



## **2010 ANNUAL GENERAL MEETING**

**4 NOVEMBER 2010**

### **CHAIRMAN'S ADDRESS**

**Bob Every**

"The past year was a year of major change for the Group, with a new Chief Executive and a new management structure and strategy. 2010 also marked our first decade since the demerger.

It was also a challenging year, not just for Boral but for business globally, as we started on the first tentative steps towards economic recovery following the global financial crisis that caused so much disruption to so many around the world.

In Australia, we came through the GFC better than most but it remained, as I said, quite challenging.

Since Mark Selway's appointment as Chief Executive in January 2010, the Group has undergone significant changes. The businesses have been reorganised into five divisions and the planned divestment of two non-core businesses has been completed. The Group has undertaken a \$500m capital raising and has acquired the remaining 50% of MonierLifetile in the United States.

We have developed our strategy to focus on improving the productivity of our existing operations, developing best in class products and concentrating on those markets where we can establish leading positions. We are convinced that our recently announced strategic outline will progressively deliver sector leading performance and improved returns to shareholders.

Despite continued difficult conditions, particularly in the USA, Boral made good progress on a number of fronts during FY2010.

This slide presents the key financials for the year and reflects the Group's underlying results before significant items.

Revenue before significant items fell 6% to \$4.6b reflecting continued tough trading conditions in the United States and the impact of slower construction activity here in Australia.

The underlying profit after tax was similar to last year at \$132m with stronger performances in Building Products and the Asian operations and a marginally lower loss from the United States, offsetting declines in Cement and Construction Materials.

The highlight of the year was the Group's cash generation, which increased 10% to \$459m against \$419m in the prior year. A focus on improved inventory management helped reduce working capital by \$44m while capital spend was down 25% to \$180m in the year.

On the back of improved cash generation and lower spending, net debt reduced to \$1.2b against \$1.5b a year ago. Gearing reduced to 45% against 55% in the prior year and reduced further to 25% following the equity raising in July.

In his address, Mark Selway will provide an update on trading conditions in the first quarter of this year.

In July of this year, we announced a capital raising of approximately \$500m to support future capital investments, future growth and to strengthen Boral's balance sheet. Investments include the acquisition of the remaining 50% of Boral's US concrete roof tile business, MonierLifetile together with investments in plasterboard in Victoria and in quarries in New South Wales.

In August, the Group successfully concluded the one for five entitlement offer with strong support from both institutional investors and retail investors.

A fully franked final dividend of 6.5 cents per share was paid, taking the full year dividend to 13.5 cents per share, compared with 13 cents in FY2009.

The interim and final dividend combined represents a pay-out ratio of 67%, which is in line with our stated dividend pay-out range of 50% to 70% of after tax earnings (excluding significant items) subject, of course, to there being no significant deterioration in Boral's financial circumstances in any particular year.

For both the half and full year dividends, shares issued under Boral's dividend reinvestment plan were issued at a 2.5% discount to the market price. The take-up of the DRP for the year was around 43%.

Despite the difficult trading conditions over the past 3 to 4 years, through the cycle, Boral has delivered strong results, with total shareholder return from share price appreciation and dividends of around 14% per annum over the ten years to the end of June 2010; this is in the upper half of TSR returns for ASX100 companies over that period.

In 2009, the Board commissioned an extensive independent review of Boral's remuneration policies and practices and the outcomes were included in last year's remuneration report. We were delighted with the positive feedback on the format and content of our remuneration report, so this year we have again provided the 'plain English' version of our remuneration practices in addition to the more detailed report. I will ask Brian Clark to provide a brief update on the important aspects of the remuneration and nomination committee when we come to that point in the agenda.

Boral has demonstrated a clear commitment to improving sustainability and safety performance. This was recognised in the year by being named on the 2010 global 100 list of the world's most sustainable companies, announced at the Davos world economic forum.

Our commitment to sustainability is focused on those areas which have the biggest impact on our shareholders, our customers, our communities, our employees and the environment. Key areas of focus include health and safety, energy efficiency and emissions reduction, water management, sustainable product development, and community partnerships.

