



10 February 2020

The Manager, Listings  
Australian Securities Exchange  
ASX Market Announcements  
Exchange Centre  
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Sydney NSW 2000

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Dear Sir

### **Boral Update**

We provide the following documents for release to the market:

- Update on Boral's North American Windows business
- Update on 1H FY2020 Results, FY2020 Outlook Guidance, Interim Dividend
- Intended retirement of Mike Kane, Boral's CEO & Managing Director
- Re-activation of Dividend Reinvestment Plan.

For the purposes of ASX Listing Rule 15.5, the Board has authorised the release of these documents to the market.

A conference call will take place today at 10.30am (Sydney time), details provided below.

Yours faithfully

Dominic Millgate  
**Company Secretary**

### **Conference call details:**

**Conference call on Monday 10 February 2020 at 10.30am (Sydney time)**

Dial **1800 870 643** or **+61 2 9007 3187**

United States / Canada 1855 881 1339

Hong Kong 800 966 806

Singapore 800 1012 785

New Zealand 0800 453 055

United Kingdom 0800 051 8245

**Conference Code: 10004159**

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# ASX RELEASE

10 February 2020

## Update on Boral's North American Windows business

On 5 December 2019 Boral Limited (ASX:BLD) advised that it had identified certain financial irregularities in its North American Windows business, involving misreporting including in relation to inventory levels and costs associated with raw materials and labour at its Windows plants.

Boral announced today that the privileged and confidential investigation undertaken by lawyers retained by Boral, and forensic accountants engaged to assist the investigation, has now been substantially completed.

The investigation determined that finance personnel within the Windows business manipulated accounts and financial statements primarily to artificially inflate the overall profitability and health of the Windows business. The investigation found no evidence that the manipulations were to hide systematic theft of raw materials or finished goods inventory. The misconduct occurred over an approximately 20-month period to the end of October 2019.

Together with audits and reviews of other businesses in Boral North America, which have also been undertaken, the Company can confirm that the financial misreporting is limited to the Windows business.

Boral's Managing Director and Chief Executive Officer, Mike Kane, said:

*"The Board and management are deeply disappointed at the breach of trust that led to the accounts of the Windows business being misreported to inflate profitability.*

*"Boral has moved quickly to put in place stronger and more transparent reporting and governance mechanisms in the Windows business, in line with the systems in place across Boral's other businesses and divisions. We are also strengthening financial and management capability within the business and in areas of oversight.*

*"We apologise for this failure and assure shareholders that such manipulation of figures will never be tolerated within the Group."*

### Impact on FY2020 and prior year results

Pre-tax earnings were overstated by a total of US\$24.4 million between March 2018 and October 2019. This is in line with Boral's preliminary estimated impact on earnings before interest, tax, depreciation and amortisation (EBITDA) of ~US\$20 million to US\$30 million. In addition, legal and associated investigation costs incurred in the first half are around US\$1 million.

Boral will restate comparative financial information to incorporate the correction of Windows earnings in underlying results. Historic pre-tax earnings will be reduced by US\$22.6 million, of which US\$18.8 million relates to FY2019 and US\$3.8 million relates to FY2018.

As part of the FY2020 interim results to be announced on 20 February, the restated prior period (1H FY2019) pre-tax earnings will be reduced by US\$7m (A\$10m). The accompanying table on page 3 shows these adjustments.

**In a separate ASX release Boral has today issued an update in relation to the Company's results for the six months ended 31 December 2019 (1H FY2020) and its FY2020 full year earnings guidance. This update uses Boral's FY2019 adjusted earnings as a base.**

## **Audit reviews of Boral North America's businesses**

In addition to the investigation carried out in the Windows business, the Board requested KPMG to expand the scope of their interim review procedures for the half year ended 31 December 2019 to include audit procedures over the Boral North America businesses, including a separate audit of the Windows business.

KPMG has reported to the Board that the half year financial report of the Windows business and of Boral North America as a whole were fairly stated at 31 December 2019.

With these findings, and other internal reviews, Boral's Board and management are confident that the accounting manipulations were limited to the Windows business only.

KPMG has been asked to include the Windows business as a full scope component in its audits of Boral North America going forward.

