Welcome shareholders and thank you for attending Boral’s 2017 Annual General Meeting.

This is the second time I report to you as Boral’s Chairman and I think many would agree this past year has been one of the most exciting times in our company’s long and proud history.

A TRANSFORMATIONAL YEAR

Last year, I told you that we were building a portfolio of businesses in North America with lower fixed cost structures, and diversifying our exposure to a broader range of construction segments. I said we were assessing strategic acquisition opportunities to help build scale in attractive product portfolios and market segments in the USA.

After an extensive due diligence process, we completed our assessment and announced on 21 November 2016 our intention to acquire Headwaters in the USA for US$2.6 billion. This acquisition, which is delivering on our strategic objectives, was completed on 8 May of this year.

This large-scale, transformational acquisition is helping to define Boral for the next several decades. We are confident that it will deliver significant value for shareholders, and more sustainable growth prospects for Boral’s future. It is hard for me to describe the businesses that make up Headwaters in an address, so let me pause here and play a 5 minute video to show shareholders highlights of the Headwaters business that we acquired.

PLAY VIDEO

As you know, we raised around $2 billion of new equity to help fund the Headwaters acquisition. We thank shareholders for your support.

The Board and I were in the USA six weeks ago. Between us, we visited several operations, spent time with the new leadership team of Boral North America, and met with employees in the business.

Directors visited Windows, Light Building Products, Roofing and Block operations. Personally, I spent time in Dallas and Detroit inspecting our Windows and Light Building Products operations, and gaining a better understanding of the production processes and market potential.

Like my fellow directors, I was pleased with what I saw.
We are encouraged by the genuine level of enthusiasm among our people. They are now in a position to offer customers a broader suite of quality products and services backed by a national network, and leading technical capability and know how.

The initial period of integration has progressed well and, in line with guidance, Headwaters contributed US$21 million to Boral’s earnings before interest and tax (EBIT)\(^1\) in FY2017, representing the first eight weeks of consolidation.

We are also encouraged by the conviction of our people to deliver on the targeted synergies of between US$30 to $35 million this year, and in excess of US$100 million per annum of synergies within four years.

While the acquisition of Headwaters was the most significant milestone achieved this year, our strategy to deliver performance excellence and more sustainable growth was also progressed in other areas.

In November 2016, we commenced the 50/50 US bricks joint venture with Forterra, now known as Meridian Brick. After ten challenging years through the US housing downturn, we are determined to deliver significantly improved profitability and value for shareholders from the US bricks business over the next few years. We are on track to deliver the targeted US$25 million per annum of synergies within four years.

Also in November 2016, we sold our 40 per cent stake of Boral CSR Bricks to CSR, marking Boral’s exit from brick manufacturing on the East Coast of Australia.

Capital investment in Australia is being used to strengthen our integrated construction materials position here in Australia, with continued reinvestment in key quarry reserves, including Deer Park in Victoria, Orange Grove in Perth and more recently, our Ormeau Quarry near Brisbane.

Our leading network of quarry reserves in Australia and ability to cost-effectively supply cement and bitumen into our downstream concrete and asphalt operations is positioning Boral very well. We are playing an important role delivering materials into the current infrastructure building activities that are taking place around the country, particularly on the East Coast.

With a transformed North American business, and a well-positioned, high-performing Australian business, it is our USG Boral joint venture in Australia, New Zealand, the Middle East and across Asia that rounds us out as an international building products and materials manufacturer and supplier. Overall, we now have operations in 17 countries and we are exporting products to several more.

Like the North American business, the USG Boral joint venture is an important growth platform for Boral. We continue to invest in leading-edge technologies that produce stronger and lighter plasterboard, with our Sheetrock\textsuperscript{®} brand revolutionising a sector where commodity-like, undifferentiated products have been the norm.

Sheetrock\textsuperscript{®} now accounts for more than 90 per cent of USG Boral’s board volumes sold in Australia, and our penetration rates of Sheetrock\textsuperscript{®} sales compared with standard

\(^1\) Excluding significant items
plasterboard across our Asian markets includes 43 per cent of our sales in Korea, 86 per cent in Vietnam and 60 per cent of our sales in Indonesia. Sheetrock® is delivering a price premium of around 4 per cent over standard board products and we are piloting the next generation of Sheetrock® in Australia, which looks to be even lighter and stronger, while being produced with less water and therefore, requiring less energy consumption during manufacturing, which is an exciting prospect.

During our recent US visit, the Board met with USG’s Board in Chicago and we visited USG’s research and development operations that are supporting our joint venture business. USG’s approach to developing and commercialising new technologies and their track record over many decades is world class.

Our partnership with USG, coupled with our own investments in innovation, ensures Boral will be able to respond to a changing world.

Our 16,500 employees, more than 8,000 contractors and 60,000 shareholders can be proud of the Company that Boral is today – a leading supplier of quality, sustainable building products and construction materials to our domestic and international markets. We have carved out strong positions in various products and materials where we see sustainable opportunities. And we remain committed to improving our financial returns, safety performance, and the social and environmental impact of our operations.

Let me now turn to our performance for FY2017.

