



“Superior Returns in a Sustainable Way”

Rod Pearce
CEO & Managing Director, Boral Limited
FINSIA Address, Sydney, 2 November 2006



Address to Securities Institute in October 2000

- Rationale for the demerger remains sound
- The demerger presented opportunities – we are on track
- Strategies in place to cushion the downturn
- We are well-positioned to strengthen future performance (perform & grow)
- In time the market will recognise progress and respond ”

*Rod Pearce, 16 October 2000
Securities Institute of Australia*



“The rationale for the demerger of Boral and Origin Energy remains sound”

- Investment choice for shareholders
- Leading to creation of shareholder value in both companies, through:
 - Independent strategy and financial policy
 - Focus on core competencies
 - Organisational restructure
- Market re-rating

*Rod Pearce, 16 October 2000
Securities Institute of Australia*



New Boral's Investment Fundamentals

	<i>Then*</i>	<i>Now**</i>
Market capitalisation	\$1.1 billion	\$4.3 billion
Share price	\$2.00	\$7.25
NTA per share	\$2.78 (30/6/00)	\$4.07 (30/6/06)
P/E	8 x	12 x
Dividend yield	~ 9.0% (unfranked)	~ 4.7% (100% franked)

** Data as at 13/10/00*

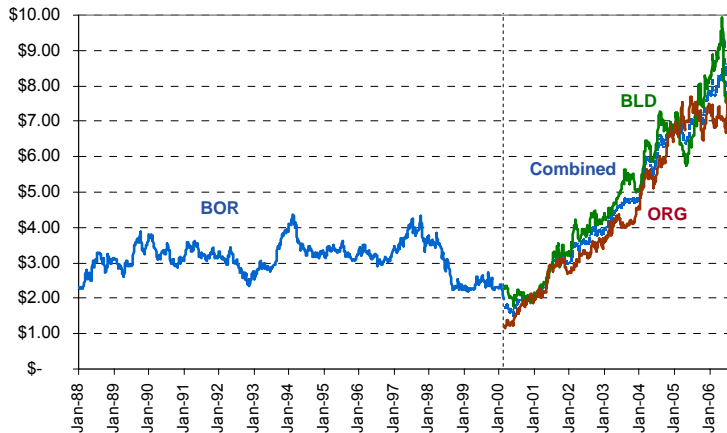
*** Data as at 30/10/06*



Clearly New Boral and Origin Energy have regained favour in the financial markets

BORAL SHARE PRICE

(BOR ASX code; ORG & BLD Combined Share Price/2)



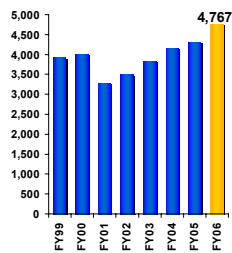
Then and now...

	Then (FY2000)	Now (FY2006)	Δ
Sales	\$4.0bn	\$4.8bn	+20%
EBITDA	\$563m	\$823m	+46%
Net profit	\$169m	\$362m	+114%
EBITDA/sales	14.0%	17.3%	+24%
Return on equity	9.5%	13.2%	
Funds Employed	\$2.7bn	\$4.3bn	+59%
Return on funds employed	13.2%	14.2%	
Gearing (net debt / equity)	54%	57%	

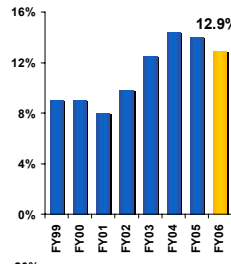


Sales & EBITDA held well during the 2001 downturn and are holding well in this current downturn

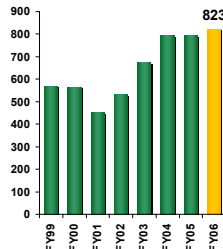
Sales revenue, A\$m



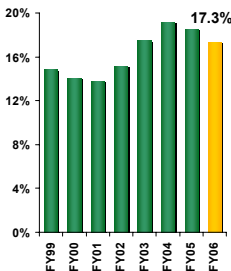
EBIT / Sales



EBITDA, A\$m



EBITDA / Sales



FY05 result onward has been adjusted for adoption of A-IFRS



We set some “demanding” goals very early

“Boral intends to be a value(s) and market driven, focused building and construction materials supplier operating in Australia and increasingly offshore”

