



MEDIA RELEASE

**Results announcement
for the half-year ended 31 December 2001**

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BORAL'S UNDERLYING PROFIT INCREASES BY 28% TO \$92 MILLION

Major features

- Net profit after tax before profit on disposal of businesses up 27.7% to \$92.2 million
- Net profit after tax steady at \$92.2 million
- Earnings per share steady at 16.2 cents
- 9.0 cents per share interim dividend declared, franked to a level of 35%
- Sales revenue up by 4.7% to \$1.73 billion
- EBITDA* increased by 4.2% to \$255.7 million
- EBITDA* to sales margin steady at 14.8%
- EBIT* up by 5.5% to \$161.1 million
- Australian EBIT* down 1.8% to \$97.8 million; USA EBIT up 3.5% to \$59.2 million; Asian EBIT up to \$10.4 million from a \$0.6 million loss
- Interest down 15.3% to \$31.5 million
- Tax expense down 28.6% to \$37.2 million
- \$126 million of acquisitions and growth completed in Asia, USA and Australia
- Sound balance sheet – gearing [D/E] at 55%

**before profits on disposal of businesses*

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Results at a glance

Half-year ending 31 December	2001	2000	% change
A\$ million			
Sales revenue	1,732	1,654	4.7
EBITDA*	256	245	4.2
EBIT*	161	153	5.5
Net interest	32	37	(15.3)
Profit before tax*	130	116	12.2
Profit on disposal of businesses	0	29	-
Tax	37	52	(28.6)
Profit after tax	92	92	-
Profit after tax (excluding net \$19.8m profit on disposal of business in Dec-00)	92	72	27.7
Cash flow from operating activities	139	130	7.1
Gross assets	4,064	3,825	
Funds employed	2,972	2,689	
Liabilities	2,149	1,991	
Net debt	1,056	854	
Growth & acquisition capital expenditure	126	36	
Stay-in-business capital expenditure	49	43	
Employees	11,608	11,995	(3.2)
Sales per employee, \$ million	0.149	0.138	8.0
Net tangible asset backing, \$ per share	2.94	2.86	
EBITDA* margin on sales, %	14.8	14.8	
EBIT* margin on sales, %	9.3	9.2	
EBIT* return on funds employed, % (annualised)	10.8	11.4	
Return on equity, % (annualised)	9.6	10.0	
Gearing (net debt:equity plus net debt), %	35.5	32	
Gearing (net debt:equity), %	55	47	
Interest cover, times	5.1	4.9	
Earnings per share, ¢	16.2	16.2	
Dividend per share, ¢	9.0	9.0	

* excludes profit/(loss) on disposal and restructure of businesses.

Results announcement for the half-year ended 31 December 2001

Overview

Boral Limited today announced a net profit after tax and minorities of \$92.2 million for the half-year ended 31 December 2001, a 27.7% increase in underlying profit (i.e. before profit from disposal of businesses) compared with last year.

Earnings per share for the half-year was steady at 16.2 cents.

Sales revenue of \$1.73 billion was 4.7% above the prior December half-year and 6.5% above the June-2001 half.

A strong performance from Asian plasterboard and continued strong results from Quarry End Use (QEU) and the USA were positive features of the half-year, which together with the benefits of effective margin management, capital management and cost reduction programs more than offset \$10m of lost earnings from divested businesses. An earlier and stronger than expected recovery in housing in Australia provided additional volume benefits in the December quarter.

The major features for the half-year profit result were:

- A stronger performance from the Asian plasterboard joint venture delivering a \$10.6 million profit compared with the breakeven position in the prior corresponding half-year.
- Earnings of A\$59.2 million from US operations (up 3.5%), including a positive foreign exchange impact of around \$4 million at the EBIT level.
- An improvement in Australian revenues and profits in the December quarter following a relatively weak performance in the September quarter.
- A \$12.8m profit from Quarry End Use (QEU) business unit in the December quarter predominantly resulting from the Greystanes development project.
- \$5.7 million (15%) lower interest costs through lower interest rates
- \$15 million lower tax expense primarily due to lower Australian corporate tax rates and a favourable tax environment for the Asian Plasterboard JV.
- \$51 million reduction in operating costs as a result of operational improvements and overhead reductions.

