Results announcement for the full year ended 30 June 2009

Management Discussion & Analysis

19 August 2009

Overview

Boral Limited reported $4.9b of **sales revenue** for the year ended 30 June 2009. This was 6% lower than last year, reflecting further significant deterioration in housing markets in the USA and Australia and weaker volumes in most other markets. Volume declines were only partially offset by positive price gains across most businesses. Australian revenues of $4.1b were down 5%. Revenues from the USA were down 33% to US$406m (or 19% down when translated to Australian dollars). Revenues from Asia increased by 15% to A$219m.

Boral's reported net **profit after tax (PAT)** of $142m was 42% below last year's net profit after tax of $243m. Boral's underlying profit after tax of $131m, before significant items, was 47% below last year's underlying PAT of $247m but was 9% above Boral's January guidance. Underlying earnings per share for the year of 22.2 cents compare with 41.4 cents last year.

Depreciation charges increased by $23m and Boral's underlying **interest** expense was $15m higher.

Boral's underlying **EBITDA** (earnings before interest, tax, depreciation & amortisation) of $539m was $149m or 22% lower than last year due to significantly weaker housing markets in both the USA and Australia. Underlying EBITDA to sales margin was 11.1% compared with 13.2% in the prior year. Boral's underlying **EBIT** of $276m was down 38%.

As foreshadowed in February, second half earnings were well down on the first half reflecting deterioration in market activity in the USA and Australia. In most businesses, June half production was slowed further than the reduction in market demand to reverse the inventory build that occurred earlier in the year. Whilst this had a significant impact on profits, second half cash flow from operations was substantially higher than in the December half.

In **Australia**, dwelling starts were estimated to be around 130,000 starts, which was 18% lower than last year. Australian concrete volumes (Australian Bureau of Statistics) decreased by 10% because of the decline in dwellings and non-dwellings work. Infrastructure activity in the form of roads, highways, subdivisions and bridges (RHS&B) remained strong.

Boral's EBITDA from **Construction Materials in Australia** of $475m was down $14m and includes Quarry End Use (QEU) earnings of $47m, which were $7m lower than last year. The result reflects lower housing related and non-dwelling work partially offset by the benefits of high levels of infrastructure activity, stronger prices and operational improvement initiatives.

EBITDA from **Australian Building Products** of $98m was down $70m or 41%, due mainly to the decline in housing related volumes. Whilst prices increased, profits were adversely impacted by higher manufacturing costs associated with lower volumes and steps to reduce inventories, and higher than expected transition costs associated with the new Pinkenba (Queensland) plasterboard plant particularly in the first half.

In the **USA**, EBITDA decreased by US$55m to a loss of US$45m. In Australian dollars EBITDA was down A$72m to a loss of A$61m. The collapse in housing activity continued, with total housing starts (single + multi dwellings) of around 650,000, representing a 42% decline on the prior year and a 68% decline from the market peak in 2006. Despite substantial benefits from cost reduction initiatives and price gains across the portfolio, lower sales volumes and related production curtailments resulted in a significant loss in the USA.

EBITDA[1] from operations in **Asia** increased to $30m from $16m last year. Stronger results from Construction Materials reflect significant operational improvements and price gains despite lower volumes and difficult market conditions. Results from Boral's 50%-owned plasterboard joint venture, LBGA, were weaker in the first half but pricing improvements and a significant cost reduction program offset lower volumes and cost pressures during the second half.

To help mitigate the impacts of the severe decline in USA markets and the downturns in Australia and Asia, extensive cost reduction programs, disciplined price management, capacity rationalisation and substantial lowering of capital expenditure continued throughout the business. Step change and Performance Enhancement Programs (PEP) delivered $195m of benefits during the year. Overall, Boral's full time equivalent (FTE) employee headcount and contract labour hire reductions totalled around 2,460 people or about 11% in the 12 months to 30 June 2009.

Boral's reported result for the year ended June 2009 included a number of **significant items** that had a net after tax favourable impact of $11m. Favourable items that have been identified as significant include a profit of $38m ($27m after tax) arising from the sale of Boral's 17.6% shareholding in Adelaide Brighton Limited and a $64m favourable reduction in provisions as a result of the resolution of a number of long standing tax disputes in Australia and the USA. Adverse items identified as significant include impairment charges for goodwill in construction materials operations in the USA and in a precast concrete panels business in Australia. Brick production assets expected to be idle for some time were written down in the USA and Australia as were land and capitalised project costs in Australia and Asia. In total these goodwill and asset write downs totalled $80m ($63m after tax). Also in the USA, a $27m ($17m after tax) expense was recognised reflecting contractual obligations to purchase flyash in Florida where market conditions are limiting the ability to resell the product.

Cash flow from operations of $419m was $163m below last year because of weaker trading results. First half inventory growth was largely reversed in the June half as production rates were slowed, resulting in strong second half operating cash flows of $278m. Cash flows also benefited from lower **capital expenditure** and from the divestment of Boral's 17.6% stake in Adelaide Brighton.

