurement savings, benefits from prior restructuring and improvement initiatives as well as falling energy and fuel prices.

External Revenue %



Australia/NZ revenue increased by 17% to $504m with board volumes up 13%, reflecting higher activity across all regions except SA, and stronger non-board sales. Average selling prices rose 4%, supported by the introduction of Sheetrock® products, with a further 4% price rise announced effective 1 September 2016.

Asia revenue increased by 7% to $893m in AUD terms. Earnings growth was delivered despite activity contracting in some key markets.

Korea achieved earnings growth with lower fuel and production costs. Stronger volumes were partially offset by intense price competition in the context of a key competitor overcoming production supply constraints in the prior year.

Thailand reported revenue and earnings growth with lower fuel and production costs. Stable market share and slightly higher prices offset contracting domestic activity.

Indonesia results were impacted by a decline in the domestic plasterboard market and lower margins, offsetting strong Sheetrock® sales.

Other regions delivered significant revenue and earnings growth, while **China** also delivered stronger earnings despite softer activity.

FY2016 vs FY2015	**Board Volume** *Var %*	**Board ASP** *Var %*
Australia	13	4
Asia	Steady	N/A

[1] The USG Boral joint venture commenced 1 March 2014, combining Boral's gypsum manufacturing and distribution footprint in Asia and Australia with USG's building products technologies and strategic assets in Asia, New Zealand and the Middle East

Boral USA

Cladding (Bricks, Cultured Stone & Trim), Roof Tiles, Fly Ash and Construction Materials

Strong profit growth; continuing to benefit from the housing market recovery

- Accelerated investment to strengthen lightweight building products platform and bring products to market
- **Activity continues to improve**; continued growth in housing market with growth in roofing and bricks
- US$27m (A$38m) EBIT improvement includes margin improvements and a one-off land sale of US$7m
- **Continued growth in profitability expected** in line with increased housing starts in FY2017 with all businesses expected to be profitable or breakeven; external forecasters expect average of ~1.3m starts

(A$ millions)	FY2016	FY2015	Var %
Revenue	1,033	839	▲23
EBITDA[1]	93	50	▲85
EBIT[1]	44	6	▲649

(US$ millions)	FY2016	FY2015	Var %
Revenue	751	695	▲8
EBITDA[1]	68	42	▲63
EBIT[1]	32	5	▲557

FY2016 *(US$ millions)*	External revenue		EBIT
Cladding[2]	405	▲8%	▲
Roofing	176	▲11%	▲
Fly Ash & Construction Materials	170	▲5%	▲

1. Excludes significant items
2. Includes Bricks, Cultured Stone & Trim and Siding

Revenue increased by 8% on the prior period **to US$751m**, with growth in Cladding, Roofing and Construction Materials. Australian dollar revenue increased by 23% to A$1.0b.

The business continued to benefit from increased housing construction activity. US single-family starts grew 13% year on year, but grew 16% in Boral's Tile States and only 6% in Boral's Brick States.

EBIT improved by US$27m to a US$32m profit. Margins improved with volume and price gains, operational cost savings and easing of freight, fuel and energy costs offsetting cost inflation and increasing costs associated with the accelerated growth plan in the Trim and Siding business. This result also includes a profit of US$7m from the sale of resumed land in Denver to make way for a new rail line.

Cladding revenue, which includes Bricks, Cultured Stone, Trim and Siding, **grew 8% to US$405m**.

Bricks revenue increased by 8% to US$266m, supported by a 14% increase in re-sale product revenue. Brick volumes increased ~4% compared to a ~6% rise in housing starts in Brick States, as activity remains skewed towards entry-level housing with lower brick intensity, as well as differences in geographic mix. Importantly, while single family starts were down ~2% in Texas, Boral's brick volumes were steady in Texas and there was modest price growth. Overall, average prices were up 1%.

Cultured Stone volumes increased 7% while our second brand, ProStone, and the lightweight Versetta panel product experienced strong volume growth from a small base. Average prices rose 2% with solid price rises, particularly in lower-priced regions.

Brick plant utilisation remains broadly steady at 55% while Stone utilisation rose to 40%, and inventories remain largely unchanged.

The **Trim and Siding** lightweight business continues to make progress with volume and price growth. Dealer stocking locations increased from 500 to 650. Costs rose in 4Q FY2016 as manufacturing and marketing plans were accelerated. The business is targeting a breakeven result in FY2017.

