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2012 ANNUAL GENERAL MEETING THURSDAY, 1 NOVEMBER 2012

Chairman's Address

by Dr Bob Every

Good morning ladies and gentlemen.

Welcome and thank you for joining us at this year's Annual General Meeting.

Before I commence talking about the Company's performance and the changes we have made at Boral, I would like to take a moment to acknowledge my predecessor Dr Ken Moss, who sadly passed away three weeks ago on the 12th of October, at the age of 67.

After ten years as Boral's Chairman and serving 11 years on the Board, Ken retired in May 2010. In 2008 he became a Member of the Order of Australia in recognition of his contribution to business and of his service to the community. In December 2011, he was appointed to the position of Chancellor of the University of Newcastle.

During his time as Boral's Chairman Ken provided invaluable leadership and support to the Company. He was a man of considerable intellect and learning, who also possessed an excellent sense of humour. Ken will be missed by many people who were fortunate to know him, including those of us here today at Boral's AGM.

Let me now proceed with my formal address.

The past financial year has been difficult for Boral. Our businesses continued to face very challenging market conditions; we continued to restructure and reshape the business; and towards the end of the financial year leadership changes were implemented.

Leadership

As you are all no doubt aware, Boral has a new Chief Executive Officer and Managing Director, Mike Kane. Today marks one month into the role for Mike and I welcome him to his first Boral AGM as Boral's Chief Executive Officer and Managing Director.

Following Mark Selway's standing down as Boral's Chief Executive in late May this year, the Board commenced an extensive international search for a new CEO. The Board considered a number of excellent candidates for the role and we were delighted to announce Mike Kane's appointment to the position in September.

Mike joined Boral in February 2010 as President Boral USA, and in that role he has demonstrated excellent leadership and business improvement skills, having substantially improved the underlying US business during extremely difficult market conditions. Mike was a member of the senior leadership team that formulated Boral's strategy in 2010 and has spent the past two and half years realigning Boral's US business, including integrating two key strategic acquisitions, which have strengthened Boral's position for when the US housing market recovers.

With extensive industry experience in the USA, Europe and in Asia, Mike spent 24 years in senior executive roles with US Gypsum, Hanson/ Pioneer and a number of other building construction materials companies. We have confidence in Mike's ability to deliver required improvements and enhanced shareholder returns.

On behalf of the Board, I would like to thank Ross Batstone for his excellent stewardship as Chief Executive Officer during the transition period as well as his contribution in other senior roles at Boral over the past 21 years. Ross stepped into the role of Chief Executive Officer in May 2012 to allow the Board time to undertake a comprehensive search for a new CEO. Ross will continue to work with Mike and assist with projects in the coming months before his planned retirement in July 2013.

Following Ross Batstone's appointment to CEO in May 2012, Bryan Tisher moved into the role of Divisional Managing Director of Boral Building Products. Bryan was Executive General Manager of Timber since 2007 and has 14 years of executive experience with Boral, including seven years as Boral's General Manager Corporate Development.

Rounding out the senior leadership changes, Al Borm has been appointed as Mike Kane's successor in the position of President Boral USA. Having joined Boral in the role of President Boral Roofing in the USA, Al has extensive industry experience in the US building and construction industry including logistics, marketing, sales, business development and general management roles with US Gypsum, Hanson Building Products America and CRH.

Financial performance

Now turning to Boral's financial performance for the year ended 30 June 2012.

Boral was impacted by a significant decline in Australian residential activity, particularly in the second half of the financial year, and sustained rainfall on the east coast of Australia. The business also continued to deal with the sustained deep downturn in the USA.

Boral's sales revenue of \$5.0 billion compares with \$4.7 billion last year. Excluding the impact of the acquisition of Lafarge's 50% of the Asian plasterboard business in December 2011, when Boral began consolidating revenue and earnings, revenues of \$4.7 billion were broadly steady. Price increases in Australia combined with volume improvements in the USA offset volume declines across most Australian businesses.

