Welcome ladies and gentlemen and thank you for attending Boral’s 2016 Annual General Meeting.

It’s with much pride that I am addressing you today at the end of my first year as Boral’s Chairman.

CELEBRATING 70 YEARS

This year, we celebrate 70 years since Bitumen Oil Refineries Australia Limited – later to become known as BORAL – was incorporated by its founding Chairman, David Craig.

We can be proud of Boral’s history and optimistic about the future.

Boral is one of Australia’s most recognised brands, with a strong presence too across North America and throughout Asia.

For the past several years, the company’s tagline – accompanying our brand – has been Build Something Great. We have been building something great with our customers since 1946, helping to build great infrastructure, great homes, great commercial centres, and great cultural landmarks.

At this point, I would like to pause for a few minutes and invite shareholders to watch a short video that captures some of the great work Boral’s products and people have helped to build over the past 70 years.

David Craig would no doubt be impressed that from its humble beginnings in an office in Matraville in Sydney’s east, Boral has gone on to supply products into so many iconic structures around the globe – bridges, airports, highway systems, shopping centres, apartment and commercial towers, hotels, entertainment precincts, sporting stadiums, embassies, houses of parliament, and homes for millions of people across Australia, America, Asia and the Middle East – and for a period – in the UK, Poland, Germany, elsewhere in Europe, Mexico and even Trinidad.

Twenty years ago, when Boral’s first 50 years were being recognised, Professor Fred Hilmer who at the time was Dean of the Australian Graduate School of Management, wrote: “Despite the magnificent company that has been built, continued success is never certain for any organisation. It will be interesting to see how Boral transforms itself and defines its destiny for the next fifty years.”
BORAL’S FUTURE

Well, after the first fifty years of acquisitive growth and diversification, the past twenty years have seen Boral transform into a more focused and much more innovative organisation. And from here, Boral’s transformation is continuing.

We know what we are good at and where we have a clear competitive advantage. We are building on that strength and ensuring we have scale to deliver performance excellence and sustainable growth into the future.

In Australia, Boral's strong, integrated construction materials business sets us apart. Our leading positions in concrete and asphalt are built around our extensive quarry reserves and ability to cost-effectively supply cement and bitumen into our downstream operations.

We are well positioned to supply the growing infrastructure market and the strong commercial and residential construction sectors. However, our ability to grow the Australian business through cycles is limited by the scale and scope of the market. We are committed to the Australian market, and to innovate to continue to service the market effectively, but the Australian market is simply not big enough to match our ambitions for another 70 years of growth.

This is why we have identified Asia and North America as Boral’s key growth platforms, with product innovation at the core.

In fact, when it comes to innovation, it is certainly not business as usual for Boral.

We are investing in innovation across all of our businesses, especially in Asia and the USA.

Let me provide you with an example of our commitment to – and success through – innovation.

As part of our USG Boral joint venture we continue to invest in cutting edge technologies that produce a stronger and lighter plasterboard, a product that is truly revolutionising the sector. We have taken this product to our markets in Australia and Asia through the Sheetrock® brand. And its success has been spectacular.

Sheetrock® now accounts for more than 80 per cent of our board volumes sold in Australia, and our penetration rates across our Asian markets is as high as 70 per cent in some countries. And because the product is cutting edge, we can charge a price premium, too. The opportunity for further growth for this product is substantial and reinforces our commitment to innovation across our businesses.

Innovation is also underpinning Boral's light building products offering in the USA.

Earlier in the video you would have seen our latest investment in Boral’s Innovation Factory in San Antonio in Texas where we are progressing Boral’s patented fly ash and polymer composite trim and siding products. We are now selling our trim and siding products through some 700 distributors in the US and continuing to develop other applications for Boral’s patented technology including sheet products.
Boral's future in North America is moving in the direction of light building products as our focus shifts away from the high fixed cost businesses. As you will recall, this had a significant financial drag on Boral’s earnings during the recent recession in the USA.

