



Build something great™

2015 ANNUAL GENERAL MEETING THURSDAY, 5 NOVEMBER 2015

Chairman's Address

by Dr Bob Every AO

Welcome ladies and gentlemen and thank you for attending Boral's 2015 Annual General Meeting.

Shareholders will be aware that in May 2015 it was announced that I will step down from Boral's Board, after eight years as a Director, five of which were as Chairman, and at the conclusion of today's Annual General Meeting, Dr Brian Clark will become Boral's Chairman. I will invite Brian to say a few words at the end of my address.

It's been a privilege to have served on Boral's Board since September 2007. I have seen Boral face some significant challenges and mature into a more resilient and responsive company, delivering substantially improved results.

I am particularly pleased to report that in this past year, Boral's net profit after tax (before significant items) was \$249 million, which represented a 45% increase on the prior year.

In fact, it was highest profit result reported by Boral in the eight years I have been a Director, and it confirms my view that the strategy put in place over the past three years by Mike Kane and his management team, with the support of the Board, is right.

Of course, there is more work to be done to ensure we deliver better returns to you, our shareholders, while ensuring a sustainable future for the Company.

But I am confident that Boral is well positioned to capitalise on improving market conditions in our key markets, both here and elsewhere, and we now have the flexibility to explore growth opportunities where it makes business and strategic good sense.

I am also particularly pleased to report to you major improvements in the past year on safety, which remains a top priority at Boral.

During the 2015 financial year, we recorded a further 11% improvement in Boral's recordable injury frequency rate, and a 5% reduction in lost time injury frequency rate of 1.8. Boral's safety performance continues to stand up well in the industries in which we operate.

We have a particular focus on managing the risks in our heavy vehicle transport operations and we are rolling out the latest behavioural-based safety training programs across the organisation. Our commitment to create an injury-free workplace for employees and contractors alike is unwavering and is shared throughout Boral.

Financial Performance

Financial results for the 2015 financial year included revenue from continuing operations of \$4.3 billion¹, which was in line with the prior year. Reported revenue of \$4.4 billion was 15% below the prior year due to the full year impact of the Gypsum business moving to a 50% equity-accounted interest following the formation of the USG Boral joint venture in March 2014.

Earnings before interest and tax, or EBIT, excluding significant items, increased by 21% to \$357 million, helped appreciably by solid gains in the Building Products and Boral USA divisions, as well as a strong contribution from Property sales.

Construction Materials & Cement contributed a significant \$301 million of EBIT, including \$46 million from Property earnings. Building Products delivered \$30 million of EBIT, providing an impressive \$70 million turnaround from this smaller division over the past two years.

Our 50%-owned USG Boral Gypsum joint venture contributed \$49 million of post-tax equity accounted income. The underlying USG Boral business delivered a strong 38% increase in EBIT to \$141 million reflecting market growth as well as the early benefits of the new Sheetrock technology products and other complementary products that USG contributed to the joint venture.

And last but not least, a key highlight of divisional performance for the year was the return to profitability in the USA. US housing starts increased by around 100,000 starts to 1.05 million in FY2015. Together with US\$20 million of business improvement initiatives, this helped deliver a A\$6 million EBIT, which was a return to profitability for the first time since FY2007 and the Global Financial Crisis.

The 45% lift in the Group's profit after tax to \$249 million was assisted by a 23% lower interest expense as a result of lower debt, despite a slightly higher tax expense due to higher Building Products earnings in Australia and higher US earnings. The effective tax rate of 15% was relatively low as a result of higher equity accounted income and the benefits of carry forward tax losses being applied against property earnings.

Net significant items of \$8 million included the gain on sale of the Landfill business, offset by Building Products write-downs and further restructuring in Construction Materials & Cement.

The Board declared a final dividend of 9.5 cents per share, which resulted in a full year, fully franked dividend of 18 cents per share, a 20% increase on the prior year. This represents a payout ratio of 56%.

For shareholders, the dividend represented an annualised dividend yield of approximately 4% per annum (after franking) on Boral's average share price of \$5.59 for the year to 30 June 2015².

¹ All amounts are in Australian dollars unless stated otherwise.