Profit after tax before significant items (PAT) of \$101 million was down 42% on the prior year. Boral's net profit after tax (NPAT), after \$75 million of significant items, was \$177 million, which was a 5% increase on the prior year.

Earnings before interest and tax (EBIT) of \$200 million before significant items declined by 28%. Operating cash flow of \$133 million was \$218 million below last year due to higher interest payments, prior year tax refunds and higher acquisition and restructuring costs.

A fully franked final dividend of 3.5 cents was paid on 28 September 2012, bringing the full year fully franked dividend to 11.0 cents per share, compared with 14.5 cents in FY2011. This represents a payout ratio at the top end of our historical range of 60-80%.

To help maintain Boral's capital structure the Dividend Reinvestment Plan (DRP) was underwritten in respect of the interim and final dividends, with shares under the DRP issued at a 2.5% discount to the market price. The take-up of the DRP for the interim and final dividend combined was 48%.

I am aware that many shareholders are disappointed by the reduction in Boral's dividend and Boral's performance more broadly. The Board and management agree that Boral's performance needs to improve.

Operating results and strategic responses

While external factors have been significantly impacting Boral's results, with the Australian housing market running at cyclical low levels of demand and US housing starts remaining at historically low levels, we are pursuing longer-term sustainable improvements and more immediate opportunities in the shorter-term to improve our cash generation and reduce debt.

In Australia, Building Products' results declined substantially in the second half of FY2012 as a result of the severe drop in residential construction activity. Housing starts for the year were down 11% to 140,000 starts and in the second half were at an annualised rate of 129,000 starts. This compares to 157,500 last year and 165,500 in the year to 30 June 2010. These may not appear overly large reductions but in high fixed cost businesses like ours, marginal demand can have a large impact on profit.

Building Products revenue of \$1.01 billion was 15% below the prior year, with sales volumes declining between 14% and 16% in plasterboard, bricks, roofing, masonry, hardwood and softwood timber. Sales volumes in most product groups have fallen by 25% or more since December 2010. EBIT from Building Products was \$20 million for the year. This reflects higher fixed unit manufacturing costs as a result of lower volumes, one-off higher distribution costs while the Port Melbourne plasterboard plant upgrade was being commissioned and the impact of de-stocking to lift cash flow.

Decisive action has been taken in Building Products in response to changed market conditions. We have reduced Boral's Australian brick and roof tile production capacities and are exiting underperforming businesses to make Building Products more profitable through the cycle.

Permanent closures and mothballing of high fixed cost and low utilisation plants have resulted in a 37% reduction in installed brick capacity and a 20% reduction in roof tile capacity. The exit of the loss making East Coast Masonry business will reduce Boral's masonry capacity by 70%. As a result of this restructuring, employee numbers in Building Products will have reduced by around 800 or 23% over the past 12 months.

In Boral's largest division, Boral Construction Materials, despite an increase in revenue, EBIT of \$174 million was down \$30 million due to reduced property earnings, lower volumes in key markets and operational inefficiencies resulting from wet weather in the second half of the year.

Boral completed the acquisition of the construction materials assets of Wagners and Sunshine Coast Quarries in the second part of calendar 2011, strengthening Boral's core Construction Materials business. These acquisitions have now been successfully integrated into the business, significantly enhancing Boral's resource position in South East Queensland. Boral's FY2012 EBIT only included a minimal contribution from these acquisitions due to extreme wet weather impacts in South East Queensland in the second half. A full year normalised EBIT from these acquisitions is projected from FY2013 onwards.

Over time we should also see a lift in Construction Materials' returns as a result of the Peppertree Quarry investment. This investment will bring a world-class asset on line securing Boral's competitiveness in the New South Wales metro aggregates market for decades to come. Boral's management is focused on improving aggregate margins to optimise returns on this \$200 million investment.

Boral's Cement division reported revenues of \$430 million for FY2012, 3% below the prior year. EBIT was down 21% to \$69 million, with a large loss of lime and limestone sales due to the closure of BlueScope Steel's blast furnace in Port Kembla, reducing EBIT by a net \$6 million. Lower volumes, higher input costs, particularly electricity and fuel, constrained pricing in cement due to the high Australian dollar, and a shift to lower margin cement segments also impacted earnings.

