



# Boral

Results for the half year to December 2004



CEO & Managing Director, Rod Pearse

8 February 2005

## Agenda

- Financial Highlights and Markets Review
- Financial Results
- Divisional Performance
- Perform & Grow Strategy
- Outlook





# Financial Highlights & Markets Review

Results for the half year to December 2004



## Financial highlights

Sales	↑	4%	To	\$2,157m
Underlying EBIT <sup>1</sup>	↑	3%	To	\$307m
EBIT <sup>1</sup> margin	↓	1%	To	14.2%
Underlying net profit after tax <sup>1</sup>	↑	3%	To	\$191m
EPS <sup>1</sup>	↑	2%	To	32.8 cents
Interim dividend fully franked	↑	21%	To	17.0 cents
Return on equity <sup>1</sup> (MAT)	↑	5%	To	15.7%

1. Before one-off cost associated with Adelaide Brighton bid

Results for the half year to December 2004



## Performance highlights

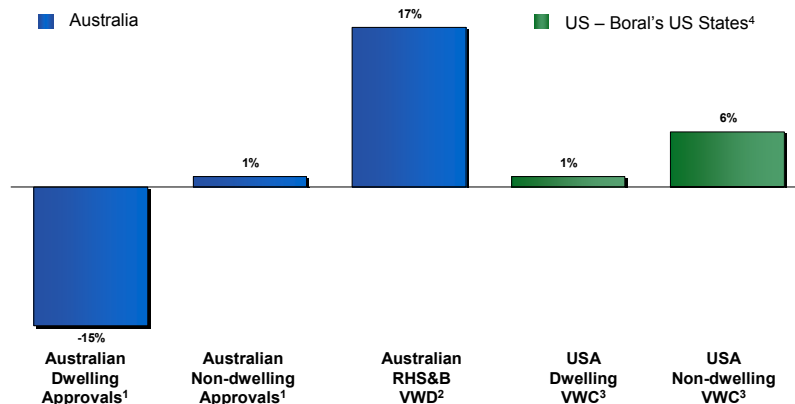
- Australia result steady; USA strength offset Asian weakness
- **Construction Materials** – steady EBIT on generally softer volumes, particularly in NSW, but effective price management
- **Building Products** – EBIT up 4% despite lower volumes; drivers were price and cost improvements
- **USA** – record result with US\$ EBIT improved on continued strong US market conditions and improved underlying performance
- **Asia** – EBIT down 41% reflecting difficult plasterboard market conditions in South Korea & Thailand

Results for the half year to December 2004



## Mixed market conditions

Market changes – 1H2004 vs 1H2005



1. Source: ABS

2. \$97/98 value of work done. Source: ABS, BIS Shrapnel forecast for Dec-04 quarter

3. \$92bn value of work commenced. Source: FW Dodge, forecast for Dec-04 quarter

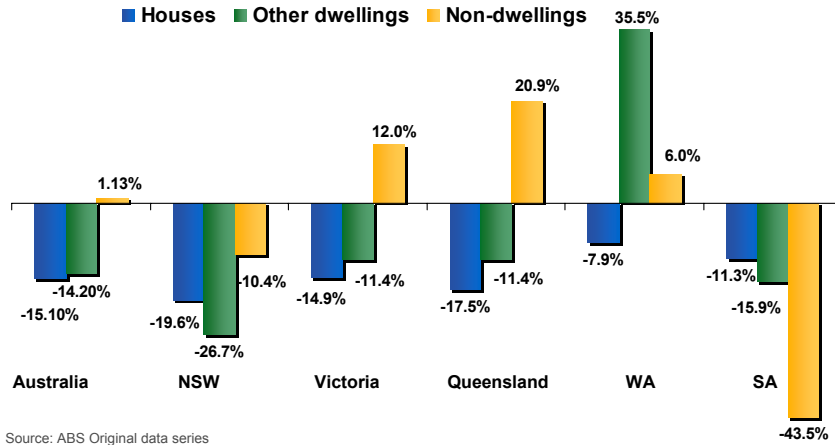
4. "Boral's US States": Alabama, Arizona, Arkansas, California, Colorado, Florida, Georgia, Illinois, Indiana, Kansas, Kentucky, Louisiana, Maryland, Mississippi, Missouri, Nevada, North Carolina, Ohio, Oklahoma, South Carolina, Tennessee, Texas, Virginia, Washington

Results for the half year to December 2004



## NSW dwelling & non-dwelling approvals particularly weak

Percentage change in dwellings approvals and non-dwellings value of work approved – 1H2004 vs 1H2005



Source: ABS Original data series

Results for the half year to December 2004



## Financial Results



Results for the half year to December 2004



## Underlying net profit up 3% to \$191m

A\$m	Dec-04 Half	Jun-04 Half	Dec-03 Half	Dec pcp % Δ
Sales revenue	2,157	2,069	2,081	4
EBITDA <sup>1</sup>	412	402	392	5
EBIT <sup>1</sup>	307	301	299	3
Net interest	33	37	29	12
Profit before tax <sup>1</sup>	274	264	270	2
Tax <sup>1</sup>	83	81	83	-
Underlying NPAT <sup>1</sup>	191	184	186	3
Significant item after tax	(11)	-	-	
Reported NPAT	180	184	186	(3)