Boral's **net debt** of $1,514m at 30 June 2009 was steady compared to 30 June 2008 but $670m lower than the net debt of $2,184m at 31 December 2008. **Gearing** (debt/equity) decreased from 79% at 31 December 2008 to 55% at 30 June 2009 due to strong second half cash flows, the 16% appreciation of the AUD/USD exchange rate at 30 June 2009 compared to 31 December 2008, and a reduction in debt resulting from the divestment of Boral's Adelaide Brighton stake. At 30 June 2009, around 89% of debt was denominated in US dollars, which matches US dollar assets.

The Board has resolved to pay a fully franked **final dividend** of 5.5 cents per share, taking the full year dividend to 13.0 cents which is 62% below the prior year. The final dividend will be paid on 28 September 2009. The dividend reinvestment plan (DRP) will continue to be offered at a discount of 2.5% to the market price.

Whilst forecasting remains particularly difficult in the current economic climate, current market conditions are expected to broadly continue during the first half of FY2010; second half activity levels are expected to be stronger than in the December half. A trading update will be provided at Boral's Annual General Meeting on 28 October 2009.

---

[1] Includes earnings from construction materials and Boral's share of reported profits from LBGA, which are equity accounted and are after financing and tax.

Results at a glance

(A$ million unless stated)

Year ended 30 June	2009	2008	% Change
Revenue	4,875	5,199	(6)
EBITDA[1]	539	688	(22)
EBIT[1]	276	448	(38)
Net interest[1]	(127)	(112)	14
Profit before tax[1]	149	336	(56)
Tax[1]	(17)	(90)	(81)
Minority interest	-	1	-
Underlying profit after tax	**131**	**247**	**(47)**
Net significant items	11	(4)	
Profit after tax	**142**	**243**	**(42)**
Cash flow from operating activities	419	582	(28)
Gross assets	5,491	5,895	(7)
Funds employed	4,268	4,425	(4)
Liabilities	2,738	2,985	(8)
Net debt	1,514	1,515	-
Growth & acquisition capital expenditure	77	327	(76)
Stay-in-business capital expenditure	163	169	(4)
Depreciation	263	240	10

Employees	14,766	15,928	(7)
Sales per employee, $ million	0.330	0.326	1
Net tangible asset backing, $ per share	4.12	4.41	(7)
EBITDA margin on sales[1], %	11.1	13.2	(16)
EBIT margin on sales[1], %	5.7	8.6	(34)
EBIT return on funds employed[1], %	6.5	10.1	(36)
Return on equity[1], %	4.8	8.5	(44)
Gearing			
Net debt/equity, %	55	52	6
Net debt/net debt + equity, %	35	34	4
Interest cover[1], times	2.2	4.0	(46)
Underlying earnings per share[1], ¢	22.2	41.4	(46)
Dividend per share, ¢	13.0	34.0	(62)
Safety: (per million hours worked)			
Lost time injury frequency rate	1.8	2.5	(28)
Recordable injury frequency rate	26.1	26.7	(2)

[1] Excluding significant items.

Market conditions

During the year, Australian housing activity continued to decline, particularly in the June half. The USA continued to experience a significant deterioration in housing activity and construction activity levels weakened in Asia with key markets impacted by the global economic downturn.

Dwelling approvals in the 12 months to June 2009 were down 19% on the prior year to 131,000, with Australian detached housing approvals down by 15% and multi-dwelling approvals 29% lower.

Australian dwelling starts are estimated to be around 130,000 in FY2009 versus 159,000 starts in FY2008; this compares with BIS Shrapnel's forecast of average underlying demand of around 183,000 starts for the past three years. Dwelling starts in the second half, at an annualised rate of 116,000 starts, were 19% lower than first half annualised starts of 144,000.

Non-dwelling approvals were around 25% weaker than last year with activity levels significantly lower in Western Australia, Victoria, New South Wales and South Australia with the main sectors impacted being shops, offices and health. Cancellations and deferrals of non-dwelling projects increased during the period as weaker business and consumer confidence was coupled with funding constraints and increased borrowing costs.

Approvals for dwellings and non-dwellings were down in all states. During FY2009, New South Wales dwelling approvals for detached houses reduced further and remained at their lowest level in over 40 years. Approvals for dwellings in New South Wales were down 26% over the year and non-dwellings value of work approved (VWA) was down 28%[1]. Dwelling approvals in Victoria were down 2% and non-dwellings VWA was down 37%. In Queensland, approvals were down 37% for dwellings and down 1% for non-dwellings VWA; Western Australian dwelling approvals were down 19% and non-dwellings VWA was down 51%; in South Australia dwellings were down 11% and non-dwelling VWA was down 23%.

ABS data on Australian concrete volumes, which is a useful proxy for the total value of work done in dwellings, non-dwellings and infrastructure projects, indicates that national concrete market volumes decreased by approximately 10% over the prior year; lower levels of concrete demand in the dwellings and non-dwellings market segments more than offset increased levels of infrastructure activity.

In the USA, housing activity continued to significantly decline. Total housing starts (single + multi dwellings) were down 42% to 650,000 starts[2] in FY2009 (around 765,000 annualised in the December half and 535,000 annualised in the June half). Total housing starts in "Boral's US States" were 43% lower than in the prior year. In "Boral's Brick States" total housing starts were down 40% and in "Boral's Roof Tile States" they were down 45%. Estimated non-dwelling value of work commenced in "Boral States" was down 21%.