## **Organisational changes and realignment in Boral Windows**

The employment of both the Vice President Finance and the Financial Controller in Windows have been terminated.

A reorganisation of the Windows business has been implemented, with Joel Charlton, President of Light Building Products, now responsible for leading Windows.

David Decker, formerly President Windows, will move from his current role to take carriage of business development focused on sales, marketing, and major accounts for Windows.

Alan Spear, Vice President Corporate Development for Boral North America, is continuing in the role as Acting Vice President Finance for Boral Windows. A search is in progress for a permanent Finance lead at Windows reporting to Joel.

Chris Warner, Vice President Operations of Light Building Products, will take direct leadership of operations and has taken responsibility for operational improvements at Windows reporting to Joel. Recruitment of an Operations lead for the Windows business is in progress.

Under Joel's leadership, the team is establishing a plan for the business to return to acceptable margins. The Windows business is only expected to deliver low single digit EBITDA margins for FY2020. The margin recovery plan is expected to see the business achieve double digit margins in the medium term.

## **Strengthening of finance function in Boral North America**

In addition to strengthening finance capabilities and controls in the Windows business, changes are taking place in the finance function in Boral North America to enhance financial management and controls, and to improve the level of assurance.

A search for a new CFO of Boral North America is currently underway.

## **Contributing factors and actions taken**

The investigations and reviews carried out identified several contributing factors that made the misreporting of accounts in Boral's Windows business possible and help to explain why the issue was not identified earlier.

Together with the organisational changes, strengthening of finance capability, and expanded audits, a number of changes to reporting, governance and HR systems have been introduced in Boral Windows and more broadly.

The key contributing factors and actions taken are summarised on the following page.

## Key contributing factor

## Actions taken

Windows is a **relatively small, non-core business** with less sophisticated accounting systems not integrated into shared services

In Windows:

- The roll-out of a new inventory management system is being expedited
- A full scope internal audit to be undertaken in CY2020
- Following the expanded external audit procedures undertaken for the half year to 31 December 2019, a full scope external audit will be undertaken in FY2020.

In Boral more broadly:

- Increased scrutiny of personnel, business, and process issues in smaller businesses to re-test 'inherent risk ratings for audits'
- For small, less sophisticated businesses, senior executives are required to spend more time visiting and supervising these operations
- For businesses not operating in a shared services environment, additional controls are being implemented to ensure appropriate segregation of duties.

Finance personnel in Windows who engaged in the manipulations operated in an environment where **business processes and culture were not acceptable, creating an opportunity for coordination and cover-up of wrongdoing**

In Windows:

- Terminations, organisational changes, and improvements in management oversight implemented (see page 2)
- Additional processes and controls have been introduced to strengthen segregation of duties and oversight
- Strengthened HR controls introduced to improve recruitment, training, exit interviews, and comprehensive follow-up on feedback.

In Boral more broadly:

- Management to increase scrutiny and supervision of new finance teams who do not have an internal track record
- Senior finance executive involvement required in recruitment of all lead finance roles and higher competency standards and qualifications required for senior accounting staff across Boral.

**Table: Prior Year Adjustments**

A\$ million		FY2019 Reported	FY2019 Restated	1H FY2019 Reported	1H FY2019 Restated
<b>Continuing operations</b>					
<b>EBITDA<sup>1</sup></b>	Boral North America	415 (US\$297m)	388 (US\$278m)	196 (US\$141m)	185 (US\$134m)
	Group	1,033	1,005	481	470
<b>EBIT<sup>1</sup></b>	Boral North America	252 (US\$180m)	225 (US\$161m)	115 (US\$83m)	105 (US\$76m)
	Group	660	633	297	288
<b>NPAT<sup>1</sup></b>	Group	440	420	200	193

1. Excluding significant items.

### Boral Limited Investor Relations:

Kylie FitzGerald +61 401 895 894 or [kylie.fitzgerald@boral.com.au](mailto:kylie.fitzgerald@boral.com.au)

Boral Limited ABN 13 008 421 761 – Level 18, 15 Blue Street, North Sydney, NSW, 2060 - [www.boral.com](http://www.boral.com)



# ASX RELEASE

10 February 2020

## Update on 1H FY2020 Results and FY2020 Outlook Guidance

Boral Limited (ASX:BLD) today issued an update in relation to the Company's results and interim dividend for the six months ended 31 December 2019 (1H FY2020) and its FY2020 full year earnings guidance.

