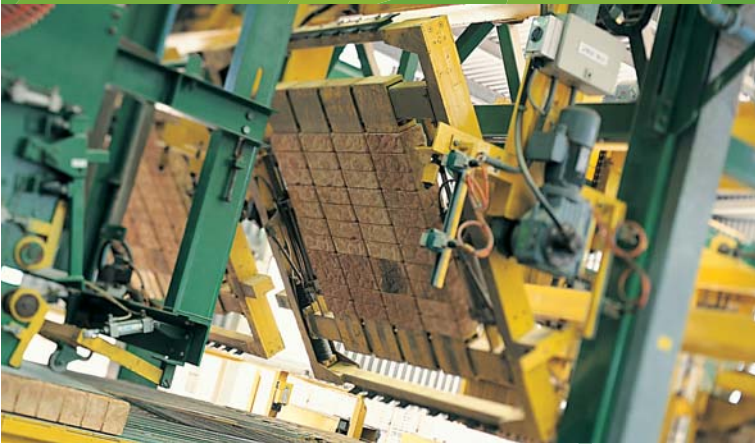




Boral is a  
value(s) & market  
driven company



**Results Announcement**  
FOR THE HALF YEAR ENDED 31 DECEMBER 2003

# Major Features

- Net profit after tax and minorities of \$185.8 million for the half year ended 31 December 2003, a 29% increase compared with the six months to 31 December 2002.
- Earnings per share for the December half year increased from 25.1 cents to 32.1 cents.
- Sales revenue of \$2.1 billion was 8% above the prior year.
- Australian EBIT improved by 30% to \$232 million compared with the prior year, driven by: growth in non-dwelling and infrastructure activity, effective pricing initiatives, continuing contributions from improvement programs, growth and acquisitions, and sustained strength in the dwelling construction market.
- Strong growth in earnings from US operations, despite adverse currency movements and higher gas costs. The US result was supported by a robust housing market and a solid half year contribution from the Franklin Brick acquisition which occurred in the June 2003 half. In US dollars, EBIT was up 38% to US\$41 million whilst in Australian dollars EBIT from US operations was up 11% to A\$60 million.
- Growth in profits from Asian operations as a result of improved volumes across the region. Asia contributed a half year profit of \$16.7 million, which was 25% higher than last year (despite adverse exchange rate impacts).
- An EBITDA result of \$392 million, which was a 16% improvement on last year. EBITDA to sales margin increased to 18.8% (compared with 17.4% in the first half last year and 17.5% for the year ended 30 June 2003).
- A 25% EBIT improvement to \$299 million; EBIT to sales margins in all divisions substantially improved, resulting in an overall margin of 14.4% compared with 12.4% in the December 2002 half year.
- A return on funds employed (MAT) of 17.9% (up from 14.6% last year).
- Improved operating results generated operating cash flows of \$174 million, which were 7% above the \$163 million reported last year. Boral's gearing level (D/E) was 40% as at December 2003, which was at the lower end of Boral's targeted gearing range of 40 to 60%.
- A fully franked interim dividend of 14.0 cents per share has been declared, which is a 27% increase on the December 2002 interim dividend. This represents a 38% increase in the grossed up interim dividend on last year. The dividend will be paid on 18 March 2004.

# Results at a Glance

Six Months Ended 31 December A\$ million	2003	2002	% Change
Sales revenue	2,081	1,931	8
EBITDA	392	337	16
EBIT	299	240	25
Net interest	29	35	(16)
Profit before tax	270	205	32
Tax	83	60	39
<b>Profit after tax</b>	<b>186</b>	<b>144</b>	<b>29</b>
Cash flow from operating activities	174	163	7
Gross assets	4,181	4,004	
Funds employed	3,109	2,968	
Liabilities	1,955	1,900	
Net debt	882	864	2
Growth & acquisition capital expenditure (including investment in Adelaide Brighton Limited)	253	37	
Stay-in-business capital expenditure	73	62	18
Depreciation	82	87	(6)
Employees	12,927	12,120	7
Sales per employee, \$ million	0.161	0.159	
Net tangible asset backing, \$ per share	3.44	3.29	5
EBITDA margin on sales, %	18.8	17.4	8
EBIT margin on sales, %	14.4	12.4	16
EBIT return on funds employed, % (MAT)	17.9	14.6	23
Return on equity, % (MAT)	14.9	12.1	23
Gearing (net debt:equity plus net debt), %	28	29	
Gearing (net debt:equity), %	40	41	
Interest cover, times	10.2	6.8	
Earnings per share, ¢	32.1	25.1	28
Dividend per share, ¢	14.0	11.0	27
Safety: Lost time injury frequency rate (per million hours worked) (MAT)	5.2	4.7	(11)



“Boral’s strong half yearly result has delivered good returns to shareholders. The fully franked interim dividend of 14 cents effectively provides a 38% lift in the grossed up dividend for most shareholders.”