In Asia, Boral's key market exposures are in South Korea, Thailand, Indonesia and China. The global economic downturn impacted Asian construction activity from the September 2008 quarter, particularly in South Korea. The unstable market environment in Thailand continues to dampen overall construction activity. Various governments in Asia, notably China, have announced major stimulus packages to counter the economic downturn which should be favourable for future construction.

[1] Based on Sep-08, Dec-08 and Mar-09 quarter actuals and BIS Shrapnel's forecast for Jun-09 quarter for value of work commenced

[2] US Census seasonally adjusted data

Managing through the downturn

The global economic downturn has resulted in significant synchronised downturns in most of Boral's markets. Our response has been to substantially decrease production to match sales and to manage inventories, a disciplined approach to pricing, widespread and rigorous cost reduction initiatives, and substantial constraints on capital expenditure.

In Australia, we are running our **plants well below capacity** and we have suspended production at several operations, including the Walcha timber mill, Galong lime kiln, Midland Brick kiln 8 and Kempsey brick plant, because of the reduction in demand. The first half inventory build has been largely reversed. Production output is being matched with sales demand through temporary and extended plant shutdowns and slowdowns.

In the USA, we are operating our plants at around 15-30% of capacity with eight of Boral's 23 brick plants mothballed and a further six temporarily closed until market demand recovers. Brick plant utilisation of 30% compares with 56% in the prior year and concrete roof tile utilisation of 16% compares with 27% last year.

Employee numbers at 30 June 2009 of 14,766 were 7% lower compared with 15,928 employees in the prior year. Across most operations we are also using a lot less contract labour. Total contractor FTEs reduced from around 7,000 to around 5,700 during the year. Overall, Boral's FTE employee headcount and contract labour hire reductions totalled around 2,460 people or about 11% in the 12 months to 30 June 2009. We are also requiring employees to use their annual leave and long service leave during temporary plant closures, and overtime has significantly reduced.

Accelerated step change and **cost reduction initiatives** are continuing across all of Boral's businesses including a focus on overhead and operational cost reductions. Overall we delivered 4.5% reduction in compressible costs and we are targeting a further 4% of compressible cost reductions through PEP and step change benefits in FY2010.

In Construction Materials Australia, $76m of benefits were delivered from the ACM division during the year sourced from a range of initiatives including reductions in overtime, labour hire, and SG&A costs; improvements in logistics, concrete and asphalt mix designs, and quarry yields; and, a rationalisation of transport depots. A significant step change program is also underway in Blue Circle with the diagnostic phase completed in July 2009. Early indications are targeting a 10% compressible cost reduction over FY2010 and FY2011. Benefits were also delivered in FY2009 from the national branch rationalisation project undertaken in Formwork & Scaffolding, which reshaped the business from 35 to 18 branches, and a cost reduction program in Precast Concrete focusing on reducing payroll costs and contracting excellence programs is also underway.

In Building Products Australia, integration of management and administration functions in East Coast Bricks and Roofing businesses has delivered around $4m of cost savings and a step change program at Midland Brick with phased benefits of $10m-$15m from FY2010 is underway. Consolidation of Boral Timber's Brisbane warehouses into one location together with step change operational improvements in Hardwood, Plywood and Engineered Flooring operations is delivering benefits and resulted in a 15% reduction in the workforce in the Timber business in FY2009. Windows has lowered its cost structure through a reduction of 144 employees in the first stage of its step change program.

In the USA, US$39m of PEP cost reduction and other savings initiatives were delivered by Boral's businesses during the year compared to US$24m in the prior year. Additionally, MonierLifetile delivered US$10m of step change benefits during FY2009 (Boral's 50% share). Further incremental benefits in excess of US$24m have been targeted for FY2010 including MonierLifetile. The size of these additional savings will be dependent on market activity levels but will be based on a further reduction in workforce, improved manufacturing processes, lower procurement costs and changes to shifts.

In Asia, a significant turnaround in performance in Thailand has resulted from an extensive cost reduction and rationalisation program. In Boral's 50%-owned plasterboard JV, LBGA, a comprehensive cost reduction program is also delivering benefits and mitigating the adverse impacts of the economic downturn.

A disciplined approach to **price management** has resulted in ongoing price increases in most businesses. Our pricing focus in the first half of FY2010 will be to gain full traction from previously announced price increases and where possible implement new price increases. For example, concrete, quarry and cement price increases that were announced effective 1 April 2009 are continuing to be realised. Price increases of 6% have been announced for bricks and pavers in New South Wales and Queensland to take effect from 1 October 2009 and a similar increase was implemented in Victoria effective 1 July 2009.

With increased focus on **cash management**, managing working capital and reducing capital spending has been a priority. Whilst operating cash flow decreased by $163m to $419m over the year, cash flows of $278m in the June half compares favourably to $141m in the December half.