This update takes into account the financial impact of the accounting irregularities and underlying performance of Boral's Windows business in North America on current year results and prior year restated earnings, which is the subject of a separate ASX release made by the Company today.

Boral's **Net Profit After Tax (NPAT) before significant items for the six months ended 31 December 2019 is \$156 million**, subject to completion of the auditor's interim review.

Excluding the impact of the new IFRS leasing standard (AASB 16), Boral's NPAT<sup>1</sup> of \$159 million is 18% below the restated 1H FY2019 NPAT<sup>1</sup> of \$192 million.

An **interim dividend of 9.5 cents per share** (50% franked) will be paid on 15 April 2020, representing a payout ratio of 71%.

Boral's Divisional and Group **Revenues and EBITDA for 1H FY2020** are:

A\$ million (Continuing operations)	1H FY2020	1H FY2019 <sup>3</sup>	Var
<b>Revenue</b>	2,960	2,897	2%
<b>EBITDA<sup>1</sup></b>	493	470	
<b>EBITDA<sup>1</sup> (excluding impact of new lease standard)<sup>2</sup></b>	440	470	(6%)
<b>Boral Australia</b>			
Revenue	1,752	1,794	(2%)
EBITDA <sup>1</sup>	287	270	
EBITDA <sup>1</sup> (excluding impact of new lease standard) <sup>2</sup>	267	270	(1%)
<b>Boral North America</b>			
Revenue	1,208	1,104	9%
EBITDA <sup>1</sup>	197	185	
EBITDA <sup>1</sup> (excluding impact of new lease standard) <sup>2</sup>	163	185	(12%)
<b>USG Boral</b>			
Revenue	-	-	
EBITDA <sup>1</sup>	23	25	(8%)
<b>US\$ million</b>			
<b>Boral North America</b>			
Revenue	825	796	4%
EBITDA <sup>1</sup>	134	134	
EBITDA <sup>1</sup> (excluding impact of new lease standard) <sup>2</sup>	111	134	(17%)

Footnotes appear at end of the document.

Boral's CEO and Managing Director, Mike Kane, said:

***“Boral's first half results for FY2020 are broadly in line with our guidance but we have seen a challenging start to the second half of the year.”***

## **Overview of Divisional performance**

*A reconciliation of 1H FY2019 adjustments and a table showing revenue, EBITDA, price and volume movements in Boral Australia and Boral North America are provided in the **Appendix**.*

Overall Boral's EBITDA for continuing operations for the 1H FY2020 was 6% lower than the restated prior year. This result is broadly in line with the guidance of approximately 5% lower earnings prior to the impact of Windows and excluding the impact of the new leasing standard.

With the continued marked slowdown in housing starts and 7% lower concrete volumes, revenue from **Boral Australia** was down 2% and EBITDA, excluding leasing, was down 1%. Excluding Property earnings of \$29 million, EBITDA was down 12%.

Cost savings substantially helped to offset volume pressures and \$10m of higher costs associated with outages at Peppertree Quarry and Berrima Cement operations. The impact of bushfire related disruptions and costs was about \$1 million in the first half, but a more pronounced impact on earnings is expected in the second half of the year due to the related slowdown in sector activity since January and higher costs associated with the bushfires. Interruptions to infrastructure work already experienced have been exacerbated by the bushfires.

**Boral North America** delivered higher revenue, up 4% to US\$825 million (up 9% to A\$1.2 billion) but EBITDA declined 17% to US\$111 million (down 12% to A\$163 million) excluding the new leasing standard.

Boral North America incurred one-off costs of ~US\$10 million including an increased provision associated with the poor quality BCI product that was discontinued in the prior period, US\$3 million for legal costs and US\$1 million for the Windows investigation costs.

Fly ash volumes were up 5% and prices up 10%, but earnings were lower due to completion of several site service construction projects as anticipated, and higher costs.