KEN MOSS, CHAIRMAN

# Market Conditions



Approximately 75% of first half 2003/04 earnings were sourced from Australian markets, 20% came from USA building and construction activity and a further 5% of earnings were generated from the Company's Asian markets.

For the half year to December 2003, approximately one third of Boral's total external revenues were sourced from the Australian housing sector; the non-dwelling building market in Australia accounted for 15% of Boral's sales revenues; and the Australian roads, highways, subdivisions and bridges construction market accounted for a further 20% of revenues. (Approximately 5% of Boral's revenues were sourced from non-building and construction markets in Australia including the mining and steel industries).

The estimated total value of work done<sup>1</sup> in Australia's building and construction markets increased by approximately 6% during the six months to December 2003, compared with the half year ended 31 December 2002. This increase consisted of a 5% uplift in dwelling activity (including alterations & additions), a 7% increase in the value of work done in non-dwelling building and 8% growth in the construction of roads, highways, subdivisions and bridges.

In the USA, approximately 73% of revenues were sourced from the housing market segment, 20% from non-dwelling building activity and a further 7% from US engineering and construction activity. Housing activity in Boral's "US States"<sup>2</sup> remained strong, with both the value of dwelling work commenced and housing starts 9% higher than in the half year ended 31 December 2002. The total value of building and construction work commenced in the same Boral states during the period was only up 4% on the prior year levels due to a 5% fall in non-dwelling activity.

Boral's Asian earnings are predominantly derived from Korea, Indonesia, Thailand, Malaysia and China. Economic growth and underlying plasterboard market growth in Boral's Asian markets remained strong during the period. Korea's underlying market conditions remained good, however, adverse weather conditions were experienced in the first quarter resulting in slower construction activity. Conditions in Thailand continued to improve with a buoyant housing market. Demand in China also grew strongly. Indonesia's market growth continued during the period, benefiting both plasterboard demand and Boral's construction materials businesses.

<sup>1</sup> 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.

<sup>2</sup> Boral's "US States" are 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. FW Dodge estimates used to calculate value of work commenced in these states.

# Strong Performance Improvement

→ Boral's strengthening profitability in the half year has been underpinned by improved prices in Australia and the strength of the building and construction markets, particularly in the non-dwelling and infrastructure segments. The unrelenting focus on improvement programs and business turnarounds continued with a noticeable improvement in cost reduction performance on the prior corresponding period.

Compared with the half year ended 31 December 2002, average prices strengthened in aggregates, cement, concrete, scaffolding, bricks, roof tiles, masonry and timber in Australia, in roof tiles in the USA and in concrete in Indonesia. Australian plasterboard and US brick prices were generally stable during the period.

For the half year to December 2003, around \$50 million of operational cost savings were delivered through company-wide cost improvements or Performance Enhancement Programs (PEP). These cost savings were equivalent to around 3% of compressible costs, which more than offset operating cost inflation. Overhead (or selling, general & administration) costs were 8% higher than last year primarily due to acquisitions. Overheads as a percentage of sales have been maintained at around 11.9%.

For the six months to 31 December 2003 the tax expense was \$83 million compared with \$60 million in the prior corresponding half year. The effective tax rate of 31% for the half year was in line with the tax rate for FY2003. Net interest expense of \$29.4 million was \$5.8 million lower than last year due to lower net debt levels.

Operational cash flows of \$174 million (before capital expenditure) were 7% above last year and included the impact of higher tax payments. Strong controls were maintained around working capital. Stay-in-business capital expenditure of \$73 million (which was 89% of depreciation levels) and \$86 million of growth capital expenditure (excluding the investment in Adelaide Brighton) were funded from operating cash flows. On 16 December 2003,



“Our **Perform and Grow** strategy is enabling us to achieve substantial performance improvement and to meet our financial objectives. Boral has delivered top quartile returns to shareholders over the past four years and we are focused on continuing to deliver ‘superior returns in a sustainable way.’”

ROD PEARSE, CEO & MANAGING DIRECTOR

Boral unconditionally acquired a 19.9% interest in Adelaide Brighton Limited at a cost of \$167 million; a takeover offer for the remaining shares was announced at that time.