Capital expenditure has continued to be significantly wound back. Growth and acquisition capital expenditure was reduced by 76% to $77m. Stay-in-business (SIB) capital of $163m was $6m lower and remained at around 62% of depreciation levels. Several new growth investments have been delayed until markets and cash flows recover, however, compelling opportunities to create shareholder wealth continue to be considered.

Boral's **final dividend** represents a dividend pay-out ratio of 58% of after tax earnings, which is in line with an average of around 60% of earnings over the past nine years. As a result of the significant market-related earnings decline, the fully franked full year dividend of 13.0 cents is substantially lower than the 34.0 cent dividend which has been paid out of earnings over the past four years.

Shares issued under Boral's dividend reinvestment plan (DRP) were issued at a 2.5% discount to the market price and the take up of the DRP lifted from around 30% to 41% for the half year dividend. This initiative assisted in preserving cash in the period. The 2.5% DRP discount will also apply to Boral's final dividend.

Boral's **net debt** reduced by $670m to $1,514m at 30 June 2009 compared with $2,184m at 31 December 2008. Strong operating cash flows in the second half, a stronger Australian dollar and $205m divestment proceeds from the sale of Boral's 17.6% stake in Adelaide Brighton all contributed. Closing gearing (debt/equity) of 55% is well within Boral's target range of 40% -70% and compares with 79% at 31 December 2008 and 52% at 30 June 2008. Net debt/(net debt +equity) at 35% is broadly in line with the prior year level of 34%.

In August 2008 Boral increased and extended its major bank facility by replacing its US$600m note facility, which was set to expire in August 2009, with a US$700m facility expiring in August 2011. In March 2009 US$500m of this US$700m bank facility was converted to an Australian dollar facility at a $0.63 exchange rate. With around $820m of undrawn committed facilities at 30 June 2009, Boral's liquidity is strong. Boral has no material refinancing requirements until August 2011. Boral's financial metrics remain well within debt covenants.

Segment Results

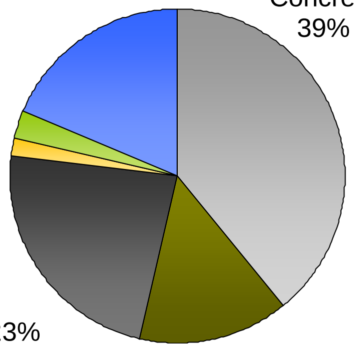
Construction Materials, Australia

(A$ million unless stated)

Year ended 30-June	2009	2008	% change
Sales revenue	2,817	2,960	(5)
EBITDA*	475	489	(3)
EBIT*	330	351	(6)
Capital expenditure**	140	180	(23)
Funds employed**	2,240	2,310	(3)
EBITDA* return on sales, %	16.9	16.5	
EBIT* return on sales, %	11.7	11.9	
EBIT* return on funds employed, %	14.7	15.2	
Employees, number	5,544	5,798	(4)
Revenue per employee	0.508	0.511	-

* Before significant items ** Including acquisitions

Share of FY2009 External Revenue



* Cement division includes Blue Circle (excl. internal sales to Boral businesses) and Construction Related Businesses of De Martin & Gasparini & Formwork & Scaffolding

Full year **revenue** of $2.8b from Boral's Construction Materials businesses in Australia was down by 5% on the previous year. The revenue decline largely reflects lower QEU revenues offsetting the benefits from pricing gains in concrete, quarry, cement and lime, together with increased asphalt volumes. Boral's concrete volumes were 12% lower than last year, which was below estimated national market volume declines of around 10%, predominantly due to Boral's strong focus on lifting margins through price increases which resulted in some temporary market share loss during the period.

Construction Materials **EBITDA** was down 3% or $14m on last year to $475m. QEU earnings of $47m were $7m lower year-on-year. EBITDA to sales margin of 16.9% was above the 16.5% margin in the prior year. Return on funds employed of 14.7% was slightly below the 15.2% in the prior year.

Construction Materials, Australia benefited from $92m of PEP cost reductions in the year.

Revenues of $1.4b from the **Concrete and Quarries** businesses were 5% below last year and EBITDA was marginally below last year. Despite weaker volumes, prices increased by 7% for delivered concrete and by 5% for quarry products. Boral's concrete volumes were down by 12% nationally largely reflecting weaker residential and commercial activity. Quarry volumes were 7% lower as weaker concrete volume pull through was partially offset by stronger asphalt related quarry volumes. The impact of concrete and quarry volume declines and increased costs were largely offset by strong pricing outcomes, effective cost reduction programs and improved production efficiencies.

Boral's **Asphalt** business continued to perform strongly; revenues of $719m were up 11% driven by strong infrastructure activity particularly in the June half. The business benefited from infrastructure projects including the Gateway Bridge (Qld), Sturt Highway (SA) and Perth to Bunbury Freeway (WA). EBITDA increased during the year.

Boral's **Quarry End Use** (QEU) business contributed $47m of EBIT (down from $54m in the prior year, which included the sale of land forming part of the Southern Employment Lands at Greystanes). QEU earnings during the period were sourced from George's Fair (Moorebank), the Southern Employment Lands (Greystanes), the sale and leaseback of selected properties, the Deer Park Western Landfill operation together with the sale of a number of smaller properties. With the Sydney residential market remaining depressed and the commercial property sector under considerable pressure, QEU earnings are expected to be around $25m-$30m in FY2010.