Despite four decades of experience in the USA, the Global Financial Crisis taught us an important lesson – and one we have learnt: we can have a great business that performs very well at mid-cycle and above, but to be truly great we also have to be good at weathering cyclical downturns in the market.

This is what we have been positioning Boral to do in the USA.

We are building a portfolio of businesses that have lower fixed cost structures and that are exposed to a broader range of construction segments – not just the single family housing market.

Portfolio reshaping, product innovation and organic growth will take us some way there, but as we have flagged previously, we are also assessing strategic acquisition opportunities to help build scale in attractive product portfolios and market segments in the USA.

We believe that we are at the right point in the recovery of the US economy to consider strategic investments that align with our goals and, as you would expect, we are being very disciplined in our approach. Your Board is determined that we will only move if there is demonstrable shareholder value we can unlock.

While we currently see a long and healthy recovery to the peak of the next cycle in USA, if we don’t find the right opportunities at the right price, we are still much better positioned to weather any future or potential cyclical decline.

For example, the recently approved North American bricks joint venture with Forterra, which has commenced this month, will allow us to deliver significant improvements including through operational and distribution synergies, further taking fixed costs out of the brick business. We are also improving and focused on growing the light weight and higher variable cost businesses in the US portfolio including in Roofing, Cultured Stone, Fly Ash, and our polymer based composite Trim and Siding products.

The transformation of Boral, which is taking advantage of our geographic diversity, is progressing well. It’s evident through the successful transactions of the USG Boral joint venture, the North American Bricks joint venture, and the East Coast bricks JV and recent divestment to CSR here in Australia.

The transformation to performance excellence is also evident in Boral’s significantly improved safety results and financial results.

A STRONG SAFETY CULTURE

In FY2016, Boral’s safety performance continued to improve, with a significant 27% reduction in the recordable injury frequency rate (RIFR) down to 8.8 and a 28% reduction in the lost time injury frequency rate to 1.3.
All divisions performed well in the area of safety, reflecting the fact that Boral’s people are committed to a culture of delivering Zero Harm Today, and every day. Mike will talk a little further about Boral’s safety culture and performance.

Boral’s approach to safety is underpinned by a values-driven culture and a commitment to doing what is right – an honest, respectful and authentic approach.

This approach extends to the way our operations and our people impact the communities in which Boral operates. Across the business efforts are made to work closely with our neighbours and local communities to minimise operational impacts and to make a positive difference where we can.

To give you an example of that commitment, last week, 24 of Boral’s Australian employees joined Habitat for Humanity in Indonesia to help build houses for families in need. The Boral team came together from across the country and raised more than $72,000 for the build prior to departing Australia.

All over Boral’s operations, our people get involved in a range of community partnerships, including Habitat for Humanity, Conservation Volunteers, the Taronga Zoo Foundation, RedKite, HomeAid in the USA and more recently we have shown our support for the Great Barrier Reef Foundation.

FINANCIAL RESULTS

Let me now move onto Boral’s financial results.

In FY2016, Boral delivered strong improvements in financial returns for shareholders.

Profit after tax (PAT) (before significant items) of $268 million was up 8% on last year. A net loss of $12 million was recorded for significant items. This included a favourable resolution of various long-term tax matters which was offset by a A$45 million post-tax impairment of the earnout receivables that we recognised when the USG Boral JV formed in February 2014.

While the USD denominated earnouts are now unlikely to be achieved, due only to unfavourable currency movements, USG Boral is proving to be a highly successful joint venture and earnings targets remain on track in local currencies. It is also important to note that Boral banked a substantial A$60 million benefit at the time of the transaction due to currency movements between the transaction announcement and closing.

In FY2016, earnings before interest and tax (EBIT)\(^1\) of $398 million was 12% ahead of the prior year. Construction Materials & Cement contributed a significant $293 million of EBIT, Building Products delivered $33 million, Boral USA reported $44 million of EBIT, and $59 million of post-tax equity accounted income came from our 50%-owned USG Boral joint venture.

Boral’s EBIT return on funds employed (ROFE)\(^2\) improved from 8.2% to 9.0% in FY2016, despite unfavourable currency movements impacting overseas asset values.

