Boral achieves a full year profit of $153m in difficult trading conditions

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Boral's 2000/01 Full Year Results

Rod Pearse

22 August 2001

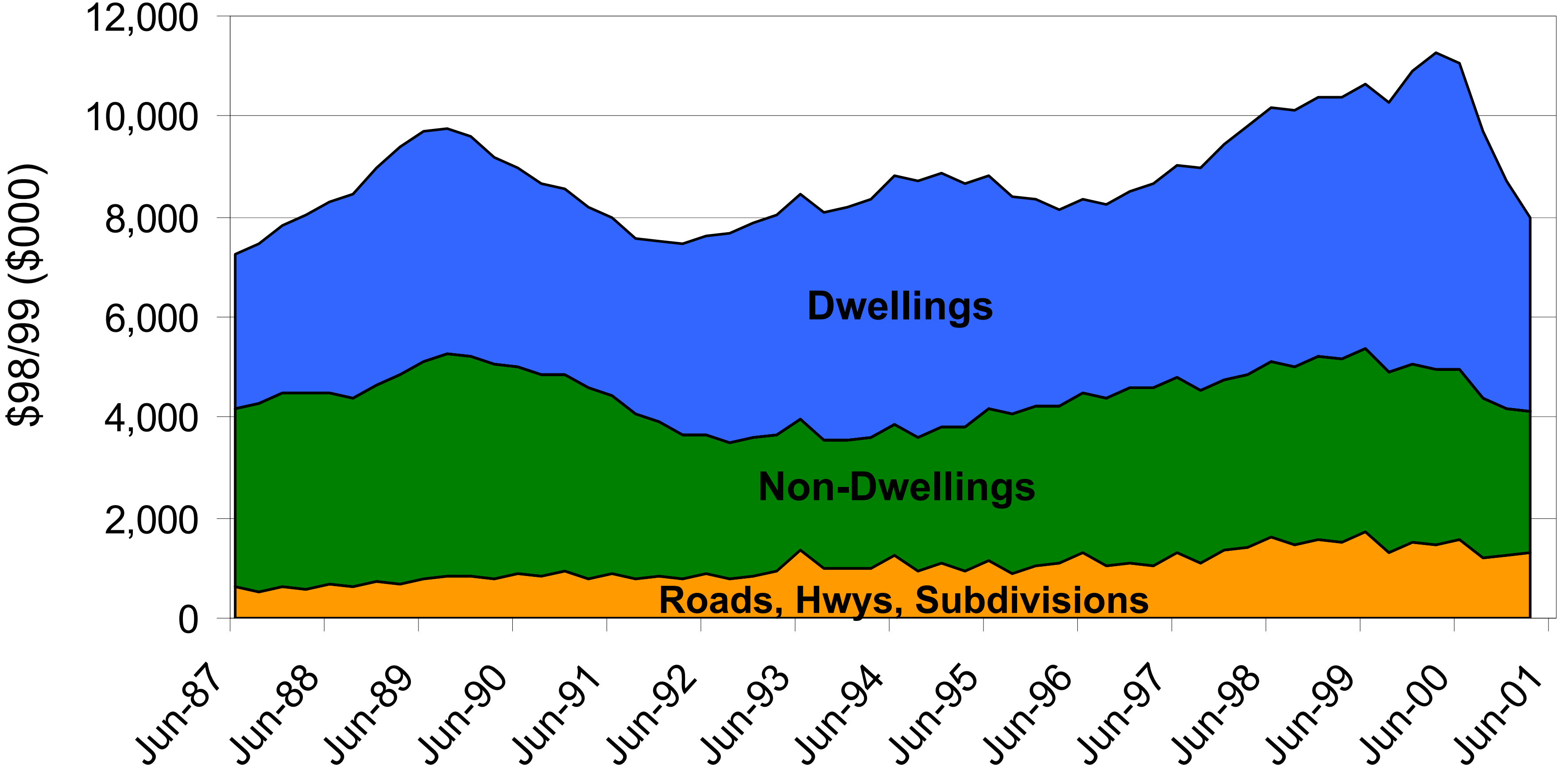
Presentation outline

- Features of the year
- Financial results
- Segment overview
  - Building Products
  - Construction Materials
  - USA
- *Perform & Grow* Strategy
- Outlook