Net debt on 31 December 2003 was \$882 million compared with \$764 million at June 2003 (and \$864 million at December 2002). This resulted in a gearing (D/E) level of 40%, compared with 36% at 30 June 2003 and 41% at 31 December 2002. For the half year, interest cover was 10.2 times, compared with 6.8 times last year.

A fully franked interim dividend of 14 cents has been declared compared with a final 12 cents per share fully franked dividend to June 2003 and an 11 cents 75% franked interim dividend for December 2002. The 2003 interim dividend represents a pay-out ratio of 44%.

### CONTINUED IMPROVEMENT IN AUSTRALIA

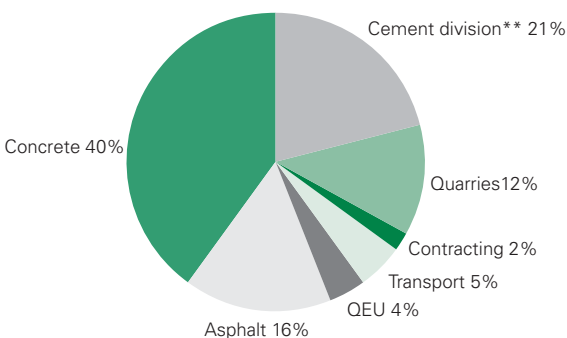
Boral's Australian businesses delivered 9% growth in revenues to \$1,653 million for the half year and a 30% increase in EBIT to \$232 million. EBIT to sales margins in Australia increased from 11.8% to 14.1%.

#### Construction Materials, Australia

Revenues from Boral's Construction Materials businesses in Australia are sourced predominantly from the engineering and construction and non-dwelling construction markets. Engineering and construction activity lifted 8% during the period and non-dwelling activity increased by 7%.

Boral's Construction Materials businesses in Australia reported an EBIT of \$153 million for the half year, 35% up on last year, on revenues of \$1.0b (up 13% on the prior year). EBIT to sales margin increased from 12.3% last year to 14.8% and return on funds employed increased from 13.5% to 17.5%. This improved result was due largely to higher volumes and improved prices.

#### Share of HY2004 External Revenue



\*\*Cement division includes BCSC (excl. internal sales to Boral businesses), concrete placement & scaffolding

Six Months Ended 31 December	2003	2002	% Change
Sales revenue, \$m	1,035	919	13
EBITDA, \$m	202	160	26
EBIT, \$m	153	113	35
Divisional cashflow, \$m	12	33	(64)
Capital expenditure*, \$m	119	64	85
Funds employed*, \$m	1,656	1,474	12
EBITDA return on sales, %	19.5	17.5	11
EBIT return on sales, %	14.8	12.3	20
EBIT return on funds employed, % (MAT)	17.5	13.5	30
Employees	5,198	4,955	5
Revenue per employee, \$m	0.199	0.186	7

\* Including acquisitions but excluding the \$167m investment to acquire 19.9% of the shares in Adelaide Brighton Limited

During the period, more than \$22 million of cost improvements were delivered by Boral's Australian Construction Materials and Cement businesses largely offsetting inflation in cost areas. On a regional basis, results from construction materials businesses in Queensland, NSW, and South Australia were above last year; Victorian and Western Australian results were down on last year.

The integrated Concrete and Quarries businesses delivered a 50% EBIT increase on the prior corresponding period. This result was driven by volume uplifts of approximately 5% in concrete and 9% in quarry products (which was more heavily influenced by non-dwelling and infrastructure activity levels). During the half year an 8% increase in average delivered concrete prices and a 5% increase in average quarry product prices were achieved compared with the corresponding period last year.

Asphalt earnings improved over the prior year; the recently acquired Allens Asphalt performed above expectations.

Blue Circle Southern Cement (BCSC), which incorporates Boral's cement and lime operations, delivered a strong EBIT for the six months to December 2003, underpinned by a 7% increase in average cement prices and an underlying 2% growth in cement volumes in our major markets of NSW, Victoria and South-East Queensland. Future growth in lime volumes will take place with the commissioning of the new lime kiln in Galong, NSW in early 2005.

Formwork and Scaffolding delivered a significant improvement in earnings, with strong margin growth resulting from improvements in pricing and utilisation as well as increased penetration in the residential market. In the De Martin & Gasparini concrete placing business volumes were above last year.