Rod Pearse, October 1999

Objectives

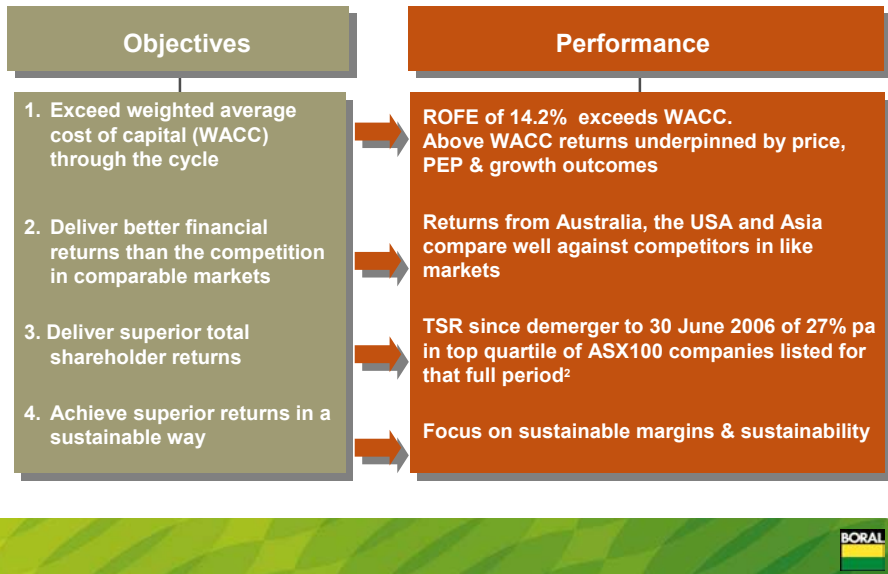
- Exceed the weighted average cost of capital (WACC) through the cycle
- Deliver better financial returns than the competition in comparable markets
- Deliver superior total shareholder returns (TSR)
- **Achieve superior returns in a sustainable way**



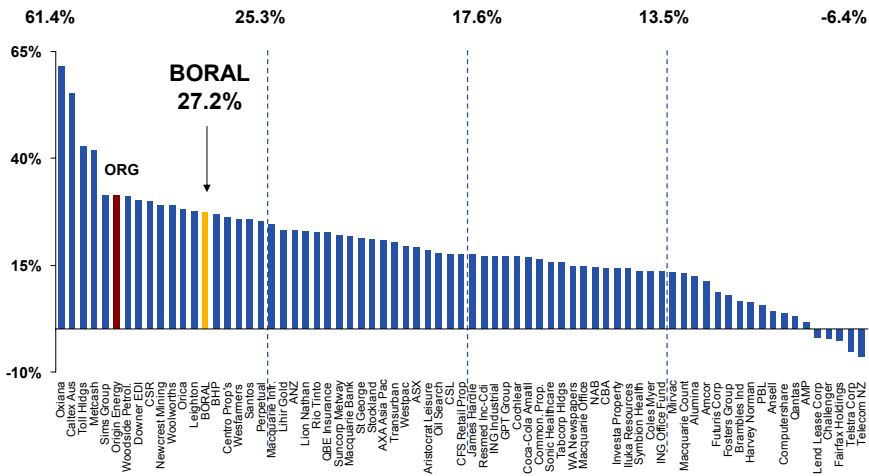
Delivered through a Perform & Grow Strategy



We have delivered “on promise” since demerger

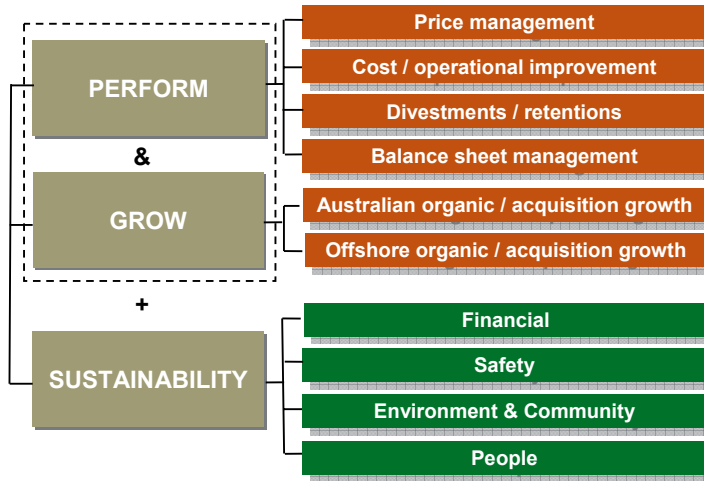


From Demerger to June 2006 Boral (TSR 27%) has achieved top quartile performance



Note: Boral starting price was A\$24.3., closing price at 30 June 2006 was \$8.14; there are 73 current ASX100 companies with full trading history during the period
 Source: Bloomberg

