



Results Announcement

FOR THE HALF YEAR ENDED 31 DECEMBER 2002



Building on our strong resource
and market positions

BORAL'S UNDERLYING HALF YEAR PROFIT INCREASES BY 57% TO \$144M

- Net profit after tax and minorities of \$144.3 million for the half year ended 31 December 2002, a 57% increase in profit compared with the six months to 31 December 2001.
- Earnings per share for the half year increased from 16.2 cents to 25.1 cents.
- Sales revenue of \$1.9 billion was 12% above the prior year.
- A continuation of the strong Australian performance reported in the second half of FY2002, largely driven by increased dwelling activity, pricing initiatives in construction materials and continuing contributions from turnarounds, growth and acquisition investments; Australian EBIT improved by 83% to \$179 million compared with the six months to 31 December 2001.
- A continuation of strong earnings of US\$30 million from US operations supported by a buoyant US housing market. A negative exchange rate impact of approximately A\$5 million resulted in translated earnings of A\$54 million being 9% down on last year.
- A strong half year profit from Boral's Asian operations of \$14 million, which was 32% higher than last year.
- A 32% EBITDA improvement to \$337 million and an EBITDA to sales margin of 17.4% (compared with 14.8% in the December 2001 half year).
- A 49% improvement in EBIT to \$240 million; the EBIT to sales margins in all divisions substantially improved, resulting in an overall margin of 12.4% compared with 9.3% in the prior year.
- A return on funds employed on a moving annual total (MAT) basis of 14.6% (up from 9.3% last year).
- An interim dividend of 11.0 cents per share has been declared; the dividend will be 75% franked and will be paid on 19 March 2003.

| HALF YEAR ENDED 31 DECEMBER AS' M | 2002 | 2001 | % CHANGE |
|--|------------|-----------|-------------|
| Sales revenue | 1,931 | 1,732 | 12 |
| EBITDA | 337 | 256 | 32 |
| EBIT | 240 | 161 | 49 |
| Net interest | 35 | 32 | 12 |
| Profit before tax | 205 | 130 | 58 |
| Tax expense | 60 | 37 | 61 |
| Profit after tax | 144 | 92 | 57 |
| Cash flow from operating activities | 163 | 139 | |
| Gross assets | 4,004 | 4,014 | |
| Funds employed | 2,968 | 2,972 | |
| Liabilities | 1,900 | 2,099 | |
| Net debt | 864 | 1,056 | |
| Growth & acquisition capital expenditure | 37 | 126 | |
| Stay-in-business capital expenditure | 62 | 49 | |
| Employees | 12,120 | 11,608 | |
| Sales per employee, \$ million | 0.159 | 0.149 | |
| Net tangible asset backing, \$ per share | 3.29 | 2.94 | |
| EBITDA margin on sales, % | 17.4 | 14.8 | |
| EBIT margin on sales, % | 12.4 | 9.3 | |
| EBIT return on funds employed, % (MAT) | 14.6 | 9.3 | |
| Return on equity, % (MAT) | 12.1 | 8.2 | |
| Gearing (net debt:equity plus net debt), % | 29 | 35.5 | |
| Gearing (net debt:equity), % | 41 | 55 | |
| Interest cover, times | 6.8 | 5.1 | |
| Earnings per share, ¢ | 25.1 | 16.2 | |
| Dividend per share, ¢ | 11.0 | 9.0 | |
| Safety: Lost time injury frequency rate (per million hours worked) | 3 | 5 | |

MARKET CONDITIONS

The estimated total value of work done¹ in the Australian building and construction markets increased by approximately 17% during the period, compared with the six months to December 2001. This increase consisted of a 22% uplift in dwelling activity, a 16% increase in the value of work done in non-residential building and a 2% upturn in the construction of roads, highways, subdivisions and bridges.

The Australian housing market drives approximately one third of Boral's total revenues, non-dwelling building activity drives 15-20% of sales revenues, and construction activity in the roads, highways, subdivision & bridges segment determines a further 15-20% of Boral's revenue.

During the period, Australian dwelling activity was strong as a result of the flow through of the high levels of building approvals. Importantly, dwelling approvals were sustained at high levels for the six months to December 2002, with approvals increasing by 4% on the prior corresponding period and 6% on the six months to June 2002. Whilst approvals for detached houses decreased by 4% on the prior year, the overall increase in approvals during the period was driven by a 24% increase in the multi-dwelling segment.

The value of work done in the Australian non-dwelling building segment was 16% up for the half year-on-year. In addition, the value of approvals increased by approximately 17% compared with the six months to December 2001 and by 17% compared with the June 2002 half year; this increase is largely driven by growth in hotels and shops and is expected to flow through into increased non-dwelling construction activity from the second half of FY2003 and into FY2004.