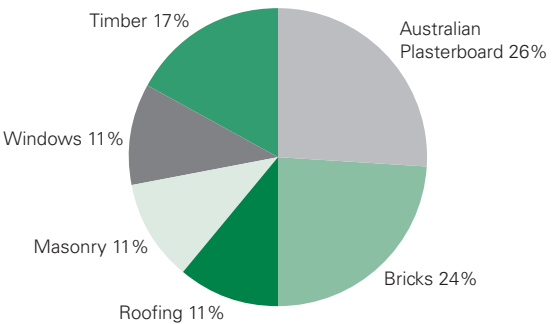
Construction Materials' half year EBIT included \$10.3 million of profit from Quarry End Use (QEU) operations; this compares with last year's QEU profit of \$8.5 million in the corresponding period. The first stage of residential sales at Greystanes was completed with 125 lots sold; a further 1,200 to 1,300 lots will be sold over the coming four years. Part of the mixed use/retail site at Greystanes was also sold during the period. Since half year end, Boral has entered into an agreement with Clarendon Property Group (CPG) and the BMD Group for the development of its Moorebank site, which should see 1,000 residential lots developed between 2005 and 2009. The site, which totals over 100 ha will have 65 ha of land developed with the remaining space conserved as natural bushland. Development approval processes continue at the 400 ha (approximate) Penrith Lakes Development in which Boral has a 40% shareholding.

**Building Products, Australia**

Building Products revenues in Australia are sourced primarily from the dwelling construction market, including alterations and additions, as well as from non-dwelling construction markets. During the period, the value of dwelling work done (including alterations & additions) increased by 5%.

Boral's Australian Building Products businesses delivered a half year EBIT of \$79 million, which was 21% above last year, on revenues of \$618m, which were 4% above last year. EBIT/Sales continued to strengthen, increasing from 11.0% last year to 12.9%, and ROFE lifted to 16.6%. Average price increases of approximately 3% on flat underlying sales volumes were delivered across the portfolio. Manufacturing improvements and approximately \$19 million of PEP cost reductions also contributed to significantly improved results.

**Share of HY2004 External Revenue**



Six Months Ended 31 December	2003	2002	% Change
Sales revenue, \$m	618	596	4
EBITDA, \$m	101	88	14
EBIT, \$m	79	66	21
Divisional cashflow, \$m	73	70	5
Capital expenditure*, \$m	23	15	53
Funds employed*, \$m	799	809	(1)
EBITDA return on sales, %	16.3	14.8	10
EBIT return on sales, %	12.9	11.0	17
EBIT return on funds employed, % (MAT)	16.6	14.1	18
Employees	3,797	3,688	3
Revenue per employee, \$m	0.163	0.161	1

\* Including acquisitions

The combined result from Australian Bricks, Roofing and Masonry was stronger than last year due to improved pricing outcomes and the early benefits of improvements in operating performance. These combined businesses delivered above cost of capital returns for the period. East Coast Bricks and Roofing delivered a pleasing 50% improvement in profits compared with last year; key improvement programs that commenced during FY2003 should continue to deliver further performance improvements. Midland Brick's Kiln #5 was recommissioned in August 2003 to help meet strong demand in Western Australia. Masonry revenue was up on the previous corresponding period and margins improved due largely to favourable product mix shifts and lower costs.

Windows continued to deliver strong earnings and margin improvements driven by focused cost reductions and revenue enhancement initiatives.

Plasterboard delivered significantly improved performance largely driven by sustained strong volumes, aggressive PEP/step change cost reductions and new products and building systems programs; a full period profit from the Stud & Track distribution business (which Boral acquired in August 2002) also contributed to the results. Plasterboard prices were maintained during the period despite increased competition and the increased threat of imports due to the strong Australian dollar.

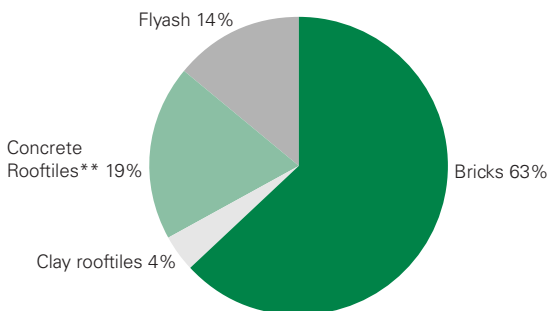
Timber continued its strong turnaround, delivering a significantly higher result, which was underpinned by buoyant market conditions, lower manufacturing costs and a favourable mix shift in Hardwood towards value added products.

### **IMPROVED USA CONTRIBUTION**

Supported by a 9% lift in the value of dwelling work commenced in Boral's US States, Boral's US operations delivered an improved EBIT result of US\$41 million, a 38% increase on last year. In Australian dollar terms US EBIT was up 11% on last year to \$60 million. USA EBIT/sales margin increased from 14.2% to 15.3%.