Light Building Products delivered solid revenue growth of 7% and earnings growth. Roofing earnings were broadly steady due to a less favourable geographic and product mix and a strong prior comparable period when Florida rebuild activity was at its peak. Results from Stone were lower with a 10% decline in volume reflecting lower product intensity, a competitor re-entry in California and a volume decline in Canada due to significantly lower housing activity.

Equity share of earnings from Meridian Brick was US\$2 million lower year on year as production volumes were slowed to reduce inventory levels.

**USG Boral** delivered \$23 million of equity income before significant items, compared with \$25 million in the first half of FY2019. The business saw strong earnings growth in China, and higher earnings in Thailand, offset by a market related decline in Korea and slightly softer earnings from Australia due to the slowdown in residential construction activity.

We continue to await regulatory approval in order to complete the transaction with Knauf to expand USG Boral in Asia and for Boral to return to 100% ownership in Australia/NZ, with an option granted to Knauf to buy back its 50% share within five years.

## FY2020 Guidance and Outlook

Taking into account the first half results, together with lower than previously expected earnings from the Windows business, and a very challenging start to the second half in Australia including bushfire and weather related volume and cost impacts, and major project scheduling delays in the second half, **Boral expects its FY2020 EBITDA to be down relative to FY2019, with lower reported EBITDA in all three divisions.**

Together with higher depreciation charges, this translates to an **expected NPAT<sup>1</sup> range of around \$320-\$340 million for FY2020, which compares with a restated FY2019 NPAT of \$420 million after adjusting for Windows misreporting.** *This is before the inclusion of expected additional earnings from the announced USG Boral/Knauf transaction and before the impact of accounting changes resulting from the adoption of the new leasing standard (IFRS 16).*

We remain focused on prudent balance sheet management to ensure operational flexibility with capacity to deliver on our strategy. We are committed to retaining our existing BBB / Baa2 investment grade credit ratings.

As previously announced, the USG Boral Knauf transaction, if approved by regulators to proceed on the basis proposed, will require US\$335 million of direct funding from Boral. We have a number of options available to fund the transaction with Knauf to maintain a strong balance sheet.

**The dividend reinvestment plan (DRP) will be reactivated to commence with the current interim dividend, and we will underwrite the DRP in respect of the interim and final dividends for FY2020.**

This will reinforce our balance sheet while we continue to pursue opportunities for further divestment of non-core assets. The announced sale of the Midland Brick business is now expected to complete in the second half of FY2020.

Given current business performance, we will continue to implement strategies to improve returns and strengthen Boral's business.

Boral will release its half year accounts and full results announcement on 20 February 2020, which will include further details about first half performance, an update on strategy and outlook for FY2020.

*A brief **conference call will take place today at 10.30 am** to provide high level comments on the divisional results, which are subject to completion of the auditor's interim review, and on the investigation and outcomes of the Windows misreporting in Boral North America.*

### Conference call details:

**Conference call on Monday 10 February 2020 at 10.30am Sydney time** (Eastern Daylight Saving Time)

Dial **1800 870 643** or **+61 2 9007 3187**

United States / Canada 1855 881 1339

Hong Kong 800 966 806

Singapore 800 1012 785

New Zealand 0800 453 055

United Kingdom 0800 051 8245

**Conference Code: 10004159**

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## Appendix: Prior Half Year Adjustments for Windows

A\$ million		1H FY2019 Reported	1H FY2019 Restated	1H FY2019 Reported	1H FY2019 Restated
		Continuing operations		Total operations	
<b>EBITDA<sup>1</sup></b>	Boral North America	196 (US\$141m)	185 (US\$134m)	200 (US\$144m)	190 (US\$137m)
	Group	481	470	485	475
<b>EBIT<sup>1</sup></b>	Boral North America	115 (US\$83m)	105 (US\$76)	115 (US\$83m)	105 (US\$76m)
	Group	297	288	297	287
<b>NPAT<sup>1</sup></b>	Group	200	193	200	192