Whilst the value of work done in the Australian roads, highways, subdivisions & bridges construction segment increased by 2% year-on-year, the value of work commenced was up approximately 20% compared with the six months to June 2002. There are positive indications that emerging major infrastructure

work will impact more noticeably from FY2004.

During the six months to December 2002, 22% of total reported revenues and approximately 25% of operating EBIT was derived from the USA and Asia.

In the USA, housing activity remained strong despite a weak US economy. There were 1.726 million housing permits issued in the USA in calendar year 2002, which was 5.5% higher than 2001. Construction of 1.705 million houses commenced in 2002 (up 6.4% on last year) and 1.651 million were completed (up 5.1%). Housing starts in Boral's US Brick States² were 1% higher than in the prior corresponding period. However, the value of construction work done in the same Brick states was slightly softer at 3% below December 2001 half year levels due to lower levels of commercial activity.

High underlying plasterboard market growth in Asia which was reported for the year ended June 2002, continued during the six months to December 2002. New construction activity in South Korea temporarily softened post the FIFA World Cup in June 2002 but recovered well during the December quarter. Conditions in Thailand continued to improve with new house construction particularly buoyant. Demand in China also grew strongly but prices remain low because of a continuing supply overhang. Indonesia's market growth, from a low base, continued through the six months to December 2002.

DELIVERING A PERFORM AND GROW STRATEGY

Boral's Strategic Intent is to be a *value-driven, focused building and construction materials supplier, operating in Australia and increasingly offshore*. In order to realise our Strategic Intent, we adopted a *perform & grow* strategy in October 1999, which is clearly delivering shareholder value.

Since demerger, Boral's profitability has substantially strengthened. During calendar 2002, return on equity increased to 12.1% and total shareholder returns (TSR) performance since demerger has averaged 31% p.a.

CONTINUING FOCUS ON PERFORMANCE IMPROVEMENT

Whilst the significant benefits of cyclical volume uplifts are reflected in the half year result, price management strategies and cost improvement programs, including business turnarounds, have also had a large positive impact.

Compared with the prior corresponding half-year, average prices strengthened in aggregates, cement, concrete, timber and masonry in Australia and in roof tiles in the USA. During the period, average pricing levels remained steady in bricks and roof tiles in Australia and plasterboard

¹ Second quarter value of work done data is not yet available from Australian Bureau of Statistics; BIS Shrapnel forecasts have been used to estimate second quarter VWD.

² Boral's US "Brick States" are Alabama, Arkansas, Florida, Georgia, Illinois, Indiana, Kentucky, Louisiana, Maryland, Mississippi, Missouri, North Carolina, Ohio, Oklahoma, South Carolina, Tennessee, Texas, Virginia. FW Dodge estimates used to calculate value of work done in these states.

throughout Asia but Australian plasterboard and US brick prices softened.

Performance Enhancement Programs (PEP) delivered \$39 million of operational cost savings during the period, which offset operational cost inflation. Overhead (or selling, general & administration) costs were 3% higher than last year due in part to acquisitions. Overheads as a percentage of sales reduced, however, from 12.9% to 11.9%.

Tax and interest expenses increased during the half-year. The tax expense for the six months to December 2002 was \$60 million compared with \$37 million for the six months to December 2001. The effective tax rate of 29.4% was marginally below the tax rate for FY2002 but was higher than the previous corresponding half-year due to favourable Australian tax benefits last year. Interest expense of \$35 million was \$4 million higher than the previous corresponding half-year due to slightly higher interest rates following the re-financing of US\$300 million of debt in the second half of FY2002. Whilst interest expenses were slightly higher, the US\$300 million US debt issue, with an average tenure of around 11 years, has provided enhanced long-term funding stability and lower financing risk.

Sound capital and balance sheet management continued during the period. Operational cash flows of \$163 million (before capital expenditure) were supported by strong controls around working capital and maintenance of stay-in-business capital expenditure at 71% of depreciation levels. Whilst capital expenditure during the period was relatively low at \$99 million, this level will increase significantly in the second half of the year as stay-in-business capital expenditure increases to around depreciation levels and planned growth projects flow through.

During the period net debt reduced to \$864 million compared with \$1,056 million at December 2001. This resulted in gearing (D/E) reducing to 41% (down from 55% at December 2001 and down from 45% at June 2002).

