

ASX / MEDIA RELEASE

24 August 2016

Delivering on its US strategy, Boral forms North American Bricks Joint Venture with Forterra

Boral Limited (ASX:BLD) today announced an agreement with an affiliate of Forterra, Inc. ("Forterra"), which is the owner of Forterra Brick¹, to combine their brick businesses in North America, in a move designed to make the brick operations of both companies more efficient.

Subject to regulatory approval and other standard closing conditions, the proposed joint venture will be 50% owned by Boral and 50% owned by Forterra. There is no upfront cash consideration as part of the proposed joint venture.

With a combined proforma EBITDA forecast to be between US\$25 million and US\$30 million for FY2017, the new joint venture is expected to benefit from significant cost synergies over time, which will make it a lower-cost competitor. These improvements will position the company to be more resilient during periods of industry contraction and for healthy growth during the market recovery expected in the coming years.

Approximately US\$15 million to \$20 million of non-recurring restructuring, rationalisation and integration costs are expected to be spread over the first two years, after which cost synergies are expected to increase to over US\$25 million per annum by year four.

The joint venture will bring together Boral's US clay brick operations and distribution network and Forterra's clay brick and concrete brick businesses in the USA and Canada. The combined business will have a capacity to produce over 2.6 billion standard bricks per year, and will include 27 clay brick manufacturing plants, 2 concrete brick plants and 41 building products distribution centres.

Boral's CEO & Managing Director, Mike Kane, said that the proposed bricks joint venture will enable Boral and Forterra to create a brick business that is more efficient and better positioned to compete in the broader cladding market through the cycle.

"The US brick business has been challenged in recent years – since the Global Financial Crisis, when housing activity fell to historically low levels. While the market is clearly recovering, it is still well below 50-year long-term average levels, and given the high fixed cost and energy-intensive nature of brick manufacturing, it has been very difficult to create a profitable business through a low demand environment."

"The North American bricks joint venture provides the opportunity to create a more efficient and better positioned business to compete long-term."

"We will be able to optimise Boral's and Forterra's combined manufacturing capacity and distribution network to serve customers better and compete more effectively in the broader cladding market segment."

"Through a combined plant network with greater scale economies and being closer to the customer, improved utilisation of freight and distribution, and a streamlined selling and marketing operation, the JV will be well positioned to realise significant savings and better meet end market demand," said Mr Kane.

¹ Prior to October 2015, Forterra Brick was named Hanson Brick in North America.

Joint venture structure and management

The ownership of the joint venture will be split 50/50 between Boral and Forterra.

Boral and Forterra will co-manage the joint venture and the Board will be established with equal representation from Boral and Forterra.

The joint venture will require no upfront cash and is intended to be self-funding.

It is expected that the transaction will complete by the end of CY2016.

About Forterra Brick

Owned by an affiliate of Forterra, Inc., Forterra Brick is part of the Forterra group of companies, which was previously known as Hanson Building Products (in the USA, Canada and the UK).

Forterra Brick is North America's largest brick manufacturer with a total capacity of more than 1.3 billion bricks. Headquartered in Charlotte, North Carolina, Forterra Brick employs approximately 650 people.

Forterra Brick's manufacturing facilities in the United States are located in Kentucky, Louisiana, Michigan, North Carolina, South Carolina and Texas. In Canada, facilities are operated in Ontario and Quebec.

About Boral's US Bricks

Boral Bricks is a leader in brick manufacturing in the USA with a total capacity of more than 1.3 billion bricks. Boral is also the only brick manufacturer with a network of company-owned distribution centres across North America, which sells Boral's own manufactured products as well as a range of third party resale products to trades people and the retail market.

Headquartered in Atlanta, Georgia, Boral Bricks employs approximately 730 people in the USA.

Boral's brick manufacturing facilities in the United States are located in Texas, Oklahoma, Tennessee, Alabama, Georgia, North Carolina and Indiana.