### Divisional Revenue and EBITDA movements

Boral Australia A\$m	External Revenue	EBITDA
Concrete & Placing	813	▼6%
Asphalt	387	▲3%
Quarries	221	▼1%
Cement	162	▼1%
Building Products	114	▼18%

Boral North America US\$m	External Revenue	EBITDA
Fly Ash – total	290	▲5%
– Fly Ash sales		▲16%
– Site services		▼26%
Roofing	174	▼3%
Stone	125	▼7%
Light Building Products	143	▲7%
Windows	93	▲29%

### Divisional Volume and Price movements<sup>4</sup>

1H 2020 vs 1H 2019 variance		
Boral Australia	Volume	Price (ASP)
Concrete	(7%)	(1%)
Quarries	(6%)	2%
Aggregates	(13%)	4%
Cement	(1%)	(1%)
Boral North America	Volume	Price (ASP)
Fly Ash	5%	10%
Roofing	1%	3%
Stone	(10%)	1%

1. Excluding significant items.
2. EBITDA excluding the impact of the new IFRS leasing standard (AASB 16) provides a more comparable basis for analysis.
3. 1HFY2019 reported EBITDA has been restated with an adverse US\$7m (A\$10m) adjustment to reflect the correction of Windows misreporting in underlying earnings.
4. Volume is for internal and external sales; Price is for external sales only; Roofing ASP is concrete roofing only.





# ASX RELEASE

10 February 2020

## intended retirement of Mike Kane, Boral's CEO & Managing Director

The Board of Boral Limited (ASX:BLD) today announced that after more than seven years as Boral's CEO & Managing Director, Mike Kane intends to retire after delivering Boral's FY2020 full year results.

The Board is progressing a comprehensive search to appoint a successor, covering candidates in Australia and overseas, with the support of a leading global executive recruitment firm.

### **Kathryn Fagg, Chairman of Boral, said:**

*"There is no doubt that Boral is stronger, more resilient and better positioned for growth today than at the time that Mike joined the Company.*

*"While the business has faced considerable challenges including lower than expected growth in North America, it is important to acknowledge that since his appointment as CEO in 2012, Mike has set Boral on a path to deliver substantially improved performance for the long-term. Under Mike's leadership he has significantly improved Boral's returns on funds employed and earnings per share, and Boral's safety performance has dramatically strengthened to a level of industry best practice.*

*"Mike has brought an important balance of strategic thinking and operational experience to the role. His strong customer focus and commitment to safety, organisational leadership, innovation, and delivering on strategy, have permeated the organisation and substantially strengthened Boral's capability and culture.*

*"The Board has enormous respect for Mike and remains appreciative of his dedication, strategic thinking, industry knowledge and experience," said Kathryn.*

After 10 years of service, including over seven years as **CEO, Mike Kane said:**

*"It has been a privilege to serve as Boral's CEO.*

*"It is the right time for me to hand over the leadership of the company during 2020. I expect that fresh leadership will build on what we have achieved so far as part of Boral's transformation and seize future opportunities to deliver shareholder value.*

*"Boral has changed considerably and I firmly believe that Boral is a far better, more focused business today than it was in 2012 when I became CEO. While we have faced some challenges, the strategies we've implemented have put the company on a path to deliver stronger financial returns through the cycle. We have a portfolio of businesses that are each highly strategic in their own right, and together will deliver more stable returns over the longer term. I genuinely believe that the benefits of the strategies we've implemented will be seen in the years and decades to come.*

*"I am proud of Boral's people and I thank them for their continued support as well as the support of our customers. I remain committed to Boral and look forward to delivering Boral's FY2020 results and facilitating a smooth leadership transition."*

**Boral Limited Investor Relations:** Kylie FitzGerald +61 401 895 894 or [kylie.fitzgerald@boral.com.au](mailto:kylie.fitzgerald@boral.com.au)

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Dear Sir

**Re-activation of Dividend Reinvestment Plan (DRP)**

Boral has today announced that the DRP will be reactivated with effect from the FY2020 interim dividend to be paid on 15 April 2020.

As previously announced, a 1.5% discount will apply to the DRP for the interim dividend. Over the upcoming week election forms will be sent to shareholders to assist them to elect to participate in the DRP or change their pre-existing elections.