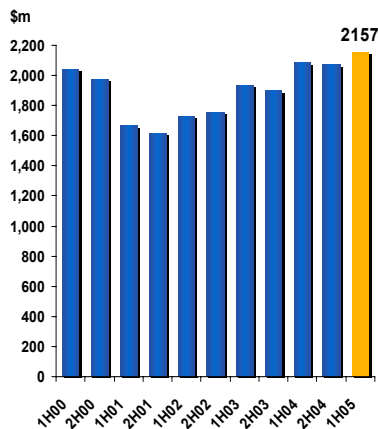
1. Before one-off cost associated with Adelaide Brighton bid

Results for the half year to December 2004

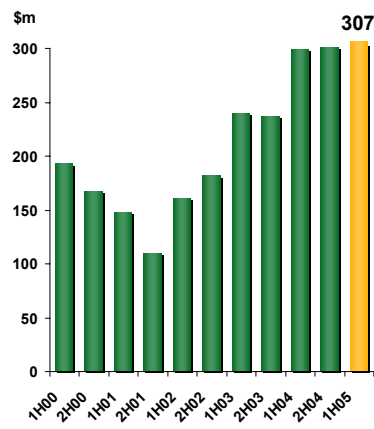


## Sales and EBIT remain at high levels

Sales revenue



EBIT<sup>1</sup>



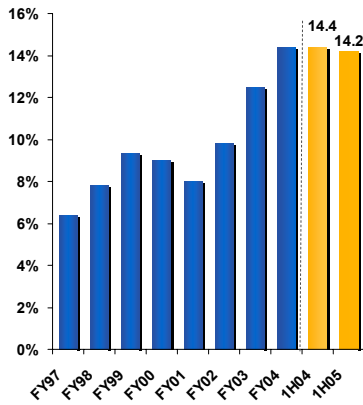
1. Before one-off cost items and excludes profit / (loss) on disposal and restructure of business

Results for the half year to December 2004

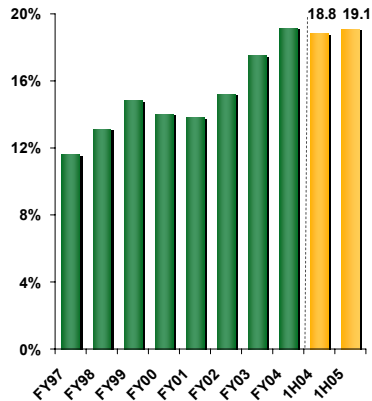


## Strong margins supported by effective price & cost management

EBIT<sup>1</sup> / Sales



EBITDA<sup>1</sup> / Sales



1. Before significant items and excludes profit / (loss) on disposal and restructure of business

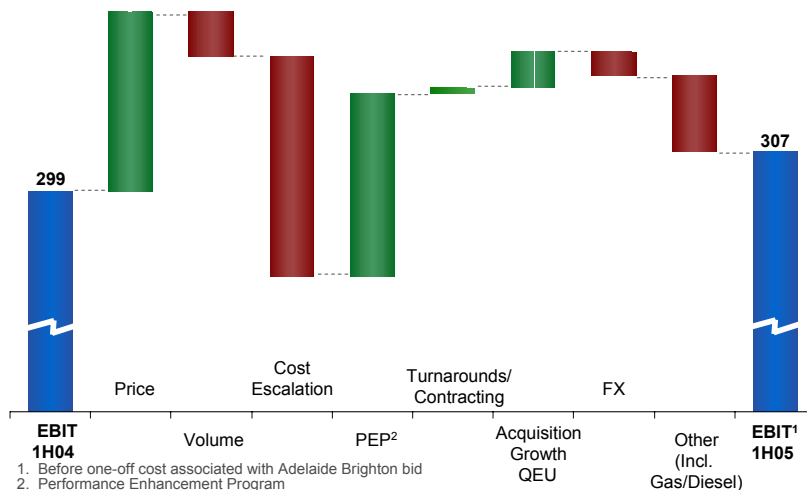
Results for the half year to December 2004

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## EBIT improved despite volume, cost and FX pressures

A\$m



1. Before one-off cost associated with Adelaide Brighton bid  
2. Performance Enhancement Program

Results for the half year to December 2004

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## Boral's balance sheet is strong

As at A\$m	Dec-04	Dec-03
Net debt	1,183	882
Net debt/ equity	49%	40%
Net debt/ (net debt + equity)	33%	28%
Net interest cover	8.8x	10.2x
Funds employed	3,592	3,109
EBITDA <sup>1</sup> margin on sales	19.1%	18.8%

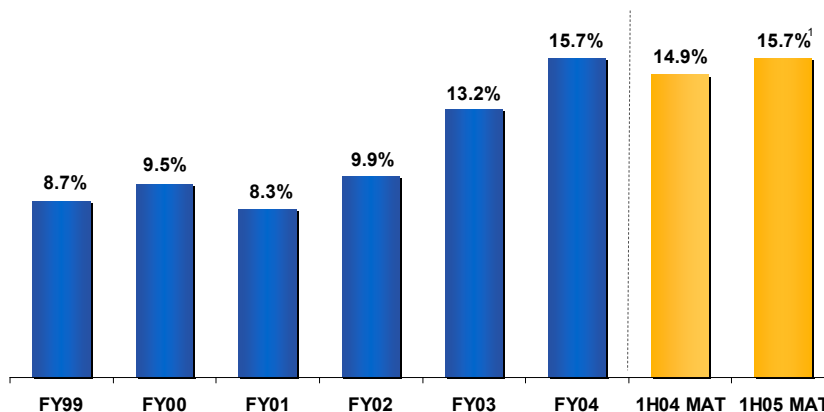
1. Before one-off cost associated with Adelaide Brighton bid