SUBSTANTIALLY IMPROVED AUSTRALIAN PERFORMANCE

Boral's Australian operations delivered \$179 million of EBIT during the period, an 83% improvement on last year. This result reflects benefits from an improved housing market, positive price management outcomes in construction materials and continued business performance turnarounds. EBIT to sales margins in Australia increased from 7.6% to 11.8%.

CONSTRUCTION MATERIALS, AUSTRALIA

| HALFYEAR ENDED 31 DECEMBER | 2002 | 2001 | % CHANGE |
|---|-------|-------|-------------|
| Sales revenue, \$m | 919 | 802 | 15 |
| EBITDA, \$m | 160 | 110 | 47 |
| EBIT, \$m | 113 | 62 | 84 |
| Divisional cashflow*, \$m | 33 | (2) | |
| Capital expenditure*, \$m | 64 | 84 | |
| Funds employed, \$m | 1,474 | 1,437 | |
| EBITDA return on sales, % | 17.5 | 13.6 | |
| EBIT return on sales, % | 12.3 | 7.7 | |
| EBIT return on funds employed, % (MAT) | 13.5 | 8.8 | |
| Employees | 4,955 | 4,668 | |
| Revenue per employee, \$m | 0.186 | 0.172 | |

* Including acquisitions

Boral's Construction Materials businesses in Australia benefited from a 22% increase in housing activity compared with last year and from the commencement of an upturn in non-residential and engineering & construction activity, which were 16% and 2% higher, respectively. Construction Materials reported an EBIT of \$113 million for the half-year, 84% up on the prior corresponding period, on revenues of \$919 million (up 15% on the prior year). EBIT to sales margin increased to 12.3% compared with 7.7% in the prior corresponding half-year and return on funds employed increased from 8.8% to 13.5% (on an MAT basis).

On a regional basis, results from construction materials businesses in all states, except South Australia, were above last year.

Results from the integrated businesses of Concrete and Quarries improved significantly during the period due to strong price improvements, volume uplifts (predominantly in the housing sector) and strong contributions from bolt-on concrete acquisitions.

Whilst there have been the normal fluctuations in concrete volumes in local markets, on average underlying market share, excluding recent acquisitions, has remained steady compared with the corresponding period.

Delivered concrete prices increased by approximately 15% over the half-year ended December 2002 compared with the corresponding period last year. This was in line with our expectations. Prices in the current order book continue to strengthen as a result of older contracts being completed and substituted with new contracts. Additional price increases implemented during October 2002 and already



announced for April 2003, will further impact the order book. We therefore expect improved delivered concrete pricing during the second half of this financial year.

Aggregate, sand and road base prices have increased on average by 15% compared with the corresponding period last year and will increase further.

Blue Circle Southern Cement's improved results for the half year were underpinned by higher cement and lime volumes and by increases in selling prices. Cement prices increased by approximately 5% over the six months compared to the corresponding period last year and will increase further during the June half year.

In response to capacity constraints in the Australian cement industry during the period, Boral's higher-cost, wet kiln #5 at Berrima was brought on line to supply market needs. In December, a \$131 million cement upgrade program was announced which will provide increased capacity flexibility and lower delivered costs into Blue Circle Southern Cement's key NSW and Victorian markets.

Profits from the Asphalt business improved during the period, driven by improvements in Victoria, Queensland and Western Australia. NSW and South Australia markets were down on last year due to delays in government road expenditure in those states.

Driven by increased scaffolding utilisation rates and stronger pricing, the Scaffolding business delivered improved results. The De Martin & Gasparini concrete placing business was steady and will benefit from volume improvements in the Sydney non-residential construction market.

Construction Materials' EBIT included an \$8.5 million profit from Quarry End Use (QEU) operations (compared with \$12.8 million in the first half of FY2002), primarily derived from ongoing Greystanes Development activities. During the period, a partnership with Delfin Lend Lease was formed to undertake development activity in the residential land precinct at Greystanes over the next five to six years.

BUILDING PRODUCTS, AUSTRALIA

| HALFYEAR ENDED 31 DECEMBER | 2002 | 2001 | CHANGE % |
|---|-------|-------|-------------|
| Sales revenue, \$m | 592 | 487 | 22 |
| EBITDA, \$m | 88 | 57 | 54 |
| EBIT, \$m | 65 | 36 | 80 |
| Divisional cashflow*, \$m | 70 | 45 | |
| Capital expenditure*, \$m | 15 | 14 | |
| Funds employed, \$m | 809 | 827 | |
| EBITDA return on sales, % | 14.9 | 11.8 | |
| EBIT return on sales, % | 11.1 | 7.5 | |
| EBIT return on funds employed, % (MAT) | 14.1 | 6.7 | |
| Employees | 3,688 | 3,615 | |
| Revenue per employee, \$m | 0.160 | 0.135 | |

* Including acquisitions

Building Products in Australia delivered a half year EBIT of \$65 million, which was 80% above last year, on revenues of \$592 million, which were 22% above last year.

