



2007 ANNUAL GENERAL MEETING

29 OCTOBER 2007

CHAIRMAN'S ADDRESS

By Dr Ken Moss

Ladies and Gentlemen,

Thankyou for joining us at Boral's 2007 Annual General Meeting.

The nature of Boral's business is that it operates across a number of cyclical markets in the building and construction materials industries in Australia, the USA and Asia. Boral's results for the twelve months to 30 June 2007 reflect the fact that some markets in which we operate were experiencing peak levels of demand whilst other key markets were experiencing significant downturns.

Strong levels of infrastructure and non-dwelling activity in Australia underpinned strong levels of concrete demand and a record result for Boral's construction materials group in Australia. However, Australian housing and US housing experienced cyclical downturns, which impacted most significantly on our building products businesses in Australia and the USA.

Despite the cyclical downturns in housing, Boral delivered a solid financial performance for the year ended 30 June 2007. We continued to deliver the Company's *Perform and Grow* strategy and Boral's non-financial performance, including safety and environmental management, continued to strengthen.

Financial Performance

For the 2006/07 financial year, Boral's sales revenue of \$4.9 billion was 3% higher due to price strength, stronger construction materials volumes and growth initiatives. However, earnings before interest, tax, depreciation and amortisation of \$762 million were down \$61 million. Overall, Boral's reported net profit after tax of \$298 million was 18% below the previous year largely reflecting the impact of lower volumes in the USA and in Australian building products as well as higher funding costs associated with growth investments.

Importantly, growth projects that have been completed are delivering earnings benefits and are offsetting a further reduction in Boral's EBITDA which would otherwise have resulted from the significant Australian and USA housing downturns.

A strong profit lift from construction materials in Australia was more than offset by a significant decline in US earnings, softer results from Asia, and lower earnings from Building Products in Australia.

We are now into the fourth year of a cyclical downturn in new dwelling construction on the east coast of Australia. This downturn is particularly pronounced in NSW, where we derive around 40% of Boral's Australian revenues. Housing approvals in NSW are currently 41% below the last peak in 2003 and are 40% below underlying demand. In the twelve months to June 2007 detached housing approvals were down 4% in NSW and multi-dwellings were down 9%.

In other Australian states, Western Australian housing activity has been strong and Victoria and Queensland have remained relatively robust. However, the current rate of construction in Victoria and Queensland is well below underlying demand levels. Victoria is building around 17% below underlying demand levels and Queensland is building at around 9% below underlying demand, according to BIS Shrapnel.

During the year the value of work approved for Australian non-dwellings and major projects was 8% higher and the value of work done in road construction and infrastructure increased by around 4%. Non-dwelling and infrastructure activity has been particularly strong in Victoria, Queensland and Western Australia. This has benefited Boral's construction materials operations.

In the USA, the housing downturn has been very fast and very significant, particularly impacting Boral's operations in the second half of the year ended June 2007.

Rod Pearse will provide an update on trading conditions in the first quarter of this year. He will point out that conditions in the US have deteriorated further since year end.

As in Australia, Boral's US construction materials businesses performed better than the building products businesses during the period, supported by solid levels of infrastructure and non-dwelling work.

In Asia, conditions improved in a number of key plasterboard markets, whilst construction materials markets remained challenging. Around 3% of Boral's earnings were delivered from Asia during the year.

Earnings per share for the year of 50.0 cents compare with 61.7 cents last year. Return on funds employed reduced to 11.9% from 14.2%. Return on equity reduced to 10.0% compared with 13.2% in the prior year.

At 30 June 2007, funds employed of \$4.5 billion were 3% higher than the prior year, primarily as a result of value-adding growth investments.

Operating cash flows for the year to June 2007, of \$482 million were 7% above the prior year. Capital expenditure for the year of \$418 million was 19% lower than the prior year including a 7% lower expenditure on stay-in-business (SIB) capital, which was \$192 million for the year.