Results for the half year to December 2004



## Return on shareholders' funds steady at 15.7% (up by 5% on pcp)

NPAT / Equity

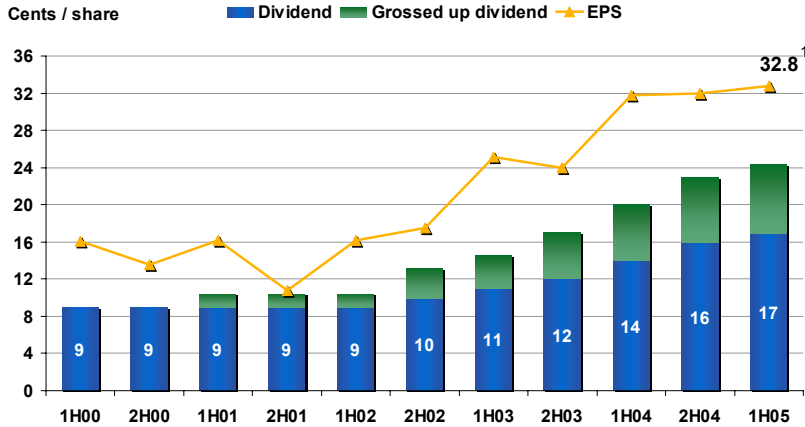


1. Before one-off cost associated with Adelaide Brighton bid

Results for the half year to December 2004



## Underlying EPS up 2% and dividend up 21% on pcp

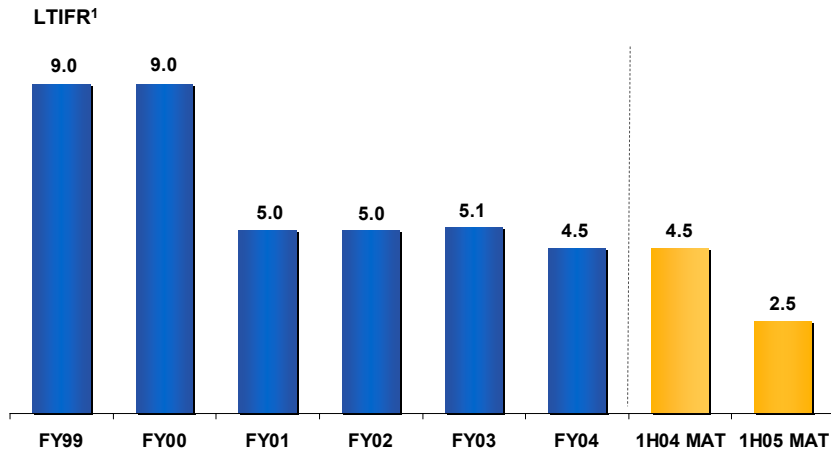


1. Reported earnings per share is 30.8 cents

Results for the half year to December 2004



## Safety performance has improved



1. Lost Time Injury Frequency Rate per 1 million hours worked

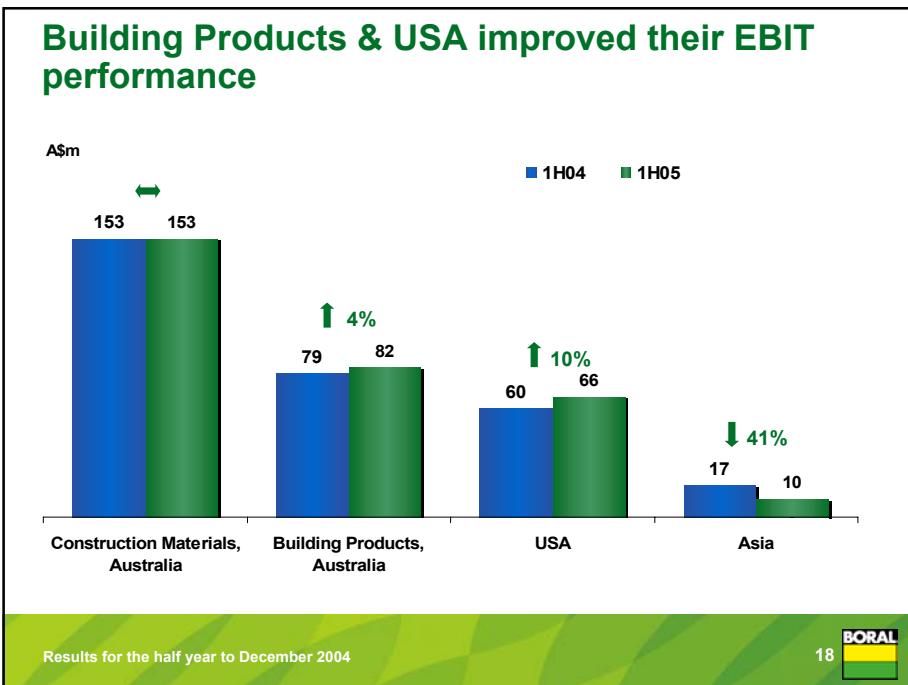
Results for the half year to December 2004