Compared with the half-year to December 2000, underlying earnings before interest, tax, depreciation and amortisation (EBITDA) increased by 4.2% to \$255.7 million and underlying EBIT improved by 5.5% to \$161.1 million. Compared with the six months to June 2001, however, when the Australian Building and Construction cycle was at its lowest, EBITDA in the December half improved by 24% and EBIT by 47%.

Despite relatively depressed trading conditions in Australia, particularly in the September 2001 quarter, underlying EBITDA to sales margin for the first half remained steady at 14.8% and improved from 12.7% in the six months to 30 June 2001. Portfolio reshaping and some volume improvements together with price, cost and capital management initiatives, enabled the performance improvement. The overall EBIT to sales margin improved slightly to 9.3% compared with the December 2000 half-year result of 9.2% but improved significantly on the 6.7% EBIT margin for the June 2001 half-year.

The half-year tax expense of \$37.4 million resulted in an effective tax rate of 29%; this compares with 36% in the half-year to December 2000. The lower effective tax rate was predominantly due to lower Australian corporate tax rates and a favourable tax environment in which the Asian Plasterboard JV operates.

Mr Rod Pearse, Boral's Managing Director and CEO, said, "Boral's half-year profit of \$92.2 million represents a significant improvement in the Company's underlying performance. The Australian building and construction cycle has now passed through a very sharp and major downturn. While demand for dwellings has recovered quickly from cyclical lows, demand from the non-dwelling and roads, highways & subdivisions market segments remains very depressed".

"Boral has demonstrated an ability to manage more effectively during difficult conditions, compared with previous cyclical downturns, which will benefit us substantially as the upturn gathers momentum and beyond. The strong foundation we have been building over the last two years, through our focus on operational improvement, overhead cost reduction, capital management and portfolio reshaping positions us well for the future", said Mr Pearse.

"In the USA, where 24% of Boral's revenues were sourced during the period, the housing market demonstrated resilience to the US economic downturn and the outlook continues to be favourable for Boral's key markets. The strong underlying market together with good margin management and a positive exchange rate impact resulted in Boral's US operations delivering a 3.5% profit improvement of A\$59.2 million. This was particularly pleasing at a time of economic uncertainty and in the context of the disturbing global events that occurred during the period.

"In Asia, the plasterboard joint venture with Lafarge delivered a strong result for the half-year. We have been very encouraged by the improvement in underlying performance of the JV, which lifted Boral's profit share from breakeven last year to \$10.6 million in the last six months. We have confidence in this business and its ongoing potential. Boral has spent in excess of \$140 million over the past 18 months to fund new strategic initiatives within the JV; this has lifted our equity position from 27% at the time of the JV formation to 48% on 31 December 2001. Boral's share of JV profits for the six months to December 2001 of \$10.6 million is a promising turnaround from the \$10 million loss reported for Asian Plasterboard for the half year two years ago", said Mr Pearse.

"Boral's balance sheet is in a strong position. Prior to the demerger, Boral's gearing was at a high level of 83%. Through focused management and reductions in stay-in-business capital expenditure, gearing reached a low of 47%. Gearing has increased modestly to 55% following the funding of a range of growth initiatives, most of which were announced last year. The acquisition of Concrete was finalised in the September quarter with earnings for the first four months exceeding expectations," concluded Mr Pearse.

Approximately \$126 million of growth activities were financed during the half-year period and \$49 million was spent on stay-in-business capital.

Market conditions

Total Australian building and construction activity, as measured by value of work done, reached the bottom of the cycle in the six months to December 2000; activity was approximately 26% below the peak of the cycle, which occurred in the six months ended June 2000. Overall levels of building and construction activity remained at bottom of the cycle levels during the six months to June 2001.

A cyclical recovery in the dwellings segment commenced during the half-year to 31 December 2001. Total estimated value of building and construction work done in Australia for the six months to December 2001 increased by 4.0% compared with June 2001 half.

Australian dwelling approvals increased 48% for the six months ending December 2001 compared with the prior corresponding period, yet value of work done (as estimated by BIS Shrapnel) is estimated to have increased by only 10.2%. Activity during the period in Queensland and Victoria was well ahead of the national average whereas demand in NSW and WA was well below.