In **Blue Circle Southern Cement**, a 7% lift in average cement prices and a 12% increase in lime prices was more than offset by lower cement and lime volumes. Cement volumes were down 9% on last year with lower demand in the premix concrete segment and reduced wholesale and interstate sales, partially offset by increased cement volumes to major road projects such as the Southern Hume Highway. Lime volumes were down 29%, primarily driven by reduced demand from the steel and mining industries. Blue

Circle's EBITDA was weaker; improved pricing and cost reduction initiatives only partially offset reduced volumes and the steep rise in energy and imported clinker costs (to supply Sunstate). In mid January 2009 the quicklime facility at Galong in New South Wales was temporarily shut due to reduced demand from the steel sector.

Formwork & Scaffolding EBITDA improved, despite lower revenues, as the full benefits from the national branch rationalisation project were realised. Volumes were lower as weak demand in the June half more than offset stronger volumes experienced in the December half. Equipment hire utilisation was lower. The business was impacted by pricing pressure particularly in Queensland and New South Wales.

De Martin & Gasparini reported lower revenues and margins impacted by weaker volumes in New South Wales, primarily the Sydney market. EBITDA decreased.

Precast Concrete reported lower revenues and EBITDA. The new automated plant in Western Australia became operational during the year though local market volumes softened considerably. On the East Coast the slow down in non-residential activity negatively impacted volumes during the June half.

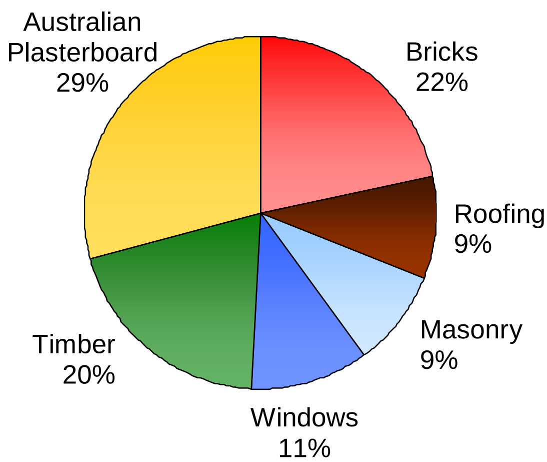
Building Products, Australia

(A$ million unless stated)

Year ended 30-June	2009	2008	% change
Sales revenue	1,277	1,357	(6)
EBITDA*	98	168	(41)
EBIT*	40	114	(65)
Capital expenditure**	64	125	(48)
Funds employed**	1,188	1,178	1
EBITDA* return on sales, %	7.7	12.4	
EBIT* return on sales, %	3.1	8.4	
EBIT* return on funds employed, %	3.4	9.7	
Employees, number	3,814	4,080	(7)
Revenue per employee	0.335	0.333	1

* Before significant items ** Including acquisitions

Share of FY2009 External Revenue



Boral's Australian Building Products group reported **revenue** of $1.3b down 6%. First half revenues were flat on the prior year but revenues declined by 12% in the June half compared to the prior year driven by lower housing related sales volumes. The benefit of stronger average prices across all products was offset by weaker volumes, particularly in Western Australia and Queensland.

Building Products reported a 41% decline in **EBITDA** to $98m largely due to rundown of inventories and significantly weaker market conditions in Queensland and Western Australia particularly in the June half and continued low levels of activity in New South Wales. Higher manufacturing costs were reported resulting from more extensive temporary plant slowdowns and shutdowns, particularly in the June half.

Return on funds employed reduced from 9.7% to 3.4%

Building Products businesses delivered $38m of PEP cost reductions during the period.

Revenue from **Bricks** of $277m was down by 10% due to volume declines of 14%, largely in Western Australia, partially offset by a 4% increase in average prices. In Western Australia, the impact of lower volumes due to the effects of a new market entrant combined with weaker dwelling activity, together with cost pressures and plant slowdown costs were only partially offset by price increases. As a result of these lower volumes, the high cost Kiln 4 was decommissioned at the start of the year and Kiln 8 was mothballed in December. On the East Coast, whilst volumes were higher in Victoria, weaker volumes in Queensland (particularly in the June half) and in New South Wales impacted the result. In July 2009 production at the Kempsey brick plant (New South Wales) was temporarily suspended to manage inventory levels. Bricks EBITDA was below the prior year.

Revenue from **Roofing** of $119m was steady on the prior year. Roofing price gains of around 3% offset the impact of 2% lower volumes. Significantly weaker volumes in Queensland and a further softening in the New South Wales market was partially offset by increased volumes in Victoria. EBITDA was marginally lower due to increased raw material costs.

Masonry revenue of $114m was down by 7% largely reflecting weaker residential and non-residential markets on the East Coast. Masonry prices were up around 10%, a combination of successful price increases in addition to a favourable product mix shift. Masonry EBITDA was significantly lower due to the impact of reduced volumes and increases in raw material costs.

Windows revenue was down 12% to $140m and EBITDA was lower due to weaker residential sales volumes particularly in Western Australia, New South Wales and Queensland especially in the second half. A rollout of new standardised national products was completed during the year.