From “old Boral” to “new Boral” through a simple but comprehensive *Perform & Grow* strategy



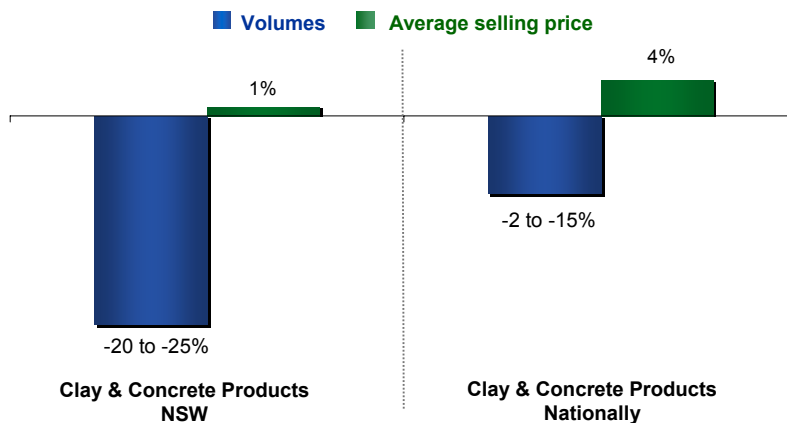
Disciplined pricing despite continued volume pressures in some markets

		FY06 v FY05 Δ prices / volume	
Building Products, Australia	▪ Bricks	↑	↓
	▪ Roofing	↑	↓
	▪ Masonry	↑	↓
	▪ Plasterboard	↓	↑
	▪ Timber	↔	↑
	▪ Windows	↑	↑
Construction Materials, Australia	▪ Cement	↑	↑
	▪ Quarries	↑	↑
	▪ Concrete	↑	↑
USA	▪ Bricks	↑	↑
	▪ Clay Tiles	↑	↑
	▪ Flyash	↑	↑



Bricks, roofing & masonry sales volumes in NSW were down 20-25% in Sept quarter but prices were up

September quarter 2006 on September quarter 2005 % change



Despite a relentless focus on cost management, price/margin squeeze is occurring

- Target 3-4% of compressible costs in PEP* each year; delivered 3.4% p.a. since demerger (\$124m in FY2006)
- Cost escalation in FY2006 significant ~6% (excluding fuel-related and depreciation ~4% up)
- “Rotate” step-change programs across group: eg.
 - US Bricks (eg. alternate fuels, plant optimisation)
 - US Tile (eg. debottlenecking)
 - Bricks East (eg. network optimisation, SKU reduction)
 - Masonry (Vic & NSW) (eg. debottlenecking, cycle time improvements)
 - Aus Construction Materials (NSW and Qld)

PEP = Performance Enhancement Programs



Divested ~\$500m of loss-making & non-core business; turned around others

DIVESTED

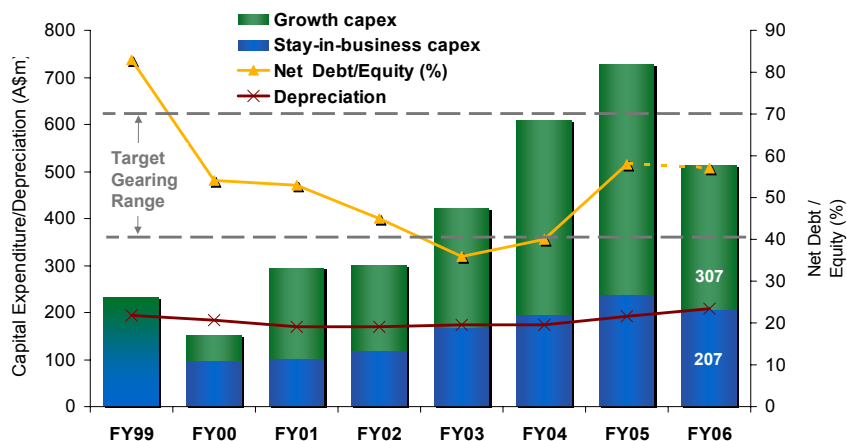
- Tasmania Board Mills (1999)
- Europe bricks & Calcit Quarry (1999)
- Queensland Hardwoods (1999)
- Southport Ceramics (1999)
- Tyres (2000)
- Building Products NZ (2000)
- Melocco dimension stone (2000)
- Tasmanian Woodchips (2000)
- Tumbarumba Timber Mill (2000)
- Windows extrusion (2000)
- South East Transport (2000)
- BMTI Additives business (USA) (2002)
- Exiting Hunter Valley Transport (current)
- Exiting WA Contract Mining (current)

