Ladies and gentlemen.

As you may recall, when I first spoke to you some four years ago as a newly-appointed CEO, I talked about the need to transform Boral.

We had then a good business, with solid foundations, but one that required some significant repair in the first instance and then, a new vision about its future.

We are now well past the fix and repair phase and starting the transformation.

Our vision – one shared by the Board and management – is to transform Boral into a high performing global building products and construction materials company that is recognised for delivering world-class safety performance and excellent value for shareholders.

In the past year, the Group has delivered significantly improved financial and safety outcomes, and we have undertaken a number of successful strategic transactions to further strengthen the business and position Boral for more sustainable growth.

FY2016 RESULTS BY DIVISION

Looking at FY2016 divisional results.

All of Boral’s divisions delivered on their promises during the year.

Across the Group there is a clear link between strong leadership, good safety outcomes and financial performance. When safety is managed well, the business is managed well.

During the year we held a two-day safety summit, where zero harm was discussed by 100 Boral leaders, including members of the Board who joined us at various times throughout the forum. Recognising the debate in many industries about whether zero harm is an achievable goal, we tackled the question internally. We asked ourselves – ‘can we get through today without hurting anybody?’ And the answer was yes. We have done it many times. So that’s our objective, to get through the work today without injuring anybody. And we’ll do it again tomorrow. That’s a very achievable goal, and that’s how Boral is embracing zero harm as a safety philosophy.
Striving for Zero Harm Today underpinned a 28% reduction in Lost Time Injury Frequency Rate (LTIFR) in FY2016 to 1.3 and a 27% reduction in the Recordable Injury Frequency Rate (RIFR) to 8.2.

In the broader industries in which we operate in Australia the average LTIFR is around 7.2 to 9.3\(^1\), compared with Boral Australia’s LTIFR for FY2016 of 1.1.

These strong safety results are improving across the organisation. As are Boral’s financial results.

**Construction Materials & Cement** (CM&C) – Boral’s largest division – reported a solid 4% lift in earnings before interest and tax (or EBIT) and before property earnings. Including property, FY2016 EBIT of $293 million was $8 million lower than the prior year because, as anticipated, earnings from the recycling of our property assets were not as high as FY2015.

**Building Products** delivered $33 million of EBIT, which was $3 million better than last year.

As the Chairman highlighted in his address, at the end of the year we brought these two Australian divisions together as one Boral Australia division. This is delivering around $2 million of annual cost savings and supporting further cross-business collaboration.

Looking at our Australian markets, the end of the resource boom has had some impacts on Boral’s operations. There’s been a significant slowdown in Perth, particularly moving into FY2017, and low levels of demand in regional Queensland and Western Australia. The most significant impact for Boral however, has been the lower concrete and quarry volumes as a result of the completion of major LNG projects in Queensland, Western Australia and the Northern Territory.

However, the continued strength in the Australian housing market – particularly multi-residential construction, which remains at historically high levels –has underpinned the strong performance of the Australian businesses. We are also seeing early benefits from the significant multi-year pipeline of infrastructure construction work, which lies ahead.

We have commenced supplying concrete (with the associated quarry products and cement) to Sydney’s multi-year NorthConnex road project. We are using mobile concrete plants previously used on the LNG projects in Gladstone to supply NorthConnex, which means we are not placing additional demand on our fixed plant network.

In recent weeks we have secured the supply of asphalt to Northlink Stage 1 in WA, and we are in various stages of tendering and negotiations on several other major infrastructure projects across the country, and there are more in the pre-tendering pipeline.

Boral’s diverse market exposure in Australia together with our outstanding position in New South Wales, where conditions remain very strong, means that we are able to deliver strong and steady underlying performance. Because of this broad market exposure we are seeing continued earnings strength and modest growth. In other words, as one market softens another is growing.

---

\(^1\) Source: Safe Work Australia data 2013-14. Based on Safe Work Australia’s definition of Lost Time Injury Frequency Rate using injuries that resulted in five or more days lost time from work. Boral data for Australia only is on the same basis for comparative purposes for FY2016.
Turning to our 50%-owned USG Boral gypsum joint venture, it delivered a 21% increase in post-tax equity income to $59 million and a 27% lift in underlying EBIT to $179 million in FY2016. This is a unique business, and one that should serve Boral extremely well for decades to come.