EBIT/Sales improved significantly from 7.5% to 11.1% and ROFE lifted to a more satisfactory 14.1% (on a MAT basis). The EBIT result reflects stronger sales volumes and cost improvements in Plasterboard and Clay & Concrete Products, together with substantial performance turnarounds in Windows and Timber.

Clay & Concrete Products, consisting of roof tiles, bricks and masonry products in Australia, delivered substantially improved results that exceeded the cost of capital. However, performance was held back by adverse mix shifts in roofing and in bricks on both the east and west coasts, as well as lower than anticipated gains from increased volumes. This part of the business is implementing a broad operational improvement program, organisational restructuring and price management initiatives designed to deliver further margin improvements.

A buoyant Australian housing market fuelled by the First Home Buyers Grant, low interest rates and wider use of plasterboard helped the Australian Plasterboard business to record a strong profit lift in the half year compared to the same period last year. Further cost reduction initiatives and the acquisition of Stud & Track in late August (the largest independently owned plasterboard distributor in Sydney and a Boral customer), also contributed to the result and helped to offset the impact of weaker pricing.

Improved pricing, volumes and operating costs across all products assisted the Timber division to continue its significant profit turnaround during the half year. Hardwood operations saw increased pricing and volumes drive the result however, export markets were slower than anticipated. Softwoods saw the benefit of pricing and volume improvements and vastly improved production efficiencies. The Plywood business suffered production difficulties early in the year, however, it gained momentum in the December quarter and is on track to significantly improve profitability on last year. Progress with the NSW



Government to obtain security of hardwood resource allocation is proving slow and capital upgrade programs remain on hold until further certainty can be gained.

The Windows fabrication business continued to deliver the substantial turnaround in performance which was reported in FY2002, based on successful cost reduction programs and volume uplifts. There is further opportunity for improvement in the NSW Windows business.

All building products businesses delivered above cost of capital returns.

CONTINUED STRONG USA CONTRIBUTION

Boral's leading market positions in bricks and roof tiles in the US strengthened during the half year with strong performance delivered, growth initiatives in concrete roof tiles delivering good results and expansion in brick distribution announced. Boral will be the largest brick distributor in the major brick states of Georgia, Tennessee, Kentucky and Ohio.

USA

| HALF YEAR ENDED 31 DECEMBER | 2002 | 2001 | CHANGE % |
|---|-------|-------|----------|
| US\$ | | | |
| Sales revenue, US\$m | 210 | 211 | - |
| EBITDA, US\$m | 43 | 42 | 2 |
| EBIT, US\$m | 30 | 30 | - |
| A\$ | | | |
| Sales revenue, \$m | 379 | 413 | (8) |
| EBITDA, \$m | 78 | 82 | (6) |
| EBIT, \$m | 54 | 59 | (9) |
| Divisional cashflow*, \$m | 64 | 51 | |
| Capital expenditure*, \$m | 14 | 35 | |
| Funds employed, \$m | 709 | 780 | |
| EBITDA return on sales, % | 20.5 | 19.9 | |
| EBIT return on sales, % | 14.2 | 14.3 | |
| EBIT return on funds employed, % (MAT) | 14.6 | 13.1 | |
| Employees | 2,210 | 2,260 | |
| Revenue per employee, \$m | 0.171 | 0.183 | |

* Including acquisitions

The USA housing market remained strong during the six months to December 2002 with low interest rates and low housing inventories supporting the high levels of underlying housing

demand. US building activity in Boral's US Brick States remained at high levels.

Boral's USA operations delivered a strong and steady EBIT of US\$30 million on revenues of US\$210 million, which were in line with last year. In Australian dollar terms, USA EBIT of A\$54 million was 9% lower than that reported last year as a result of a A\$5 million negative exchange rate variance due to a strengthening Australian dollar.

During the period, brick volumes in the USA were up marginally but due to geographic and product mix issues average selling prices were softer. The bricks business delivered a profit marginally lower than last year.

Improvements in BMTI and MonierLifetile offset the reduced result from bricks. MonierLifetile (Boral's 50/50 concrete roof tile joint venture with Lafarge) continued to deliver a steady turnaround in underlying performance with Boral's share of reported EBIT increasing by 20% to US\$4.8 million. Operational improvements and positive impacts of recent growth and acquisition investments contributed to the improved performance. The result includes a write-down of the recently closed, San Bernadino plant, which reduced the reported profit improvement.