Boral's balance sheet remains strong. Net debt at 30 June 2007 was \$1.5 billion compared with \$1.6 billion at June 2006. Boral's gearing level (debt/equity) of 50%, was down on last year's 57% gearing level, and remains in our targeted gearing range of 40 - 70%.

Shareholder Returns

Despite cyclical downward pressure on Boral's profits, a full year 34.0 cent fully franked dividend, was maintained in line with the previous year. For most shareholders, the dividend represented an annualised dividend yield of 6.1% per annum (after franking) on Boral's average share price for the year to 30 June 2007.

The interim and final dividends for the year totalled around \$200 million. This represents a payout ratio of 68% of after tax profits. Whilst this payout ratio was higher than the 55% payout ratio in 2006, the Board regarded it as appropriate taking into account Boral's sound underlying performance and growth prospects as well as our desire to provide shareholders with solid dividend returns with maximum franking benefits.

Boral's share price has been volatile over the past twelve months, reflecting market volatility – particularly the US housing downturn and continued uncertainty around the timing of a recovery in the Australian housing market. The cyclical nature of Boral's markets typically translates into earnings volatility and to volatility in the share price and we are seeing this at present. It is important however, to look through the cycle when evaluating both past and future performance.

Since the companies demerger in February 2000 through to 30 September 2007, Boral's compound total shareholder return (TSR) from share price appreciation and dividends has been 21% per annum. This places the company in the top half when compared with other ASX 100 companies over the same period of time.

We have continued to offer a dividend reinvestment plan ("DRP") to shareholders. Approximately 22% of the company's issued capital participated in the DRP for the final dividend paid in September 2007.

Safety and Sustainability

Turning now to Boral's non-financial performance. Boral's key sustainability priorities, common to all divisions are:

- Health and Safety,
- Energy and Greenhouse gas emissions,
- Water Conservation,
- Waste Management, and
- Resourcing for Growth.

Progress has been made in all of these areas over the past year. Boral's comprehensive 2007 Sustainability Report details the progress and describes how the Company's sustainability activities are governed.

This year, Boral's Sustainability Report has been independently reviewed under the globally recognised AccountAbility sustainability standard AA1000. The AA1000 assurance standard is based on three principles: materiality, completeness and responsiveness. Assurance against these principles provides the Board and shareholders with comfort that Boral's sustainability reporting, whilst voluntary, covers all the areas of performance that stakeholders need to judge Boral's sustainability performance. It also determines that the information provided is complete and accurate enough to assess and understand Boral's performance in these areas.

Boral is increasingly being recognised as a sector leader in sustainability. This is demonstrated by Boral's "gold star" rating in Australia's Corporate Responsibility Index as well as Boral's continued inclusion in the global FTSE4Good (pronounced footsy for good) Index and in the Climate Change Leader group of the Carbon Disclosure Project.

The health and safety of our employees and all people involved in Boral's operations is a key priority for Boral's Board of Directors and management. Our aim is to eliminate or minimise the circumstances under which people can be injured. Boral's approach to health and safety is built on a solid foundation of corporate policies, standards and procedures.

As part of our commitment to health and safety, stretching performance targets are set annually. In 2006/07, Boral's Lost Time Injury Frequency Rate (LTIFR) for employees of 2.8 reduced by 10% from 3.1 in the prior year. Percentage hours lost improved by 18% from 0.11% to 0.09%. These outcomes are consistent with the ongoing improvement trend in recent years.

Contractor safety management also improved, with LTIFR of 5.7 (versus 7.3 last year) and percentage hours lost of 0.09% (18% better than last year's 0.11% and in line with employee safety outcomes).

Despite our efforts to make safety the number one priority across the Company and despite the reduction in lost time injuries, we continue to experience accidents that result in fatalities. This deeply concerns the Board and management. Tragically, we had five work-related fatalities in the December half last year. Two employee fatalities occurred in our Asian operations involving a heavy vehicle accident and an electrical accident; two contractor fatalities in the USA were reported both involving falls from heights; and a contractor fatality in Australia occurred as a result of an electrocution.