TURN AROUNDS

- MonierLifetile
- BMTI
- Asia Plasterboard
- Hardwoods/Softwoods
- Windows (fabrication)



Stronger underlying margins and balance sheet supported growth program

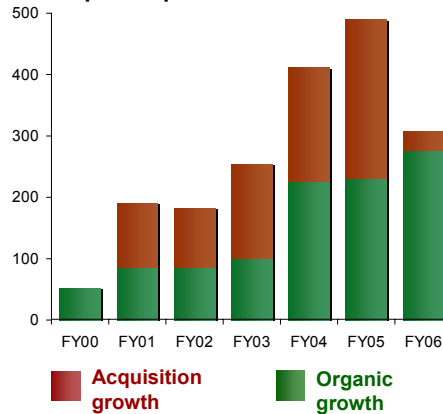


~ \$1.9 billion spent on growth since demerger, increasingly offshore; ~65% over past 3 years

Growth Expenditure Demerger to 30 June 2006



Organic growth & acquisition capital expenditure



Growth: ~ \$380m of recently commissioned (announced pre-2005/06) projects will benefit results from FY2006/07

Growth project	Benefits	Benefits from:
Bricks (Salisbury & Augusta)	▪ Upgrade for additional 49m SBE of capacity	Sep-05 Q
Concrete (Qld, NSW, WA)	▪ Midway Minimix, Numix and Go-Crete bolt-ons	Dec-05 Q
Quarries (NSW, Vic)	▪ Upgrades at Peats Ridge, Dunmore, & Bacchus Marsh	Dec-05 Q
Waurin Ponds St.2	▪ Additional 300k tpa, reduced costs & emissions	Mar-06 Q
Queensland concrete	▪ Additional capacity - Coomera, Lawnton & Ipswich	Mar-06 Q
Union City (Bricks, USA)	▪ Additional 100m SBEs capacity	Jun-06 Q
Concrete roof tiles	▪ Katy Texas - increase capacity by 96k squares	Jun-06 Q
Midland Brick (WA)	▪ Replace ageing plant, + 10m SBEs, reduce costs	Jun-06 Q
Maldon (Cement, NSW)	▪ Consolidation of cement bagging with capacity lift	Jun-06 Q
Wacol (Paving, Qld)	▪ Construction of automated wet cast paving plant	Jun-06 Q
Hérons Creek (Timber)	▪ \$24m green mill and log yard upgrade	Sep-06 Q
Trinidad (Clay tiles, USA)	▪ 130k square tile plant build to serve Florida market (JV)	Sep-06 Q
Berrima (Cement, NSW)	▪ Additional 400k tpa grinding capacity	Mar-07 Q
Marulan (Quarries, NSW)	▪ Additional land reserves	Longer term
China (Plasterboard, LBGA)	▪ Purchase Shanghai land; double capacity to 70m m ²	Longer term



Growth: ~ \$320m of (2005/06 announced) growth capex will benefit results from FY2007/08

Growth project	Benefits	Benefits from:
Vietnam (Plasterboard, LBGA)	<ul style="list-style-type: none"> Commence plasterboard manufacturing – 10m m² 	Sep-06 Q
Plasterboard (Qld)	<ul style="list-style-type: none"> New 40m m² plant - \$106m net investment 	Dec-07 Q
Bricks USA (Terre Haute, Indiana)	<ul style="list-style-type: none"> New US\$55m 120m SBE plant 	Dec-07 Q
Ione (Clay tiles, USA)	<ul style="list-style-type: none"> 130k square new tile plant build in California 	Dec-07 Q
Concrete roof tiles (Nevada, Florida)	<ul style="list-style-type: none"> US\$69m investment to build two new plants in Lake Wales, Florida¹ & Las Vegas, Nevada²; capacity lift of 900k squares pa 	¹ Dec-07 Q ² Jun-08 Q
South Korea (Plasterboard LBGA)	<ul style="list-style-type: none"> Double capacity to 75m m² & new ceiling tile plant 	Mar-08 Q
Gold Coast (Quarries, Qld)	<ul style="list-style-type: none"> Acquisition of 50m tonne or 30 years of additional hard rock reserves at Reedy Creek, Gold Coast 	Longer term



Our growth projects are on track



Waurn Ponds (Victoria)

- Cement/ clinker upgrade from 500k tpa to 800k tpa commissioned in FY06
- Meeting “name plate” daily targets
- Availability/ramp up met targets in the September quarter
- Superior environmental results



Midland Brick Kiln 11 (W.A.)