Roofing revenue **increased 11% to US$176m**. Volumes rose 11%, including 16% growth in the traditional Tile States of California, Arizona, Nevada and Florida, while emerging regions were more challenged. While like-for-like prices were up ~2%, average prices were steady, reflecting an adverse geographic mix shift. Concrete roofing plant utilisation increased to 31%.

Fly Ash and Construction Materials revenue of **US$170m increased 5%,** reflecting strong pricing gains and strength in the Denver construction market, despite some volume interruptions during commissioning of the new Holton Morton quarry and constrained Fly Ash availability, impacted by a mild winter and lower natural gas prices.

FY2016 vs FY2015	Volume, *Var %*	ASP, *Var %*
Bricks	4	1
Cultured Stone	7	2
Roof tiles	11	-

Strategy and priorities

Our vision is to transform Boral for performance excellence and sustainable growth. The Company's 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**.

Safety performance has improved dramatically in recent years with more than a 27% reduction in the frequency rate of accidents in FY2016 relative to FY2015. Boral's combined employee and contractor lost time injury frequency rate (**LTIFR**)[1] is approaching world class at 1.3, down from 1.8 in FY2015. Boral's recordable injury frequency rate (**RIFR**)[1] stands at 8.8, down from 12.1 in FY2015 and 21 just five years ago. These orders of magnitude changes demonstrate the effectiveness of disciplines that are in place and that Boral's people and systems are delivering as intended.

EBIT return on funds employed (**ROFE**)[2] of 9.0% in FY2016 was up from 8.2% in FY2015. Key drivers of improved ROFE include improved earnings from the USA underpinned by the market recovery, growing returns from USG Boral in line with plan, together with the benefits from portfolio restructuring in recent years and continuous improvements in the way we operate.

To **deliver returns that exceed the cost of capital** through the cycle and to deliver **more sustainable growth**, our strategy is to:

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

Boral's geographic diversification positions the company well to leverage growth opportunities. The priority for **Boral Australia** is to protect and **strengthen our leading, integrated construction materials position**, which will benefit from a **significant pipeline of major roads and infrastructure work** over the next several years, and to **optimise returns** across all building products and construction materials businesses. However, our ability to grow through cycles is limited by the scale and scope of the Australian market, which is why Boral has identified **Asia and North America as our growth platforms**.

In March 2014, we took the transformational step to form the **USG Boral JV** in Australia, Asia and the Middle East. Through USG Boral there is considerable potential for **organic growth** over the medium and longer term **through innovation**, **as Asian economies grow** and **as market penetration accelerates for interior linings and ancillary products**.

In the **USA**, we have returned to profitability and are **growing earnings through cyclical market recovery** and **new product development**. The US building and construction markets also provide potentially **attractive M&A opportunities** for Boral.

We continue to maintain a **very disciplined approach** to assessing strategic M&A opportunities. Any expansion in the USA would need to be strategically aligned with our current portfolio. More specifically, our long-term objective in the USA is to:

- Build a portfolio of businesses that are less capital intensive, with a more flexible, variable cost structure to better respond to market cycles and be incrementally scaled back in recessionary environments
- Diversify Boral's US building and construction market exposures beyond new single family housing
- Build a more balanced portfolio of traditional and innovative products with strengthened ability to grow our lightweight building products portfolio through innovation.

As we have said previously, in the event that we do not find the right opportunities at the right price, **capital management remains an option**.

[1] Per million hours worked
[2] EBIT return on funds employed as at 30 June. EBIT excludes significant items.

Boral Australia

Effective 1 July 2016, Boral's **Building Products** division in Australia combined with the **Construction Materials & Cement** (CM&C) division to form a new Boral Australia division. This was a logical next step for Boral as portfolio realignment has seen the Building Products division substantially reduce in size over recent years. Bringing the two divisions into one will deliver around $2 million of annual cost savings and improve efficiencies.

In FY2016 Boral Australia delivered a combined divisional ROFE[1] of 13.5%, above the cost of capital (CM&C delivered returns of 14.2% ROFE, and Building Products delivered an improved ROFE of 9.4%). Overall, in Australia we are aiming to sustain and, where possible, strengthen these solid return outcomes.

An ongoing ***operational excellence*** program is helping to deliver margin expansion benefits. In FY2016, the operational excellence program included procurement initiatives, fleet optimisation and plant efficiency projects as well as an alternative fuels project in Cement.

In addition, several small capital projects totalling ~$10m-$15m in our Hardwood Timber business are now largely completed and are delivering operational efficiency gains, including benefits from warehouse and distribution rationalisation.