There were no workplace-related fatalities in the second half of the year. However, the full year outcome has caused all of us at Boral great concern and resulted in extensive reviews of electrical and contractor safety management.

Directors of the Board review in detail all employee and contractor fatalities that occur on Boral sites and in related operations, including the corrective actions taken.

The Board also reviews all divisional Health and Safety Plans. We approve safety improvement targets and we regularly monitor performance against target for all divisions.

The Board and Corporate Governance

Boral's Board has recently been expanded as we move through a period of Board renewal and succession. Dr Brian Clark was appointed to the Board in May 2007 and Dr Bob Every joined the Board in September. Both of these new directors are up for election at this meeting and at the appropriate time their credentials will be discussed.

After eleven years of valued service Mr Mark Rayner will retire as a non-executive director of Boral Limited at today's meeting.

Mark joined Boral's Board in 1996. Since that time he has provided an important contribution to the governance of the company and to the direction that Boral has taken. My fellow directors and I have valued Mark's strong operational and international management experience. On behalf of all directors and

shareholders of the Company, I thank Mark for his contribution and wish him all the very best in his retirement.

Following the anticipated election of our two newest directors at today's meeting and the re-election of Richard Longes and Roland Williams, the Board will comprise eight directors, being seven non-executive directors and the Managing Director.

All non-executive directors have been assessed as being independent.

The tenure of Boral's Board will range from two months to 13 years. The Company will benefit from the increased breadth and depth of skills and experience of the directors.

Your Board of Directors is accountable to the shareholders for the Company's performance. The Board is responsible for reviewing and approving the strategic direction of the Company and for overseeing and monitoring Boral's businesses. The Board has delegated responsibilities around management of Boral's day-to-day operations and activities to the Managing Director and senior executives.

Over the past twelve months, an area of concentration for the Board has been the consideration of strategic plans to improve the profitability of underperforming businesses and to lift the Company's earnings. We also keep the capital management plan and potential capital initiatives under review.

The full Board's work is supplemented by that of the Audit and Compensation Committees.

Through a review of the Audit Committee's Charter, we have more clearly delineated that it is to focus upon financial risk.

A significant part of the Compensation Committee's work relates to structuring and determination of senior executives' incentive remuneration both short term in the form of cash and long term in the form of grants of options and share acquisition rights.

Shareholders will note that short-term incentives for executives were considerably lower during the year. This is largely a reflection of the company's financial performance being below expectation, driven largely by the severity of the housing downturn in the USA.

Leadership and People Management

Particularly at this point in the housing downturns in Australia and the USA, Boral's CEO and Managing Director, Rod Pearse, together with his senior executives, need to provide strong and effective leadership. This occurred in 2006/07. The Board remains confident in Mr Pearse's persistence and proven ability to deliver Boral's strategy. Our confidence in Boral's Management Committee also remains strong. We know that the Company is being well managed for the long-term and that it is well positioned to deliver significant earnings improvements when key markets recover.

Whilst Boral's Management Committee remains a stable team of executives, effective succession planning processes resulted in the internal appointment of Bryan Tisher as the new Executive General Manager of the Timber division in March 2007 and the appointment of Andrew Warburton replacing Bryan as the General Manager of Corporate Development. Internal promotion, cross-fertilisation, and executive development is an important part of Boral's *Perform and Grow* strategy.

Boral employs over 16,100 employees, which is a 2.5% increase in full-time equivalent employee numbers on the prior year. This increase reflects ongoing growth in Asia and growth in Australian Construction Materials, which more than offset a 7% decline in full time employees in the USA as a result of the significant downturn in the US housing market.

On behalf of the Board of Directors and Boral's shareholders I wish to thank Rod Pearse, Boral's management team and all of Boral's Australian, US and Asian based employees for the performance delivered during 2006/07. They have demonstrated Boral's values of leadership, persistence and focus in times of challenging market conditions.

I now invite Mr Pearse to speak to you about the company's performance and strategy.

KEN MOSS CHAIRMAN