Total activity in the Australian building and construction markets, as measured by estimated value of work done, increased by 5.7% in the six months to December 2001 compared with the prior corresponding period. The value of work done in new dwelling construction, which drives approximately a third of Boral's total revenues, for the half-year to December 2001 increased by an estimated 10.2%. Non-dwelling construction activity, which drives a quarter of Boral's earnings increased by 2.3% and roads, highways, subdivision and bridges construction activity, which determines approximately 15% of Boral's revenue declined by 2.3%.

In the USA, residential construction activity levels remained relatively robust during the first half despite the continued weakening of the US economy. For the six months to December 2001, single-family housing starts in the US were 5% higher than for the corresponding period last year. Action taken by the US Federal Reserve to lower interest rates had a positive impact on housing enabling it to remain at a high level of activity despite a weakening job market. During the period the estimated value of housing work done in Boral's US brick states was up 2.5%. Improved weather conditions during the period also supported strong activity levels.

GDP growth rates generally weakened across Asia in the December 2000 six-month period. However, our plasterboard sales volumes grew strongly. Plasterboard volumes benefited from growth associated with the acquisition of Siam Gypsum in Thailand, from temporary competitor capacity constraints in South Korea and from underlying demand growth arising from the substitution of alternative building materials with plasterboard.

Operations summary

Boral's safety performance was sustained during the December 2001 half-year, with the frequency of employee lost time injuries (per million work hours) remaining at an average of 4. The Company is strongly committed to further improving its safety performance.

Building Products' first half EBIT of \$45 million was in line with the prior corresponding period, on revenues of \$490.1 million, which were 7.0% down on last December half-year. Low sales volumes to the Australian housing sector in the first quarter constrained the results for Clay & Concrete Products, Timber and Plasterboard operations, however improvements were observed in the December quarter. The result was adversely impacted by the loss of profits following the divestment of the Windows lineal and extrusion operations, Tasmanian Woodchips, and the Tumbarumba Softwood mill. Profit reductions from divestments were more than offset by significant improvements in the Asian Plasterboard JV and in Windows fabrication. EBIT to sales margin increased to 9.2% from 8.6% in the prior year.

Whilst activity in the infrastructure market segment was down and non-dwelling activity was relatively flat during the period, Boral's **Construction Materials** businesses started to benefit from the upturn in the housing sector in the December quarter. Construction Materials reported an EBIT of \$62.9 million for the half year, which was 17% up on the prior corresponding half-year, on revenues of \$826 million (up 9.5% on Dec-00 half-year). The improved EBIT result was materially assisted by a \$12.8 million profit from QEU, together with better than expected earnings from the newly acquired Concrite operation, growth in Blue Circle Southern Cement's lime markets and a continuing turnaround from the Indonesian Concrete business.

Activity in the US housing market remained strong despite depressed economic conditions and reduced consumer confidence. Boral's **USA** revenues grew by 4.7% to US\$211 million. Despite improved pricing in most areas of the US business, EBIT to sales margin decreased to 14.3% (from 15.5%) primarily as a result of restructuring costs and continuing high energy costs. Half-year EBIT of US\$30.2 million was 3.5% down on last year. In Australian dollar terms, USA EBIT was 3.5% up at \$59.2 million due to a \$4 million favourable exchange rate impact.

Continuing cost improvement and margin management programs

As a result of Performance Enhancement Programs (PEP) and a continued reduction in overheads, Boral achieved \$51 million of operational improvement cost savings during the period. Boral's total number of employees world wide of 11,608 was steady over the six month period despite the acquisition of Concrite but has reduced by 3.2% compared with employee numbers as at December 2000.

Since June 2001, prices have strengthened in softwood and hardwood and in bricks and roof tiles in the USA. Prices have been maintained for cement, masonry, plywood, and aggregates. Pricing of pre-mix concrete, scaffolding, bricks and plasterboard products in Australia has deteriorated.

Focused inventory and capacity management

The focus on controlling inventory levels remained a priority during the period. Production was managed at levels to closely match demand. As a result inventory levels remained in line with December 2000 levels.

