

**2018 ANNUAL GENERAL MEETING  
TUESDAY, 30 OCTOBER 2018**

**CEO & Managing Director's Address**

**by Mike Kane**

Thank you Kathryn. Good morning ladies and gentlemen.

Over the past year we have continued to make strides in transforming Boral into a high-performing building products and construction materials company with more sustainable growth.

Today, Boral has broader geographic and more diverse market exposures. It is a business delivering innovative solutions for our customers and responding to a changing world.

Our people have the know-how, resilience and determination to proudly make Boral a leader in its industries, and before all things, to deliver the highest standards of safety - Zero Harm Today and every day.

Boral's financial results for the year ended 30 June 2018 reflect the early rewards of our long-term strategy, including the first full year contribution of the Headwaters acquisition.

Group EBITDA of \$1.06 billion was up 47% and EBITDA margins on revenue of 18.0% were up from 16.4% in the prior year.

**SAFETY PERFORMANCE**

Boral employs approximately 17,000 people and 8,700 contractors across nearly 850 operating and distribution sites, including our joint venture operations. All of Boral's businesses share the same safety philosophy of delivering Zero Harm Today.

In FY2018, Boral's recordable injury frequency rate of 8.7 per million hours worked, compares with 8.1 reported in the prior year, after several years of improvement. The 2018 result includes an additional 4,500 employees and contractors in our safety statistics with the inclusion of Headwaters and all joint venture operations this year.

As Kathryn indicated in her address, if we adjust the prior year safety data to be on a comparable basis, our recordable injury frequency rate (which includes all lost time and 50







There has also been heavy and extended periods of above average rainfalls in the South and up through the Midwest and Northeast. Texas, which is Boral's largest US market, was particularly impacted by rain in September – with some parts experiencing record September rainfalls.

These weather events have caused significant delays in construction activity, with the disruption being similar to the disruption experienced from the two hurricanes last year, but fortunately without the severe damage.

Delivery of synergies is continuing to progress well and we remain on track to deliver in line with our targeted US\$25 million in FY2019.

Our operational improvements have progressed well. We are seeing some improvements in metal roofing, TruExterior® Trim & Siding and Meridian Brick but we are looking for a further lift in performance in these businesses.

In terms of fly ash volumes, as expected the four Texas utilities that closed between January and June 2018 have had an impact on the first half, contributing to lower year-on-year volumes. Volume growth is expected to be progressively delivered from the second half of this year.

Our plans to increase fly ash volumes by a net 1.5-2.0 million tons over three years are tracking well. The Montour reclaim project in Pennsylvania has passed critical performance milestones during plant commissioning and we are scheduled to start selling reclaimed fly ash from this landfill site into the market this week. We have also started to import ash into the US market.

Price growth is continuing in fly ash and in other products.

Like Australia, we are focused on the things we can control and adapting to external impacts where we can. We remain focused on our end targets and we are working to make up our current earnings shortfall, but we need to see drier weather patterns than we have seen so far this year and we need a Spring recovery from March 2019.

In recent weeks we announced the sale of our Texas based Block business for US\$156 million. The Block business has performed well, however we determined that it was non-core nesses[T, howee02 Tw

USG Boral maintains an enviable leadership position when it comes to innovative product solutions, channels to market, cost competitive manufacturing and growth opportunities for the future. The business is working hard to deliver its targets this year.

### **STRATEGIC OPPORTUNITIES FOR USG BORAL**

Let me now make some comments about the opportunities we are assessing for our USG Boral joint venture business.

As announced in June 2018, our joint venture partner USG Corporation and German building products maker Knauf have entered into a definitive merger agreement, which USG has indicated it expects to close in early 2019, subject to approvals and customary closing conditions.

This constitutes a default under the USG Boral shareholders' agreement, which triggers the right for Boral to acquire USG's interest in the joint venture.

The Headwaters acquisition gives us the scale to compete in attractive high growth markets over the longer term and significantly strengthens our ability to deliver above cost of capital returns through the cycle.

It is also in line with our strategy of reducing exposure to energy- and emission-intensive operations and building a portfolio of lighter weight products, with lower fixed costs.

We have been moving away from kiln-fired clay bricks, to lightweight, more sustainable products, such as manufactured stone, fly ash-based composite products and gypsum wallboard technologies. We have exited higher cost, sub-scale, less efficient cement kilns in Australia.

Reflecting our strategy, Boral's emissions intensity reduced during the 2018 financial year by 23% to 375 tonnes of CO<sub>2</sub>-e per million dollars of revenue, with the acquired Headwaters businesses being substantially less energy- and carbon-inte by1Tw(2)Tj1shanategy Bod 7.02 a-1.3279 xi(t).