Timber revenue of $256m was 6% lower than last year reflecting significantly reduced sales revenue in the June half. Domestic sales volumes were down 11% reflecting reduced demand from housing, commercial and mining construction, whilst export sales volumes were similar to the prior year. Pricing gains of around 4% only partially offset a significant increase in log costs and increased energy costs. Production curtailment strategies, including plant slowdowns and mothballing, and reduced capital expenditure resulted in lower inventories and improved cash flow. Despite a strong focus on cost reductions, lower production volumes and cost increases resulted in significantly reduced EBITDA.

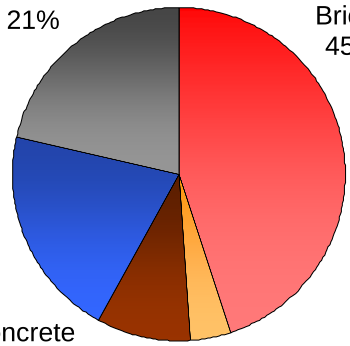
Revenue from the Australian **Plasterboard** business of $371m was down 1% on last year, as increased revenues in the December half were offset by a weaker June half with lower market activity particularly in Queensland and Western Australia. Plasterboard volumes were down 2% and sales of non manufactured products for re-sale through Boral's trade sales outlets also weakened. Average net plasterboard prices lifted by around 3%. EBITDA was lower due to transitioning costs in Queensland from an existing plant in Northgate to a new plant at Pinkenba, mostly incurred in the December half. Price increases and cost reduction programs largely offset cost inflation, particularly in materials, energy and property related costs. Production at Northgate ceased in September 2008 once the new Pinkenba plant was in full operation; Pinkenba has now achieved most of its long term efficiency targets.

USA

Year ended 30-June	2009	2008	% change
US$m			
Sales revenue	406	607	(33)
EBITDA*	(45)	10	(545)
EBIT*	(81)	(25)	(230)
A$m			
Sales revenue	545	671	(19)
EBITDA*	(61)	11	(640)
EBIT*	(109)	(27)	(301)
Capital expenditure**	27	180	(85)
Funds employed**	812	789	3
EBITDA* return on sales, %	(11.1)	1.7	
EBIT* return on sales, %	(20.0)	(4.0)	
EBIT* return on funds employed, %	(13.4)	(3.4)	
Employees, number	1,592	2,208	(28)
Revenue per employee	0.342	0.304	13

* Before significant items ** Including acquisitions

Share of FY2009 External Revenue



* MonierLifetile & Trinidad JVs are equity accounted – Boral's share of revenue does not appear in consolidated accounts but is included in the revenue pie chart.

Revenue from US operations was down 33% on last year to US$406m. Including our share of MonierLifetile revenues (which are equity accounted), US operating revenue was also down 33% on last year or US$225m. An **EBITDA** loss of US$45m (A$61m) was reported which compares to a US$10m profit last year. At the **EBIT** level a loss of US$81m (or A$109m) compares to a prior year loss of US$25m (or A$27m). The average AUD/USD exchange rate declined by 18% compared to the prior year. The US result was severely impacted by the continued housing downturn, with US housing starts down 42% to around 650,000 compared to 1.13m starts in the prior year. June half housing starts were 30% below December half starts. Lower volumes and related production curtailments coupled with increased raw material and energy costs contributed to cost escalation and the severe fall in EBIT.

Cost reduction initiatives aimed at reducing fixed and variable costs continued across the business. Boral's US businesses delivered US$39m of **PEP cost reduction and other savings** initiatives during the year together with US$10m from MonierLifetile (50% share). Boral's underlying US labour force (including joint venture operations but excluding acquisitions) has reduced by around 1,700 FTE employees (or over 50% of the workforce) since the peak in FY2006.

EBITDA to sales margin reduced from 1.7% to –11.1%. Return on funds employed fell from -3.4% to -13.4%, reflecting higher losses from the US business.

Revenue from **US Bricks** of US$202m was down by 42% due to a 44% decline in sales volumes which was largely in line with the 40% fall in new home starts in Boral's "US brick states" during the year. Average brick prices increased by 1%, benefiting from an energy recovery charge during the December half being partially offset by a less favourable regional and product mix (net of the energy surcharge brick prices largely held). Boral manufactured bricks sold through direct distribution remains at around 80% of total volumes. Brick plant utilisation averaged 30%, down from 56% last year, and is currently at around 25% to manage inventory levels. Bricks EBITDA was significantly down as a result of the low volumes and related production network inefficiencies being partially offset by benefits from cost reduction programs of around US$32m.

Boral's 50%-owned **Concrete Roof Tile** joint venture, MonierLifetile, delivered a loss of US$20m (Boral's share) compared to a prior year loss of US$21m despite housing starts being down 45% in the "US tile states". Whilst sales volumes were down by 39%, market share increased slightly and average prices gained around 1%. Unit production costs were lower due to efficiencies resulting from the implementation of cost reduction programs and other initiatives. Production rates were reduced with plant utilisation down to 16% compared to 27% in the prior year.