Contact information:

Mike Kane
CEO & Managing Director
Tel: 02 9220 6455

Kylie FitzGerald
Investor & Media Enquiries
Tel: 02 9220 6591 or 0401 895 894

Boral Limited ABN 13 008 421 761 - PO Box 1228 North Sydney NSW 2059 - www.boral.com.au

BORAL and FORTERRA North American Bricks JV

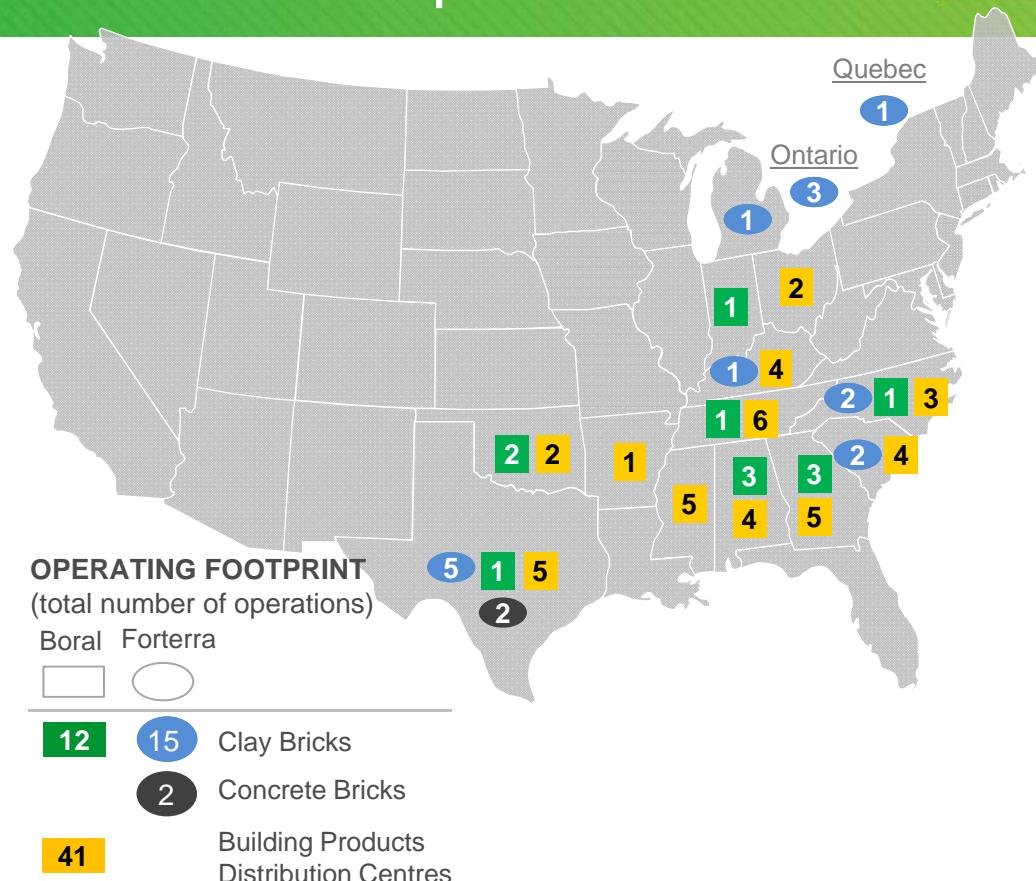
24 August 2016





North American Bricks JV – Joint Venture Operations

- Combined FY2017 annual proforma EBITDA of ~US\$25-\$30 million
- 2,639 million SBE (standard brick equivalent) manufacturing capacity
 - 2,291m SBE in current operation
 - 348m SBE mothballed
- 27 clay brick manufacturing operations (including 4 mothballed operations)
- 2 concrete brick manufacturing operations (including 1 mothballed operation)
- 41 Building Products Distribution Centres
- ~1,380 combined employee base