NOTE: Prior corresponding periods are based on proforma accounts

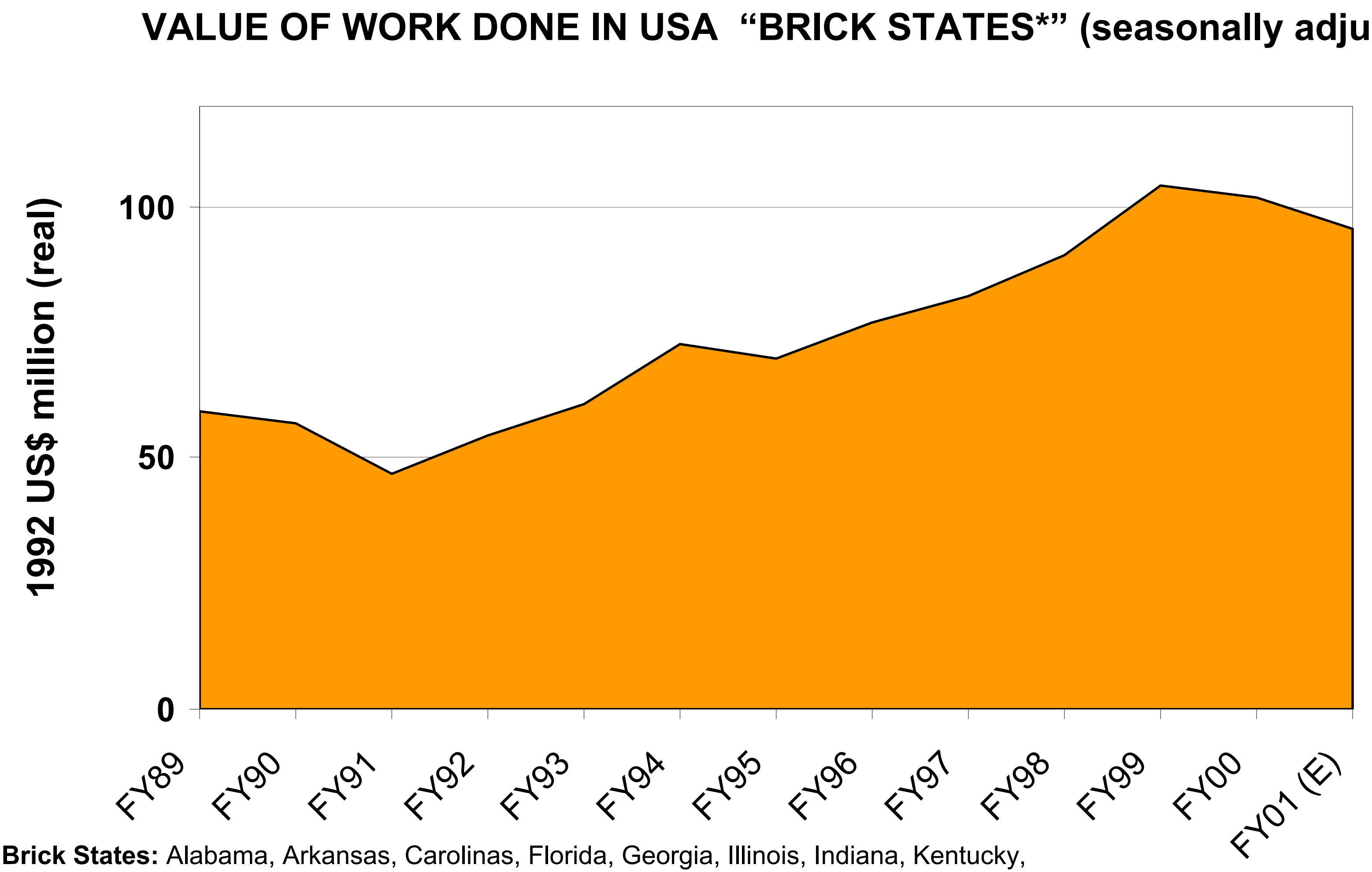
Major downturn – activity down by 22%

QUARTERLY VALUE OF WORK DONE – AUSTRALIA (trend)



ource: Australian Bureau of Statistics, AusStats, data to Mar–01 quarter

USA residential building activity down 6%



* **Brick States:** Alabama, Arkansas, Carolinas, Florida, Georgia, Illinois, Indiana, Kentucky, Louisiana, Maryland, Mississippi, Missouri, Ohio, Oklahoma, Tennessee, Texas, Virginia.
Source:Dodge Data Q1 2001 and Q2 1999

Features of the year

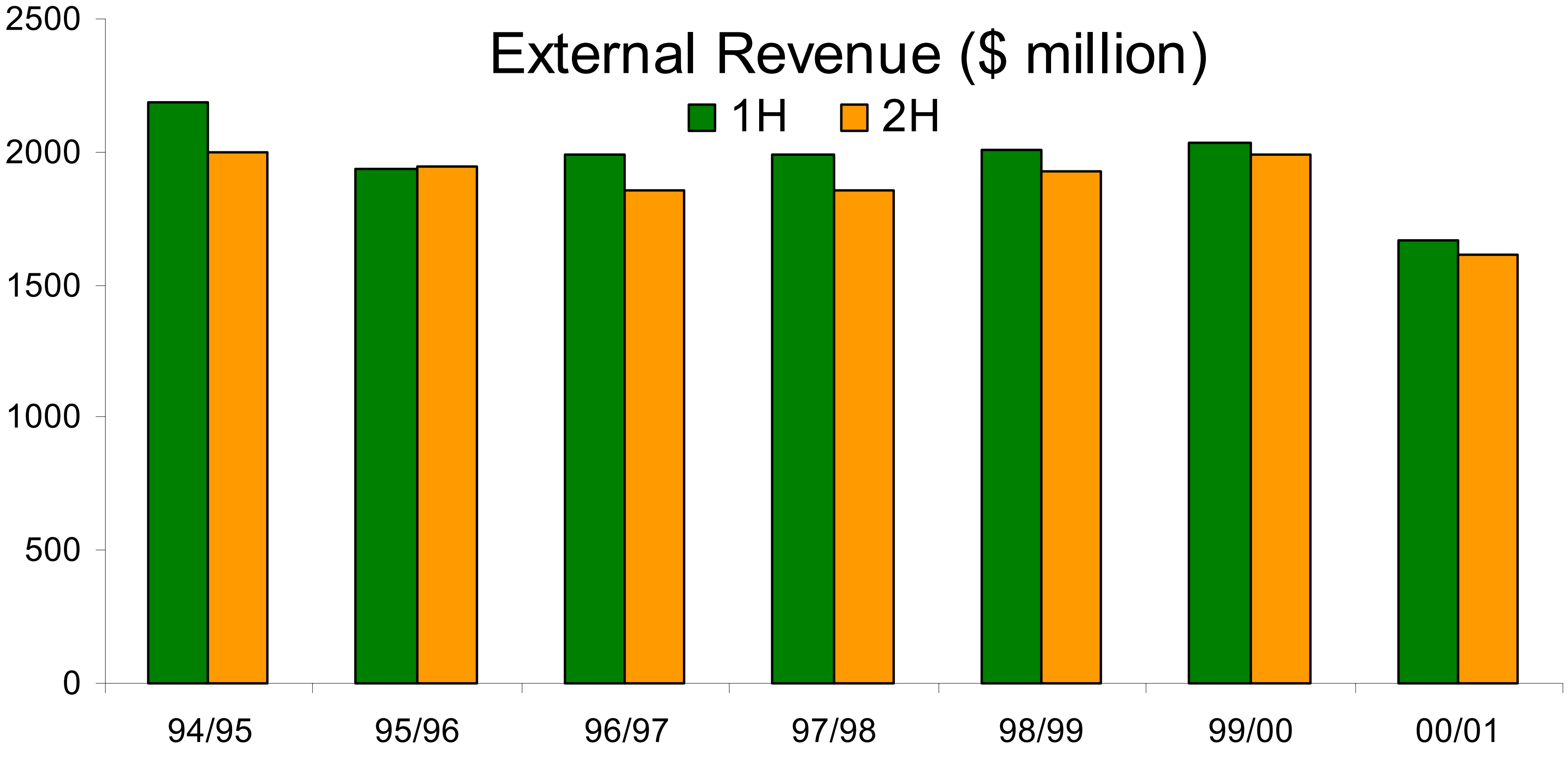
- Net PAT down 9.1% to $153.4m
- $26.4m profit from disposal of Timber businesses
- PAT (before profit on disposal of businesses) of $127.0m
- Sales revenue down 18.2% to $3,280m due to sharp downturn in Australia
- EBITDA to sales margin down marginally to 13.8%
- Maiden EBIT of $24.3m from new QEU business
- Asian plasterboard turnaround of $15.4m; EBIT of $2.8m
- $191m of acquisitions and growth in Asia, USA & Australia

Revenue and EBIT down due to Australian downturn and oil price impacts

A$ million	FY01	FY00	% change
Sales revenue	**3,280**	**4,012**	**(18%)**
EBITDA*	**451**	**563**	**(20%)**
EBIT*	**262**	**361**	**(27%)**
Profit before tax	**232**	**238**	**(3%)**
Tax	**78**	**70**	**12%**
Profit after tax	**153**	**169**	**(9%)**
EBITDA/Sales	**13.8%**	**14.0%**	

