2009 ANNUAL GENERAL MEETING
28 OCTOBER 2009

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

By Rod Pearse

Ladies and Gentlemen,

Thankyou for joining us at Boral's 2009 Annual General Meeting.

The Chairman has commented on the results and outcomes of the past year and as indicated in his address, I will provide you with an update on the conditions we have experienced in the first quarter of this year.

It's been a tough year for everyone – the most serious economic downturn globally in 70 years.

But we are well positioned for the cyclical downturn and for future growth – we have taken hard decisions and our business will be stronger as a result.

The company is in good shape – and I am confident I leave it in good hands.

At the end of 15 years with Boral – ten years as CEO – I feel that it is appropriate for me to take a little time to reflect on what has been achieved in recent years and what position the company is in looking forward.

Significant cyclical challenges

Boral entered the USA market by acquisition 30 years ago in around 1980 and has grown to be the country's largest brick and roof tile manufacturer. We have made attractive returns in the USA and we are there for the long haul. We are however, experiencing the worst housing downturn since the Great Depression. Housing construction activity in the USA is currently running around 60% below the average of the last fifty years and more than 60% below where it was when I became CEO in 2000. Housing construction in the 2009 financial year was down by 42% on the prior year to 650,000 starts, with the second half run rate at around 535,000 starts per annum.

The downturn has meant that we are operating our plants in the USA at around 20% to 30% of

Our overarching objective is to deliver superior returns in a sustainable way through the cycle. We have delivered around 16% per annum total shareholder returns on average since demerger. This performance places Boral in the top half of the ASX100 companies over that period. This is despite the fact that Boral is currently supplying USA and New South Wales housing markets that are at 70 and 40 year lows, respectively.

We have also delivered on our other financial objectives through the cycle. We aimed to deliver returns that exceed Boral's weighted average cost of capital (WACC) through the cycle. Over the past decade, Boral's EBIT to funds employed return has averaged 12.7%, which is above Boral's WACC.

We aimed to deliver better financial returns than the competition in comparable markets. Boral is a strong, well recognised Australian brand with market leadership positions in most markets in which we operate. Our returns compare well with competitors in like markets across most businesses.

Understanding what is possible around emissions abatement and the limitations is extremely important for Boral and for the broader community. We have undertaken projects to reduce energy consumption and greenhouse gas emissions. We have also spent time forecasting our future emissions and identifying further abatement opportunities in the areas of energy efficiency, renewable energy, alternate fuels and alternate materials. The implementation of these abatement opportunities is dependent on the anticipated cost of carbon in a trading environment, the costs to Boral of implementing identified abatement initiatives and available technologies.

Boral has been well positioned to participate in the carbon emissions trading debate, which is critically important to our cement business. This has taken a lot of my time and that of senior executives in recent years but it has been very important to the business.

With the exception of the cement business, which competes with imports, we expect that Boral's other businesses will offset the increased costs associated with the proposed Carbon Pollution Reduction Scheme (CPRS) with price increases and cost reduction initiatives. We have however, consistently argued that there is a need for the cement industry to be recognised as an emissions intensive trade exposed (EITE) industry and for EITE operations to receive appropriate transitional assistance ahead of Australia's key trading partners adopting similar carbon trading regimes.

The current form of the CPRS proposed by the Government is a significant improvement over its earlier proposals; it more appropriately recognises EITE industries and through the provision of transitional assistance it better maintains Australia's competitiveness until such time as there is a regional, sectoral and global response. There remain concerns however with the currently proposed CPRS. While assistance provided to the cement industry appears to be broadly sufficient at the

Dwelling approvals in July and August have lifted with approvals of around 145,500 dwellings annualised, which is 13% higher than the monthly average for the previous six months. Even more positive is a 49% year-on-year lift in finance approvals in July for new dwelling construction which was followed by a 55% year-on-year lift in August. The strength in finance approvals has been supported by the Federal Government's boost to the first home owners grant, which is now starting to flow through into the 'upgrader' market. This bodes well for an Australian housing led recovery in the second half of this financial year. There is currently however, a larger than normal lag between finance and building appr

Pricing outcomes in the first quarter were positive across the business and were in line with our expectations. The higher Australian exchange rate however, is putting pressure on cement import parity pricing.

Extensive cost reduction programs are continuing across the business and are delivering benefits in line with expectation.

At our full year results in August we said that we expect the market conditions experienced in the second half of FY2009 to broadly continue during the first half of FY2010, but that second half activity levels are expected to be stronger than the first half. This view is unchanged. Whilst September quarter earnings were above our expectations, market conditions remain uncertain and it is too early to project earnings outcomes for FY2010.

Closing

There is no doubt that 2010 will be another challenging year for everyone in this sector, but after a decade as CEO, I am confident that I will be leaving Boral as a strong, well managed group. Boral's future earnings and dividends will increase strongly as Australian and US housing markets recover from their current depths. As volumes increase the full benefits of Boral's growth investments will further strengthen earnings. Boral's cash flows and balance sheet remain strong and will support further value-creating growth opportunities as these emerge.

In the USA, we have confidence that the long-term underlying demand level is around 1.8 million housing starts per annum supported by solid population growth, particularly in the regions in which we operate. In Australia, stronger than expected population growth forecasts and a related lift in infrastructure spend and housing starts, should underpin a significant future lift in Australian building and construction activity. The Australian Government's third intergenerational report shows that Australia's population is expected to grow by 65% to 35 million by the year 2049. As Australia's Prime Minister Kevin Rudd has said, this is good news for Australia. This is also good news for Boral.

Last night's announcement by the Prime Minister that the Federal Government will, in conjunction with the States, develop national criteria for the future integrated urban planning of Australia's capital cities and that it will tie future infrastructure funding to the embedding of those principles in future strategic growth plans for our capitals is also good news. Active involvement by the Federal Government in strengthening urban planning should lead to an increase in the supply and quality of affordable housing and an improvement in related urban transport systems and amenities, which will support the anticipated growth in the populations of Sydney Ma.0012 Twm