



2008 ANNUAL GENERAL MEETING

24 OCTOBER 2008

CHAIRMAN'S ADDRESS

By Dr Ken Moss

Ladies and Gentlemen,

The key message that we have communicated to shareholders in this year's Annual Review is that *it's not business as usual* in Boral.

Several extraordinary external factors have coincided to create a particularly challenging business environment.

Many of the challenges are not unique to Boral, and the global financial crisis is bringing with it new and greater challenges for everyone. We believe however, that it is important for our stakeholders to understand how these challenges are impacting Boral and how we are responding.

Boral's results for the twelve months to 30 June 2008 reflect these challenges, including difficult market conditions in several key markets and high fuel-related and other input costs. Whilst the significant decline in housing activity in the USA, the continued housing downturn in Australia, and challenging market conditions in Indonesia and Thailand have reduced selling volumes, we have generally done well with prices and costs.

Rod Pearse, in his address, will expand on the strategies that we have adopted to respond to the extraordinary market conditions and other external drivers.

On the positive side, strong levels of infrastructure investment will continue to support Boral's non-financial performance also continues to improve. We are preparing for the introduction of an emissions trading scheme in Australia and we are continuing to implement initiatives to reduce carbon emissions from Boral's operations; we are however concerned that there are costs and risks to Australia of acting unilaterally and getting too far ahead of our key trading partners.

Financial Performance

For the 2007/08 financial year, Boral's sales revenue increased by 6% to \$5.2 billion but Boral's underlying earnings before interest, tax, depreciation & amortisation (or EBITDA¹) declined by 10% to \$688 million. Boral's reported profit after tax (PAT) of \$243 million was down 19% and underlying PAT of \$247 million (excluding goodwill and tax provision adjustments) was 17% lower. This is similar to the 15% earnings reduction we projected at last year's AGM.

It was a challenging year for many of Boral's businesses, particularly our building products businesses in the USA and construction materials operations in Asia. In Australia, housing activity remained at low levels, especially in New South Wales. However, the overall value of work done in Australian building and construction was up by nearly 5% year-on-year as increased work in Australian non-dwellings and major projects offset the soft housing market.

Boral's Australian sales revenues were up 13% due to solid price gains, volume increases and growth benefits. EBITDA in Construction Materials was up 8% to \$489 million and in Building Products was up 11% to \$168 million. The results were underpinned by strong markets in Queensland and Victoria which offset softer conditions in Western Australian housing and continued weakness in New South Wales.

In the USA, the continued deterioration in the housing market, particularly in the second half of the year, saw a 13% decline in US dollar revenues and a decrease in EBITDA from US\$102 million to US\$10 million.

No-one enjoys reporting a decline in annual earnings or losses from any business, especially those that have historically delivered substantial returns and have very strong manufacturing and market positions. Boral's US business has been a very strong contributor to the Company's earnings for many years. When market conditions were strong in 2005/06 the business delivered an EBIT profit of A\$186 million compared with a loss of A\$27 million in 2007/08. Our focus is on managing as well as we possibly can through the downturn and positioning the business well for the recovery which will inevitably occur.

Total housing starts in the USA were down around 27% year-on-year to 1.1 million starts in 2007/08. This compares with peak levels of demand above 2.0 million starts experienced just a couple of years ago in 2005/06. Market forecasters expect housing starts to be lower again in 2008/09 at around 900,000 starts, which is only around half the underlying level of housing starts in the USA.

In Asia, improvements in housing markets in Indonesia, China and South Korea benefited our joint venture plasterboard business, LBGA. LBGA's earnings in US dollars were up 29% before exchange rate impacts, reflecting volume and price increases as well as benefits from cost reductions and growth initiatives. In Australian dollars, Boral's equity accounted profit from LBGA was up 12% to \$18.1 million. Unfortunately, this was offset by a decline in earnings from Boral's construction materials operations in Indonesia and Thailand. Overall, EBITDA from Asia was down 22% to \$16 million. We continue to face challenging market conditions in our Thailand concrete and quarry business and we have

Leadership and People Management

Boral employs around 16,000 employees and more than 9,000 contractors and joint venture employees.

About half of the increase in Mr Pearse's remuneration in 2008 is attributed to the market review and subsequent adjustment to base salary and short term incentives. The other half of the increase is due to the Company's stronger financial performance against target.

Because Boral operates in cyclical markets it is not appropriate for executive remuneration to be driven by year-on-year improvement in company profits. Instead, executives are rewarded for performance against pre-approved plans, objectives and budgets. Sometimes budgeted earnings are lower than previous years due to the market cycles. Hence, we have seen short term incentives paid to executives for managing well during challenging market conditions, which is entirely appropriate and is in the interest of shareholders.

In terms of Mr Pearse's long term incentives (LTIs), these are in the form of options and share acquisition rights (SARs), and are subject to an exercise hurdle being attained, based on relative total shareholder returns. The LTIs are designed to align Mr Pearse's interests with those of shareholders.

Boral's Sustainability Report has again been independently reviewed under the globally recognised AccountAbility sustainability standard AA1000.

The Board

Boral's Board is continuing to work through a period of Board renewal and succession.

After fourteen years of valued service, Elizabeth Alexander will retire as a non-executive director of Boral Limited at today's meeting.

Ms Alexander joined the Board in 1994 and has chaired the Audit Committee since 2000. Ms Alexander has made a valuable contribution to Boral's governance and direction over that time. On behalf of all directors and shareholders of the Company, I thank Elizabeth for her contribution and wish her all the very best for the future.

Last month, Mr Paul Rayner was appointed as a non-executive Director of Boral Limited, to fill the vacancy left by Elizabeth.

Mr Rayner has strong accounting and finance experience, which together with his experience in international businesses and as a non-executive director, will be valuable to the Boral Board. Mr Rayner will become chair of Boral's Audit Committee.

Assuming Mr Rayner is elected at today's meeting the Board will comprise eight directors, being seven non-executive directors and the Managing Director. All non-executive directors are independent.

The tenure of Boral's Board will range from one month to 10 years, providing a good blend of new and