A STRONG SAFETY CULTURE

Firstly, I want to talk to you about our safety culture and safety record.

Safety is our number one priority.

Our people are justifiably proud of our commitment to targeting world-class health and safety outcomes based on Zero Harm.

In FY2017, Boral’s safety performance as measured by a recordable injury frequency rate (RIFR1) of 8.1 improved by 8%, and compares with a rate of 19.0 in FY2012 – a 57 per cent reduction over the past five years.

Boral’s lost time injury frequency rate (LTIFR1) 1.5, is down from 1.8 in FY2012 but up slightly from 1.3 in FY2016 – a reminder that there is still work to do.

Mike will talk further about Boral’s safety culture and performance. However, I want to let shareholders know that following year-end, in late September, we were devastated by a tragic incident in our Concrite operation in Alexandria in Sydney.

A supplier’s driver delivering diesel was struck by one of our concrete agitator vehicles on site. Sadly, he died in hospital two days later. This is an extremely rare event – the fatality of a supplier on one of our sites. We have taken much pride in the hard work that has resulted in no fatalities for the past four years when it comes to employees and contractors, so you

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1 Per million hours worked for employees and contractors in 100%-owned and 50%-owned joint venture businesses. Acquired Headwaters businesses to be included from FY2018.
can understand how this tragedy has impacted our people right across the organisation, as well as our supplier’s organisation.

The matter is under investigation, but I can assure you we are doing everything we can to work with our supplier to understand what went wrong and how we can learn from this tragedy. We are mindful of the impact such an event can have on the family, colleagues and friends of the driver who lost his life, as well as the broader organisations. Our deepest condolences are with the family.

At a time like this, words are inadequate. We recognise that it is our actions that make the difference, and I assure you that the Board and management take our stewardship of safety with the utmost of seriousness.

We also take our responsibility for managing Boral’s environmental impacts extremely seriously. We are pleased with the job we are doing to improve the sustainability of our business, but it is not always easy in a diverse business with 700 plus operating sites globally, including extractive industries, manufacturing and distribution.

For example, we face challenges associated with extreme weather-related deluge events at our quarries where managing site run-off can be difficult. We are also dealing with the challenges associated with the closure of a very old, small colliery that was once mined to supply coal to our Berrima cement works.

Since we ceased coal extraction at the Berrima site in October 2013, we have been working with State authorities, including the NSW Environment Protection Authority, on a long-term plan for the closure of the mine. We have undertaken regular monitoring of the water that naturally flows through the old mine, testing the quality of the water against established guidelines, and monitoring the health of the Wingecarribee River downstream of the mine. While our testing has consistently found the water from the mine to be in line with all of our license conditions and approvals, recent testing has detected an increase in the concentration of some naturally occurring minerals in the river water below the discharge point, exacerbated by extremely low rainfall in the catchment.

We have decided to introduce a range of additional measures to improve the way we monitor and manage the quality of the water that runs through the now unused mine, and we are continuing to work with authorities and the community to ensure we comply with the relevant regulations, guidelines and expectations.

Before I move to Boral’s financial results, let me commend Boral’s 2017 Annual Review to you. It incorporates our Sustainability Report, which covers a range of issues from safety and climate-related impacts through to supply chain, product innovation and workplace relations.

**FINANCIAL RESULTS**

Let me now turn to Boral’s financial results.

Boral delivered continued strong improvements in financial returns for shareholders in FY2017.
Profit after tax (PAT) (before significant items) of $343 million was up 28% on last year. Significant items of $46 million, primarily related to transaction costs for the Headwaters acquisition, resulted in a net profit after tax after significant items of $297 million, up 16%.

The result benefited from eight weeks of earnings from Headwaters as well as underlying growth in all three divisions. The reported profit result was also helped by a lower net interest expense due to the positive cash balance for part of the year following the equity raising, and a steady income tax expense because of previously unrecognised tax losses and a benefit arising from the vesting of long-term incentives.

In FY2017, earnings before interest and tax (EBIT)\(^1\) of $460 million was 16% ahead of the prior year. Boral Australia contributed a significant $349 million of EBIT, up 11%, Boral North America reported $66 million of EBIT, 50% above the prior year, and USG Boral delivered $70 million of post-tax equity accounted income and a 21% lift in underlying EBIT to $217 million.

Boral Australia delivered an EBIT return on funds employed (ROFE)\(^1\) of 14.6% and USG Boral delivered an underlying ROFE\(^2\) of 11.6%. These strong divisional returns exceed Boral's cost of capital. Boral North America is expected to deliver returns that exceed the cost of capital in coming years, as the Headwaters acquisition strengthens Boral’s ability to deliver above cost of capital returns through the cycle.

Boral’s ROFE\(^1\) was 9.2% using the average monthly funds employed for the year, compared with reported ROFE\(^1\) of 9.0% in FY2016.

While net debt at 30 June 2017 of $2.3 billion was up from $893 million last year due to the acquisition of Headwaters, Boral remains well within its funding covenants and our balance sheet remains robust. Last week we successfully completed a US$950 million issuance of five- and ten-year senior notes in the US market. This allowed us to repay the short-term acquisition loan facility used to help fund the Headwaters acquisition.