DRP elections and variations must be made by no later than 5pm on Tuesday 17 March 2020 to be effective for the interim dividend.

In accordance with ASX Listing Rule 3.10.8, the DRP Rules are enclosed. Rule 6.3 has been amended to provide the Board with more flexibility to determine the DRP pricing period from dividend to dividend.

As previously announced the DRP will be underwritten. In accordance with ASX Listing Rule 3.10.9, details about the underwriting agreement are provided in Annexure A.

Yours faithfully

A handwritten signature in blue ink, consisting of several overlapping loops and a long horizontal stroke extending to the right.

Dominic Millgate  
**Company Secretary**

Encl. Amended DRP Rules

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### Annexure A – Details of underwriting agreement (ASX Listing Rule 3.10.9)

Name of the underwriter / guarantor	Macquarie Securities (Australia) Limited
Extent of the underwriting / guarantee	Fully underwritten
Fee, commission or other consideration (including any discount the underwriter receives)	N/A
Summary of significant events that could lead to the underwriting being terminated	<p>Events that could trigger a right to terminate include:</p> <ul style="list-style-type: none"> <li>• breach of the agreement by Boral;</li> <li>• Boral alters its capital structure;</li> <li>• certain material changes in Boral's circumstances;</li> <li>• certain regulatory action in relation to Boral;</li> <li>• the ASX200 falls by 10% or more;</li> <li>• material hostilities or terrorist acts or political disruptions;</li> <li>• material changes in law or moratoriums that affect the DRP or financial markets.</li> </ul>

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**Boral Limited**  
**ACN 008 421 761**

**Dividend Reinvestment Plan Terms and Conditions**

The following terms and conditions apply to the Dividend Reinvestment Plan ("the **DRP**") of Boral Limited ("**Boral**").

**1. The DRP**

The DRP is a means by which Boral shareholders may elect to receive ordinary shares in the capital of Boral ("**Shares**") instead of cash dividends declared by Boral in respect of all or part of their shareholdings.

**2. Participation**

Participation in the DRP is optional and open to all holders of Boral Shares ("**Shareholders**") except those Shareholders whose addresses (as they appear in the share register of Boral) are in countries where regulations make it impracticable in the opinion of Boral for them to participate. Participation may be varied or terminated at any time in accordance with the procedures set out in paragraphs 10, 11 and 13. "**Participant**" means a Shareholder participating in the DRP.

**3. Applications**

Applications to participate in the DRP will be made on the appropriate Application Form and subject to the terms and conditions of the DRP current at the date of application. If a duly completed Application is received by Boral on or before the first business day following the record date for a dividend (or such other date determined by the Board to be the last date to elect to participate in the DRP for a dividend) ("**Last Election Date**"), participation in the DRP will commence with effect for that dividend. Applications received after the Last Election Date for a dividend will not be effective for that dividend but will be effective for subsequent dividends.

For the purposes of this paragraph, "business day" has the same meaning as in the ASX Listing Rules.

**4. Degree of Participation**

Participation in the DRP may be full or limited.

**Full participation** applies in respect of all of the Participant's Shares from time to time howsoever acquired.

**Limited participation** applies in respect of a specific number of Shares nominated by the Participant and being less than the Participant's total number of Shares. However, if, at the relevant record date for determining entitlements to payment of a dividend, the number of Shares held by the Participant is less than the nominated number then the provisions of the DRP will in respect of that dividend apply only to such lesser number of Shares.

In the event that an Application Form does not indicate the degree of participation, it will be deemed to be an application for full participation.

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## 5. Limits on Participation

The minimum number of Shares which may participate in the DRP is 100 Shares.

The Directors may create, change or remove a maximum number of Shares which may participate in the DRP from time to time. The creation of any such maximum limit or any change to it will be announced by Boral before the record date for any dividend payment to which it relates.

## 6. Operation of the DRP

### 6.1 *Entitlement to Additional Shares*

Each dividend payment to a Participant in respect of Shares subject to the DRP will be applied by Boral on the Participant's behalf to additional Shares. However, any amount so payable on Shares which a Participant has nominated as participating in the DRP and which Boral is entitled to retain or otherwise has a charge over in accordance with the Constitution of Boral or other requirements of law will not be available for the purpose of participating in the DRP.