² Source: Bloomberg

Capital management

Boral's net debt at 30 June 2015 of \$817 million was slightly higher than \$718 million a year ago, due to exchange rate impacts. However, it remains well below the \$1.45 billion of net debt reported two years ago. Boral's gearing³ remains low at 19% as at 30 June 2015.

In March 2015 the Board announced an on-market share buy-back program for up to 5% of issued capital over 12 months. As at 30 June 2015, \$116 million had been spent buying back 2.4% of issued capital. The buy-back was re-initiated following Boral's results announcement on 27 August and was completed on 21 September, at an overall average price of \$5.91 per share.

Return on Funds Employed

At Boral's full year results announcement, we reported EBIT return on *year end* funds employed of 8.2%, up from 7.2% in the prior year. EBIT return on funds employed, or ROFE, tests the efficiency and profitability of the Company's capital investments. We also measure it on an *average* funds employed basis, which was 8.5% for FY2015, up from 6.6% last year. This improvement comes despite unfavourable currency movements impacting overseas asset values and the EBIT contribution from Gypsum now being on an equity-accounted after tax basis.

Later in the meeting, Brian Clark, Chairman of the Remuneration & Nomination Committee, will provide commentary on our remuneration targets and other aspects of Boral's remuneration report. The ROFE performance hurdle introduced in FY2014 as part of Boral's long-term incentive program is intended to reward achievement linked to improving the Company's ROFE performance through the building cycle.

Strategic priorities

There is more work under way to deliver better returns to shareholders through the building cycle, but the progress made during FY2015 in strengthening Boral's financial results and competitive position is encouraging.

Boral's *Fix, Execute, Transform* program has been effective in helping to significantly strengthen the Company's balance sheet and financial position.

The Company's immediate strategic focus continues to be on managing costs, margins, capital and cash, and improving the way we operate across the business. Beyond this, we are developing our strategy to transform Boral in the coming years for performance excellence and sustainable growth against a backdrop of ongoing change in the markets in which we operate.

While Boral has the means to grow by acquisition over the medium to long term time horizon, there are no significant acquisitions currently on the table. The company will consider value-creating, bolt-on investments where they make business and strategic sense, as well as continuing to invest in innovation platforms to deliver growth.

Mike Kane will talk in further detail about the Group's strategic priorities.

³ Net Debt/(Net Debt + Equity)

The Board

As mentioned earlier, Brian Clark has agreed to succeed me as Chairman of Boral following today's AGM. Brian has had an outstanding career as an executive with extensive international experience. He is also a very experienced director and is well positioned to chair the Company through the next phase of its *Fix, Execute, Transform* program.

Succession planning has been an important focus for the Board and I am confident that the Company and the Board will be in very capable hands under Brian's chairmanship.

I am pleased to advise shareholders that earlier today we announced via the ASX that Ms Karen Moses is to join the Board of Boral Limited, effective 1 March 2016 as she transitions from her executive career at Origin Energy. Karen will bring a valuable skillset to the Board including her experience in supply chain management, operations, risk management, finance and major transactions.

Thank you

I would like to conclude by thanking a number of people who have contributed to Boral's improved performance and who have supported me as Chairman.

On behalf of the Board, I thank Boral's shareholders who have supported the Company over the long-term, including through some challenging times.

I thank Mike Kane for his outstanding leadership over the past three years. I also thank Boral's employees and executive team, for their efforts and commitment to delivering positive outcomes for Boral's shareholders, customers and communities.

The Board remains confident that Boral has the right team and the right strategy to continue to transform into a company that is known for its excellent safety performance, innovative product platforms and attractive returns on shareholders' funds.

On a personal note, I thank Boral's employees and shareholders who have supported me as Chairman. I appreciate the support I have received and value the friendships I have made.

I also thank current and past Board members for their support and collective contribution to the strong governance of Boral. I will remain a proud Boral supporter and shareholder.

I wish the Board and all of Boral's employees and shareholders, the very best for the future success of this great Company.

On that note, I welcome Brian Clark to the microphone to say a few words, followed by Mike Kane, who will provide further detail on Boral's strategic priorities, as well as some commentary around the trading conditions experienced in the first quarter of FY2016 and the outlook for the rest of the year.

Thanks Brian.

Dr Bob Every AO