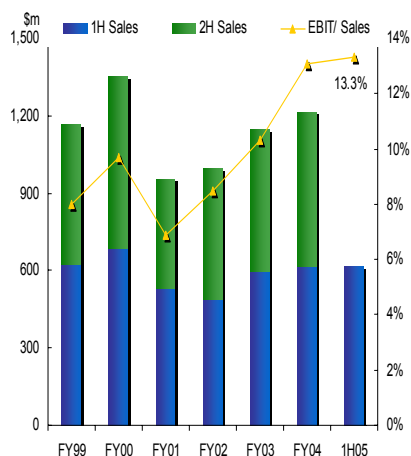
# Divisional performance

Results for the half year to December 2004



## Building Products: continued underlying improvement in performance

6 months to	Dec-04	Dec-03	% Δ
<i>A\$m</i>			
Sales	<b>618</b>	618	-
EBITDA	<b>105</b>	101	4
EBIT	<b>82</b>	79	4
Funds Empl.	<b>859</b>	799	8
<i>%</i>			
EBITDA/ Sales	<b>17.1</b>	16.3	
EBIT/ Sales	<b>13.3</b>	12.9	
ROFE (MAT)	<b>19.6</b>	16.6	



Results for the half year to December 2004

## Building Products: prices improved despite softer activity in all key markets

External sales A\$m	1H05	1H04	% Δ	hoh Δ prices / volume	
Bricks	155	145	6	↑	↓
Roofing	58	65	(11)	↑	↓
Masonry	71	69	3	↑	↔
Plasterboard	166	163	2	↓	↓
Timber	98	109	(10)	↔	↓
Windows	70	67	4	↑	↑
<b>TOTAL</b>	<b>618</b>	<b>618</b>	-		

Results for the half year to December 2004

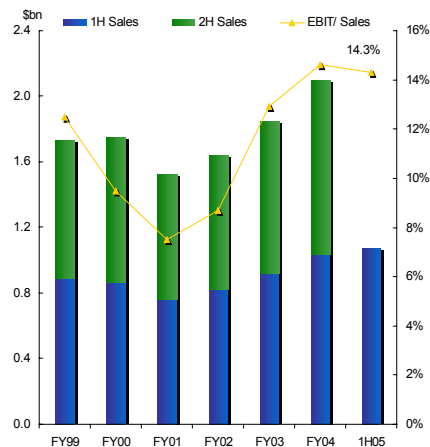
## Building Products: EBIT up 4% despite significant decline in dwelling construction

- **Bricks:** earnings uplift underpinned by stronger pricing outcomes & higher volumes in WA, partially offset by lower East Coast volumes
- **Roofing:** earnings lower reflecting softer dwelling activity and increased competition from metal roofing and unrecovered cost increases
- **Masonry:** difficult market conditions in NSW with volumes and prices under pressure; earnings down on last year
- **Plasterboard:** reduced profits reflect weaker prices from increased competition and softer volumes; positive PEP cost reductions impact
- **Timber:** weaker than expected market conditions but margins improved
- **Windows:** profits slightly ahead of last year supported by strong Victoria and WA demand, stronger prices and ongoing cost reductions

Results for the half year to December 2004

## Construction Materials: a solid performance

6 months to	Dec-04	Dec-03	% Δ
<i>A\$m</i>			
Sales	1,073	1,035	4
EBITDA	211	202	5
EBIT	153	153	-
Funds Empl.	1,924	1,656	16
<i>%</i>			
EBITDA/ Sales	19.7	19.5	
EBIT/ Sales	14.3	14.8	
ROFE (MAT)	16.6	17.5	



Results for the half year to December 2004

## Construction Materials: prices up, volumes mixed

External sales - A\$m	1H05	1H04	% Δ	hoh Δ prices / volume	
Cement <sup>1</sup>	240	221	9	↑	↓
Quarries	134	123	9	↑	↑
Concrete	424	407	4	↑	↓
Asphalt	170	170	-		
Transport	54	57	(5)		
Contracting	12	19	(33)		
QEU	38	38	-		
<b>TOTAL</b>	<b>1,073</b>	<b>1,035</b>	<b>4</b>		

1. Cement division includes BCSC (external revenues), concrete placement & scaffolding

Results for the half year to December 2004



## Construction Materials: prices up, volumes mixed

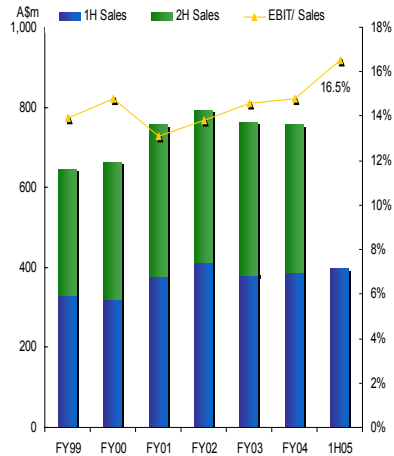
- **Quarries and concrete:** revenues up 5% but mixed results geographically
- **Asphalt:** revenues flat despite lower volumes; margins softer due to lag in recovering bitumen cost increases
- **Transport:** profits down due to margin compression from fuel cost increases
- **Blue Circle cement:** weaker NSW activity negatively impacted volumes and earnings; costs impacted by commissioning of kiln upgrades
- **Scaffolding:** earnings down driven by NSW where volumes and prices fell
- **Contracting:** similar to prior year but below expectations
- **QEU:** \$24m EBIT contribution, largely from Moorebank development

