

2016 ANNUAL GENERAL MEETING THURSDAY, 3 NOVEMBER 2016

Chairman's Address

by Dr Brian Clark

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 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

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

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