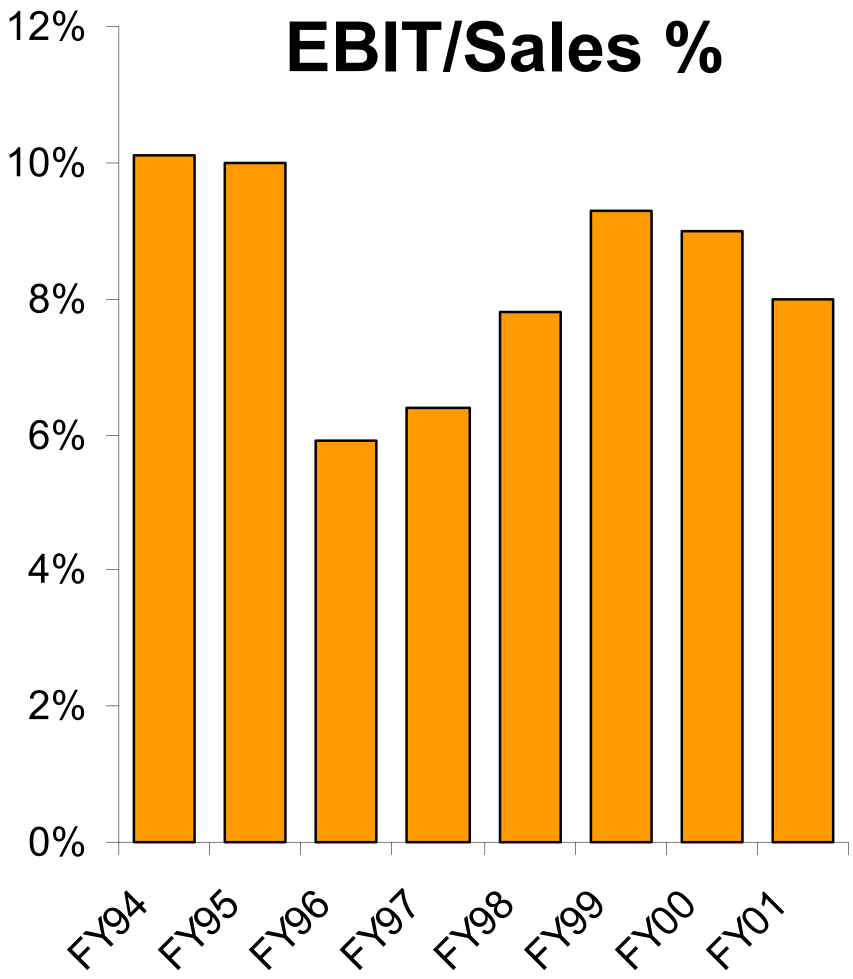
* Excludes profit / (loss) on disposal of businesses

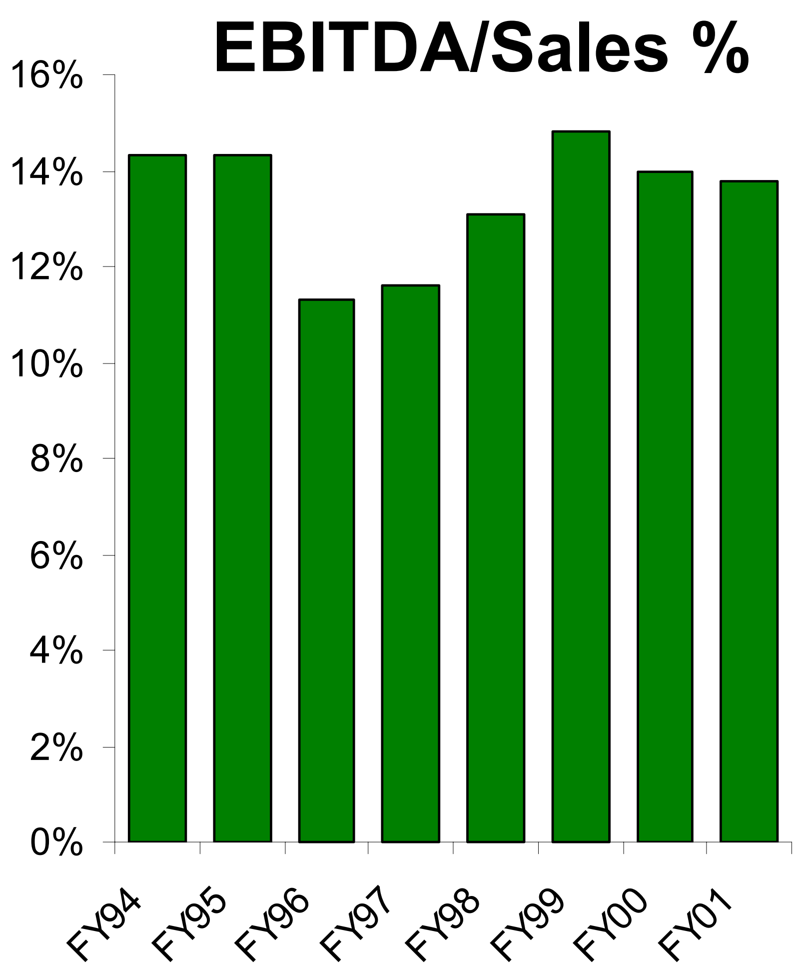
Strong cyclical downturn impacted on revenues during the period