Results for the half year to December 2004



## USA: strong markets; record earnings

6 months to	Dec-04	Dec-03	% Δ
<i>US\$m</i>			
Sales	293	269	9
EBIT	48	41	17
<i>A\$m</i>			
Sales	398	389	2
EBIT	66	60	10
Funds Empl.	683	600	14
<i>%</i>			
EBIT/ Sales	16.5	15.3	
ROFE (MAT)	17.7	18.5	



Results for the half year to December 2004



## USA: revenue growth driven by strong prices and high market demand

External sales US\$m	1H05	1H04	% Δ	hoh Δ prices / volume	
US Bricks	210	207	2	↑	↓
Clay tiles	15	14	3	↑	↓
Flyash	51	48	7	↑	↑
Construction	17	-	n/a	↑	↑
<b>TOTAL<sup>1</sup></b>	<b>293</b>	<b>269</b>	<b>9</b>		

1. MonierLifetile JV is equity accounted – Boral's share of revenue does not appear in consolidated accounts

Results for the half year to December 2004



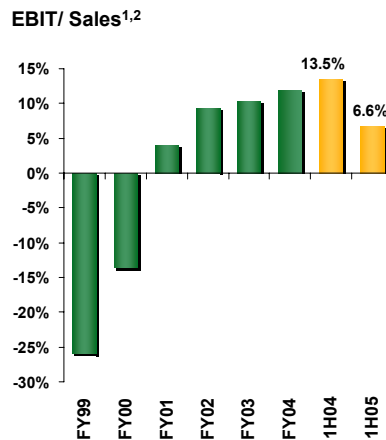
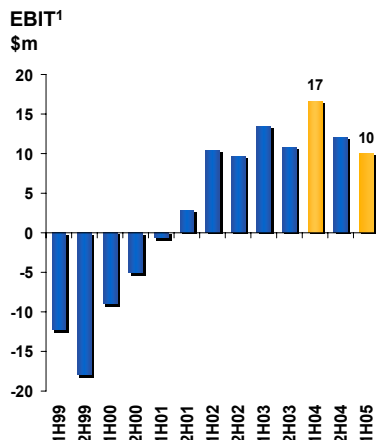
## USA: improved performance from all businesses

- Continued strong housing market has driven demand for all products
- A\$ EBIT impacted by around A\$4m adverse currency movement
- **Bricks:** US\$ earnings up with strong selling prices and flat production costs offsetting lower volumes due to capacity/inventory constraints
- **Concrete rooftiles:** profit lift driven by heavy demand and benefits of capital improvement projects; prices held relatively flat
- **Clay rooftiles:** earnings improved as higher average selling prices and lower production costs more than offset volume shortfalls due to poor weather
- **Flyash:** profit uplift underpinned by stronger volumes, higher average prices and favourable regional mix shifts
- **Construction Materials:** implementation of synergy benefits ahead of expectation but cement and fuel cost increases not fully recovered

Results for the half year to December 2004



## Asia: profits in South Korea down due to cycle & imports / competitive response in Thailand



1. Includes Plasterboard and Construction Materials. Plasterboard JV EBIT contribution from FY01 is Profit after Tax
2. Revenues for FY01 onwards include Boral's share of the Plasterboard Asia JV

Results for the half year to December 2004



## Asia: difficult conditions in two key plasterboard markets

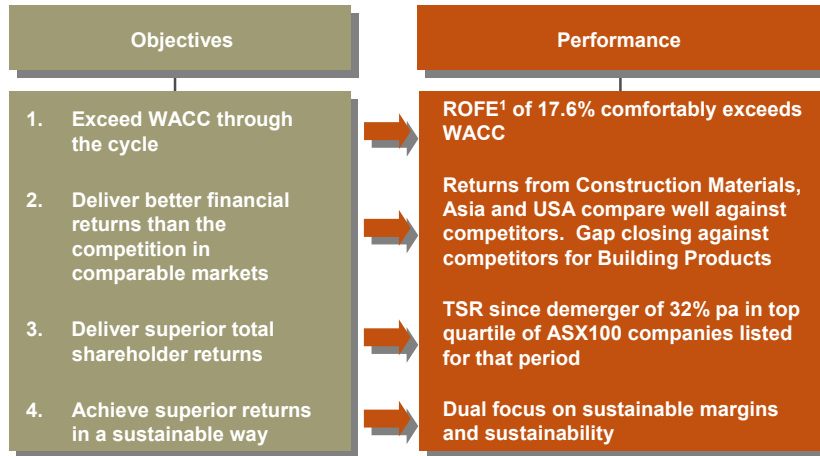
- EBIT down 41% to \$10m reflecting difficult conditions in South Korea & Thailand
- **Plasterboard** JV contribution of \$5m, down 60%. Overall, volumes and revenues flat but prices were down in South Korea & Thailand
  - South Korean market down substantially plus new capacity on-line
  - Thailand profits significantly down catalysed by import price competition
  - Improved results from China, Malaysia and Indonesia
- **Concrete & Quarries**
  - Indonesia: higher volumes and business improvements offset increasing competition
  - Thailand made a positive contribution since acquisition in July 2004