The Australian downturn catalysed rationalisation and restructuring of capacity in the Australian market, which will benefit Boral as the upturn progresses.

During the period the closure of Boral's brick plant at Traralgon in Victoria was announced. This follows the closure of the Moorebank brick plant in NSW, announced last year. Boral's remaining brick kilns will experience higher and more effective utilisation rates, resulting in higher plant and industry efficiencies.

Toll crushing arrangements for Pioneer's quarry products at Emu Plains in NSW also commenced during the period allowing Boral's Emu Plains crushing plant to be used more efficiently and at a lower cost.

Portfolio reshaping strategies

Several Australian growth initiatives, announced late in 2001, were finalised or progressed during the period.

- The acquisition of Concrete in NSW was completed in September with the first four month's contribution exceeding expectations; in addition to this acquisition Boral exercised an option to acquire Compton Park Quarry, which is located in the NSW Southern Highlands to further complement Boral's strong aggregate position;
- the Cement division's newly completed Marulan Lime kiln upgrade operated to full capacity during the period to meet demand in Australia's growing lime market; and
- following the Timber BEA claim settlement \$22.5 million of funding for growth, over a five year period was granted to Boral from the Federal and NSW Governments; in this context, the Koolkhan timber mill upgrade was completed during the period.

Boral's shareholding in the Asian Plasterboard joint venture with Lafarge increased from 43% to 48% during the period. Growth activities within the Asian JV business progressed with the relocation of the 30 million m² plant from Shanghai to Seoul, which is scheduled to commence production in August 2002, and the acquisition of 71% of Siam Gypsum (Thailand) being completed during the half-year.

In the USA, Boral's new clay paver plant in Augusta commenced production during the period. MonierLifetile (50% owned by Boral) completed construction of a new plant in Mexico, which was fully operational by half-year end and construction of the concrete tile plant in Colorado commenced. The acquisition of a concrete tile business in Kansas City was completed with the operation performing well during the period.

During the half-year period \$126 million was spent on growth projects and acquisitions. Since July 1999, approximately \$385 million has been spent on acquisition and growth projects in Australia, the USA and Asia. These initiatives have been value-adding and in line with Boral's strategic intent. Over the same period, proceeds in excess of \$400 million have been delivered from the divestment of underperforming or non-core assets.

Strengthened capital management and balance sheet

Capital expenditure in the six months totalled \$175 million, which included \$126 million of acquisition expenditure. Stay-in-business capital expenditure of \$49 million was held to 58% of depreciation, well below the company's current target maximum of 70%.

Net debt of \$1,056 million, increased from \$983 million at 30 June 2001 following the funding of several growth initiatives during the period. Strong operational cash flow of \$139 million, and tight capital management contained the overall debt level.

Boral's gearing (net debt to equity) increased from 47% at 30 June 2001 to 55% at 31 December 2001. Interest cover increased from 4.9 times to 5.1 times. Gearing remains comfortably within the target range of 40% to 60%.

Reduced tax and interest costs

Net interest expense has declined by 15% (\$5.7 million), mainly due to lower interest rates.

Income tax expense has declined by \$15.0 million with the average tax rate reducing from 36% to 29%. The majority of this reduction is due to lower Australian corporate tax rates and the favourable tax environment of the Asian Plasterboard JV.

Improved shareholder returns

An interim dividend of 9.0 cents per share has been declared, equal to the interim and final dividend last year. The dividend will be 35% franked; this maintains the franking level of the last full year dividend.

Dividends for the half-year totalled \$51.5 million, resulting in a payout ratio of 56% from after tax income of \$92.2 million.

Boral's share price has continued to strengthen, increasing by 64% since the demerger. This compares with a 9% increase in the All Ordinaries Index over the same period.

Boral also returned an attractive dividend yield, averaging 5.8% for the six months to December 2001.

Since the demerger, the combined capital growth, dividend yield and franking benefits for Boral's shareholders, has resulted in an annualised Total Shareholder Return (TSR) of 36% ranking the stock in the top half of its benchmark peer group of Australian listed companies.

The interim dividend will be paid on 15 April 2002.

Outlook

Increased housing commencements should impact favourably on Boral's Australian businesses in the second half of FY2002.