Results for reported building and construction materials businesses each year

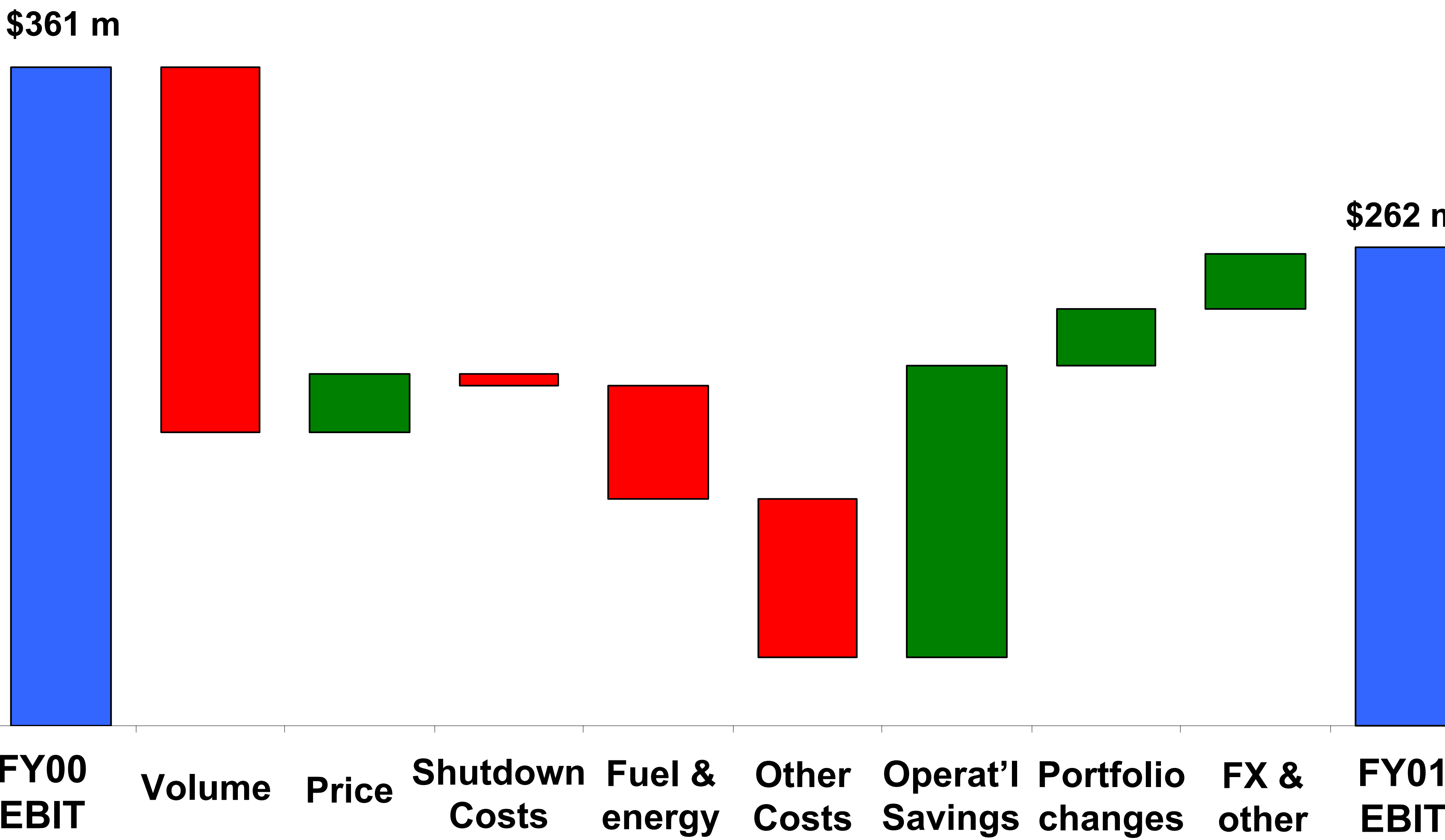
Margins are holding better this cycle



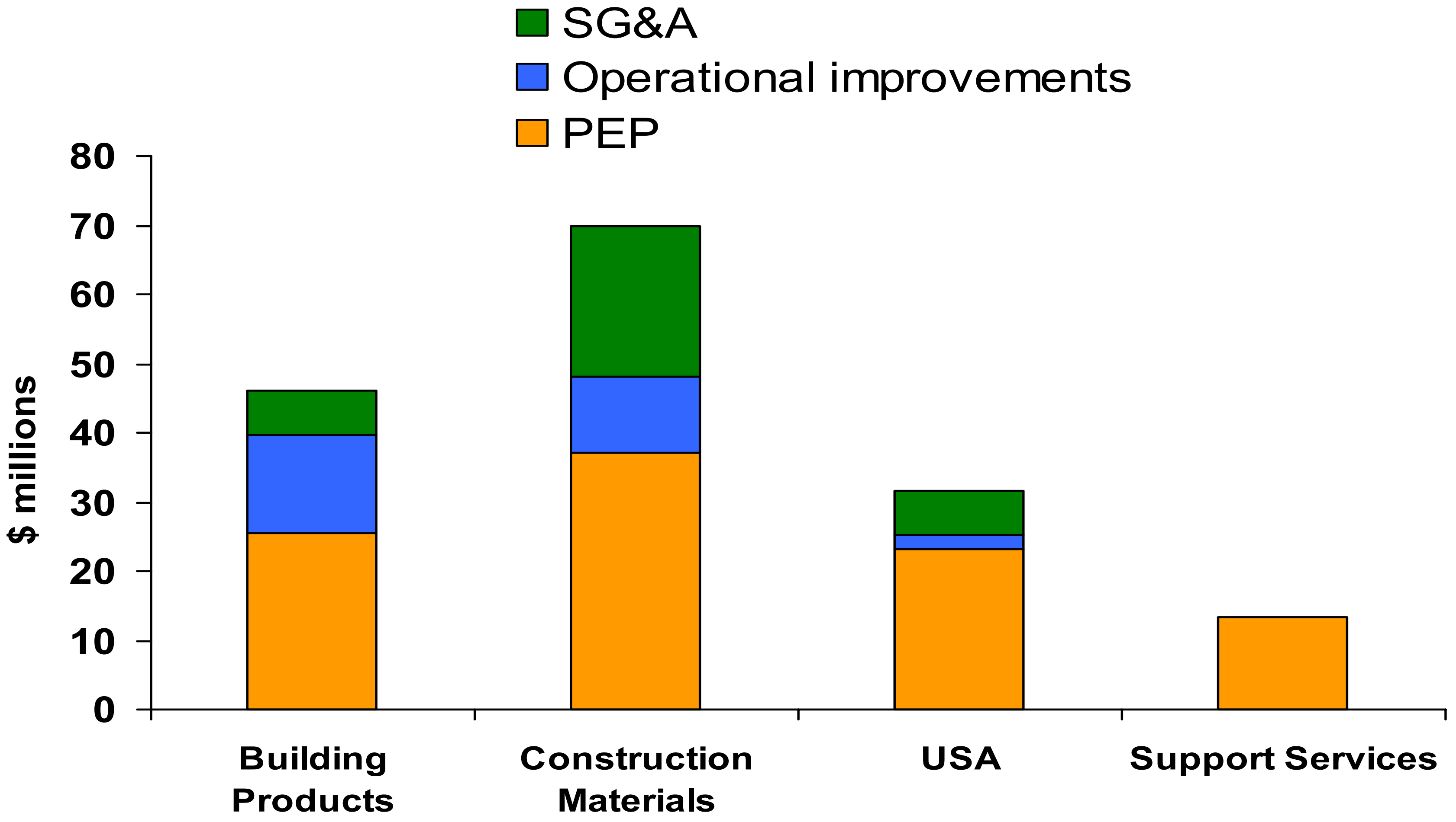


Results for reported building and construction materials businesses each year

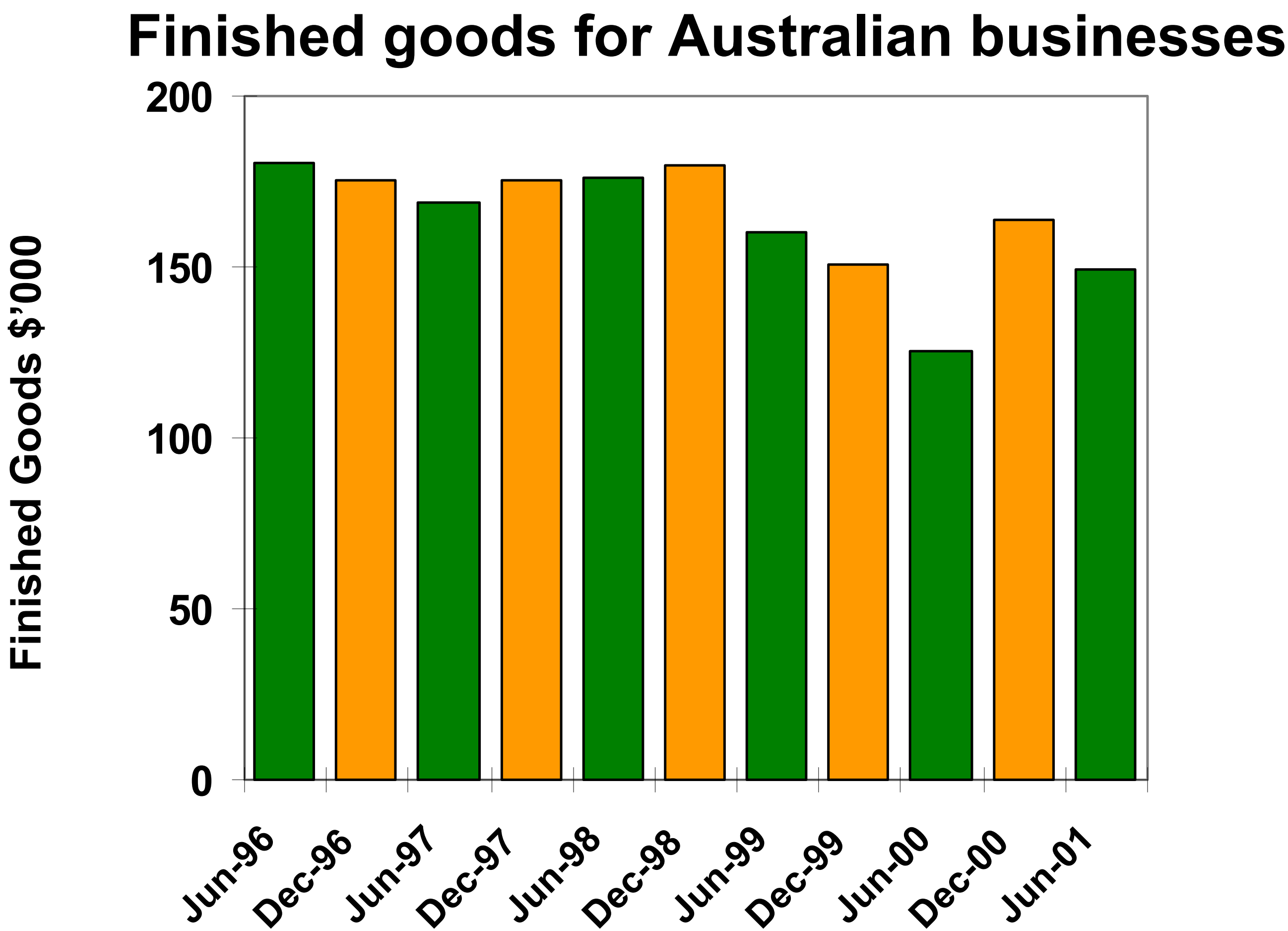
Improved operational performance offset significant volume and cost (fuel & energy) impacts



Significant gains from PEP and "step change" initiatives



Focused inventory management



Results for ongoing building and construction materials businesses - excludes discontinued businesses

Sound balance sheet

A$ million	FY01	FY00	% change
Net debt	**983**	**961**	**2%**
Interest	**70**	**90**	**(22%)**
Net D/E %	**53%**	**54%**	
Net D/(D+E) %	**35%**	**35%**	
EBIT/interest cover times	**4.3**	**3.7**	
NTA/share	**$2.89**	**$2.78**	

USA EBIT up 2%, while Australian EBIT down 40% reflects a 22% decline in activity

Sales, A$ million	FY01	FY00	% change
Australia	2478	3103	(20%)
USA	756	662	14%
Other overseas	41	103	(60%)
Other	5	144	
Total	3,280	4,012	(18%)

EBIT, A$ million	FY01	FY00	% change
Australia	180	299	(40%)
USA	99	98	2%
Other overseas	2	(14)	
Corp. O.Heads / Other*	(19)	(22)	
Total	262	361	(27%)

** Includes non-trading item of $13m in 6 months to June 2001 and $12m in 6 months to June 2000*

Building Products and Construction Materials divisions reflect the effects of a heavy downturn

Sales, A$ million	FY01	FY00	% change
Building Products	963	1,438	(33%)
Construction Materials	1,556	1,769	(12%)
USA	756	662	14%
Other	5	143	
Total	3,280	4,012	(18%)

EBIT, A$ million			
Building Products	66	118	(44%)
Construction Materials	116	167	(31%)
USA	99	98	2%
Corp. O.Heads / Other*	(19)	(22)	
Total	262	361	(27%)

** Includes non-trading item of $13m in 6 months to June 2001 and $12m in 6 months to June 2000*

Building Products' revenue and EBIT down due to a 27% decline in housing activity (VWD)

Results:

Sales down 33% to **$963m**

EBIT down 44% to **$66m**

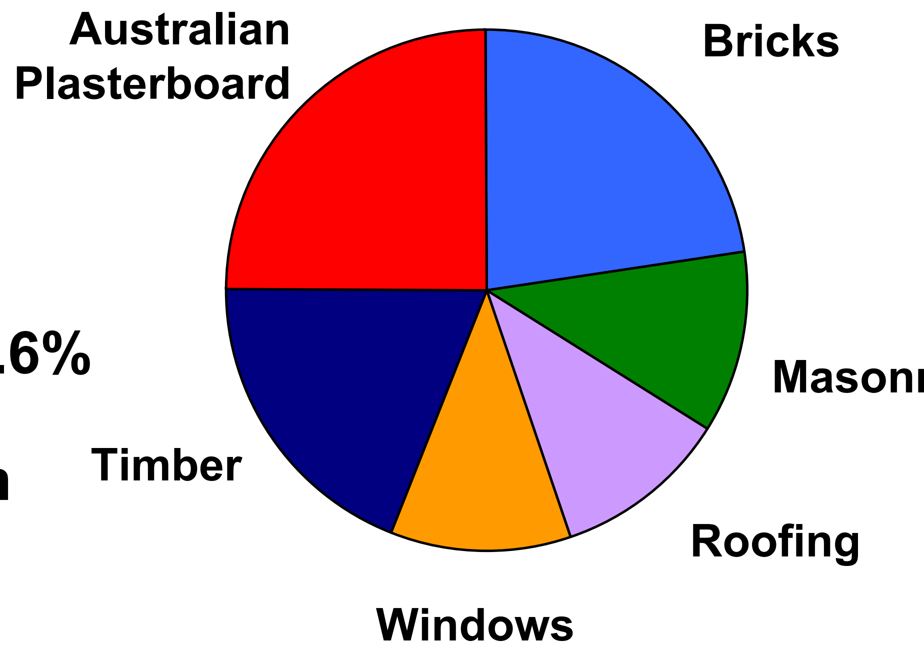
EBITDA down 37% to **$111m**

EBITDA margin from 12.3% to **11.6%**

Funds employed up 8% to **$983m**

ROFE down to **6.7%**

Share of 2001 Revenue



Building Products implemented strong inventory, price and cost controls

- 27% decline in activity
- Strong capacity and inventory management
- Prices held for bricks, masonry, plasterboard, hardwood, plywood but down for softwood; margins held for roof tiles.
- PEP and "step change" cost savings of $46m
- Operational Excellence program implemented
- Closure of Gillman plasterboard plant and Moorebank brickworks
- Disposal of Tasmanian Woodchips, Tumbarumba softwood mill, Windows lineals and extrusion businesses and Melocco
- Home Improvement business launched in Australia
- Capital investments in Koolkhan and Oberon timber mills

Asian Plasterboard JV off to an encouraging start after first year of operation

- $15.4m turnaround for Boral
- JV delivered net profit of $2.8m for Boral
- Improved results in South Korea and Indonesia
- Stronger exports to the Philippines and Middle East
- Capacity rationalisation and overhead cost reduction in China
- Acquisition of Siam Gypsum in Thailand
- Expansion plans in Korea
- JV has 33% market share of Asian market (exc. Japan)
- Boral's share of JV from 27% to 43%
- Boral will increase share of JV to 50% over next two years

Construction Materials' EBIT down 31% due to volume declines and higher fuel/bitumen costs

Results:

Sales down 12% to **$1,556m**

EBIT down 31% to **$116m**

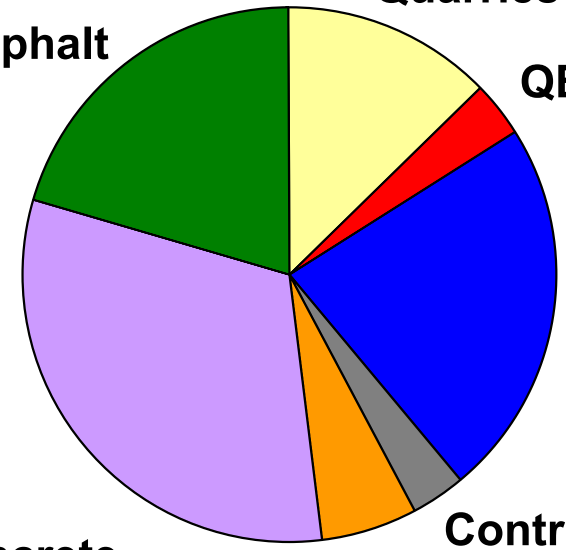
EBITDA down 21% to **$211m**

EBITDA margin from 15.1% to **13.5%**

Funds employed up 5% to **$1,286m**

ROFE down to **9.0%**

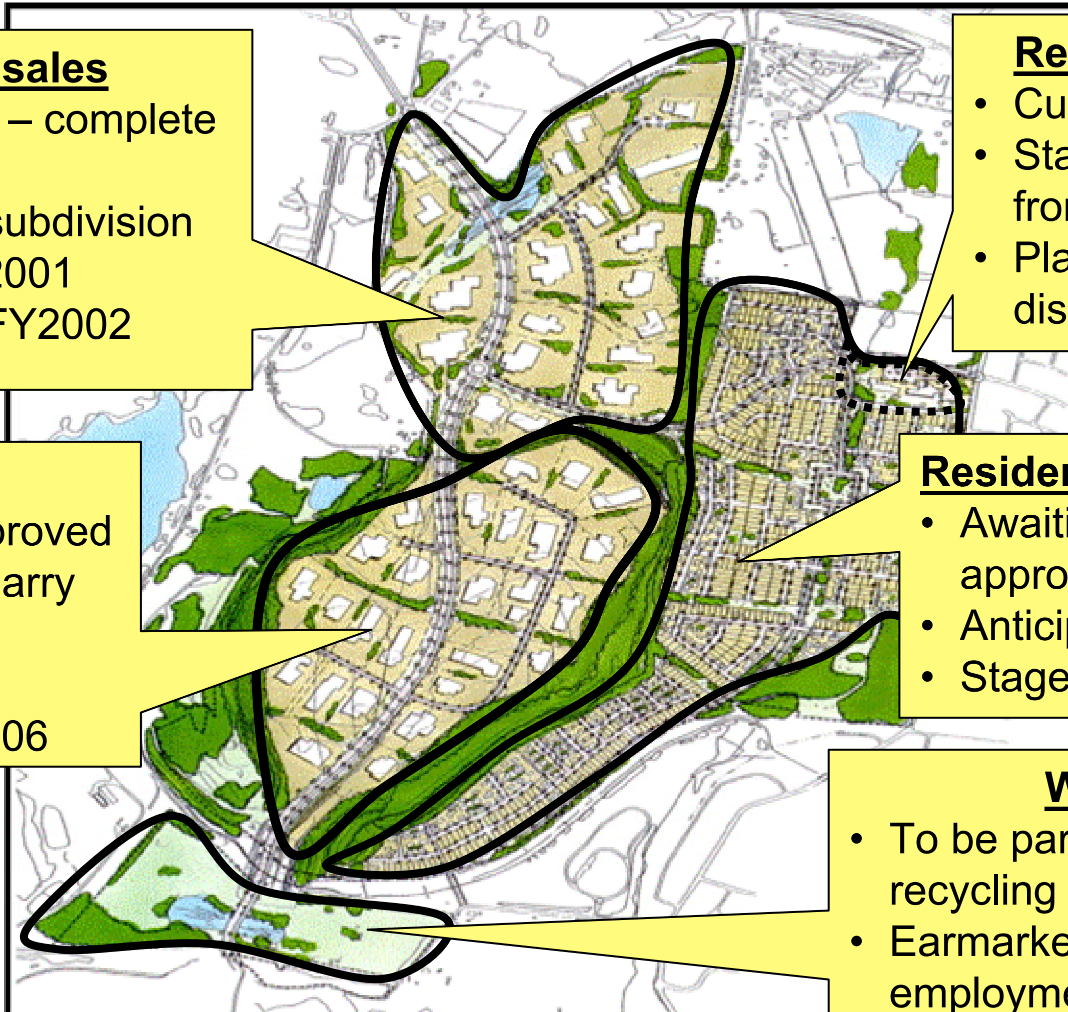
Share of 2001 Revenue



Construction Materials close to bottom of cycle

- 17% decline in non-dwellings and roads, h'ways & subdivisions
- Prices down in pre-mix concrete and scaffolding; steady in asphalt and quarries; recovering in cement
- PEP and "step change" cost savings of $70m
- $10m lime kiln upgrade, increasing capacity by 40%
- Acquisition of Alsafe and Concrite concrete businesses and Transfield asphalt plant, (pull-through benefits for aggregates/ cement)
- Maiden profits from QEU business of $24.3m (land sales at Greystanes)
- Indonesian Concrete recovery continues

Greystanes, the first major development of the new QEU business, has significant earnings for 5-8 years



NEL* – first sales

Subdivision work – complete 2001
10 superlots for subdivision
5 lots sold in FY2001
Further sales in FY2002

SEL*

Precinct plan approved
Site of current quarry operations
Development approximately 2006

Retail Development

- Current site of office
- Staged subdivision from CY2002
- Planned to become a district centre

Residential Development

- Awaiting precinct plan approval this year
- Anticipate >1000 dwellings
- Staged subdivision

Widemere

- To be partly used for quarry recycling
- Earmarked for future employment land rezoning

NEL = Northern Employment Lands

SEL = Southern Employment Lands

USA revenue steady but EBIT down due to energy costs and reduced volumes

Results:

Sales down 3% to **US$402m** (A$756m)

EBIT down 13% to **US$53m** (A$99m)

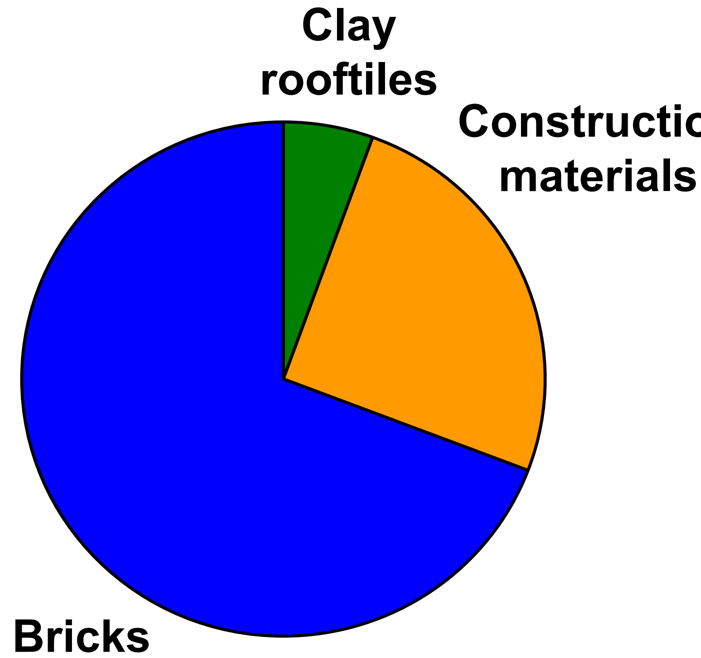
EBITDA down 7% to **US$76m** (A$144m)

EBITDA margin from 19.9% to **19.0%**

Funds employed up 8% to **US$370m**

ROFE at **14.3%**

Share of 2001 Revenue



Improved USA earnings due to steady performance and favourable exchange rate impacts

- Housing construction down 7%; brick volumes down 11% (severe winter)
- Price increases for bricks and roof tiles
- Gas & electricity costs reduced EBIT by US$15m
- MonierLifetile performs strongly
- Softening of flyash results
- New paver plant and moulded brick plant
- Expansion of concrete roof tiles into Mexico, Colorado & Missouri
- Conversion to AUD generates a $15m favourable exchange rate impact

Boral’s Strategic Intent

Boral intends to be a value-driven, focused building and construction materials supplier operating in Australia and increasingly offshore

<u>Financial Objectives</u>

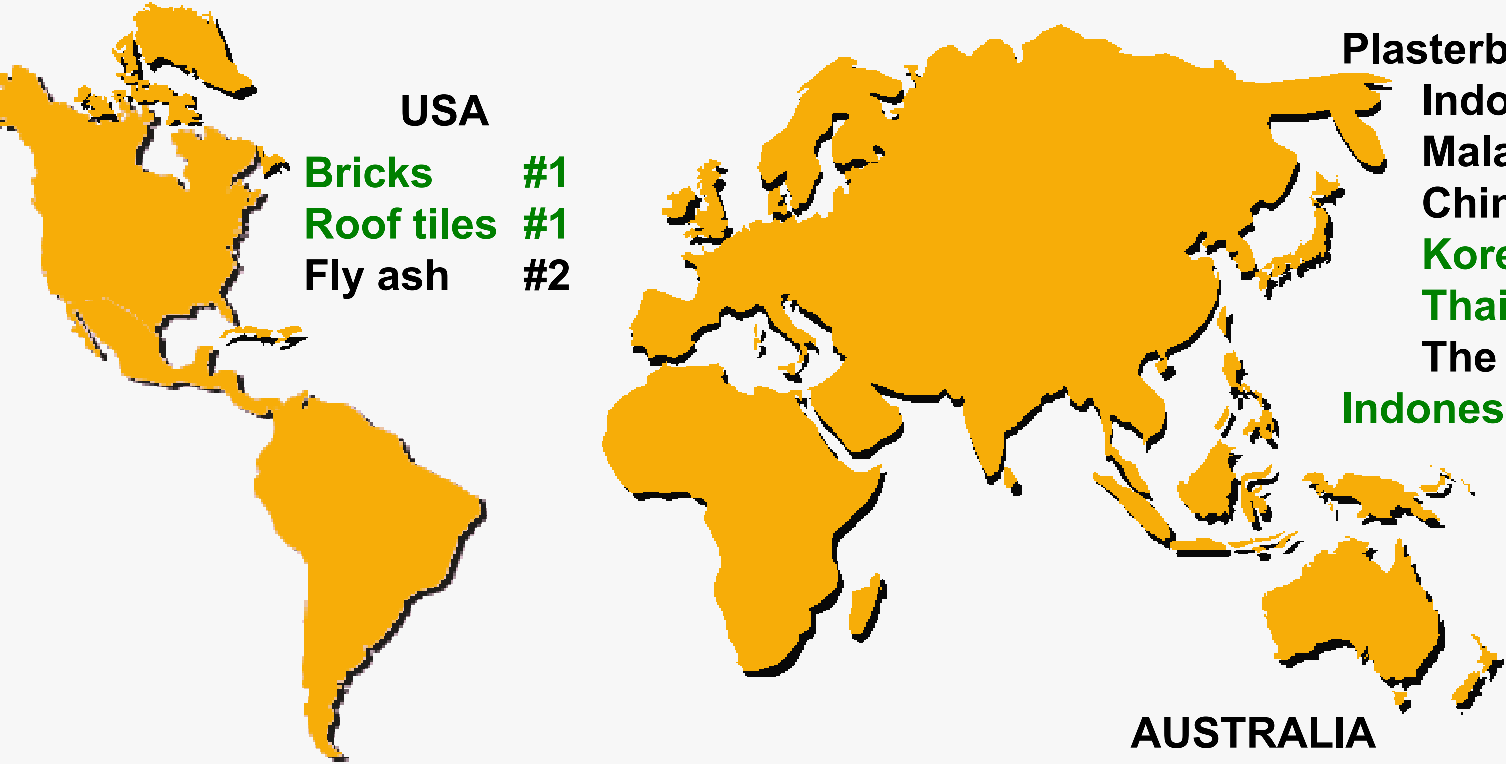
1. ***Exceed the weighted average cost of capital (WACC) on a sustainable basis through the building cycle***
2. ***Beat the competition in comparable markets***
3. ***Deliver superior total shareholder returns (TSR)***