## Perform & Grow Strategy



## We continue to deliver against objectives



1. MAT excluding cost associated with Adelaide Brighton bid

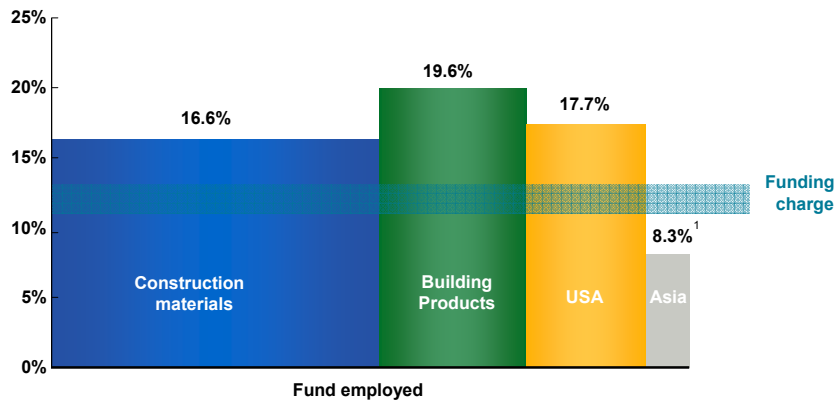
Results for the half year to December 2004

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## Perform: focus on achieving superior returns in a sustainable way

Return on funds employed



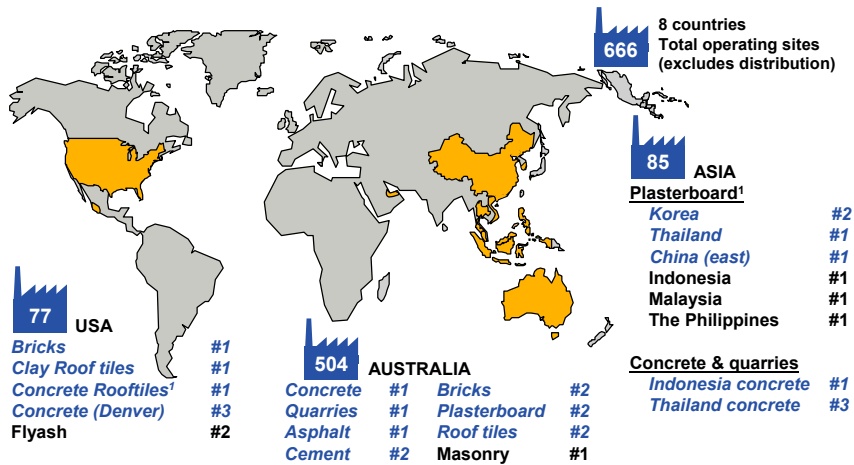
1. The contribution from the Asia plasterboard joint venture is after tax and interest

Results for the half year to December 2004

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## Growth: \$300m committed to Growth in Australia and increasingly offshore (Dec Half)

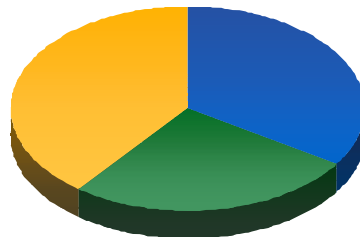


1. Joint venture with Lafarge  
Businesses in blue italics represent growth since demerger

Results for the half year to December 2004

## Since Demerger, A\$1.4 billion spent on growth in Australia & increasingly offshore

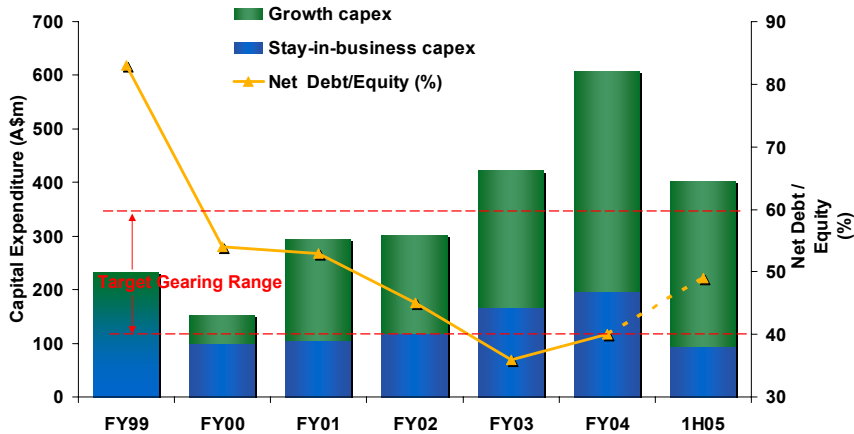
Growth Expenditure Demerger to 31 December 2004



- Australian organic growth
- Australian acquisition growth
- Offshore growth

Results for the half year to December 2004

## Stronger underlying margins support ongoing growth / capital management



Results for the half year to December 2004

## Growth: “considered” Growth focus in the USA (A\$160m)

*“Consistent with Boral’s strategy to grow increasingly offshore”*

### Nov-04: Bricks

US\$35m Union City, Oklahoma clay brick plant rebuild

- 100m SBEs to serve growing Southwest USA
- Increases Boral’s USA capacity by 6%
- Due June 2006 quarter

### Sep-04: Clay Tiles

US\$12m US Tile expansion into Florida market through Trinidad JV

- Clay roof tile plant to be built in Trinidad
- 50/50 JV with ANSA McAL for Florida market
- 15m tile plant to be commissioned early 2006