Over the past four years, the underlying earnings from this business have increased from $83 million to $179 million, and it is continuing to grow.

In February 2014, when we announced the formation of the joint venture with USG, we knew their world-class technologies and product developments would significantly benefit the business. But it’s fair to say our expectations have been exceeded.

We have rolled out the new technology manufacturing platform across all of our countries of operation and we are now producing higher strength, lighter weight plasterboard and gypsum products under the Sheetrock® brand, which is securing price premiums of around five percent relative to standard board.

Across USG Boral’s operating countries throughout Asia and the Middle East, penetration rates of Sheetrock® relative to our total volumes sold is currently between 11% and 70%, and penetration rates in Australia are now exceeding 80 per cent of our volumes. While the Sheetrock® range is commanding a higher price, we are now producing it at a similar cost to the historic cost of standard plasterboard.

Turning to the USA, the recovery in the housing market there continues, albeit at a slower-for-longer trajectory. A 9% lift in US housing activity in FY2016 to around 1.15 million starts and a one-off property sale of US$7 million contributed to a positive US$32 million EBIT for the year compared with US$5 million in the prior year. In Australian dollars, Boral USA delivered A$44 million of EBIT in FY2016 versus A$6 million in the prior year.

At 1.15 million starts, the US market has increased significantly from the historic low of around 570,000 starts that we saw in FY2011 following the Global Financial Crisis (GFC) but it remains well below the 50 year average of around 1.5 million starts and well below the last peak which exceeded 2 million starts. To us, this shows the considerable upside in the US housing market, and we believe that Boral can leverage further potential by repositioning the business away from high fixed cost, asset intensive operations, to more agile businesses that are less reliant on the detached housing market and more diversified across a range of US construction markets.

**STRATEGIC PRIORITIES**

So let’s look at the strategic initiatives that are underway.

In late August, we announced the formation of a North American Bricks joint venture with Forterra – the owners of the brick assets previously owned by Hanson Brick. Within a month we received approval from the US regulators to proceed and two days ago, on 1 November, the joint venture commenced.

This is an exciting value-creating opportunity that has taken some effort and patience to come to fruition but will deliver extraordinary benefits over the next four to five years.
As shareholders know, the US brick business has been challenging in recent years and its high fixed cost nature means that it has been a heavy weight dragging Boral’s results down through the US recession. In fact, the US brick business was still incurring losses in FY2016. This year, in FY2017, we expect the bricks business to be broadly break-even, and then to grow as the market recovers further and as we deliver joint venture synergies.

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 and with greater scale economies and a streamlined selling and marketing operation, the JV is expected to realise significant cost synergies of over US$25 million by year four.

As our focus in the US shifts away from high fixed cost manufacturing to more scalable variable cost products, we see a strong future in light weight, more sustainable building products at the core of the US business.

We are continuing to invest in the development of innovative fly ash based polymer composite products and our patent-protected trim and siding products are gaining further traction in the market.

Boral’s TruExterior Trim and Siding, which we are now distributing through over 700 locations in the USA, is setting new standards. This is an innovation that Boral developed from scratch in a laboratory, piloted, commercialised and we are now building scale. We are proud of our achievements in developing this new technology and unique manufacturing process. Unlike alternative products in the market, our composite products do not absorb moisture, they are dimensionally stable and effectively maintenance free for the life of the building.

The most exciting aspect of our composite materials developments in the US, apart from its strong sustainability attributes, is that with relatively minor chemical and physical adjustments the material can be modified to produce a range of products for various applications and conditions. We are currently looking at opportunities to commercialise a low density sheet product that could have applications as a backer-board or in commercial roof structures.

During the year, we completed a US$4 million investment in our new R&D facility in San Antonio in Texas, which we call the Boral Discovery Centre. It is here that the important materials technology and product development work is taking place.

As I have said previously, we continue to explore opportunities to scale our US business and provide a strong platform for growth. We remain committed to increasing our nearly 40 year US investment where there are more opportunities, the market is larger and more diverse and where the economic and construction cycle is coming off historic lows.

In particular we are looking for ways to create scale around our lighter weight products – not only trim and siding but also roofing, manufactured stone, fly ash and related products. Ultimately our goal is to accelerate the repositioning of the business to being more agile and diversified across a range of US construction markets, achieve returns that exceed the cost of capital through the cycle with more sustainable growth.