Despite sales revenue being slightly lower in the BMTI business compared with last year, operating profit was higher. BMTI saw the benefits of improved Flyash pricing and the restructuring program undertaken last year

Clay tiles delivered an improved result compared with last year due to the benefits of last year's plant upgrade program and other operational improvements beginning to flow through. Clay tile revenues were slightly softer than last year due to lower production volumes associated with the finalisation of the plant upgrade.

STRONG POSITION IN ASIA IS DELIVERING RESULTS

Results from Asia reflect the strong position that Boral and Lafarge have established through the Plasterboard joint venture as well as the improved performance of Boral's construction materials operations in Indonesia.

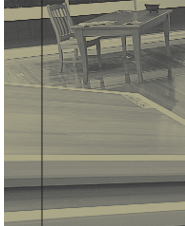
ASIA (Asian Plasterboard joint venture with Lafarge and Indonesian construction materials)

| HALFYEAR ENDED 31 DECEMBER | 2002 | 2001 | % CHANGE |
|---|------|------|-------------|
| Sales revenue, \$m | 40 | 28 | 46 |
| EBIT, \$m | 14 | 10 | 32 |
| Funds employed, \$m | 206 | 214 | |
| EBIT return on funds employed, % (MAT) | 11.5 | 8.3 | |

Boral's share of revenues from the Asian Plasterboard joint venture do not appear in Boral's consolidated accounts. Boral's profits from this business are equity accounted.

Boral's Asian operations delivered a half year EBIT of \$14 million, which was 32% higher than last year.

Boral's share of earnings from its 47.7% shareholding in the Plasterboard joint venture was in line with last year. This result



was achieved despite the adverse impact of the stronger Australian dollar and an abnormally high result last year.

As expected, market growth underpinned stronger plasterboard sales volumes for the joint venture compared with last year. Sound performance improvement programs well executed by joint venture management with support from Lafarge and Boral are also driving gains across the joint venture's operating entities.

During the period, the joint venture completed its complex restructure in the difficult China market which released under-utilised plant from Shanghai for relocation to the joint venture's new production site close to Seoul in South Korea. This move was completed on time and within budget with the plant supporting strong sales volumes in South Korea in the Dec-2002 quarter.

Successful integration of the two Shanghai based businesses separately operated by Boral and Lafarge prior to the formation of the joint venture, enabled the reshaped business in China to record a positive EBIT in the half year compared to losses in prior periods. Well executed integration programs following the acquisition of 71% of Siam Gypsum Industries last year also lifted performance in Thailand.

Boral's construction materials activities in Indonesia, including concrete and quarries and a new concrete pipe business, delivered substantially improved results for the six months to December 2002. The profit uplift was driven by improved market volumes and pricing and by new batch plants and trucking capacity.

VALUE-ADDING GROWTH ACTIVITIES

Following the demerger and up to June 2002, \$425 million was invested in acquisition and growth projects in Australia, the USA and Asia. During the six months to 31 December 2002, a further \$37 million was spent on growth. Acquisition activities during the period included:

- 50% of Go Crete (Perth's second largest independent concrete producer),
- Canberra Minimix,

- Stud & Track (the largest plasterboard distributor in NSW), and
- Allen's Asphalt in south east Queensland.

These bolt-on acquisitions further advance the successful growth strategy adopted over recent years, which has involved incremental, low-risk growth steps to build on our leading reserve and market positions. The above cost-of-capital returns being delivered by these investments are reflected in improved operating results and margins.

Approximately \$200 million of growth and acquisition capital expenditure is expected during the second half of FY2003 predominantly arising from recently announced plans to grow our manufacturing positions in cement in Australia and brick distribution in the USA. A further \$90 million of growth expenditure will also carry forward to FY2004 for the cement upgrade program.

Growth capital expenditure has averaged around \$200 million per annum since the demerger and this level of expenditure is expected to be sustainable in future years.

Cement expansion in Australia

In December 2002, Boral announced plans to invest \$131 million to upgrade its Blue Circle Southern Cement plants at Berrima in the NSW Southern Highlands and Waurin Ponds near Geelong in Victoria.

Approximately \$75 million will be spent to upgrade Berrima's #6 dry process kiln, lifting capacity of #6 kiln to 1.4 million tpa from 1.0 million tpa. \$56 million will be invested in a two-stage upgrade at Waurin Ponds resulting in an increase in cement capacity from 500,000 to 800,000 tpa at Waurin Ponds.