- New \$53m, 50m SBE state-of-the-art kiln commenced during Jun-06 quarter
- Will manufacture wide range of bricks, pavers, facing tiles
- Benefits from June 2006 quarter
- Improved environmental and OH&S outcomes

Our growth projects are on track



Plasterboard Queensland

- \$106m net investment
- Double capacity to 40m m² pa
- On-line around Oct-2007
- Relocation to larger site close to Brisbane River, Pinkenba
- Growth product / growth state
- Long term, low cost position



USA Bricks Indiana

- US\$55m plant to supply midwest markets
- Additional 120m SBE of capacity
- Low cost plant on landfill site
- On-line around Dec-07 quarter

Our growth projects are on track



Clay Roof Tiles, Ione

- US\$27.5m new, low cost, state-of-the-art plant
- 130k squares p.a.
- To service high end market growth in California, Arizona, Nevada and Texas markets.
- To commence in Dec-07 qtr

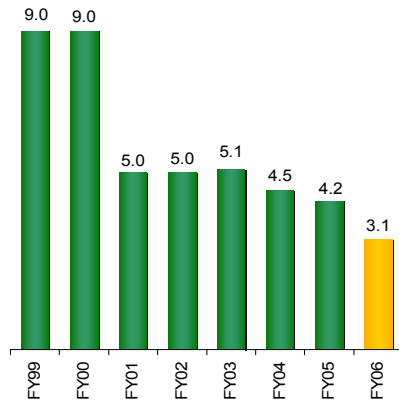


Concrete Roof Tiles (50% Boral)

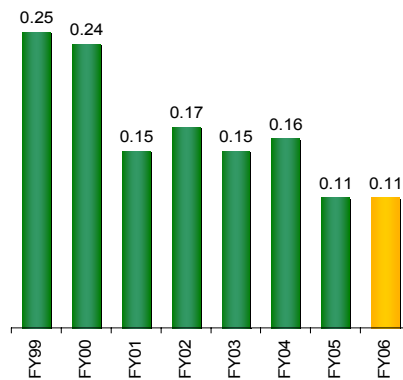
- **Lake Wales, Florida:** US\$29.9m 500k square capacity lift to overcome capacity constraints in growth markets
- On schedule & budget
- **Las Vegas, Nevada:** US\$39.4m for 400k squares capacity to overcome capacity constraints and high transport costs
- Land in Nevada now secured

Boral's safety performance has continued to improve

Lost time injury frequency rate (LTIFR)¹



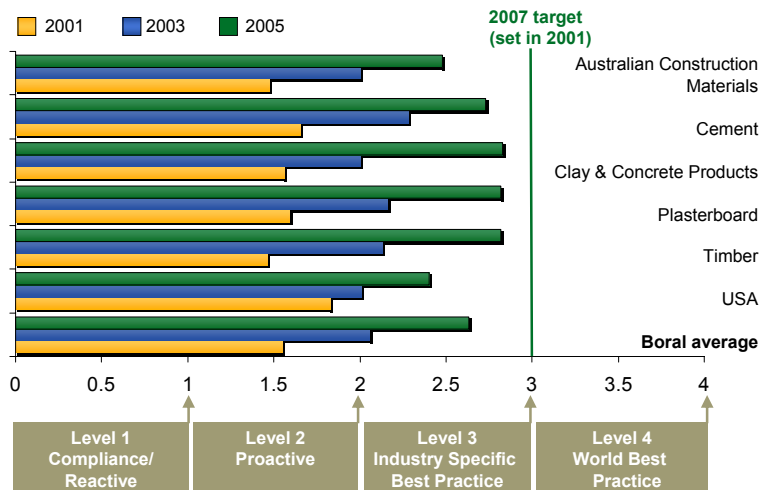
% Hours lost



1. per one million hours worked

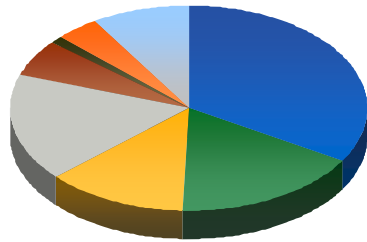


Significant progress in sustainability



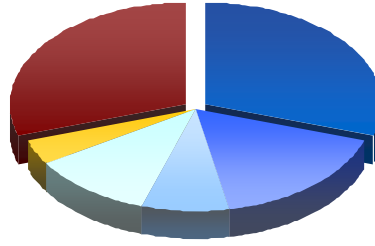
Some 30% of Boral's earnings are from the USA and a further 30% from NSW

