

During the year, we sold our Western Landfill business in Melbourne and formed the Boral CSR Bricks joint venture. These initiatives have strengthened the future earnings potential for Boral and in the case of the landfill sale to TPI, in addition to receiving royalty payments that will grow over time, we benefited from a \$165 million cash payment in May 2015.

We are also growing through innovation. We compete in industries in which improving the materials and products we sell can create access to new markets and broaden our offering in existing segments.

The formation of USG Boral in February 2014 provided access to world leading gypsum technologies, which is strengthening our product offering, growing our competitive advantage and improving our growth trajectory in Asia.

Through our Boral Innovation Factory, we are continuing to develop lightweight composite flyash-based products, enabling Boral to be at the forefront and drive new business through the commercialisation of materials technology through new trim and siding products in the USA.

Our priority over the long-term is to grow our businesses and brand presence in Asia and the USA through market growth and innovation. Our strengthened balance sheet provides us with the option to consider value-creating bolt-on acquisitions in the coming years but only where the business case is the right fit for Boral and our strategic roadmap. Capital management remains an option if growth opportunities do not present themselves.

In Australia, our objective is to strengthen the Construction Materials & Cement division by growing margins and continuing to develop Boral's major project capability, as well as maximising returns from our Building Products business.

My obligation to our shareholders, our employees, and our customers is to bring strategic perspective to our business and the markets in which we operate to drive the transformation of Boral for sustainable performance over the long-term.

It will take several years before we complete the transformation we are striving towards but we are well on our way.

Safety performance and sustainability

I remain resolutely focused on creating a culture within Boral of Zero Harm where safety always comes before production.

To deliver on this requires commitment and trust in Boral's people. I need to know they share the same obligation so that we are all fully engaged in ensuring that everyone is safe – always. I expect senior leaders to inspire and require change, and I am pleased to report that I am seeing this throughout the organisation.

Over the past three years Boral's medical treatment injuries have reduced from 17 per million hours worked to 10. We are reducing these incidents on average by around 15% per year every year. Just as significantly the severity of these medical treatment cases has been cut in half.

Boral's lost time injuries of 1.8 per million hours worked by employees and contractors in FY2015 was a 5% improvement on the prior year.

We continue to take pride in the fact that our safety performance is much better than industry averages in the materials manufacturing, mining, road freight transport, forestry and general construction sectors.

As at 30 June 2015, Boral had 8,356 full-time equivalent employees and an estimated 4,400 contractors. In our joint venture operations we have an additional 3,676 employees and around 3,000 contractors. Our commitment to Zero Harm encompasses all 12,000 Boral and joint venture employees and 7,400 contractors, and we manage this responsibility as our top priority.

As a Company with 565 operating sites and more than 170 distribution sites globally, we are committed to minimising our environmental impacts, working with our neighbours and giving back to our communities where we can.

We are also committed to ensuring our people act with mutual respect and integrity, and operate within the spirit and letter of the law – and we support this through appropriate training programs and governance processes.

Our determination to support our customers and stand up to the illegal behaviour within the Construction and General Division of the CFMEU in Melbourne, which saw the CFMEU black-ban Boral for two and a half years, has seen us re-establish the rule of law on Melbourne construction sites through a ground-breaking settlement agreement.

On 18 September we signed the comprehensive settlement with the CFMEU covering damages, injunctions and contempt claims, and ending the union's black ban against Boral. The agreement includes the payment to Boral of between \$7 million and \$9 million in damages and legal expenses that have already been incurred and will protect Boral against illegal interference in serving our customers.

FY2015 Divisional performance and FY2016 outlook

Let me now comment on Boral's divisional performance in FY2015 and the outlook for the remainder of FY2016.

Boral's Construction Materials & Cement division, which accounted for just over 60% of Boral's revenues in FY2015¹, reported a 6% decline in revenues on the prior year to \$3.1 billion, but a 9% increase in EBIT to \$301 million.

The higher margins we achieved in Asphalt, Cement and Concrete Placing due to operational and cost improvements, and \$46 million of Property earnings more than offset the impact of fewer engineering, roads and infrastructure projects.

In Australia, 36% of Boral's revenues in FY2015 were derived from the construction of Australian roads, highways, subdivisions, bridges and other engineering work – including major LNG projects at Curtis Island, Ichthys and Wheatstone. Our expectations for materials demand from these two market segments in FY2016 remain unchanged. A multi-year

1

recovery, led by major road projects, is expected to benefit Boral as a materials supplier from late FY2016 and more so from FY2017.

Therefore, we expect FY2016 will be a transition year for Construction Materials & Cement before an expected lift in our largest market segment next year.

Excluding Property earnings, which I will comment on in detail later, we expect to maintain similar high levels of EBIT in Construction Materials & Cement this year as delivered in FY2015.

Boral's smaller **Building Products division** delivered \$30 million of EBIT in FY2015 – a

Divisional performance summary

In summary, in FY2016 we continue to expect ongoing strong results from our businesses in Australia – both Construction Materials & Cement and Building Products. Beyond FY2016, benefits are expected from a multi-year upcycle in major roads and infrastructure, which should more than offset the impacts of any decline in residential activity.

Longer-term, the aim in Australia is to strengthen and protect Boral's leading integrated positions in Construction Materials & Cement, grow margins and build on Boral's major project capability. In the Building Products division, we are continuing to improve the portfolio and business performance.

Boral's USA division and the USG Boral Gypsum JV should continue to deliver improved results in FY2016. Substantial medium- and longer-term earnings growth are expected to come from the continuing major market recovery in the USA and significant long-term market and product penetration growth in Asia.

Trading in the first quarter of FY2016

Before I conclude my address, I would like to provide some comments on the trading conditions in the first quarter of FY2016.

First quarter results from **Construction Materials & Cement** are in line with our expectations.

Pricing is stronger in metro New South Wales and South East Queensland compared to the prior corresponding period, however, prices are broadly steady elsewhere including in Victoria.

Improvement programs that are underway are encouraging and expected to offset the impact of inflationary cost increases.

As is often the case at this point in the year, it is still too early to provide guidance on the expected earnings from Property this year. However, at this stage it is expected to be skewed to the second half of the year.

Looking now at the first quarter results from **Building Products**.

In the September quarter, Building Products delivered an overall improved result on the prior corresponding period, with earnings in line with our expectations for the first quarter. Residential activity continued at strong levels during the first quarter of the year and pricing outcomes continued to deliver benefits.

The underlying Bricks East business, which is now part of the Boral CSR Bricks JV – and now operating under the PGH brand – delivered improved results. However, Boral's reported contribution for the division was impacted by equity accounted earnings from the Bricks JV being on a post-tax basis.

For the first quarter of the year in **USG Boral**, underlying business performance was in line with our expectations, with a solid improvement in first quarter earnings (reported in Australian dollars) compared to the prior year.

Plasterboard volumes were broadly steady overall and non-board volumes were up. While board volumes were higher in Australia, volumes were impacted as a key competitor in Korea has overcome production supply constraints, which delivered a short-term volume benefit in the prior year.

The Sheetrock® technology roll-out continued, with product penetration continuing to lift in the September quarter and price premiums remaining above 5%.