In addition to providing increased capacity flexibility, these investments will reduce transport costs, reduce energy costs through the increased use of alternative fuels, will significantly reduce emissions, and will allow further stay-in-business capital expenditure to be avoided.

The benefits of cost reductions and increased capacity will strengthen Boral's leading NSW and Victorian cement market positions. In recent years Australia has been a net importer of cement because of Australian capacity shortfalls. Following the upgrades, Boral will be in a position to offer a lower-cost domestic supply option to meet industry supply chain shortages and to supply growth in the building and construction markets which are not expected to achieve a cyclical peak until approximately 2006/07.

Growth in US brick distribution through the acquisition of Franklin Brick

Last week Boral announced it has agreed to acquire Franklin Brick. With 23 locations throughout five US states, including six locations in Georgia, Franklin is the largest independent brick distributor in the USA.



The acquisition of Franklin Brick is consistent with our perform and grow strategy, allowing Boral to move further into direct sales to end customers and improving the operating margins of our US Brick business. Boral will also have the opportunity to capture cost savings from freight logistics, inventory management, greater purchasing leverage, streamlined marketing and back office functions.

PERFORMANCE AGAINST OUR FINANCIAL OBJECTIVES

During the past three years we have experienced the lows and highs of the Australian dwelling construction cycle and we have been supplying cyclically low levels of activity in the non-dwelling and roads, highways, subdivisions & bridges segments. Nevertheless, the company's underlying profitability has improved substantially during this period and we have exceeded the weighted average cost of capital (WACC) through this period of the cycle. Our objective is to do this on a sustainable basis.

1 Exceed WACC through the cycle

Return on funds employed for the half year period was 14.6% on a moving annual total basis, compared with 9.3% a year ago. These returns clearly exceed Boral's WACC.

2 Deliver better financial returns than the competition in comparable markets

For some time now we have delivered a comparatively strong performance in Australian construction materials, in the US brick market and in plasterboard in Asia.

We have been determined to improve the performance of our building products businesses in Australia where Boral's returns have been below acceptable levels and have lagged competitors' returns. A major feature of the half year has been the substantial improvement in building products which is now delivering better absolute and relative returns than previously. Comparing December 2001 and December 2002 half years, Building Products Australia improved its return on funds employed from 6.7% to 14.1% on an MAT basis.

3 Deliver superior total shareholder returns

An interim dividend of 11.0 cents per share has been declared, which will be 75% franked. This is a 22% increase from the 2002 interim dividend of 9.0 cents with 35% franking (or 10% above the FY2002 final 10.0 cent/75% franked dividend). A dividend of 11.0 cents represents a dividend yield of 5.3% p.a. (before franking) on Boral's average share price for the half year ended December 2002. The increased dividend and franking level effectively provides a 40% increase in the grossed up dividend half year-on-year for most shareholders.

Dividends declared for the half year totalled \$63.3 million, resulting in a payout ratio of 44% from after tax income of \$144.3 million.

Capital returns for shareholders have continued to strengthen. Boral's share price has increased by 91% since the demerger (February 2000) to 31 December 2002, compared with a 2% decrease in the ASX100 over the same period. Over the six months to December 2002, Boral's share price increased by 16% whilst the ASX100 decreased by 6% over the same period. Since the demerger the combined capital share price appreciation and dividend yield for Boral's shareholders, has resulted in an annualised TSR of 31% to 31 December 2002, ranking the stock in the top quartile of the top ASX100 group of Australian listed companies.

Earnings per share for the December 2002 half year was 25.1 cents, a 55% increase on last year.

The interim dividend will be paid on 19 March 2003, four weeks earlier than last year. Boral will continue to offer a Dividend Reinvestment Plan for shareholders. To minimise EPS dilution, Boral will again buy-back on market shares equivalent to the number of shares issued under the DRP.

OUTLOOK – FY2003

Dwelling approvals in Australia for the September 2002 quarter were strong and in the December 2002 quarter fell by 5% on the prior quarter. The March 2003 quarter should reflect ongoing high activity flowing through from previously announced approvals with a weaker level of activity in the June 2003 quarter. Overall, dwelling activity during the six months to June 2003 is expected to be cyclically and seasonally weaker compared with the first half of the year.

On the other hand, we anticipate Australian non-dwelling and infrastructure project activity will continue to increase during the second half of FY2003, largely benefiting construction materials markets. Again, however, the June half is typically seasonally weaker than the December half of the financial year.

Quarry, Concrete and Cement price increases initiated in the first half of the year will have a full six months impact in the second half and will combine with further announced price increases planned to take effect in the June 2003 quarter.



