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 is to manage the business well during the downturns and to position the Company to deliver maximum value for shareholders during the upturns. This includes ensuring that we take costs out of the business and 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 Chairman has focused his address on Boral's performance in the 2007 financial year. I will provide you with an overview of how our *Perform and Grow* strategy is enabling us to manage through the cyclical lows and cyclical highs across Boral's portfolio. I will also provide comments on 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 (otherwise known as EBITDA) of $762 million was down $61 million or 7%.

In Australia, EBITDA of $605 million was 6% higher than the prior year. Offshore EBITDA decreased by $98 million or 40% to $150 million and accounted for 20% of Boral's earnings for the year.

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 period with improved kiln performance. The Berrima kiln has been performing well but is producing cement for interstate markets because of lower demand in NSW, which does incur additional freight costs. Lime demand has lifted with kiln utilisation running well, underpinned by improved demand from the steel industry.

Construction materials markets in Queensland, Victoria and Western Australia continue to be strong and in particular Queensland and Western Australia look promising for at least the next several years. In Victoria, Melbourne's EastLink project will be completed at the end of this calendar year but a number of other large projects are in the pipeline, particularly in Queensland, which will benefit our construction materials businesses. Increased road and highway work in NSW is also expected to commence in the second half of this financial year.

Capacity constraints in the growth states of Queensland and Western Australia resulted in additional cost pressures during the last year. We have been de-bottlenecking capacity to reduce costs and ensure supply to the market. We have also been investing capital in new capacity. We have invested $30 million in Asphalt capacity in key growth markets including new plants at West Burleigh and Ipswich in Queensland, at Welshpool in Perth and in Geelong, as well as two mobile plants that can be moved from state-to-state as demand shifts. In the past year, we have also been investing in concrete and quarry capacity in south-east Queensland in particular, including a new concrete plant at Lawnton and additional capacity at Narangba, Purga and Stapleton quarries.

In Queensland, our 50%-owned Sunstate Cement business is investing a total of $85 million in new clinker grinding capacity to better supply the growing Queensland market.

Building Products, Australia

Another major investment in Queensland is a new 40 million m^2 plasterboard plant, which is expected to start commissioning during this current quarter. This state-of-the-art plant will double our capacity in Queensland, allow us to close our existing operation at Northgate in the second half of this financial year and will allow cost competitive supply of plasterboard into Queensland and other markets.

Whilst Queensland is a growth state where we are investing for the future, NSW remains our largest state and typically has the highest integrated margins. Unfortunately, the continued downturn in Australian dwelling activity, especially in NSW, adversely impacted volumes and manufacturing costs during the year.

Our building products businesses derive on average around 80% of revenues from Australian dwelling activity. We reported a 7% decline to $151 million in Australian Building Products EBITDA earnings for the year.

Whilst Australian dwelling starts in 2006/07 were steady, NSW dwelling starts fell by 9% during the year following a decline of around 30% over the previous two years. NSW detached dwelling approvals for the past twelve months are around 50% below the peak construction rate in FY2000 and they are more than 40% below the last cyclical peak experienced in 2002/03. Activity levels in NSW housing construction are the lowest they have been over the past 35 years and they are approximately 40% below the levels of longer-term underlying demand.

The NSW government has been aware of the increasing housing affordability crisis in this state for some years but unfortunately has been slow to respond.

NSW is the only state where developers are charged around $140,000 per lot to cover the costs of public infrastructure and taxes. Whilst we welcome the recent announcement by the NSW Premier that state infrastructure charges will be reduced by around $15,000 to $25,000, there is insufficient margin and incentive for developers and builders to increase the supply of affordable land and housing which is so clearly needed. In other states these developer costs are a fraction of this amount – usually between $10,000 to $40,000 - with state and local governments taking greater responsibility for the costs of public infrastructure.

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 inventory growth which has strengthened our ability to hold or increase prices. We have also largely avoided permanent closures or redundancies.