Revenue from **Clay Roof Tiles** of US$16m was down 34% on last year. Average selling prices increased by 5% due to a favourable product mix and a price increase effective early in the year. Clay tile volumes were down 38%. EBITDA was well below the prior year as costs were directly impacted by lower rates of production to avoid inventory build. Plant utilisation was down to 36% compared to 75% in the prior year. The commissioning of the Ione plant was successfully completed in October 2008. However, due to the continued deterioration of market demand in California, the plant was mothballed in December 2008 and will remain closed until conditions improve. The plant in Trinidad was mothballed from December 2008 through to February 2009, and again from April 2009 until markets improve.

Revenue from the **BMTI Flyash** business of US$92m was down 17%. EBITDA was lower as higher prices and new product initiatives were unable to offset lower volumes particularly in Eastern regions.

Revenue from US **Concrete & Quarry businesses** in Denver and Oklahoma of US$96m was down 23% on last year. Underlying concrete volumes were down 34% due to lower commercial and infrastructure demand and continued weak residential markets. EBITDA was lower as aggregate and concrete price increases only partially offset the decline in volumes and the impact of higher fuel costs that eased in the June half.

Asia

(A$ million unless stated)

Year ended 30-June	2009	2008	% change
Sales revenue*	219	191	15
EBITDA[1] **	30	16	87
EBIT[1] **	19	7	189
Funds employed	297	285	
Return on funds employed, %	6.4	2.3	

* *Boral's share of revenues from the Asian Plasterboard joint venture, LBGA, do not appear in Boral's consolidated accounts.*
*** Before significant items*

Boral's Asian operations delivered a full year EBITDA[1] of $30m, which was up $14m on last year. Improved earnings from Construction Materials offset weaker earnings in the Asian plasterboard joint venture business (LBGA).

LBGA equity accounted income (after financing and tax) of $13m was 26% below last year. Overall, **LBGA plasterboard** sales volumes were down 6% after the benefit of strong volumes in the September 2008 quarter were offset by weaker outcomes thereafter due to the global economic recession, particularly in the December and March quarters. Margins in the December half were impacted by energy and related cost increases. Energy cost pressures dissipated in the June half and an aggressive cost reduction program was implemented. Stronger pricing and significant cost reduction programs offset the impact of lower volumes in the June half. During the year, new plants were commissioned in Chengdu (central west of China) and Rajasthan (India).

Construction Materials results in Asia increased significantly on the prior year. In Indonesia improved concrete prices restored margins despite volumes being down 8% in line with market softness. Market share leadership was maintained. In Thailand concrete prices were down 5% and volumes were down 21% in challenging markets. Despite these lower volumes and difficult market conditions, margins and profits improved because of significant operational improvements and lower diesel costs.

Growth

Growth and acquisition capital expenditure of $77m was reported in FY2009 compared with $327m in FY2008. Recently completed and continuing growth projects are summarised below:

Growth project	Current status
$85m (total) to upgrade cement capacity of Sunstate Cement in Qld	Increase in overall capacity from 1.0m to 1.5m tpa to meet growing Queensland cement demand. Expanded clinker storage completed in September 2008 quarter; increased grinding capacity completed in June 2009 quarter.
$44m investment in new masonry plant in WA	The previously announced investment to lift Boral's WA masonry capacity from 90,000 tonnes to 170,000 tonnes p.a. is continuing but has been slowed. Market growth and cost reduction benefits and cashflows from the sale of the Jandakot and Cannington Masonry sites will result in strong investment returns.
Rebuild of Artarmon (NSW) concrete batching plant for around $12m	A contract to commence rebuilding Boral's Artarmon concrete plant has been finalised and will benefit from the Australian Federal Government Investment Allowance. This is a critical plant to supply Sydney, North Sydney and Chatswood CBDs and is expected to be complete in June 2010 quarter.
US$48m (total) in new LBGA plasterboard plant (& land) at Baoshan, Shanghai China	The new Baoshan plant is expected to be in operation in the June 2010 quarter; this plant will strengthen LBGA's leading positions in East China and positions the business well to supply market growth. Capacity of 34m m^2 p.a. initially with site flexibility to increase substantially in the future.
US$43m (total) upgrade of LBGA's Saraburi plasterboard plant in Thailand	A new second production line to lift capacity at that site from 50m m^2 to 85m m^2 is currently under construction and is expected to be in operation in the September 2010 quarter. Thai Board of Investment tax privileges apply and the new investment strengthens LBGA's position in Thai and export markets.

[1] Includes earnings from construction materials and Boral's share of reported profits from LBGA, which are equity accounted and are after financing and tax.

Performance against objectives

Boral's Performance Objectives

1. Exceed Boral's weighted average cost of capital (WACC) through the cycle
2. Deliver better financial returns than the competition in comparable markets
3. Deliver superior total shareholder returns
4. Deliver superior returns in a sustainable way

Whilst market conditions have been extraordinarily challenging and Boral's share price has deteriorated as a result of the market driven earnings decline, Boral's four financial objectives remain unchanged and performance against objectives through the cycle remains sound.