### Sep-04: Concrete/Quarries

US\$78m acquisition of Owen Bros and RMCC businesses in Denver

- US heavy construction materials entry
- Performance enhancement & long term growth opportunities
- Synergy implementation ahead of plan

Results for the half year to December 2004

## Growth: building on our strong positions in Asia (A\$80m)

*“Consistent with Boral’s strategy to grow increasingly offshore”*

### Jul-04: Concrete & Quarries

US\$45m acquisition of Hanson’s ready-mixed concrete & quarry business in Thailand

- #3 ready-mixed concrete player in Thailand
- Current production of 1.4m m<sup>3</sup> p.a. of concrete and 1.5mt p.a. of aggregates
- Strong growth prospects

### Feb-05: Plasterboard

US\$30m plant expansions in Chongqing and Shanghai, China

- 50/50 JV with Lafarge to double capacity in China to 70m m<sup>2</sup> of plasterboard, in 2005/06
- Profitably supply growth in China
- Using existing infrastructure



## Growth: leveraging our strong positions in Australia

### Oct-Dec-04: Quarries

Expansion of Dunmore & Bacchus Marsh quarries and acquisition of Penrose Sand Quarry

- Strengthening our sand and hardrock positions
- Double capacity at Dunmore
- Capacity uplift at Bacchus Marsh
- Acquisition of Penrose Sand for post-PLDC sand

### Oct-04: Pre-cast

A\$7m acquisition of 50% interest in Giroto Precast

- Leading precast operator in Vic and NSW
- Provides entry into concrete panel market and platform to grow
- Option to move to full control at a later date



# Outlook

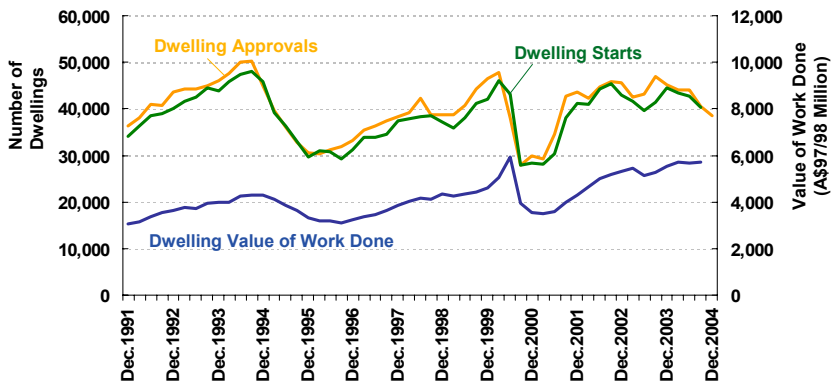


Results for the half year to December 2004

## Australian Dwellings approvals / starts softening

### Australia – Dwelling construction indicators

Quarterly, Seasonally Adjusted

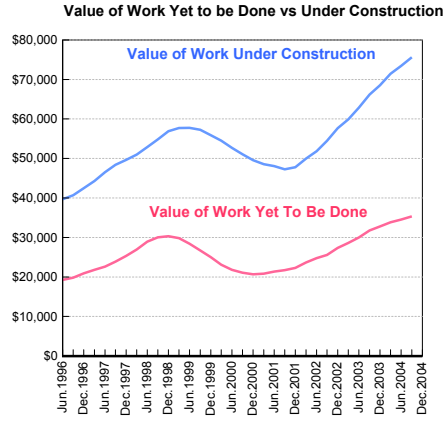
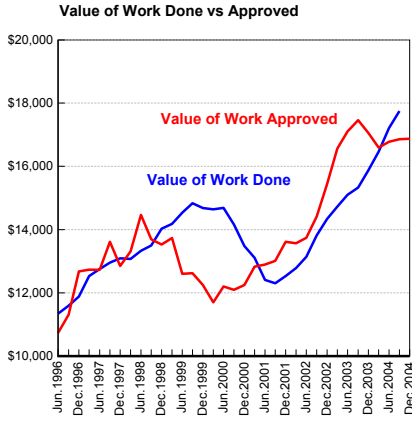


Source: ABS

Results for the half year to December 2004

# Australian Non-Dwelling activity growth less than expected

**Australia – Non-dwelling construction indicators**  
Moving Annual Total (A\$Billion)



Source: ABS

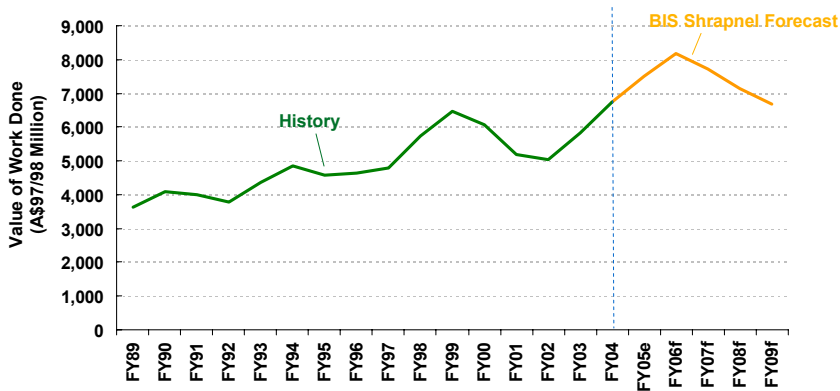
Results for the half year to December 2004