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Continued strong performance from QEU is expected albeit that the result for FY2003 should be slightly lower compared with last year. Second half QEU earnings are expected to be higher than first half earnings.

Strong activity in the USA housing market is expected to continue in the second half of this fiscal year. However, USA earnings are expected to be lower in the second half due to seasonal weakness and exchange rate impacts.

Increasing Asian plasterboard penetration, operational improvement initiatives, and the underlying economic strength of countries in which we operate should lift performance in the seasonally weaker June half year.

Capital expenditure will be substantially higher in the second half year, with growth & acquisition expenditure for already announced growth activities expected to be approximately \$200 million. Stay-in-business capital expenditure for the full year is anticipated to be around depreciation levels.

The IBES analysts currently forecast Boral's FY2003 earnings to range from \$223 million to \$259 million with an average of \$239 million. Subject to any unforeseen effects of weather, fuel prices and international instability, we expect Boral's earnings to be around \$260 million for FY2003 which is 15% above Boral's previous forecast of \$226 million and 9% above the current IBES consensus forecast.

FOR THE HALF YEAR ENDED 31 DECEMBER 2002

| | 31 DEC 2002 A\$M | 31 DEC 2001 A\$M | %CHANGE |
|--|------------------------|------------------------|---------|
| Sales revenue | 1,931.4 | 1,731.9 | 11.5% |
| Other revenues from ordinary activities | 12.5 | 18.3 | (31.7%) |
| Revenues from ordinary activities | 1,943.9 | 1,750.2 | 11.1% |
| Expenses from ordinary activities | (1,729.2) | (1,609.5) | 7.4% |
| Borrowing costs (excluding interest revenue) | (36.7) | (33.8) | 8.6% |
| (Net interest expense \$35.2 million, 2001 \$31.5 million) | | | |
| Share of net profit of associates and joint venture entities | 26.7 | 22.7 | 17.6% |
| Profit from ordinary activities before tax | 204.7 | 129.6 | 57.9% |
| Income tax on ordinary activities | (60.1) | (37.4) | 60.7% |
| Profit from ordinary activities after tax | 144.6 | 92.2 | 56.8% |
| Profit from extraordinary items after tax | – | – | – |
| Net profit | 144.6 | 92.2 | 56.8% |
| Net profit attributable to outside equity interests | 0.3 | – | |
| Net profit for the period attributable to members | 144.3 | 92.2 | 56.5% |
| NON-OWNER TRANSACTION CHANGES IN EQUITY | | | |
| Net exchange differences recognised in equity | 9.5 | 10.0 | |
| Net increase/(decrease) in retained earnings on initial adoption of : | | | |
| – Revised AASB 1028 Employee Benefits | (1.4) | – | |
| Total transactions and adjustments recognised directly in equity | 8.1 | 10.0 | |
| Total changes in equity not resulting from transactions with owners as owners | 152.4 | 102.2 | 49.1% |
| EARNINGS PER SHARE | | | |
| Basic EPS | 25.1 | 16.2 | |
| Diluted EPS | 24.9 | 16.1 | |
| CONSOLIDATED RETAINED PROFITS | | | |
| Balance at beginning of financial period | 222.1 | 138.7 | |
| Net profit attributable to members | 144.3 | 92.2 | 56.5% |
| Net transfers from reserves | 0.2 | 0.1 | – |
| Net effect of changes in accounting policies* | | | |
| Revised AASB1028 Employee Benefits | (1.4) | – | – |
| Dividends paid or payable | (0.1) | (51.5) | (99.8%) |
| Balance at end of financial period | 365.1 | 179.5 | 103.4% |

* As a consequence of the adoption of AASB1044 the provision for dividend of \$575 million at 30 June 2002 has been reversed and adjusted against retained earnings. A corresponding adjustment was made against retained earnings to reflect the payment of the final dividend. The net effect on retained earnings is nil.