Boral's earnings (EBITDA) from its USA businesses have reduced by US$208m over the past three financial years due to the collapse of the USA housing market. Housing activity volumes in FY2009 were only around one-third of underlying demand levels. This has adversely affected Boral's overall earnings and share price performance. Despite this, Boral has achieved an average EBITDA return on funds employed in the USA of 14.4% in the last nine financial years since demerger.

EBIT return on funds employed were 6.5% in FY2009 but since demerger, Boral's EBIT return on funds employed has averaged 12.7%, which is above Boral's weighted average cost of capital.

Boral's financial returns continue to compare well with competitors in like markets across most businesses.

Boral's total shareholder return (TSR) from share price appreciation and dividends was around 14% per annum over the nine and a half years since demerger to 17 August 2009. (Boral's TSR performance is above average, ranking in the second quartile of ASX 100 companies over the period).

Based on the closing share price of $5.39 on 17 August 2009, the full year dividend of 13.0 cents per share represents a grossed up dividend yield of 3.4% per annum (after franking); this share price is in line with Boral's average closing share price in the nine and a half years since demerger and 31% above Boral's net tangible assets per share of $4.12 on 30 June 2009.

Safety has continued to improve with lost time injury frequency rate for employees of 1.8 versus 2.5 for FY2008 and hours lost of 0.06% compared with 0.08% in FY2008. Employee recordable injury frequency rate of 26.1 compares with 26.7 in FY2008. Regrettably an employee in Indonesia was fatally injured in an accident involving two concrete trucks late in the first half of the year. Further details about Boral's safety performance and other non-financial performance can be found in Boral's 2009 Sustainability Report which will be available at the end of September 2009.

Outlook - FY2010

Forecasting remains particularly difficult in the current economic climate and Boral's businesses have developed plans that allow for a range of market outcomes.

In Australia, our Building Products businesses are currently set to supply housing starts of around 120,000. However, the Housing Industry Association (HIA) is forecasting a lift to 144,000-146,000 starts in FY2010 and BIS Shrapnel is forecasting a more significant rebound to 160,000 starts in FY2010. Lower interest rates combined with improvements to the First Home Owners Grant have significantly improved affordability and flow through is expected from the social and defence housing component of the Federal Government Stimulus Package. Finance approvals for new dwelling construction have risen by 60% from October to June and building approvals and dwelling starts will eventually follow. Production levels will lift to match sales increases as they eventuate. Australian Building Products earnings are expected to lift in FY2010 on the back of stronger dwelling volumes and improved pricing.

Construction Materials activity and earnings in Australia are expected to decline in FY2010 due to the decline in non-dwellings and softening in infrastructure activity which will more than offset the benefits from stronger dwellings activity and improved pricing; we anticipate QEU earnings to fall in FY2010 to around $25m-$30m and to be less heavily weighted to the second half than in previous years.

In the USA, for the housing market to recover the economy needs to stabilise, house prices need to bottom and the credit markets need to open. Currently foreclosure rates are high, unsold existing housing inventories remain at high levels and there is still uncertainty in the credit markets. Reductions in new housing inventory (now below long term average), a more recent reduction in existing home inventory and an improvement in home affordability to record levels are emerging as encouraging signs in the market. It is also possible that home prices have bottomed, with prices in Boral's key brick states increasing in each of the last three S&P/Case-Shiller home price surveys. Whilst it remains unclear when a turnaround in US housing activity will occur and we have set our businesses accordingly, many economists are forecasting a recovery to begin from late CY2009. We expect US housing starts in the December 2009 half to be similar to June 2009 half starts, with a recovery in starts occurring in the June 2010 half. Overall we expect a broadly similar level of housing starts in FY2010 to those in FY2009. Continued benefits from significant cost reduction programs across the entire business and increased second half sales and production volumes will reduce losses in the US in FY2010, particularly in the June half.

Despite the current depressed US and Australian housing markets, we have long-term confidence in these key markets. We believe that the underlying demand level in the USA is around 1.8 million starts (excluding manufactured housing, according to Harvard's Joint Centre for Housing Studies). In Australia, according to BIS Shrapnel, underlying demand over the past three years has been around 183,000 starts per annum and over the next five years will be around 169,000 per annum reflecting a reduction in net overseas migration

In Asia, plasterboard volumes and profits remain sensitive to the effect of the global recession on domestic building activity, though a strong focus on better pricing outcomes and cost reduction programs is expected to continue to support margins. In Construction Materials in Asia we expect some volume and earnings pressures.

PEP and step change initiatives of 4% of compressible costs have been targeted for FY2010. Interest expense will be lower because of reduced debt levels.

Capital expenditure will be further reduced in FY2010 and working capital will continue to be managed tightly. There will be an ongoing focus on strong cash outcomes.

Current market conditions are expected to broadly continue during the first half of FY2010. Second half activity levels are expected to be stronger than in the December 2009 half but are difficult to forecast at this point in time.

We will provide a trading update at Boral's Annual General Meeting on 28 October 2009.

Boral Limited ABN 13 008 421 761
GPO Box 910 Sydney NSW 2001
www.boral.com.au

Media contact: Kylie FitzGerald
General Manager, Corporate Affairs
0401 895 894 or 02 9220 6390