Thank you, Bob.

Ladies and gentleman, I am delighted to be here for my first Annual General Meeting as Chief Executive Officer and Managing Director of Boral.

I understand the magnitude of the challenges this new responsibility brings, having spent the past two and a half years managing Boral’s US business, which has been experiencing the lowest levels of residential construction since the Great Depression. I am also aware of the challenges facing the Australian residential construction markets and the opportunities presented by the resource and infrastructure sectors. I recognise the quality of Boral’s assets and people and with that, the opportunities for improved performance and growth.

Boral has leading market positions in its core businesses:

- Construction materials (quarries, concrete, cement and asphalt) in Australia;
- Cladding and roofing in the USA and Australia; and
- Plasterboard or gypsum in Australia and Asia.

This is a great set of businesses which we have been working to make fitter for tough times and which will serve us especially well in good times.

Over the past two years, we have been strengthening these core businesses through acquisitions, organic growth and improvement programs as well as by divesting non-core and underperforming operations. Boral’s focus is to continue to integrate recent acquisitions and embed improvement programs including LEAN manufacturing.

Recognising that Boral is a cyclical business and that we are currently facing a cyclical downturn in Australia, although not as severe as that in the USA, my immediate priorities are to:

- maximise returns from our existing assets by managing costs down and effectively managing margins; and
- maximise cash generation and reduce debt.

In my first 100 days, I am undertaking a comprehensive review of Boral’s businesses to further analyse costs and review opportunities to reduce expenditure.
Safety

Another immediate priority is to further improve Boral’s safety performance. In FY2012, Boral’s Lost Time Injury Frequency Rate per million hours worked (LTIFR) for employees and contractors combined reduced to 1.8 from 2.0 last year. This LTIFR outcome represents an 11% improvement on the average of the prior three years and is the lowest LTIFR that Boral has reported. My goal is for Boral to achieve world-class standards in safety.

Work has already commenced on the implementation of a new safety intervention program in Australia and Asia, which I introduced in Boral’s US operations. While safety may not appear to necessarily connect with managing costs in line with market demand, I believe safety is a great indicator of efficiency and organisational discipline.

Strategic priorities

Beyond our immediate focus to improve returns, maximise cash generation and improve our safety performance, my objective is to ensure that Boral is positioned to deliver strong returns as markets recover. I believe Boral has the right strategy in place with the potential to deliver significant benefits, but clearly there is further work to do to deliver sector best performance.

We will continue to rely on the key platforms of change introduced over the last few years to deliver improved results: Boral’s operational excellence program known as LEAN, Sales & Marketing Excellence, Innovation and Safety - all underpinned by people engagement and strong leadership.

LEAN is an important tool for delivering efficiencies in our businesses. I will be working with management to ensure there is front line engagement and ownership of the LEAN process to maximise delivered benefits across the group. The introduction of LEAN manufacturing principles is helping us to reduce our manufacturing footprint and high fixed cost capacity at the bottom of the cycle, allowing us to deliver increased output from a reduced production base, which is critically important when markets recover.

A focused program of Sales and Marketing Excellence is critical in this industry. My aim is to ensure we have a systematic and optimal approach to servicing our customers with the right suite of products. In the USA, Sales and Marketing Excellence has been focused on introducing a ‘One Boral’ approach to our customer base with structured innovation programs providing opportunities to broaden our market with world-class products. Boral currently has an innovation centre in Texas in the USA and we are looking to open an innovation centre in Asia and ultimately in Australia, with lessons transferred and these centres to be co-ordinated on a global basis.

I believe in effective people engagement and strong leadership across the business. What I have seen work best is collectively to set ambitious targets and expectations and fully engage the front line in owning their processes and delivering results. With the right leadership in place, management then takes on the role of coaching, mentoring and guiding the organisation and allowing the full organisation to perform.

In my first month in the role, I have visited a number of Boral’s operations in Australia and met with and listened to business leaders to really understand their businesses. An immediate change that I implemented upon my appointment was the restructure of Boral’s global plasterboard operations. Boral’s Australian and Asian plasterboard businesses are now managed under a single division, Boral Gypsum, where the benefits of operational excellence and product development can be fully leveraged. Frederic De Rougemont, who has been managing our Asia plasterboard business, is heading this division.
Over the next few months, I will be spending time in Asia and will continue to work with divisional leadership to identify opportunities for further gains to deliver on Boral’s strategy and improve global performance. In December I will be presenting to the Board a clear path to achieve both our immediate and longer term objectives. Actions will begin in January and I will discuss these further at the half year results in February.