As a result of a 25% lift in the average value of the Australian dollar relative to the US dollar, Boral's translated US earnings were adversely impacted by A\$15 million. Higher natural gas costs also negatively impacted earnings by around A\$10 million. These adverse impacts were more than offset by the additional contribution from Franklin Brick and the strong EBIT improvements in the non-brick businesses (which more than doubled compared with the prior corresponding period).

### Share of HY2004 External Revenue



\*\*Boral's share of revenues from the Monier-Lifetile concrete tile joint venture do not appear in Boral's consolidated accounts. Boral's profits from this business are equity accounted.

Six Months Ended 31 December	2003	2002	% Change
<b>US\$</b>			
Sales revenue, US\$m	269	210	28
EBITDA, US\$m	55	43	28
EBIT, US\$m	41	30	38
<b>A\$</b>			
Sales revenue, \$m	389	379	3
EBITDA, \$m	79	78	2
EBIT, \$m	60	54	11
Divisional cashflow, \$m	63	64	(2)
Capital expenditure*, \$m	13	14	(8)
Funds employed*, \$m	600	709	(15)
EBITDA return on sales, %	20.4	20.5	-
EBIT return on sales, %	15.3	14.2	8
EBIT return on funds employed, % (MAT)	18.5	14.6	27
Employees	2,369	2,210	7
Revenue per employee, \$m	0.164	0.171	(4)

\* Including acquisitions

Boral's US Brick operations benefited from continued strong levels of housing activity. The recently acquired Franklin Brick distribution business performed in line with expectations. During the half year, underlying brick prices were stable however Boral's overall average brick prices were up on the back of increased distribution margin.

MonierLifetile (Boral's 50/50 concrete roof tile joint venture with Lafarge) delivered an improved contribution to Boral of A\$13.2 million (53% up on last year) supported by strong housing activity, price improvements and cost reductions. BMTI and Clay Tiles both reported strong profit improvements driven by improved pricing, a continued focus on cost controls, and the benefits of recently completed capital projects in Clay Tiles.

### Strategic position in Asia is delivering results

Boral's Asian operations delivered a half year EBIT of \$16.7 million, which was 25% higher than last year. The underlying result in Asia was adversely impacted by an effective average appreciation of the Australian dollar of around 20% against Asian currencies.

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

Six Months Ended 31 December	2003	2002	% Change
Sales revenue, \$m	38	36	8
EBIT, \$m	17	13	25
Funds employed, \$m	195	206	
EBIT return on funds employed, % (MAT)	14.0	11.5	

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.

Through the Asian Plasterboard joint venture, Boral and Lafarge have established a strong position in Asia. Coupled with steady growth in demand the business continues to benefit from expanding uses of the products across the region, supported by the substantial technical know how of both partners. Boral's Asian earnings included an EBIT contribution from the Plasterboard JV of \$13.2m, up 25% on last year. This was despite adverse exchange rate movements and the impact of poor weather in Korea. The half year result also reflects the increase in Boral's interest in the Plasterboard JV from 47.7% to our targeted 50% which occurred on 30 June 2003.

Indonesia construction materials (concrete and quarries) delivered an improved profit and improved margins due to higher volumes and strengthening pricing. Through the acquisition of a second quarry business, modest expansion in Indonesia occurred during the period.

### Value-adding growth activities

From July 1999 through to December 2003, around \$940 million has been spent or committed on acquisition and growth projects in Australia, the USA and Asia (excluding the Adelaide Brighton investment). Over the four year period, growth and acquisition capital expenditure has averaged well over \$200 million per annum.

During the half year ended 31 December 2003, \$86 million of capital expenditure (excluding the Adelaide Brighton investment) was spent on growth including acquisitions and expenditure allocated to progressing major expansion / upgrade projects. Growth activities included:

- The completion of stage 1 of the cement upgrade program at Waurm Ponds (Victoria), (Stage 2 is expected to be completed during the Sep–2004 quarter).
- Progress on the upgrade at the Berrima cement works (NSW), which is proceeding in line with expectations and will be completed in March/April 2004.
- The Galong vertical shaft lime kiln which, following the granting of development approvals, is now under construction and due to be commissioned in the December 2004 quarter.
- The acquisition of two premix concrete operations in Bundaberg and Longreach, both in Queensland.
- Midland Brick's \$50 million kiln #11; permitting and approval processes are currently progressing.
- Darra Bricks and Carole Park Roofing upgrade projects, which are expected to be completed in the second half of FY2004.
- The upgrade to gypsum grinding and calcination capacity at our Northgate Plasterboard plant (Qld), which was completed at the end of January 2004, as planned.
- The new \$19 million Engineered Timber Flooring plant at Murwillumbah NSW, which is progressing according to plan and is expected to be commissioned later in 2004.