The first quarter of this new financial year has seen some softening in Western Australia however we have seen improved volumes in Queensland and Victoria and we continue to wait for a lift in NSW housing activity where we are well positioned to supply the market and to deliver value for our shareholders.

USA

Around 20% of our revenues are currently derived from the USA.

Total housing starts in the USA fell by about 25% in 2006/07 to around 1.55 million starts. This significantly reduced earnings from brick and roof tile businesses which hold leading market share positions. The Australian dollar also appreciated by around 15%.

In Australian dollar terms, EBITDA from our USA operations in 2006/07 was 41% down on the prior year to A$129 million.

Boral's roof tile states – predominantly Florida, California, Nevada and Arizona – saw housing starts decline by around 40% during the year. This significantly impacted our concrete roof tile joint venture business MonierLifetile, which delivered a loss of US$4 million compared to the previous year's profit of US$28 million.

Our US brick states, which are more concentrated in the South of the USA including Texas, Georgia, the Carolinas, and Tennessee, saw total dwelling starts down 22% during the year.

The volume effects of the housing downturn impacted more heavily in the second half of the year and we slowed production and reduced inventory. The utilisation rates in our US brick plants averaged 72% of capacity in the second half of the year. Our roof tile plants ran at an average of 38% of capacity in the second half.

US housing starts and brick and roof tile sales volumes, have continued to decline in the September quarter. Plant utilisation in both our roof tile and brick businesses has been further reduced as we have moved to further reduce production to match declining demand. We are currently using 35% of our roof tile production capacity and around 65% of our brick capacity. We are working hard to pull costs 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, out to 2020 to understand our emissions profile and to link future targets to them. When national emissions targets are set (both in Australia and the USA) we will be in a good position to ensure that Boral is contributing appropriately to abatement targets and that we understand both the costs and benefits of possible Boral emissions targets. In the meantime, in each of our divisions we are striving to reduce emissions per unit and to offset Boral's increases in absolute emissions as a result of market demand growth.

Boral's 2007 Sustainability Report provides shareholders with further detail about our climate change strategy and a range of other sustainability priorities.

I would like to thank Boral's employees for their efforts in delivering these improvements and for their contribution to the Company's financial results in 2006/07.

Outlook

I have commented throughout my address on the trading conditions impacting across Boral's portfolio in the first quarter of the year. Overall, in the first quarter the Australian business has performed ahead of expectation whilst the US has performed below expectation.

Construction materials profits in Australia in the September quarter was above the prior year as it was in FY2007. We expect this trend to continue in FY2008. The improved construction materials result is being underpinned by stronger volumes, stronger prices and by very effective operational improvement initiatives. Concrete and quarry prices have lifted well year-on-year as the April 2007 price increases flow through. Cement price increases of $8/tonne have recently been announced in Queensland as import parity prices have strengthened as a result of stronger cement prices out of

China and higher freight rates (despite the appreciation in the Australian dollar). Improved cement prices will benefit results in the June quarter.

Despite weakness in some markets, the performance of our Australian building products businesses in the September quarter was ahead of expectation. We expect that building products profits for the full year will be broadly flat with the prior year.

We expect continued growth and competitive market conditions in Asia for the remainder of FY2008. First quarter results from LBGA were better than expected but construction materials results were weaker.

Since year end US housing permits and starts have continued to decline and this has further reduced earnings from our brick and roof tile businesses. Construction materials results have benefited from the Schwarz/Arbuckle acquisitions in August and are relatively steady year on year.

We indicated in August that forecasters expected housing starts of 1.4 to 1.5 million in FY2008. However, forecasters have now reduced their FY2008 forecast to 1.25 million starts. Whilst there is considerable uncertainty we anticipate that US housing starts could fall to 1.1 million in FY2008 which is 30% below the prior year and 40% below the level of underlying demand. If this occurs and if the AUD/US exchange rate remains at around $0.90 for the remainder of the year, Boral's profit after tax in the first half and the full year will be around 15% below last year.

Thankyou for attending today. We greatly appreciate your interest and support of Boral.

ROD PEARSE
CEO AND MANAGING DIRECTOR