In the meantime, there are five key drivers being rigorously pursued across Boral’s businesses to improve operating performance:

- A continued reduction in Boral’s fixed cost operating base by re-sizing capacity below projected peak cycle demand together with a reduction of overhead costs to better align with the adjusted portfolio.
- Leveraging LEAN manufacturing to reduce physical inventories and to increase output from the reduced production base.
- Divesting or closing remaining unprofitable businesses, which will reduce future investment requirements as well as structural support costs.
- Removing overhead costs which, if excessive, unfairly burden good businesses and inadvertently result in line management’s failure to own its own performance initiatives.
- And finally, scrutinising capital plans to reduce or delay planned expenditure where prudent, and challenging growth investments in divisions or markets that cannot deliver adequate returns on invested capital through cycles. This is best managed through an enterprise view to prioritise capital, not a divisional or regional view.

All of these things will contribute to a determined drive to generate cash and an improved return on assets employed throughout the businesses.

**Perspectives on the USA**

Now looking a little more closely at Boral’s business in the USA.

When I joined Boral in February 2010 US housing activity had slowed to levels not seen since the Great Depression. In FY2012, housing starts were 55% below the long term 50-year average of around 1.5 million housing starts.

The sustained reduction in demand over the past few years has required dramatic cost cutting initiatives, which have continued to be a primary focus for Boral’s US business. During this downturn we have halved Boral’s brick production footprint. At the peak of the cycle we had 24 brick plants operating at 100% capacity in the USA. We have permanently closed 11 of those plants and we have mothballed a further five so that today we only have eight plants in operation.

Because of the initiatives we have implemented, we are now able to meet average market demand of 1.5 million housing starts from fewer manufacturing plants operating more efficiently at higher output, and we have reduced our cost base so that we now expect our break-even point to be closer to around 950,000 housing starts, down from around 1.2 million starts.
Trading update

In the first quarter of FY2013 US housing starts continued to recover with housing starts increasing by 28% year-on-year to an annualised rate of 786,000 on a seasonally adjusted basis, while single family dwelling housing starts increased by 29%. In Boral’s ‘brick states’\(^1\) and ‘roofing states’\(^2\), single family dwelling starts, the key driver of demand for Boral, were up by 20% and 40%, respectively. These improvements in market conditions are starting to flow through to improved sales volumes.

Looking at Australia, market conditions in residential construction remain very similar to the tough conditions experienced in the second half of FY2012, although weather conditions have been more favourable. Infrastructure activity has continued to be strong but not sufficient to offset the impact of the continued downturn in residential activity.

Building Products, which has primary exposure to residential construction, is continuing to be significantly impacted by the sustained, low levels of housing activity.

Construction Materials in Australia is benefiting from a return to more normal weather patterns, and major resource and infrastructure projects which are now achieving target volumes.

In Cement, pricing continues to be constrained by low import parity costs due to sustained low bulk shipping rates and the strength of the Australian dollar.

Finally, in Asia, earnings from the Gypsum business in the first quarter are running below expectations as continued growth in Thailand and Indonesia is offset by weaker demand in both China and Korea.

In summary, trading conditions remain very difficult. Nevertheless, based on the first quarter’s trading, we expect Boral’s underlying trading results for the first half of FY2013 to be an improvement on the underlying trading results for the second half of FY2012. However, lower property sales are anticipated for the first half of FY2013 when compared with property sales during the second half of FY2012. Overall, therefore, we expect net profit after tax (before significant items) for the first half of FY2013 to be comparable with that achieved in the second half of FY2012.

In the second half of FY2013, we should see the benefits flow through from improving market conditions in the USA, an anticipated recovery in the Australian housing market and improvement programs. As mentioned earlier, at the time we announce Boral’s half year results in February, I will provide further details of the improvement programs to be delivered in the second half.

Ladies and gentlemen, thank you for your time. I will now hand back to the Chairman who will take us through the formal business of the meeting.

\(^1\) Boral’s Brick states include: Georgia, North Carolina, South Carolina, Alabama, Kentucky, Mississippi, Tennessee, Arkansas, Louisiana, Oklahoma, Texas

\(^2\) Boral’s Roofing states include: Arizona, California, Colorado, Florida, Kansas, Missouri, Nevada, Oregon, Washington