In addition to the above growth investments, in December 2003 Boral acquired a 19.9% interest in Adelaide Brighton at a cost of \$167 million and immediately announced its intention to purchase the remainder of Adelaide Brighton Limited shares. If the takeover is successfully completed, with Boral acquiring 100% of the company, the total acquisition price will be \$862 million plus an estimated debt level which was \$217 million at 31 December 2003.

The proposed acquisition of Adelaide Brighton would extend Boral's geographic presence in Australia and would provide Boral with increased exposure to the Australian cement and lime industries. It would provide Boral with a presence in the Western Australian, South Australian and Northern Territory cement and lime markets and allow Boral to consolidate its Queensland cement position by taking full ownership of Sunstate Cement which is currently a 50/50 joint venture with Adelaide Brighton. Boral's current cement upgrade programs in NSW and Victoria would strengthen the position of the combined BCSC and Adelaide Brighton cement manufacturing operations. The review by the ACCC of Boral's takeover offer for Adelaide Brighton is continuing.

We continue to review growth opportunities in the USA and Asia in line with Boral's Strategic Intent.

# Performance Against Objectives

→ Boral's underlying profitability has continued to improve and performance against the Company's objectives is progressing well.

## 1. Exceed WACC through the cycle

Return on funds employed for the half year ended 31 December 2003 was 17.9%, compared with 14.6% a year ago. These returns comfortably exceed Boral's weighted average cost of capital (WACC).

## 2. Deliver better financial returns than the competition in comparable markets

Returns from our Australian Construction Materials businesses and from our Asian and USA businesses continue to compare well against our major competitors. Boral is also continuing to achieve better returns from our Australian Building Products businesses and the performance gap against our competitors is closing.

## 3. Deliver superior total shareholder returns

Over the six months to December 2003, Boral's share price was flat, although, over the twelve months to December 2003, Boral's share price increased by 17%. Since the demerger the combined capital share price appreciation and dividend yield for Boral's shareholders, has resulted in an annualised TSR of 27% to 31 December 2003, ranking the stock in the top quartile of the ASX100 group of Australian listed companies.

Earnings per share for the first half of FY2004 year was 32.1 cents, a 28% increase on last year.

A fully franked interim dividend of 14.0 cents per share has been declared, which compares favourably with the FY2003 interim dividend of 11.0 cents with 75% franking. Overall this is a 38% increase in Boral's grossed up dividend. The interim dividend of 14.0 cents represents an annualised grossed up dividend yield of 7.5% p.a. (after franking) on Boral's average share price for the half year ended December 2003.



The dividend declared for the half year of \$81 million is a payout ratio of 44% from after tax income of \$186 million.

The interim dividend will be paid on 18 March 2004. Boral will continue to offer a Dividend Reinvestment Plan for shareholders. To minimise EPS dilution, Boral will again undertake an on-market buy-back of shares equivalent to the number of shares issued under the DRP.

#### **4. Deliver superior returns in a sustainable way**

Boral's profit margins and shareholder returns are now substantially better than in recent years and compare well with our competitors. Through good capacity planning, ongoing cost and improvement programs, and sound pricing strategies, we are focused on ensuring that the returns that Boral's businesses are now delivering are at least sustained on average through the cycle.

We are committed to ensuring that Boral's businesses are also sustainable in environmental and social terms. We are continuing to make inroads in the areas of recycling; alternative fuels; energy and greenhouse gas emission reduction; better resource management; and, community relations. Across Boral's businesses safety is a key priority. The lost time injury frequency rate (LTIFR) per million hours worked remains at historically low levels but will be further reduced. For the twelve months to December 2003, LTIFR across the Boral group was 5.2. Whilst this result was higher than the 4.7 recorded in the preceding twelve months, the incidence of serious injuries across Boral has generally decreased. Considerable effort is being given to the ongoing improvement of all key safety performance indicators.

# Outlook – FY2004

→ Total dwelling approvals in Australia were steady during the half year to December 2003 compared to last year. Whilst multi-dwelling approvals were 10% lower, approvals for construction of detached dwellings were up 6%. Dwelling activity in the June 2004 half year therefore is expected to remain at high levels. We expect some interest rate related softening in Australian dwelling approvals in the June 2004 half year.