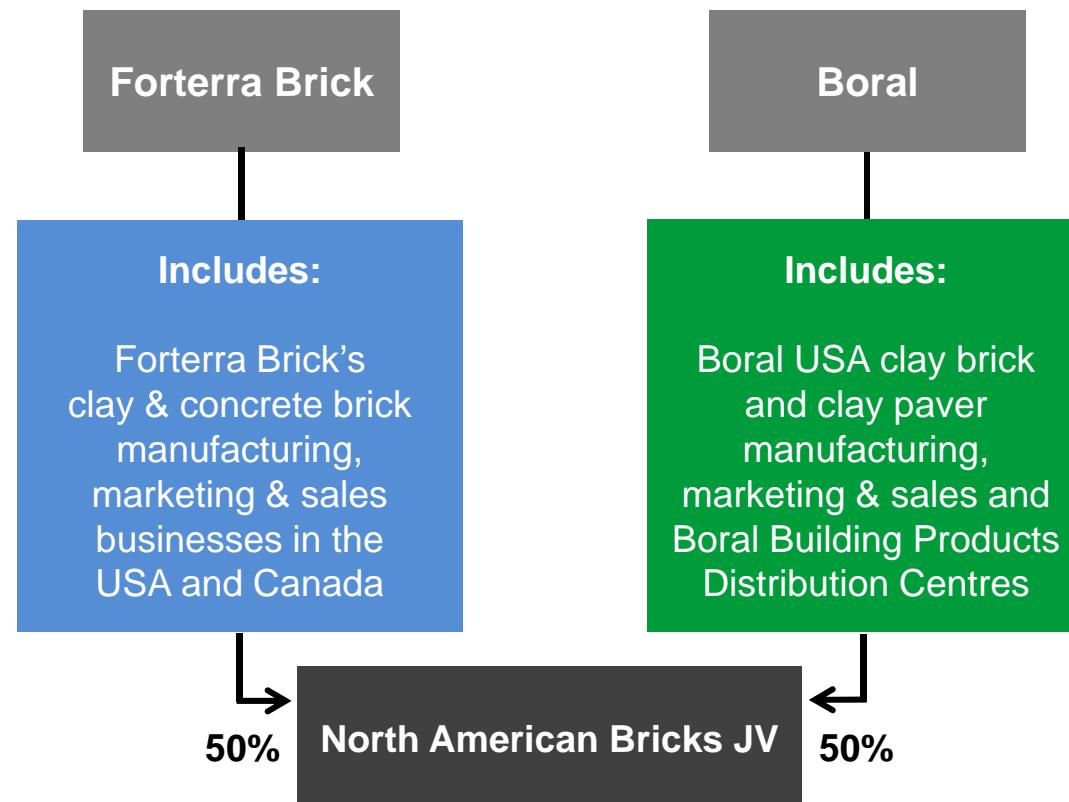


Strategy and Rationale

- **Create a more efficient and better positioned business** to compete in the broader cladding market through the cycle
- **Optimise combined manufacturing capacity** and **leverage distribution network** to **better serve customers**
- **Deliver cost synergies**, which are expected to be ~US\$25 million+ p.a. by year 4 through:
 - Plant network optimisation
 - Improved utilisation of freight and distribution
 - Streamlined selling, marketing and administration costs
 - Procurement cost savings



Transaction structure



- Ownership will be 50/50
- Jointly represented Board
- Joint venture to be co-managed by Boral and Forterra
- No upfront cash
- JV is expected to be self funding



Summary

1

JV will help deliver efficiency improvements and create a more competitive bricks business within a broader cladding market

2

Opportunity to deliver more efficient manufacturing, freight and distribution networks to improve service and lower costs

3

Additional benefits through procurement and streamlined selling, marketing and administration

4

Expect to close by end of CY2016, subject to regulatory approval and standard closing conditions

Boral Limited
www.boral.com.au