The new ***commercial excellence*** initiative, which commenced in 2H FY2016, will significantly strengthen the way we approach revenue and margin management across CM&C in coming years. More flexible and dynamic pricing structures are expected to better align value-added products and services to different customer segments, and sustainably capture price and margin improvements. While it is still early days in the 2-year deployment, roadmaps for the pilot businesses have been developed, systems and reporting improvements are progressing, and capability building and training is underway. Early benefits are expected later in FY2017.

Quarry reinvestment projects have commenced at Boral's Deer Park (VIC) and Orange Grove (WA) quarries, with around $130 million of capital being invested over two to three years (FY2016-18) to install modern and efficient plants and to secure future resource positions at these key sites.

USG Boral

The successful roll-out of Sheetrock® technology in USG Boral is ahead of schedule with the US$50m capital program coming in below budget. The new higher strength, lighter weight, improved sag-resistance Sheetrock® plasterboard is now being produced across 15 of the 25 USG Boral board lines in Australia, Korea, Indonesia, Thailand, China and Vietnam. Adoption of Sheetrock® plasterboard is on target, nearing 66% in Australia and ranging from 11% in China to over 70% in Vietnam, with price premiums of around 5% continuing to be achieved.

We remain confident of delivering the targeted US$50m per annum of joint venture synergies within three years of the technology roll-out, with approximately 32% of synergies realised by the end of June 2016.

USG Boral is planning to add at least 30 million m^2 of plasterboard capacity to its Dangjin facility in Korea, which has existing capacity to produce around 70 million m^2 of plasterboard per annum. With preparation work underway to start breaking ground in the third quarter of calendar year 2016, it is typically expected that 18 to 24 months are needed to have new capacity in full operation. This investment will be self-funded through the joint venture.

Boral USA

A number of small capital investment projects were completed in FY2016 to further strengthen Boral's building products growth platform in the USA, including investing US$6.2 million in tile making equipment and automation to efficiently meet increasing market demand across the network.

In January 2016, Boral opened its new US$4 million, 27,000 square foot Innovation Factory facility in San Antonio, Texas. Work at the Innovation Factory focuses on material science, polymer chemistry, composite products, durability testing and process development. To allow for continued product line development and to keep up with the demand for our poly-ash products, manufacturing capacity at the Boral TruExterior® Siding & Trim facility in Salisbury, North Carolina, is being doubled.

A new state-of-the-art manufacturing line for Boral Versetta Stone® was added at the Boral Stone Products production facility in Napa, California, supplementing existing Versetta production in North Carolina.

[1] EBIT return on divisional funds employed as at 30 June. EBIT excludes significant items

FY2017 Outlook

Continuing solid performance is expected, with the following divisional expectations in FY2017:

- **Boral Australia** comprises the previous divisions of Construction Materials & Cement and Boral Building Products from 1 July 2016, as announced on 10 June 2016.

  Construction Materials & Cement businesses are expected to continue to deliver strong results with slightly higher EBIT expected in FY2017 compared with FY2016 (including property earnings in both years).

  Continued strength in the Sydney construction markets and stronger infrastructure volumes are expected to benefit Boral's downstream concrete and asphalt operations, offsetting the weaker WA market while conditions in QLD and VIC are expected to remain broadly steady.

  Typically, earnings from CM&C (excluding property) are skewed towards the first half of the year reflecting available working days. However, in FY2017 earnings are expected to be broadly balanced between the first and second half, due to softer major project and WA activity ahead of the expected ramp-up of materials demand for infrastructure projects and the timing of announced price increases. A strong focus remains on commercial and operational excellence programs, with price rises overall aiming to at least offset cost inflation, and benefits from ongoing improvement initiatives and prior year restructuring expected to drive earnings growth.

  The majority of the earnings contribution from **property** sales at Nelsons Ridge, totalling around $20m, was recognised in 2H FY2016 with the remaining ~$5m expected on settlement of the second contract in FY2017, subject to completion. Additional property sales are expected and while there is not yet visibility around the earnings impact, the contribution from property in FY2017 is currently expected to be lower than the contribution delivered in FY2016.

  Building Products businesses are expected to continue to benefit from the strong pipeline of work in East Coast residential markets as well as the improvement initiatives in the Timber business. However, slightly softer earnings are expected primarily due to the impacts of weaker housing conditions in WA and SA.