In response to market changes, Boral's Galong lime operation was closed and subsequently divested for \$25 million, and a review of Boral's Cement operations is underway to explore options to reduce costs through more flexible cement supply.

Boral's most significant acquisition during the financial year was the acquisition of Lafarge's 50% interest in Lafarge Boral Gypsum Asia, renamed Boral Gypsum Asia (BGA), for an equity value of \$530 million in December 2011. The acquisition has provided Boral 100% ownership of the leading plasterboard position in the Asia Pacific region and a strong platform for growth through further penetration of plasterboard.

Reported revenue and EBIT from the Plasterboard Asia business reflect the shift from JV equity accounting to fully consolidated reporting since December 2011, when Boral acquired control. Underlying EBIT of \$63 million for the full year was an increase on the prior year, reflecting a 9% increase in volumes across the region and sustained margins.

The Asian plasterboard business is an expected key driver of future EBIT growth. The business is exposed to high GDP growth emerging markets and, with the exception of Korea where Plasterboard is a relatively mature product, BGA is well-positioned to benefit from increasing penetration of plasterboard from a relatively low per capita level of consumption. Driven by average volume growth of 7.5% p.a. since 2001, the plasterboard business in Asia has achieved average revenue growth of more than 10% p.a. since 2001 and EBITDA has almost doubled in the six years to 2011.

In the USA, revenues of A\$499 million were up 16% on last year, and EBIT losses reduced to A\$84 million from A\$99 million in the prior year. The result reflects a modest recovery in the housing market, continued plant rationalisations and head count reductions, LEAN efficiency improvements and the inclusion of the Cultured Stone joint venture acquisition. Although housing starts remain at historically low levels of 685,000 starts, well below the 50-year annual average of 1.5 million starts, this was a 20% increase on the prior year.

There is the prospect of significant earnings uplift to come from the USA as market volumes return to more normalised levels. This is due to the fundamental reduction of Boral's brick and tile manufacturing cost base, and the leverage from the MonierLifetile and Cultured Stone acquisitions made at the bottom of the cycle.

Capital management

With \$923 million invested in growth and acquisitions during the year, Boral's net debt at year-end was \$1.5 billion.

Based on Boral's gearing covenant under its bank facilities (debt to debt plus equity less intangibles), Boral's 40% level as at 30 June 2012 remains well within the threshold under its bank facilities of less than 60%.

As well as focusing on cash, there will be an ongoing increased emphasis on return on assets employed as we deliver on the acquisitions we have made during the last two years.

Capital expenditure for FY2013 will be lower than FY2012, even allowing for capital expenditure to complete the Peppertree Quarry. Divestments made over the past two years have returned approximately \$170 million of cash. Over the next two years, a further \$200 - \$300 million of cash generation will be actively pursued through the divestment of non-core assets and property sales.

Concluding comments

In conclusion, significant restructuring and investment have taken place over the past two years to reshape the business. More is being done to deliver required returns from recent investments and to deliver improvements from the underlying business.

A Group-wide performance improvement plan is underway, leveraging LEAN tools to improve profit, operating cash flow and return on assets. This will further strengthen Boral's strategic business positions by:

- better aligning overhead costs in Australia with Boral's adjusted portfolio,
- cutting physical inventories by leveraging LEAN, and
- exiting remaining underperforming or marginal positions in low growth markets.

The Board has confidence in Boral's current strategy, market position and focus, and believes the business is well positioned to leverage increased market activity in Australia and the USA as markets recover, as well as continue to achieve growth in plasterboard in Asia.

On behalf of the Board, I thank our shareholders for their support and Boral's senior executive team and employees for their ongoing hard work and commitment during a difficult year.

I will now ask Boral's newly appointed CEO, Mike Kane, to address the meeting. Mike will discuss his immediate priorities for Boral including commenting on Boral's safety performance. He will provide further comments on Boral's position in the USA as well as a broader trading update.