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# Significant growth in Australian, Major Road and Infrastructure Spend

**Australia – Roads Highways Subdivisions and Bridges**  
Annually, A\$97/98 Million



Source: ABS, BIS Shrapnel

Results for the half year to December 2004

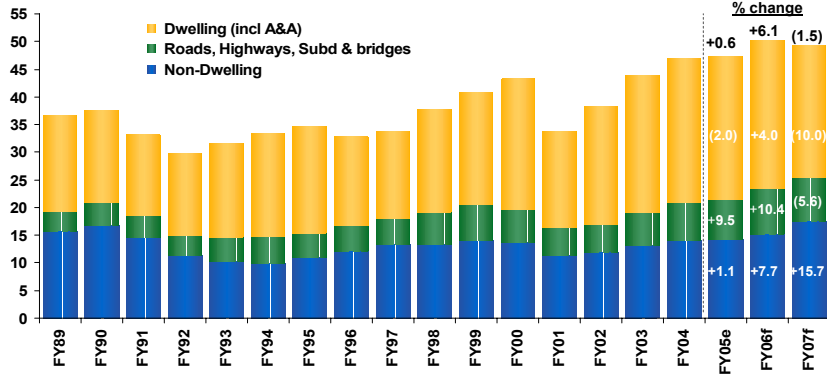
42



## BIS Shrapnel expect Australian construction activity to remain robust in FY06 and FY07

### Australia – Value of Work Done

A\$97/98 billion. Seasonally adjusted



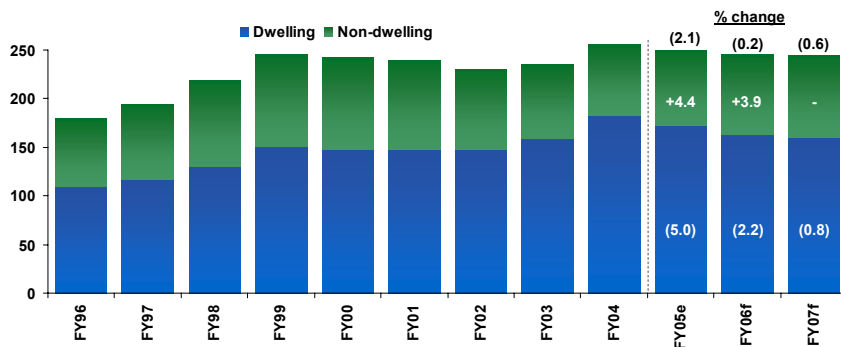
Source: ABS, BIS Shrapnel forecasts for Dec-04 onwards

Results for the half year to December 2004

## US residential activity shows no sign of forecast softening in FY05

### USA Boral States<sup>1</sup> – Value of Work Commenced

US\$92 billions. Seasonally adjusted



Source: FW Dodge September 04 forecast

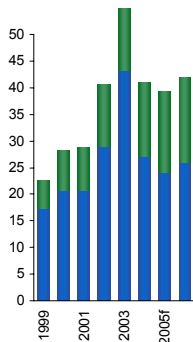
1. Boral's "US States" - Alabama, Arizona, Arkansas, California, Colorado, Florida, Georgia, Illinois, Indiana, Kansas, Kentucky, Louisiana, Maryland, Mississippi, Missouri, Nevada, North Carolina, Ohio, Oklahoma, South Carolina, Tennessee, Texas, Virginia, Washington

Results for the half year to December 2004

## Asian construction demand, except for South Korea in short term, expected to grow

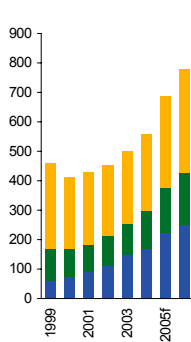
### South Korea

Value of construction orders received. Trillion Won



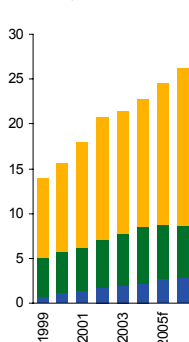
### Thailand

Gross fixed capital formation. Billion bhat



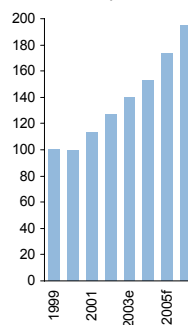
### Indonesia

Value of completion. Trillion Rp



### China - Shanghai

Value of construction work done by public sector. Billion yuan



Sources: Korea: National Statistical Office, Thailand: Office of National Economic & Social Development Board, Indonesia: Biro Pusat Statistik Indonesia, China: China Statistical Yearbook, BIS Shrapnel forecasts from 2004 onwards

Results for the half year to December 2004

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## Outlook for FY2005

- Weaker Australian dwellings; approvals, dwelling starts and VWD activity levels in the June half
- Modest growth in Australian non-dwellings activity
- Ongoing growth in major road projects and infrastructure
- Australian Building and Construction Materials prices to remain firm
- US Dwelling activity and pricing expected to remain strong in the second half
- South Korea & Thailand will continue to be challenging markets
- Earnings to benefit from cost reductions and growth initiatives
- Targeting ongoing QEU earnings of \$40m pa; results depend on market conditions
- **We expect underlying profits in the June 2005 half year to be comparable to the first half**

Results for the half year to December 2004

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