Boral's building products businesses in Australia are expected to experience softer sales volumes during the second half of FY2004 as the expected slow down in dwelling approvals flows through to work done. Despite this, we anticipate that prices will be generally stable and that there will be strong underlying cost performance.

Whilst Australian non-dwelling activity may soften slightly in the second half of FY2004 compared with the December 2003 half year, volumes in this segment have been strengthening and will build beyond FY2004. The strength in the non-dwelling market, together with stronger infrastructure activity and improved pricing, should largely offset the impact of any softening in dwelling activity for Boral's Australian construction materials businesses in the second half of FY2004. EBIT and EBIT margins are expected to remain at high levels for construction materials in the second half.

A sustained, high level of US housing activity is expected in the second half of FY2004. Earnings from the USA in the June 2004 half year are expected to remain strong but will be impacted by continuing high fuel costs and the stronger Australian dollar in FY2004 compared to FY2003.

Underlying economic growth in the Asian region should continue to support improvements in Boral's earnings from Asia.

Continued strong contributions from Quarry End Use are expected. We anticipate FY2004 QEU earnings to be comparable to the \$25 million to \$28 million achieved over



the past two years. Sustainable earnings from QEU should increase to around \$40 million per annum from FY2005, subject to approval processes and market conditions.

We expect strong PEP cost improvements to continue across our portfolio of businesses in the second half of FY2004.

Growth capital expenditure in the second half is expected to be higher than first half expenditure. Assuming successful completion of the takeover of 100% of Adelaide Brighton Limited, the closing debt to equity ratio should be around 85% at June 2004.

Typically, the second half is seasonally weaker in all of Boral's geographic regions.

Subject to any unforeseen effects of weather, international instability or exchange rates (and excluding any profit impacts from a successful takeover of Adelaide Brighton Limited), we expect Boral's full year earnings to increase by around 20% over the \$283 million reported for FY2003.

# Statement of Financial Performance

## BORAL LIMITED AND CONTROLLED ENTITIES

SIX MONTHS ENDED

## CONSOLIDATED

31 DEC 2003  
\$ MILLIONS

31 DEC 2002  
\$ MILLIONS

Revenue from operating activities	2,080.8	1,931.4
Interest revenue	1.5	1.5
Other revenue	13.2	11.0
Total revenue from ordinary activities	2,095.5	1,943.9
Depreciation and amortisation expenses	(92.6)	(96.6)
Other expenses from ordinary activities	(1,737.3)	(1,632.6)
Total expenses from ordinary activities, excluding borrowing costs	(1,829.9)	(1,729.2)
Borrowing costs	(30.9)	(36.7)
Share of net profit of associates and joint ventures attributable to members	34.8	26.7
Profit from ordinary activities before related income tax expense	269.5	204.7
Income tax expense relating to ordinary activities	(83.3)	(60.1)
<b>Net profit</b>	186.2	144.6
Net profit attributable to outside equity interest	(0.4)	(0.3)
<b>Net profit attributable to members of the parent entity</b>	185.8	144.3

### Non-owner transaction changes in equity

Net decrease in retained profits on the initial adoption of:

Revised AASB 1028 Employee Benefits	-	(1.4)
Net exchange difference on net investment in foreign operations and related hedges	(42.5)	9.5
Total revenues, expenses and valuation adjustments attributable to members of the parent entity recognised directly in equity	(42.5)	8.1
<b>Total changes in equity from non-owner related transactions attributable to the members of the parent entity</b>	143.3	152.4

Basic earnings per share-ordinary shares	32.1c	25.1c
Diluted earnings per share-ordinary shares	31.8c	24.9c

### Consolidated Retained Profits

Retained profits at beginning of the half-year	441.1	222.1
Net profit attributable to members of the parent entity	185.8	144.3
Transfer from asset revaluation reserve	-	0.2
Net effect on initial adoption of:		
Revised AASB 1028 Employee Benefits	-	(1.4)
Net effect on dividends from:		
Initial adoption of AASB 1044 Provisions, Contingent Liabilities and Contingent Assets	-	57.5
Dividends recognised during the year	(69.6)	(57.6)
Retained profits at the end of the half-year	557.3	365.1