FY06 Revenue* split by market



- Australian dwellings (including A&A)
- Australian non-dwellings
- Australian engineering & construction
- Other (Australian)
- USA dwellings
- USA non-dwellings
- USA engineering & construction
- Asia

FY06 EBIT split by geography



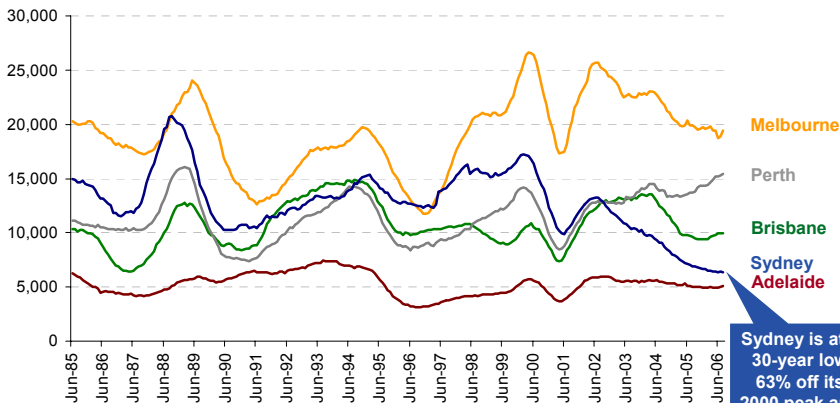
- USA
- Asia
- Australia }
 - NSW
 - Qld
 - Vic/Tas
 - WA/SA

* Includes revenues from Asian Plasterboard and MonierLifetile joint ventures which are equity accounted



The NSW Dwellings market is very weak

Building approvals for detached houses (MAT)



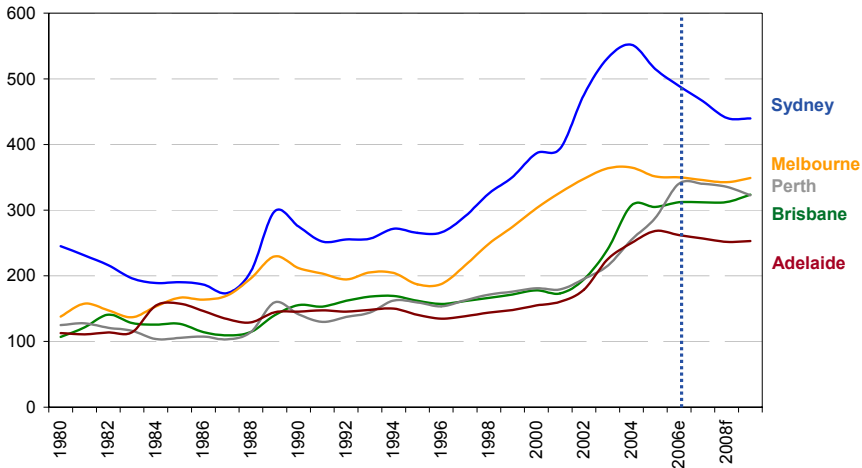
Sydney is at a 30-year low 63% off its 2000 peak and 38% off its 2001 trough

Source: ABS



Affordability has been a key issue but Sydney property prices are falling

Residential Property Prices (Real house price \$'000)

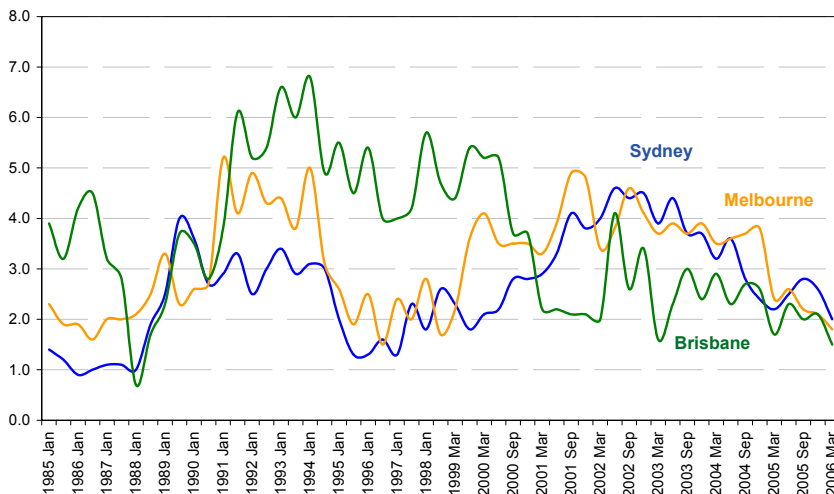


Source: BIS Shrapnel "Building in Australia 2006 Report"