During the year the group's lost time injury frequency rate for employees at 2.1 was up from 1.8 in the prior year. Contractor LTIFR improved to 2.3 against 2.4 last year.

These results were disappointing and reflect the need for continued vigilance in our objective to instill a "zero accident" culture across all our operations. The Group has committed significant funding to improve our operational performance including increased maintenance, improved housekeeping and an investment in improved guarding across its entire global operations.

Increased management accountability for the health and welfare of all employees, combined with specific focus on the five high incident areas will provide a robust platform for improvements in the future.

Further details about the group's safety performance and environmental and social impacts are included in Boral's 2010 Sustainability Report, which can be found on Boral's website.

Shareholders are aware that Rod Pearse retired at the end of December 2009 after 10 years as CEO of Boral. I take this opportunity to once again thank Rod for his contribution and commitment throughout his tenure.

Dr Ken Moss retired from the Board on 30 May 2010 after almost 11 years with the Group, 10 years as Chairman. His dedication, experience and insight during his long association with the group have been invaluable.

Roland Williams, who has been a non-executive director since 1999, has indicated his intention not to seek re-election. His wise and helpful counsel during his time in office has been of immense value to the Group.

I would like to personally thank Roland for his contribution. Would you please join me in showing your appreciation for his great contribution.

On 1 December 2009, John Marlay was appointed as non-executive director. John has had a distinguished career in the building and construction materials sector including CEO of Alumina Limited and senior roles with Hanson plc in the UK, Pioneer International in the UK and Australia and James Hardie Industries in Australia.

On 16 March 2010, Dr Eileen Doyle joined the Board as a non-executive director. Eileen has had a distinguished career in the materials and water industries in Australia including CEO of CSR's panels division and various senior roles with BHP Limited and four years with Hunter Water with responsibility for planning and policy development.

On 15 September 2010, Catherine Brenner joined the board as a non-executive director. Catherine's career has included working as a solicitor followed by ten years at ABN Amro where she was Managing Director Investment Banking.

At last year's AGM we indicated that we would like to achieve greater diversity on the Board and I am particularly pleased that we have been able to appoint both Eileen and Catherine to the Board.

Apart from the CEO change, there were several other key management changes. Andrew Poulter commenced as Boral's Chief Financial Officer in May 2010 replacing Ken Barton who left the Group after nine years of outstanding service.

Also in May, Murray Read was appointed to the position of Divisional Managing Director of Boral Construction Materials, bringing with him his 25 years of experience in the Boral Group. Murray's appointment followed the departure of John Douglas who left the group after a significant 15 year contribution to Boral.

Mike Kane was appointed President of Boral USA in February replacing Emery Severin who left Boral after 14 years in senior executive roles with Boral in both Australia and the USA.

On behalf of the board, I want to thank Boral's executive team and our 14,800 employees around the world for their commitment, tireless energy and focus in what has been a tough year.

While still at its early stages, our program of operational and strategic change is making sound progress. The initial benchmarking from our lean manufacturing and sales and marketing excellence programs confirmed our views that operational improvements provide the best short term opportunity to deliver margin, earnings and cash flow improvement in the face of uncertain market conditions.

Since my appointment, I have visited a number of the Group's operations and I am pleased to report that there is a great deal of enthusiasm for our program to revitalise Boral's business portfolio and capitalise on the manufacturing and sales initiative being undertaken by the Group.

Management's key focus for FY2011 is to ensure that the operational changes we have initiated are successfully implemented to yield their full potential. At the same time, we will continue to invest in new products and in growth sectors of our business.

The Board is convinced that Boral has the right direction, structure and depth of management expertise to deliver improving returns to shareholders.

While the Group's operating strategies provide good prospects for profitable growth, our strong cash generation and improved balance sheet also give us the leverage to create further growth through business development and acquisitions – but only if those opportunities are right for Boral.

I will now invite Mark Selway to address the meeting. As indicated earlier, Mark will provide an update on the trading conditions experienced in the first quarter of this year. He will also take the opportunity to provide further detail on the group's operating results and new strategic direction."

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