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\(^{1}\) Before significant items
\(^{2}\) EBIT (before significant items) return on funds employed at 30 June 2015.
Boral’s net debt at 30 June 2016 of $893 million was slightly higher than $817 million a year ago, due to increased capital expenditure and exchange rate impacts. However, Boral’s balance sheet remains strong, with gearing\(^3\) of just 20%.

The Board declared a final dividend of 11.5 cents per share for a full year fully franked dividend of 22.5 cents per share, up 25% on the prior year. This represents a payout ratio of 62%, which is in line with Boral’s Dividend Policy of between 50% and 70% of earnings before significant items, subject to the Company’s financial position.

Boral delivered a solid total shareholder return\(^4\) of 11.7% for the year – ahead of the average 10.0% for ASX100 companies.

On 21 September 2015, we completed an on-market share buy-back program, which the Board had announced in March 2015. During FY2016, $115 million of cash outflow related to the share buy-back, which was in addition to the $116 million spent buying back 2.4% of issued capital in the prior year.

THE BOARD

Turning now to the Board. In my first year as Chairman, I continue to benefit from the Board’s diversity of experience across a range of sectors, functions and professions, as well as its diversity of tenure and gender. That diversity of directors, including some with a longer tenure with a deep understanding of the Company and its business and some with a shorter tenure and fresh perspective contributes to rich discussions and debate around the Boardroom table.

In March 2016, we welcomed Karen Moses as a new non-executive Director, filling the vacancy left when Dr Bob Every stepped down from the Board in November 2015. Karen brings extensive senior executive experience from the energy sector in Australia and overseas, with responsibilities spanning corporate strategy, finance, transactions, safety and environment, risk, compliance and insurance. Karen was a Director of Origin Energy and is currently a Director of Orica and Charter Hall. Karen has experienced some major successes and some unique challenges in her executive career, all of which is contributing to the Board’s tool kit of knowledge and skills.

Karen’s appointment means that Boral is now one of only a handful of major companies in Australia where half of its Directors are female.

In May 2016, the Board visited USG Boral’s operations in Vietnam as well as Boral’s operations in Texas in the USA. While the gypsum business in Vietnam is relatively small, it is an impressive, thriving operation, with excellent depth and breadth of local management and significant potential for growth.

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\(^3\) Net debt/(net debt + equity).

\(^4\) Total shareholder return based on share price appreciation, dividends and franking benefits
In Texas we spent time with the US management team, and inspected Boral’s fly ash operations and new Innovation Centre in San Antonio where an impressive team of PhD’s are advancing our products of the future. The Board has confidence in the US team and its ability to strengthen Boral’s innovation platform and to shift the portfolio toward light weight building products.

EXECUTIVE TEAM AND BORAL’S PEOPLE

During the year, there were some changes to Boral’s Executive Committee.

Al Borm who has been President & CEO of Boral USA since October 2012 stepped down from the role at the end of June 2016. He continues to be a member of the joint venture Board of USG Boral and will join the Board of the Boral Forterra Brick JV.

David Mariner, who joined Boral in 2010 and has been running Building Products in Australia since December 2014, became President & CEO of Boral USA from 1 July 2016.

This change provided an opportunity to bring the smaller Building Products division together with Construction Materials & Cement (CM&C) forming a new division, Boral Australia. Previously responsible for CM&C, Joe Goss became Divisional Chief Executive of Boral Australia, effective 1 July 2016.

With Joe Goss running Boral Australia, David Mariner leading Boral USA and Frederic de Rougemont the CEO of USG Boral, the Board is confident that Boral has the right team in charge, under the very capable leadership of Mike Kane as CEO.

On behalf of the Board and Boral’s shareholders, I thank Mike Kane, who is doing an outstanding job of delivering against promise and executing Boral’s transformation strategy. I also thank Boral’s Executive Committee and all of Boral’s people, for their considerable efforts and commitment to delivering Boral’s goals and strategic priorities.

I now welcome Mike Kane to the microphone to address shareholders. Thanks, Mike.

Dr Brian Clark