The Board declared a final dividend of 12.0 cents per share, which was 50% franked, for a full year dividend of 24.0 cents per share. This represents a payout ratio for the full year of 82%. While this exceeds Boral’s Dividend Policy of between 50% and 70% of earnings before significant items, subject to the Company’s financial position, it is in line with Boral’s commitment to maintain the level of dividends while the Headwaters acquisition was being finalised.

We recognise that the franking of dividends is an attractive feature particularly for Boral’s Australian retail shareholders. The reduction in franking of Boral's dividends from 100% reflects the increase in earnings in our businesses in both North America and across Asia through organic growth in USG Boral, relative to Boral's earnings in Australia. Franking rates for Boral's dividends will continue to align with the relative earnings from Australia in the total portfolio. For example, in FY2018 we expect dividends to be partially franked in the range of 50% to 70%.

\(^1\) Before significant items
\(^2\) Based on USG Boral's underlying EBIT
Boral delivered a total shareholder return\(^1\) of 23.4% for the year – ahead of the average of 16.9% for ASX 100 companies.

**THE BOARD**

Turning now to Boral’s Board, which benefits from diversity of gender, tenure and experience across a range of sectors, functions and professions.

While the Board was stable during FY2017, we have been developing succession plans and identifying opportunities to strengthen certain Board skills and experience over time.

As I said earlier, Directors have been spending time with Boral’s people and visiting our operations, providing the opportunity to see first-hand how we are managing safety, quality, operations, capital projects, employee engagement and integration of the Headwaters acquisition.

In addition to our recent September visits in North America, in March 2017 the Board visited USG Boral in India and Thailand. The visit to the Research & Development Centre in Saraburi reinforced for us the strength of our innovation efforts and the technical talent we have in our organisation.

In May 2017 we spent time at our Deer Park site in Victoria, inspecting the capital investment project at the site and discussing developments in concrete, quarries, asphalt and transport operations. Members of the Board Health, Safety & Environment Committee also visited Boral’s operations at the Petrie Quarry in Queensland and our cement operations at Maldon in NSW during the year.

**FEEDBACK ON REMUNERATION REPORT**

At our 2016 Annual General Meeting, the Board received a clear message from shareholders about executive remuneration. We received a 26% vote against our 2016 Remuneration Report, constituting a “first strike” for the purposes of the Corporations Act 2001.

The basis for the “first strike” was primarily the one-off targeted retention incentives for eight key executives, to ensure stable leadership. While all eight executives remain highly engaged in Boral’s transformation agenda, the Board understands shareholders’ views and we are committed to no further retention awards.

We have taken on board feedback received from shareholders and as a result, I expect that our 2017 Remuneration Report will be more widely supported.

Highlights of the issues raised and changes made, which are communicated in this year’s Remuneration Report, will be covered by Kathryn Fagg when she addresses the meeting as Chairman of the Company’s Remuneration & Nomination Committee. Kathryn will talk about the changes to the CEO’s remuneration arrangements, which are consistent with the increased time that Mike is now spending in North America.

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\(^1\) Total shareholder return based on share price appreciation, dividends and franking benefits.
EXECUTIVE TEAM AND BORAL’S PEOPLE

The Board has every confidence in Mike’s leadership and we commend him for the excellent job he has done over the past five years as Boral’s CEO. Following discussions with Mike, the Board expects he will continue in the role for another three to five years.

In the meantime, Boral’s CEO and executive succession development program continues. The development program, which is strengthening our leadership for today and for the future, has already enabled a number of executives to take on more responsibilities and increased role complexity.

On 1 July 2016, Joe Goss took on the new position of Divisional Chief Executive, Boral Australia, as a result of the Boral Building Products and Construction Materials & Cement divisions coming together, and David Mariner was promoted from Executive General Manager, Building Products in Australia to President & CEO, Boral North America.

Also in FY2017, Ros Ng, Boral’s Chief Financial Officer, took on a larger and more complex role, including responsibility for the Corporate Development and the M&A function and project management of the Headwaters transaction.

Together with Frederic de Rougemont, who has demonstrated excellent leadership as CEO of USG Boral, these key senior executives, and the other members of the Executive Committee, and all of Boral’s people, are to be congratulated for their efforts and commitment to delivering Boral’s goals and strategic priorities.

I particularly recognise those people involved in the acquisition of Headwaters during the year and thank them for the incredible amount of work done to successfully complete the transaction. Paul Rayner chaired the Due Diligence Committee of the Board and we thank him. Subsequent to the deal closing, the focus of our key executives has shifted to deliver business integration and the synergy benefits.

On behalf of the Board and Boral’s shareholders, I thank Mike Kane and all of Boral’s people for delivering strong results in FY2017 and for the valuable work undertaken to transform Boral.

I should point out to shareholders that we have many of Boral’s Executive Team here with us today and several other senior executives. You are welcome to take the opportunity at the end of proceedings to talk with them over a refreshment. I will also try to direct some of your questions to executives where it makes sense to do so.

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

Thanks, Mike.

Dr Brian Clark