# Statement of Financial Position

BORAL LIMITED AND CONTROLLED ENTITIES

	CONSOLIDATED	
	31 DEC 2003 \$ MILLIONS	30 JUNE 2003 \$ MILLIONS
<b>CURRENT ASSETS</b>		
Cash assets	56.1	65.2
Receivables	619.7	641.4
Inventories	382.2	375.9
Other	43.5	38.8
<b>TOTAL CURRENT ASSETS</b>	<b>1,101.5</b>	<b>1,121.3</b>
<b>NON-CURRENT ASSETS</b>		
Receivables	60.1	55.2
Inventories	83.4	85.0
Investments accounted for using the equity method	293.9	304.1
Other financial assets	167.3	0.2
Property, plant and equipment	2,118.2	2,097.0
Intangible assets	228.5	250.7
Deferred tax assets	96.1	99.0
Other	32.3	25.4
<b>TOTAL NON-CURRENT ASSETS</b>	<b>3,079.8</b>	<b>2,916.6</b>
<b>TOTAL ASSETS</b>	<b>4,181.3</b>	<b>4,037.9</b>
<b>CURRENT LIABILITIES</b>		
Payables	450.0	510.3
Interest bearing liabilities	536.6	38.3
Current tax liabilities	64.5	67.6
Provisions	196.7	197.9
<b>TOTAL CURRENT LIABILITIES</b>	<b>1,247.8</b>	<b>814.1</b>
<b>NON-CURRENT LIABILITIES</b>		
Interest bearing liabilities	401.9	790.8
Deferred tax liabilities	268.0	252.2
Provisions	37.0	40.6
<b>TOTAL NON-CURRENT LIABILITIES</b>	<b>706.9</b>	<b>1,083.6</b>
<b>TOTAL LIABILITIES</b>	<b>1,954.7</b>	<b>1,897.7</b>
<b>NET ASSETS</b>	<b>2,226.6</b>	<b>2,140.2</b>
<b>EQUITY</b>		
Contributed equity	1,596.3	1,583.7
Reserves	70.8	113.3
Retained profits	557.3	441.1
<b>Total parent entity interest</b>	<b>2,224.4</b>	<b>2,138.1</b>
Outside equity interests	2.2	2.1
<b>TOTAL EQUITY</b>	<b>2,226.6</b>	<b>2,140.2</b>

# Statement of Cash Flows

BORAL LIMITED AND CONTROLLED ENTITIES

SIX MONTHS ENDED

CONSOLIDATED

31 DEC 2003  
\$ MILLIONS

31 DEC 2002  
\$ MILLIONS

## CASH FLOWS FROM OPERATING ACTIVITIES

Receipts from customers	2,294.4	2,130.3
Payments to suppliers and employees	(2,020.3)	(1,917.4)
Dividends received	13.8	10.8
Interest received	1.5	1.6
Borrowing costs	(31.1)	(36.4)
Income taxes paid	(84.1)	(26.1)

## NET CASH PROVIDED BY OPERATING ACTIVITIES

174.2 162.8

## CASH FLOWS FROM INVESTING ACTIVITIES

Payments for purchase of property, plant and equipment	(143.4)	(93.8)
Payments for purchase of controlled entities and businesses (net of cash acquired)	(14.7)	(1.2)
Payments for purchase of other investments	(167.5)	(4.4)
Proceeds on disposal of businesses and non-current assets	13.2	11.0

## NET CASH USED IN INVESTING ACTIVITIES

(312.4) (88.4)

## CASH FLOWS FROM FINANCING ACTIVITIES

Proceeds from issue of shares	9.4	1.1
Share buy-back (on market)	(15.0)	(18.4)
Dividends paid (net of dividends reinvested under the Dividend Reinvestment Plan \$14.9 million (2002 \$18.7 million))	(54.7)	(38.9)
Proceeds from borrowings	261.7	–
Repayment of borrowings	(42.0)	(17.8)

## NET CASH PROVIDED BY/(USED IN) FINANCING ACTIVITIES

159.4 (74.0)

Effects of exchange rate fluctuations on the balances of cash held in foreign currencies

(2.3) –

## NET CHANGE IN CASH AND CASH EQUIVALENTS

18.9 0.4

Cash and cash equivalents at beginning of the period

27.9 37.0

Cash and cash equivalents at end of the period

46.8 37.4

## Reconciliation of cash and cash equivalents

Cash as at the end of the financial period as shown in the statement of cash flows is reconciled to the related items in the statement of financial position as follows:

Cash	56.1	52.3
Bank overdrafts	(9.3)	(14.9)
	46.8	37.4

## **BORAL LIMITED**

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Visit Boral's website [www.boral.com.au](http://www.boral.com.au)  
for a range of shareholder information and  
company news, information about Boral's  
products and services, historical and  
general information.