We continue to maintain a very disciplined approach to assessing strategic M&A. Of course, in the event that we do not find the right opportunities at the right price, capital management remains an option.
So overall, Boral is well-positioned to leverage growth in all of our three major geographies – Australia, the USA and in Asia.

I have talked about growth in the USA through market recovery, innovation and possible M&A. Across USG Boral’s geographies of Asia, the Middle East, Australia and New Zealand, we will be growing through further penetration of our plasterboard products as it gains greater traction in maturing construction markets. We will also be growing through product innovation, new adjacent products, and economic development in emerging markets.

Finally, coming back to Australia, while significant top-line growth through cycles is limited by the scale and scope of the market, we have a strong, high performing, well-positioned business to maintain and continue to strengthen.

Three days ago we announced the divestment of our 40% share of the Boral CSR bricks joint venture to CSR for a total cash consideration of $134 million, and a post-tax profit on sale of around $20-$25 million, which will be recognised as a significant item this year.

CSR is the natural owner of the bricks business and it is more sensible for Boral to realise value for the business now that the synergies from the integration of the two businesses has been delivered and re-direct capital to areas of core strength and strategic opportunities for Boral.

Shareholders should note that two Boral-owned land-holdings were excluded from the JV when it was formed in May 2015 – Scoresby in Victoria and surplus land at Bringelly in Sydney’s West. The surplus land at Bringelly was sold in FY2015 for $35 million, leaving only Scoresby – a 171 hectare site with potential for 87 hectares of future residential development lands. Boral retains ownership of Scoresby and will continue to lease it to CSR. We retain an option to terminate the lease in 2025 with three years’ prior notice.

A few years ago we commenced a quarry reinvestment program to strengthen our leading quarry positions in key Australian markets. To date we have invested over $300 million and we are likely to invest up to a further $100 million over the next two years to complete the reinvestment program.

We have completed the new state of the art Peppertree quarry near Marulan for the Sydney market, we have commenced upgrades at Orange Grove Quarry in Perth and Deer Park Quarry in Melbourne, and we are currently developing plans to upgrade the Ormeau Quarry in Brisbane. These quarry investments are supporting increased yields from our key operations, lowering the cost of our quarry operations and securing Boral’s future capacity requirements to cost-effectively supply capital city markets from these privileged reserves.
1Q FY2017 TRADING & OUTLOOK

Let me now give you a brief Trading Update for the first quarter of this year and talk through the Outlook ahead.

BORAL AUSTRALIA

At Boral’s full year results announcement in August we commented on the outlook for FY2017. We said Boral Australia would benefit from continued strength in East Coast housing markets and the uplift in roads and infrastructure activity, which will benefit more in the second half of FY2017. We said Construction Materials & Cement is expected to deliver slightly higher EBIT compared with FY2016 (including property in both years), and this earnings growth should more than offset slightly lower earnings from Building Products due to weaker housing markets in Western Australia and South Australia.

Typically, earnings from Construction Materials & Cement (excluding property) are skewed towards the first half of the year reflecting available working days. However, we said in August that in FY2017, earnings are expected to be broadly balanced between the first and second half, due to softer major project activity and lower demand in Western Australia ahead of the expected ramp-up of materials demand for infrastructure projects and the timing of announced price increases.

So what do we know at the end of the first quarter?

We have seen East Coast housing activity remain strong and the uplift in major roads and infrastructure projects is firming, as expected. We have commenced or are about to commence a number of large road and highway projects, which will bolster the second half, and we are seeing stronger pricing environments which should also positively impact the second half.

While we have seen softness in South Australia in line with expectation, the Western Australian market has come off a little harder than we thought it would. In response, we have curtailed production at our Midland Brick operations in Perth even further after mothballing Kiln 8 in late FY2016.

Unfortunately, there has been significantly more wet weather across the country compared to seasonal averages and this has had an impact on our business, at least in the short-term.

I don’t need to tell you how wet the past quarter has been in Sydney and in fact, the majority of the country experienced higher than average volumes of rainfall in the September quarter and in many areas record high levels of rain were recorded. Even in areas that only experienced average volumes, they tended to experience more wet days than average.

Every time it rains, our business is affected. Substantial rainfalls impact our operations – especially our quarrying operations. But even small volumes of rain – at the wrong time of day – can cause delays and disruption to concrete deliveries and asphalt operations.