Australian non-dwellings and roads, highways and sub-divisions are expected to remain flat for the second half with an improvement in demand occurring in the second half of the 2002 calendar year.

Asian plasterboard markets are expected to strengthen but the JV's volumes will be seasonally weaker and Korean market share will decline from the abnormal high volumes experienced in the December half.

The USA housing market should remain strong in the June half. We believe brick volumes and concrete/clay roof tile volumes will exceed last year's levels.

Overall, Boral's revenues are expected to be significantly stronger in the second half relative to the same period last year, which should result in stronger revenues for the full year to June 2002, compared with the June 2001 result.

Boral has advised its customers of price increases for cement, aggregates, pre-mix concrete, bricks (WA), masonry, hardwoods and softwoods, to take effect within the June half.

There is a continued focus on PEP/ operational improvements in all divisions and stay-in-business capital expenditure is targeted to remain below 70% of depreciation for 2002.

For the full 2002 financial year the Quarry End Use business unit should achieve profits in line with the \$24 million reported last year; second half QEU profits will therefore be about half of the profit delivered in the June half last year.

Profit from the Asian plasterboard JV should significantly exceed last year.

Whilst the second half is traditionally a weaker half, Boral's underlying profit performance in the June 2002 half-year is expected to be relatively strong due to increased sales to the new dwellings market segment.

Financial analysts' profit forecasts for Boral for the full year (as summarised by IBES) range from \$135 million to \$169 million. Assuming market and weather conditions in line with expectations, Boral anticipates its full year reported profit to be towards the top end of this forecast range.

Operations review

Building Products

Australian bricks, masonry, roofing, windows, timber, Australian and Asian plasterboard

Half-year ended 31 December	2001	2000	% change
Sales revenue, \$m	490	527	(7.0)
EBITDA, \$m	67	69	(3.2)
EBIT, \$m	45	45	0.2
Divisional cash flow*, \$m	4	41	
Capital expenditure*, \$m	56	14	
Funds employed, \$m	1011	842	
EBITDA return on sales, %	13.6	13.0	
EBIT return on sales, %	9.2	8.6	
EBIT return on funds employed, % (annualised)	9.0	10.7	
Employees	3640	4064	(10.4)
Sales revenue per employee, \$m	0.135	0.130	

* Including acquisitions

Despite activity levels for the first quarter being well down on the previous year, the **Building Products** division delivered an unchanged EBIT of \$45 million, on weaker revenues of \$490 million. Loss of profit contribution from the previously divested Windows lineals and extrusion businesses and Tasmanian Woodchips operations were offset by increased earnings from the Asian Plasterboard JV.

Whilst volume improvements occurred in the second quarter, the overall results from **Clay and Concrete Products** were below expectation, with a slow flow-through of housing approvals in NSW offsetting the more buoyant Victorian and WA markets. Overall revenues remained constant with the previous December. Demand is expected to increase in the second half. Production levels were constrained to match sales throughout the period to prevent inventory build ups.

Australian Plasterboard operations delivered a comparable result to last December half-year, with volume improvements gaining momentum in the second quarter driven by the Queensland and Victorian operations.

The **Asian Plasterboard** JV provided a significant contribution to the group results during the period of A\$10.6m, reflecting strong trading conditions and Boral's increase in ownership from 43% at June to 47.7% at December. The JV benefited during the six months from the additional volumes generated by the SGI acquisition, together with a growth in South Korean volumes reflecting increased market share due to short term competitor capacity constraints.

Following the sale of the **Windows'** lineals and extrusion businesses, the fabrication business has been restructured resulting in a good turnaround from its loss-making position a year ago. This business is now delivering profits and an improving return on funds employed.

The **Timber** division's first half performance was characterised by improvements in most areas of the business. There was a significant reduction in asset intensity and profits compared with the December half last year due to the disposal of the Tasmanian Woodchip business in the first half of last year and the sale of the Softwood business at Tumbarumba in NSW.

Boral's long standing BEA claim with the Federal and NSW Governments was favourably resolved during the period. Payments totalling \$22.5 million, linked to capital expenditure, will be received over a five-year period.