And vacancy rates are tightening on the East Coast

Residential Vacancies (%)



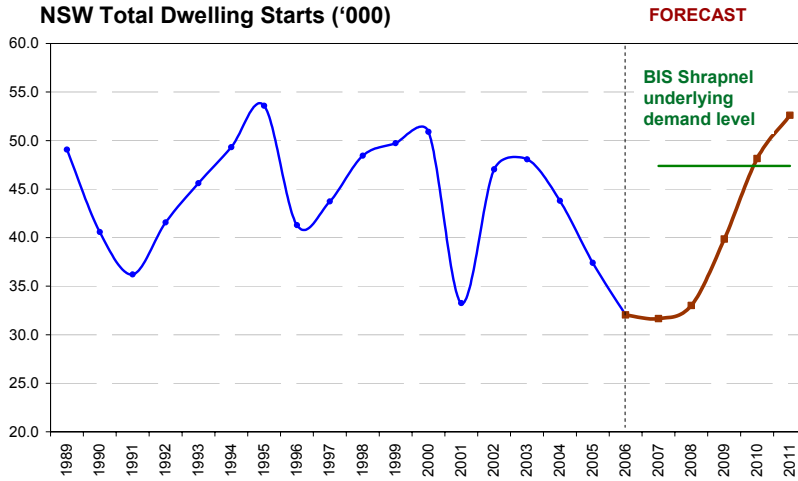
Source: BIS Shrapnel "Building in Australia 2006 Report"

Note: Half year data from Jan 85 to Jun 99, and quarterly data from Mar 00 to Mar 06.



NSW Dwellings will recover but the recovery will take time

NSW Total Dwelling Starts ('000)

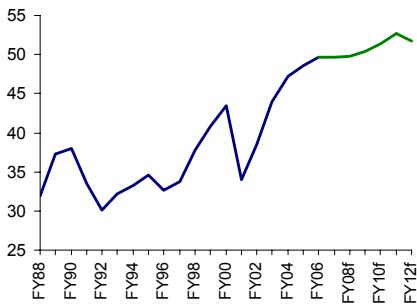


Source: BIS Shrapnel

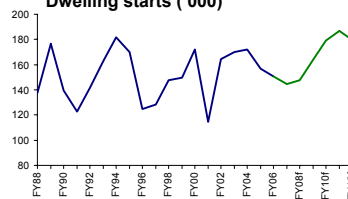


Australian construction materials demand is benefiting from strength in non-dwellings and infrastructure

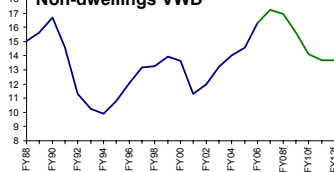
Australian Building and RHSB Value of Work Done (\$97/98 bn)



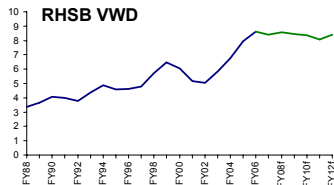
Dwelling starts ('000)



Non-dwellings VWD

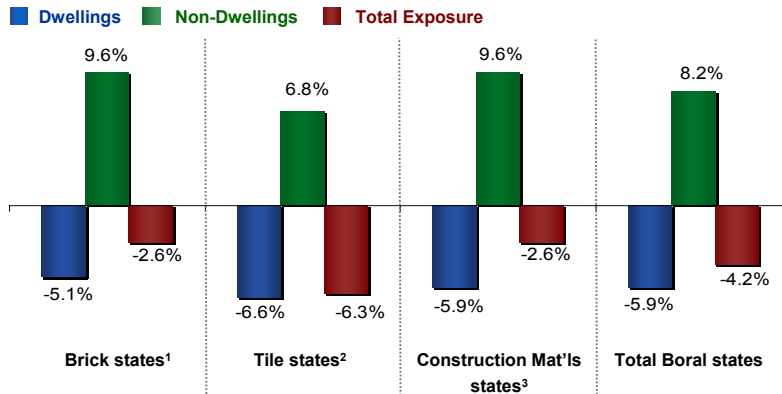


RHSB VWD



The USA is around 30% of profits; based on Dodge (Q1) we said Boral's US markets will weaken in FY2007

