2007 ANNUAL GENERAL MEETING

29 OCTOBER 2007

MANAGING DIRECTOR'S ADDRESS
(including Trading Update and Outlook)

By Rod Pearse

Ladies and Gentlemen,

May I add to the Chairman's opening remarks by also thanking you for joining us at Boral's 2007 Annual General Meeting.

The Chairman has pointed out that we experienced some of the best and some of the worst market conditions for many decades during the twelve months to June 2007. Our focus for the business is to maintain prices when volumes are under pressure and that we invest in cost effective capacity to supply the market upturns which are typically very strong after significant and prolonged downturns.

the trading conditions experienced in the first quarter of this new financial year.

Financial overview

As you have heard, Boral's sales revenue for the year ended 30 June 2007 was 3% higher than the prior year at $4.9 billion. However, earnings before interest, tax, depreciation and amortisation

Construction Materials, Australia

Boral's Construction Materials businesses in Australia derive around two-thirds of their revenues from non-residential and infrastructure activity and the remaining one-third from residential dwelling construction. An 11% lift in EBITDA to $454m from Construction Materials in Australia benefited from strong infrastructure project work and non-dwellings activity particularly outside NSW. Price gains and growth initiatives also benefited the result.

During the year, the value of work done (VWD) in major road construction and infrastructure in Australia increased by around 4% on the prior corresponding period and Australian concrete volumes in FY2007 also increased by approximately 4%. Boral's concrete volumes only increased by 2% nationally, reflecting our over-weight exposure to NSW, which was the only state that reported a decline in concrete volumes during the period.

Cement, Concrete and Quarry prices lifted by around 4% nationally during the year and Construction Materials benefited from $70 million of performance enhancement program cost reductions. Improved earnings from Asphalt, from Quarry End Use (QEU) and from Blue Circle Southern Cement, were the key drivers of the strong result.

The Asphalt business performed strongly during the year with volumes up 10% and margins improving despite bitumen cost escalation. The business benefited from supply to major projects such as the EastLink project in Melbourne, Victoria's largest single infrastructure project.

Quarry End Use earnings of $56 million were up around
$9 million on last year and were predominantly sourced from the Nelsons Ridge (Greystanes) and Moorebank developments and the Deer Park Western Landfill operation.

Blue Circle had a much stronger year with operational improvement initiatives including a $17 million improvement from the Waurn Ponds kiln in Victoria. This was however, offset in part by a trunnion bearing failure at Berrima in the December half costing around $5 million and an early refractory change at Galong costing around $2 million.

Blue Circle's result for the first quarter of this financial year is well ahead of the prior corresponding

It does not appear that announced NSW Government and Federal initiatives will be adequate to stimulate an early recovery in NSW housing, particularly whilst interest rates continue to increase.

We are however hopeful that with both sides of government now acknowledging the problems and appearing more committed to addressing them, we will see further policy initiatives and an earlier recovery.

In the meantime, our focus continues to be around managing the impacts of the downturn in our Australian Building Products businesses through good capacity and production planning. During the year we continued a program of temporary plant shuts in our east coast brick, masonry and roof tile operations. These temporary shuts increased production costs but we have been able to curtail

out of the business by transferring products to lower cost plants and mothballing plants. We are also working to maintain prices which have held relatively well since 30 June 2007.

Construction materials results improved in 2006/07 but the slowdown in housing starts, particularly in Florida, eroded BMTI earnings in the second half and in the September quarter.

Asia

In Asia, conditions improved in a number of key plasterboard markets, however, construction materials markets remained challenging in Indonesia and Thailand. Full year EBITDA from Asia of $21 million was steady on an underlying basis but was below the prior year which benefited from one-offs.

Since year end, plasterboard businesses have continued to deliver improved results in most countries. The LBGA joint venture business has recently or is currently investing a total of US$83 million in growth projects in Vietnam, Korea, China and India. Whilst LBGA results are strengthening, we continue to experience difficult market conditions in Thailand construction materials and in Indonesia where volumes are strengthening but margins remain weak.

Whilst volatility in Asia has impacted short-term earnings, we believe that in the longer-term the Asian region provides value creating growth opportunities for Boral. We are continuing to strengthen our underlying competitiveness and our capacity to supply future market growth in the region.

Growth investment to strengthen our leading market positions

Across our portfolio we have continued to invest in growth projects to strengthen Boral's leading market positions. During the year, $226 million of growth capital was spent largely on previously announced organic growth projects including the Berrima Cement Mill upgrade, the Queensland Plasterboard plant, the acquisition of a further 30% of Girotto Precast and also on increased US Brick and Roof tile capacity.

Organic growth has accounted for around half of Boral's growth spend and portfolio returns are currently averaging around cost of capital for completed projects. These returns are improving as projects mature.

Boral's acquisition spend has continued to be an important contributor to current earnings and is providing substantial strategic benefits. Overall, acquisitions are delivering returns which exceed Boral's hurdle rate.

Acquisitions and organic growth projects which have been completed are proving to be value creating and have offset a significant amount of the reduction in Boral's EBITDA which would otherwise have resulted from the significant Australian and USA housing downturns. We are confident that as current projects are completed, and as markets recover and grow, Boral's growth portfolio will be increasingly value-adding and will improve Boral's overall returns.

Post year-end, Boral announced the US$80 million acquisition of the Schwarz concrete and sand business and the Arbuckle hardrock quarry in Oklahoma, continuing our value-adding US construction materials growth strategy. These acquisitions are expected to be earnings per share accretive this year and will deliver further improvements as synergies are realised.

Superior Returns in a Sustainable Way

Our Company's overriding objective is to deliver superior returns in a sustainable way. We remain committed to the sustainability of Boral's businesses in a financial, social and environmental sense.

As the Chairman has said in his address, safety is the highest of priorities in Boral. Boral's lost time injury frequency rate improved by 10% to 2.8 and percent hours lost reduced by 18% to 0.09 for the year to June 2007. I assure shareholders, employees and all of Boral's stakeholders that we have not taken the five work-related fatalities that occurred during the year lightly. We are determined to improve the workplace safety of both our employees and of our contractors.

Managing climate change is also an important focus for us. Boral is a significant emitter of $CO_{2\text{-}e}$, and in 2006/07 Boral's fully owned businesses emitted around 3.70 million tonnes of $CO_{2\text{-}e}$. We have been actively participating in a range of voluntary energy efficiency and emission reduction schemes for the past ten years. We are supportive of the introduction of a carbon emissions trading scheme, despite the direct and indirect costs it will add to our businesses, because we see a carbon pricing signal as an important driver of necessary change, but we see the treatment of Trade Exposed Energy Intensive industries as a key issue for Australia, including the cement industry.

Internally we have been increasing our understanding of the potential cost impacts and opportunities under various emissions trading and targeted reduction scenarios. We have been firming up our historic data for 1990 and 2000 and we have been projecting Boral's emissions profile out to 2012 and indeed,