Consolidated Statement of Financial Position

FOR THE HALF YEAR ENDED 31 DECEMBER 2002

| | 31 DEC 2002 A\$M | 30 JUN 2002 A\$M | 31 DEC 2001 A\$M |
|--|------------------------|------------------------|------------------------|
| Current assets | | | |
| Cash assets | 52.3 | 43.4 | 39.2 |
| Receivables | 631.4 | 641.5 | 628.7 |
| Inventories | 367.0 | 352.5 | 373.3 |
| Inventories – land held for resale | 14.9 | 7.6 | 10.0 |
| Other – prepayments & deferred expenses | 38.3 | 28.6 | 58.6 |
| Total current assets | 1,103.9 | 1,073.6 | 1,109.8 |
| Non-current assets | | | |
| Receivables | 49.5 | 44.1 | 57.0 |
| Investments (equity accounted) | 331.3 | 313.7 | 325.0 |
| Other financial assets | 0.2 | 0.2 | 0.3 |
| Inventories – land held for resale | 100.2 | 56.2 | 35.6 |
| Property, plant and equipment (net) | 2,046.0 | 2,070.7 | 2,097.2 |
| Intangibles (net) | 210.7 | 210.0 | 230.1 |
| Deferred tax assets | 140.2 | 125.8 | 145.5 |
| Other – deferred expenses | 22.4 | 12.7 | 14.0 |
| Total non-current assets | 2,900.5 | 2,833.4 | 2,904.7 |
| Total assets | 4,004.4 | 3,907.0 | 4,014.5 |
| Current liabilities | | | |
| Payables | 456.9 | 485.1 | 436.3 |
| Interest bearing liabilities | 15.9 | 8.2 | 71.5 |
| Tax liabilities | 70.2 | 32.2 | 25.2 |
| Provisions | 189.0 | 244.6 | 243.3 |
| Total current liabilities | 732.0 | 770.1 | 776.3 |
| Non-current liabilities | | | |
| Interest bearing liabilities | 900.8 | 916.3 | 1,023.7 |
| Tax liabilities | 230.5 | 232.0 | 228.7 |
| Provisions | 37.1 | 38.9 | 70.2 |
| Total non-current liabilities | 1,168.4 | 1,187.2 | 1,322.6 |
| Total liabilities | 1,900.4 | 1,957.3 | 2,098.9 |
| Net assets | 2,104.0 | 1,949.7 | 1,915.6 |
| Equity | | | |
| Capital | 1,579.5 | 1,578.1 | 1,567.1 |
| Reserves | 157.2 | 147.9 | 166.6 |
| Retained profits | 365.1 | 222.1 | 179.5 |
| Equity attributable to members of the parent entity | 2,101.8 | 1,948.1 | 1,913.2 |
| Outside equity interests in controlled entities | 2.2 | 1.6 | 2.4 |
| Total equity | 2,104.0 | 1,949.7 | 1,915.6 |

FOR THE HALF YEAR ENDED 31 DECEMBER 2002

| | 31 DEC 2002 ASM | 31 DEC 2001 ASM |
|---|-----------------------|-----------------------|
| Cash flows related to operating activities | | |
| Receipts from customers | 2,130.3 | 1,893.0 |
| Payments to suppliers and employees | (1,917.4) | (1,691.2) |
| Dividends received from associates | 10.8 | 8.7 |
| Interest and other items of similar nature received | 1.6 | 1.9 |
| Interest and other costs of finance paid | (36.4) | (33.0) |
| Income taxes paid | (26.1) | (40.6) |
| Net operating cash flows | 162.8 | 138.8 |
| Cash flows related to investing activities | | |
| Payment for purchases of property, plant and equipment | (93.8) | (76.3) |
| Proceeds from sale of property, plant and equipment | 11.0 | 16.0 |
| Payment for purchases of controlled entities | (1.2) | (54.2) |
| Payment for purchases of other investments | (4.4) | (43.2) |
| Net investing cash flows | (88.4) | (157.7) |
| Cash flows related to financing activities | | |
| Proceeds from issues of securities (shares, options, etc) | 1.1 | 1.4 |
| Proceeds from borrowings | – | 404.7 |
| Repayment of borrowings | (17.8) | (330.1) |
| Dividends paid (Net of dividends reinvested under the Dividend Reinvestment Plan \$18.7 million (2001 \$9.0 million)) | (38.9) | (42.4) |
| Other (on-market share buy-backs) | (18.4) | – |
| Net financing cash flows | (74.0) | 33.6 |
| Net increase/(decrease) in cash held | 0.4 | 14.7 |
| Cash at beginning of period | 37.0 | 19.2 |
| Exchange rate adjustments | – | 0.5 |
| Cash at end of period | 37.4 | 34.4 |

BORAL LIMITED

Australian Company Number 008 421 761
Level 39, AMP Centre
50 Bridge Street Sydney NSW 2000
GPO Box 910 Sydney NSW 2001

Telephone: (02) 9220 6300

Facsimile: (02) 9233 6605

Internet: www.boral.com.au

Email: info@boral.com.au

SHAREHOLDERS ENQUIRIES

Telephone: (02) 8280 7133

Facsimile: (02) 9261 8489

Internet: www.asxperpetual.com.au

Email: registrars@asxperpetual.com.au

Visit Boral's website www.boral.com.au for a range of shareholder information and company news, information about Boral's products and services, historical and general information.