Of course, it doesn’t mean the work goes away – we still benefit from the volumes – but it pushes the work back. Rain also adds costs. Every waiting, idle crew costs money. Every idle quarry, every delay impacts productivity and squeezes margins.
So, in Australia we are behind where we thought we would be at the end of the first quarter, primarily because of wet weather and lower volumes in Western Australia. We are working hard to make up volumes and offset the higher costs throughout the rest of the year, and we remain confident that stronger pricing and increasing infrastructure volumes will deliver benefits in the second half.

In addition, we divested our share of the East Coast bricks JV, effective 1 November 2016, so we will see around $6.5 million of lower equity earnings from the JV in FY2017 relative to FY2016, as a result.

Taking into account the lower earnings from Building Products, Boral Australia (excluding Property in both years) is expected to deliver slightly higher EBIT in FY2017 compared with FY2016, assuming a return to more normal weather patterns.

As is often the case at this point in the year, it is too early to provide guidance around Property earnings. However, the contribution from Property is still expected to be lower in FY2017 compared with FY2016, as previously flagged.

In terms of first half versus second half, we now expect full year earnings from Boral Australia to be further skewed to the second half. The first half of the year is also expected to be lower than the first half of FY2016 for Boral Australia, reflecting softer major project and WA activity ahead of the ramp up of infrastructure work and exacerbated by the wet weather impacts.

**USG BORAL**

In August, we said that USG Boral is expected to deliver further improvements in FY2017 underpinned by strong volumes in Australia and some volume improvements in Asia together with continued penetration of Sheetrock® products, cost and price management, and JV synergy realisation.

In the first quarter we did see continued penetration of Sheetrock® with strong results in Australia and Korea as well as in smaller country operations such as Vietnam. We also saw improved performance in Indonesia where there was some market softening last year.

Overall, USG Boral’s results are ahead of our expectation after the first quarter and we remain confident that USG Boral will deliver strong full year improvements in Asia and Australia in FY2017 through cost and synergy benefits as well as volume and price growth in some markets.

**BORAL USA**

And finally, looking at Boral USA. We indicated that the US division should report a further increase in earnings in FY2017 underpinned by continued market growth. In August we were seeing external forecasters projecting approximately 1.3 million housing starts on average for FY2017 up from 1.15 million in FY2016. However, recent approval data indicates housing starts are more likely to be closer to 1.25 million for the full year.
In the first quarter, total US housing starts\textsuperscript{2} were 2% lower than the prior corresponding period and single-family starts were only up 2%, which was below expectation. As a result we only saw modest volume gains in Boral’s US building products businesses with pricing remaining challenged at these levels of demand. **So while we are behind where we thought we would be after the first quarter due to lower than expected housing activity, we continue to expect US housing market growth in FY2017, underpinning continued earnings growth from our US business.**

More specifically, US Bricks and the lightweight Trim & Siding business are both expected to deliver results around break-even in FY2017. The US Bricks joint venture with Forterra has commenced and the expected restructuring costs will be treated as a significant item.

So across the Group we have seen some ups and some downs in the first quarter, which is not unusual. Focusing our attention on the near-term game, we are responding to movements in market demand, and in Australia we are catching up on volumes due to weather impacts in the first quarter and continuing to work hard to deliver a good share of major infrastructure work. We are continuing to implement our Commercial Excellence and continuous improvement programs to ensure cost increases are recovered through pricing strategies and that we deliver productivity gains to strengthen margins.

Our overall near-term outlook is that Boral’s EBIT will be higher in FY2017 compared with FY2016.

We are also maintaining focus on the strategic long-term game. We are building a business that delivers more sustainable growth, ongoing value for shareholders, superior products and services for our customers, and a values-driven organisation that has a positive impact on the communities in which we operate.

Boral has enjoyed strong and loyal support from our customers – large and small – across all of our geographies; I thank our customers for that support. I also thank the Master Builders Association of Australia, the American Australian Association and the US Studies Centre at the University of Sydney, for their support during the past year recognising our efforts to help improve the Australian construction industry including supporting the Australian Building & Construction Commission (ABCC) Bill which remains before Parliament.

Finally, to Boral’s people around the world – our employees and contractors – I thank them all for their commitment to safety, their hard work, their persistence and their passion. And I congratulate them on continuing to **Build Something Great.** Thank you.

**Mike Kane**

\textsuperscript{2} US Census Bureau raw data for July - September 2016 quarter