Construction Materials

Australian quarries, concrete, asphalt, cement, transport, scaffolding, concrete placement, recycling, contracting, quarry end use, and Indonesian concrete.

Half-year ended 31 December	2001	2000	% change
Sales revenue, \$m	826	755	9.5
EBITDA, \$m	111	100	10.9
EBIT, \$m	63	54	16.9
Divisional cash flow*, \$m	(5)	56	
Capital expenditure*, \$m	84	40	
Funds employed, \$m	1359	1301	
EBITDA return on sales, %	13.5	13.3	-
EBIT return on sales, %	7.6	7.1	
EBIT return on funds employed, % (annualised)	9.3	8.3	-
Employees	5432	5449	(0.3)
Sales revenue per employee, \$m	0.152	0.139	

* Including acquisitions

Construction Materials reported an EBIT of \$63 million for the half year, which was 16.9% up on the prior corresponding half-year, on revenues of \$826 million (up 9.5% on Dec-00 half-year). Whilst activity in the non-dwelling and infrastructure market segments was relatively flat during the period, Boral's construction materials businesses benefited from the upturn in the housing sector in the second quarter.

The improved EBIT result was assisted by a \$12.8 million profit from **QEU**, largely arising from further land sales from the Greystanes Redevelopment project.

Quarry operations benefited from increased aggregate volumes and the newly formed Emu Plains tolling arrangements operations with Pioneer. Improved results in **Asphalt** were recorded in all States except WA where a small loss was recorded. **Concrete** pricing declined in the metropolitan markets, the impact of which was only partially offset by increased concrete volumes and better than expected earnings from the newly acquired Concrete operation.

The **Blue Circle Southern Cement** operations benefited from an upturn in demand for bulk cement in the Victorian market, which assisted to offset a somewhat subdued NSW market. Strong demand from the steel industry generated increased lime sales and the newly commissioned lime kiln operated at high levels of capacity utilisation and significantly reduced production costs. **Concrete Placing** volumes improved for De Martin & Gasparini during the period, however, margins remained under pressure. **Scaffolding** operations experienced increased utilisation in all States during the December quarter, with strongest demand arising in the Victorian market. **Indonesia Concrete** achieved an improved profit during the period on increased volumes.

USA

Bricks, clay and concrete roof tiles, fly ash, concrete admixtures

Half-year ended 31 December US\$	2001	2000	% change
Sales revenue, US\$m	211	202	4.7
EBITDA, US\$m	42	43	(1.5)
EBIT, US\$m	30	31	(3.5)
Divisional cash flow*, US\$m	26	28	
Capital expenditure*, US\$m	18	12	
Funds employed, US\$m	377	357	

* Including acquisitions

Half-year ended 31 December A\$	2001	2000	% change
Sales revenue, A\$m	413	368	12.3
EBITDA, A\$m	82	78	5.6
EBIT, A\$m	59	57	3.5
Divisional cash flow*, A\$m	51	50	
Capital expenditure*, A\$m	35	23	
Funds employed, A\$m	739	644	
EBITDA return on sales, %	19.9	21.2	
EBIT return on sales, %	14.3	15.5	
EBIT return on funds employed, % (annualised)	16.0	17.8	
Employees	2260	2321	(2.6)
Sales revenue per employee, A\$m	0.183	0.158	

* Including acquisitions

USA operations delivered a half-year EBIT of US\$30.2 million, which was 3.5% down on last year. In Australian dollar terms, USA EBIT was 3.5% up at \$59.2 million due to a \$4 million favourable exchange rate impact.

Despite improved pricing in most areas of the US business, EBIT to sales margin decreased to 14.3% (from 15.5%) due to continued high energy costs and restructuring costs.

Bricks operations generated a steady profit for the six months on improved revenues, with flat sales volumes and an increase in selling prices. The Augusta paver plant upgrade in Bricks was completed in December and activity continues on the packaging and dryer capital projects in the Clay Tiles business. BMTI, Boral's **Flyash** business, delivered an improved profit, on recovering volumes. The **Clay Tiles** operations results were negatively impacted by production and labour issues during the period. The Boral and Lafarge concrete roof tile JV, **MonierLifetile**, benefited from improved volumes and pricing increases throughout the period and now contributes around 15% of the US result.