### 6.2 *Issue New Shares or Purchase Existing Shares*

The Directors in their absolute discretion will determine, with respect to the operation of the DRP for any dividend, whether to issue new Shares or to cause the purchase and transfer of existing Shares, or to apply a combination of both options, to satisfy Boral's obligations under the DRP.

If the Directors determine to cause the purchase of Shares and their transfer to Participants, the Shares may be acquired as the Directors consider appropriate. Boral, if it so chooses, may create a trust (of which Participants are the beneficiaries) to acquire the Shares and then transfer or sell such Shares to the Participants.

### 6.3 *Price*

Shares provided under the DRP will be at a price being the arithmetic average of the daily volume weighted average price of all Shares sold on the Australian Securities Exchange ("**ASX**") on each of the ten trading days (or such other period as the Board may determine from time to time) commencing on the second trading day after the record date of Boral's share register for determining entitlements to payment of the dividend (or such other date determined by the Board from time to time), at such discount (if any) as the Directors determine, not exceeding 7.5% (the "**Price**").

The arithmetic average of the daily volume weighted average price per Share will be calculated excluding all off-market trades, including but not limited to transactions identified in accordance with the ASX Operating Rules as 'Special Crossings', 'Crossings' prior to the commencement of the 'Open Session State', any overseas trades or trades pursuant to the exercise of options over Shares, and any overnight crossings or other trades that Boral determines to exclude on the basis that the trades are not fairly reflective of supply and demand.

### 6.4 *DRP Account*

In respect of each Participant, Boral will establish and maintain a DRP Account. At the time of each dividend payment, Boral will for each Participant:

- (a) determine the amount of the dividend payable to the Participant in respect of the Participant's participating Shares and credit that amount to the Participant's DRP Account;
- (b) determine (where applicable and practicable) the Australian withholding tax in respect of that dividend, and any other sum that Boral is entitled or required to

retain in respect of the participating Shares, and debit that amount from the Participant's DRP Account;

- (c) determine the maximum number of additional fully paid Shares in accordance with the entitlement formula outlined in clause 6.6 utilising the whole balance of the DRP Account, including the cash balance carried forward from previous dividend payments;
- (d) on behalf of the Participant subscribe for or otherwise acquire, in terms of the deemed direction described in clause 6.5 below, and allot or transfer that number of fully paid Shares calculated in accordance with clause 6.4(c) above and debit the Participant's DRP Account with the amount calculated as the Price multiplied by the number of allotted or transferred Shares; and
- (e) retain in the Participant's DRP Account and carry forward, without interest, any cash balance remaining to be applied in the manner set out above to be added to the next dividend unless participation in the DRP is terminated in accordance with clause 10.

**6.5 Deemed Directions by Shareholder**

A Shareholder who applies to participate in the DRP will, in making his or her application, be deemed to have directed Boral to apply such monies towards subscription for or other acquisition of the number of Shares as is determined by the application of the formula in clause 6.6.

**6.6 Entitlement Formula**

In respect of participating Shares, on each dividend payment date, subject to clause 6.7, the Directors will allot or cause to be transferred to each Participant that number of Shares determined by the application of the following formula:

$$\frac{(S \times D) + B}{C}$$

where:

- S is the number of participating Shares held by the Participant on the relevant record date;
- D is the amount of the dividend per participating Share declared by the Directors payable on that dividend payment date, LESS any applicable Australian withholding tax in respect of that dividend, and any other sums that Boral is entitled or required to retain in respect of the participating Shares. The resultant amount being expressed in terms of cents, with fractions of cents rounded to the nearest cent;
- B is the carry forward residual (if any) in the Participant's DRP Account from previous dividends; and
- C is the Price.

Where a fraction of a Share would result from the calculation of a Participant's entitlement under this clause, the Participant's entitlement will be rounded down to the nearest whole number of Shares.