FY07 vs FY06 % change of Building Activities Value Work Commenced - US\$92

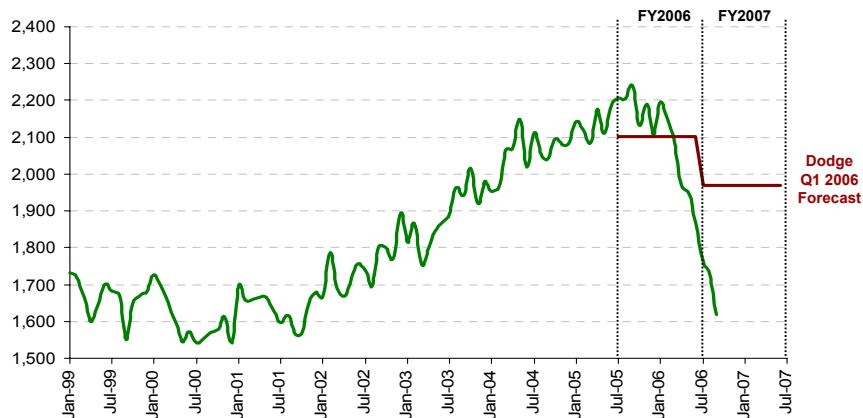


- Alabama, Arkansas, Delaware, DC, Georgia, Illinois, Indiana, Iowa, Kansas, Kentucky, Louisiana, Maryland, Michigan, Mississippi, Missouri, N.Carolina, Ohio, Oklahoma, S.Carolina, Tennessee, Texas, Virginia, West Virginia
 - Arizona, California, Colorado, Florida, Missouri, Nevada, Texas, Washington
 - Alabama, Arizona, California, Colorado, Florida, Georgia, Michigan, Nevada, N.Carolina, Oklahoma, Oregon, S.Carolina, Texas, Virginia
- Source: US Dodge, Dodge Mar 2006 forecast for FY2006 June quarter non-residential activity and FY2007 onwards activities



But US housing construction permits dropped sharply and suddenly and are below forecast for FY2007

Total US housing permits ('000 monthly building permits)



1. Seasonally Adjusted Annualised Permits from US Census

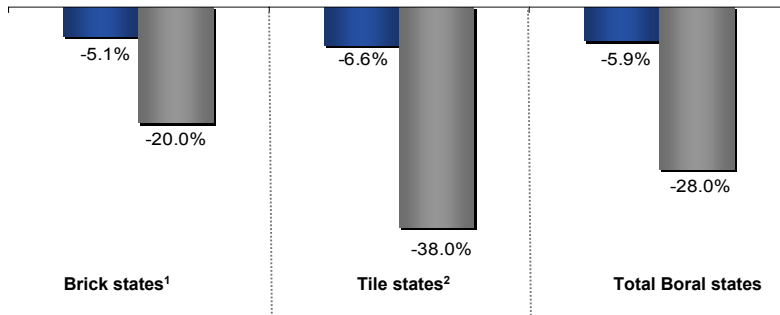


In the Sept quarter US dwellings starts have fallen much faster and lower than expected

FY07 vs FY06 % change of Building Activities VWC - US\$92 and Sep quarter starts

■ Dwellings forecast VWC FY07 vs FY06 % change

■ Dwellings starts in September 2006 quarter



1. Alabama, Arkansas, Delaware, DC, Georgia, Illinois, Indiana, Iowa, Kansas, Kentucky, Louisiana, Maryland, Michigan, Mississippi, Missouri, N.Carolina, Ohio, Oklahoma, S.Carolina, Tennessee, Texas, Virginia, West Virginia

2. Arizona, California, Colorado, Florida, Missouri, Nevada, Texas, Washington

Source: US Dodge, Dodge Mar 2006 forecast for FY2006 June quarter non-residential activity and FY2007 onwards activities



Outlook

- **Australia**
 - dwelling commencements down 6% to 142,500 starts
 - significantly weaker than expected conditions in NSW
 - strength in non-dwelling & infrastructure activity outside NSW
 - prices increasing or holding
- Sudden and sharp slowdown in **USA** housing
 - September quarter down 20% in brick states; down 38% in tile states
- Competitive market conditions in **Asia**
- **QEU** earnings of ~ \$50m largely in June half
- Growth benefits (particularly in USA & Cement)
- Expect profit after tax for the half year and the full year to be around 15% below last year



“We are well positioned to strengthen future performance (perform & grow)”

- Strong low cost resource and market positions
- Demonstrated price and cost management capabilities
- Focused on managing well through the downturns
- Capable and experienced management team
- Growth projects on track
- Cost effective capacity will be in place to leverage the upturns in NSW, the USA and other key markets.