- **USG Boral** is expected to deliver further performance improvements on the back of continued penetration of new Sheetrock® products, strong cost and price discipline, and synergy realisation from the expanded product portfolio and technology roll-out. Continued strong volumes are expected in Australia together with some volume improvements in key markets in Asia.

- **Boral USA** is expected to report further growth in earnings on the back of increased housing activity. If the market improvement trajectory of the past three years of around 10% per annum continues in the US, housing starts in FY2017 will be around 1.26 million. On average, external forecasters are projecting housing starts to increase to approximately 1.3 million starts[1] in FY2017. We are positioned well to continue to supply the recovering market and continuing to grow Boral's lightweight products portfolio.

Boral's **effective tax rate** is projected to be in the range of 20% to 25% reflecting increasing earnings in the USA offset by an increasing contribution of post-tax equity accounted joint venture earnings. Boral's **interest expense** is expected to be slightly higher than FY2016.

[1] Average of analysts' forecasts (Dodge, Wells Fargo, NAR, NAHB, Fannie Mae, Freddie Mac, MBA) between June and July 2016

Results at a Glance

(A$ million unless stated)	FY2016	FY2015	% Change
Revenue	4,311	4,415	(2)
EBITDA[1]	645	605	6
EBIT[1]	398	357	12
Net interest[1]	(63)	(64)	(1)
Profit before tax[1]	335	293	14
Tax[1]	(67)	(44)	52
Non-controlling interests	-	-	
Profit after tax[1]	**268**	**249**	**8**
Net significant items	(12)	8	
Net profit / (loss) after tax	**256**	**257**	-
Cash flow from operating activities	478	418	
Gross assets	5,801	5,865	
Funds employed	4,399	4,341	
Liabilities	2,294	2,341	
Net debt	893	817	
Stay-in-business capital expenditure	281	211	
Growth capital expenditure	43	39	
Acquisition capital expenditure	-	-	
Depreciation and amortisation	247	249	
Boral employees[2]	8,334	8,356	-
Total employees including in joint ventures	12,058	12,032	
Revenue per Boral employee, $ million	0.517	0.528	
Net tangible asset backing, $ per share	4.40	4.31	
EBITDA margin on revenue[1], %	14.9	13.7	
EBIT margin on revenue[1], %	9.2	8.1	
EBIT return on funds employed[1, 3], %	9.0	8.2	
EBIT return on average funds employed[1, 3], %	9.1	8.5	
Return on equity[1],%	7.6	7.1	
Gearing			
Net debt/equity, %	25	23	
Net debt/net debt + equity, %	20	19	
Interest cover[1], times	6.3	5.6	
Earnings per share[1], ¢	35.8	31.9	
Dividend per share, ¢	22.5	18.0	
Employee safety[4]: (per million hours worked)			
Lost time injury frequency rate	1.3	1.8	
Recordable injury frequency rate	8.8	12.1	

Figures relate to the total Group including continuing and discontinued operations

1 Excludes significant items
2 On a full time equivalent (FTE) basis
3 ROFE is calculated as EBIT (before significant items) on funds employed
4 Includes employees and contractors in 100%-owned businesses and 50%-owned joint venture operations

Non – IFRS Information

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

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

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

A reconciliation of earnings before significant items to reported statutory profit is detailed below:

(A$ millions)	**Earnings before significant items**	**Significant items**	**Total**	**Continuing operations**	**Discontinued operations**	**Total**
Sales revenue	4,311.2	-	4,311.2	4,311.2	-	4,311.2
EBIT	397.9	(46.5)	351.4	347.4	4.0	351.4
Finance costs	(63.2)	-	(63.2)	(63.2)	-	(63.2)
Earnings before tax	334.7	(46.5)	288.2	284.2	4.0	288.2
Tax (expense) / benefit	(66.7)	34.5	(32.2)	(32.2)	-	(32.2)
Net profit after tax	**268.0**	**(12.0)**	**256.0**	**252.0**	**4.0**	**256.0**

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

The results announcement has not been subject to review or audit, however it contains disclosures which are extracted or derived from the Preliminary Financial Report for the year ended 30 June 2016.

This Preliminary Financial Report for the year ended 30 June 2016 is prepared in accordance with the ASX listing rules and should be read in conjunction with any announcements to the market made by the Group during the year.

This report is based on accounts which have been audited. The audit report, which is unmodified, will be made available with the Boral Limited Annual Report around 15 September 2016. The Annual Report is currently being finalised in publishable form.

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