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## 6.7 **Fractions of Shares**

Where a fraction of a Share would result from the calculation of a Participant's entitlement under clause 6.6, the value of that fraction of a Share will be carried forward in the Participant's DRP Account, without interest, to be applied towards the calculation at the time of the next dividend. The amount carried forward will be detailed in the dividend statement referred to in clause 9.

The value of a fraction of a Share will be calculated in accordance with the following formula:

$$F \times C$$

where:

F is the fraction of a Share resulting from the calculation in clause 6.6; and

C is the Price.

## 7. **Shares to be allotted under the DRP**

Shares to be allotted under the DRP will be allotted within the time required by the listing requirements of ASX.

Shares allotted under the DRP will, from the date of allotment, rank equally in all respects with all other fully paid Shares in Boral.

## 8. **Costs to Participants**

No brokerage, commissions, stamp duty or other transaction costs will be payable by a Participant in respect of the application for or allotment or acquisition of Shares under the DRP.

## 9. **Statements to Participants**

Boral will send to each Participant a statement as at each dividend payment providing the following details of transactions recorded in the Participant's DRP Account:

- (a) **(number)** the number of the Participant's participating Shares subject to the DRP as at the record date;
- (b) **(dividend)** the aggregate amount of the dividend(s) payable to the Participant in respect of the Participant's participating Shares;
- (c) **(allotment or transfer)** the number of Shares allotted or transferred under the DRP to the Participant on that dividend payment date and the Price at which those Shares were allotted or transferred;
- (d) **(carry forward)** the residual cash balance carried forward in the Participant's DRP Account (if any) as calculated in clause 6.7;
- (e) **(total holding)** the Participant's total holding of participating Shares after that allotment or transfer; and
- (f) **(other)** any information prescribed by Australian taxation laws.

## **10. Alteration and termination of participation**

A Participant may at any time vary the degree of participation or may terminate participation in the DRP by giving notice to Boral.

The receipt by Boral of notice of the death of a Participant will terminate such participation in the DRP by that Participant and any other Participant with whom such Participant was a joint Participant.

Where a Participant disposes of his/her full holding, his/her participation in the DRP will terminate on the date of the last transaction registered.

## **11. Reduction when no notice given**

When a Participant with limited participation disposes of a number of Shares, and does not notify Boral otherwise, the shares being disposed of will to the extent possible be taken to be shares not participating in the DRP.

## **12. DRP Account Residual**

In the event of termination of participation in the DRP by a Participant, as outlined in clause 10, any residual positive balance in the Participant's DRP Account at that time will be paid by cheque or direct credit to the Participant.

Alternatively, Boral may elect to donate such residual positive balance in the Participant's DRP Account at that time to a registered charity selected by it and in such event, Participants will not be issued with a receipt in relation to such donation.

## **13. Modification and termination of the DRP**

The DRP may be modified, suspended or terminated by the Directors at any time by giving notice to the ASX. In the case of a modification, Participants will be deemed to have accepted the modification and to participate on the changed terms unless and until they direct otherwise by notice to Boral.

The accidental omission to give notice of modification, suspension or termination to any Participant or the non-receipt of any notice by any Participant will not invalidate the modification, suspension or termination of the DRP.

## **14. ASX listing**

Boral will make application for Shares allotted under the DRP to be listed for quotation on the official list of ASX.

## **15. Applications and Notices**

Applications and notices to Boral shall be in writing (or where Boral so permits, in electronic form) and in such form as Boral may from time to time require. Such applications and notices will be effective upon their receipt by Boral subject to:

- (a) the current terms and conditions of the DRP;
- (b) in the case of applications, acceptance by Boral; and



- (c) receipt by Boral before the relevant books closing date of Boral's share register for determining entitlements to payment of a dividend, or, in the case of an Application to participate under paragraph 3, on or before the Last Election Date. Applications or notices received after such date will not be effective for that dividend but will be effective for subsequent dividends.

**16. General**

The DRP and its operation will be governed by the laws of the State of New South Wales. Boral reserves the right to waive strict compliance with any of the terms and conditions of the DRP.

**17. Taxation**

Boral takes no responsibility and assumes no liability for any taxation liabilities of Participants in the DRP. Shareholders should obtain their own taxation advice regarding participation in the DRP.

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