Boral is delivering improved shareholder returns

- Earnings per share of 27.0 cents (29.7 cents in prior year)
- Dividend of 18.0 cents for full year
- Franking reintroduced at 35% level
- Strong dividend yield, averaging 8.1% over last financial year
- DRP to operate for final dividend
- Strong share price rising from $2.28 at demerger to current $3.26*
- Delivered a TSR of 35% from the demerger to 21 Aug 01

* Share price as at 21 August 2001

Boral's strategy is to perform and grow around its leading reserve and market positions



USA

Bricks	#1
Roof tiles	#1
Fly ash	#2

ASIA

Plasterboard*

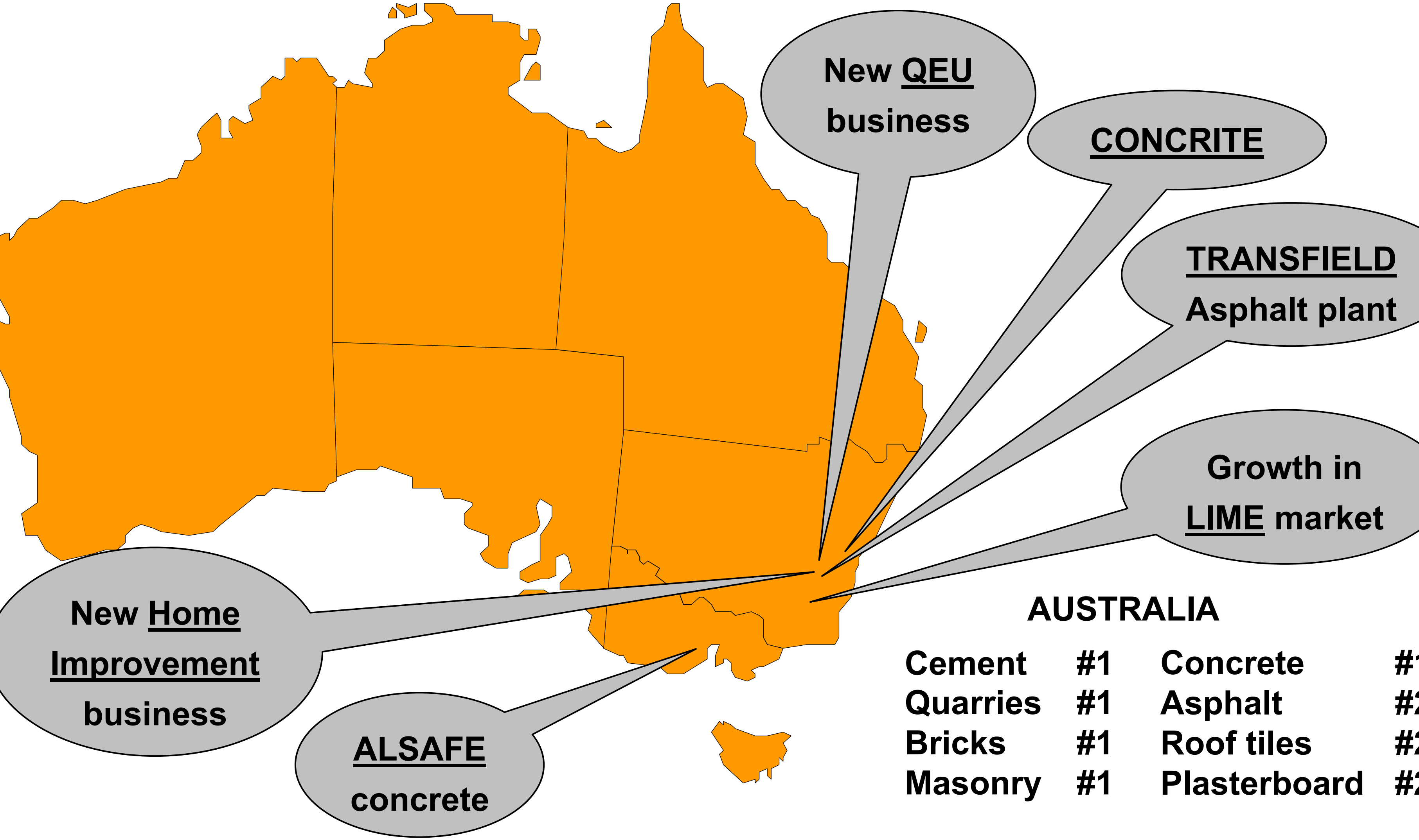
Indonesia	#1
Malaysia	#1
China (east)	#1
Korea	#1
Thailand	#1
The Philippines	#1
Indonesia concrete	#1

AUSTRALIA

Cement	#1	Concrete	#1
Quarries	#1	Asphalt	#2
Bricks	#1	Roof tiles	#2
Masonry	#1	Plasterboard	#2

*Asian plasterboard in joint venture with Lafar

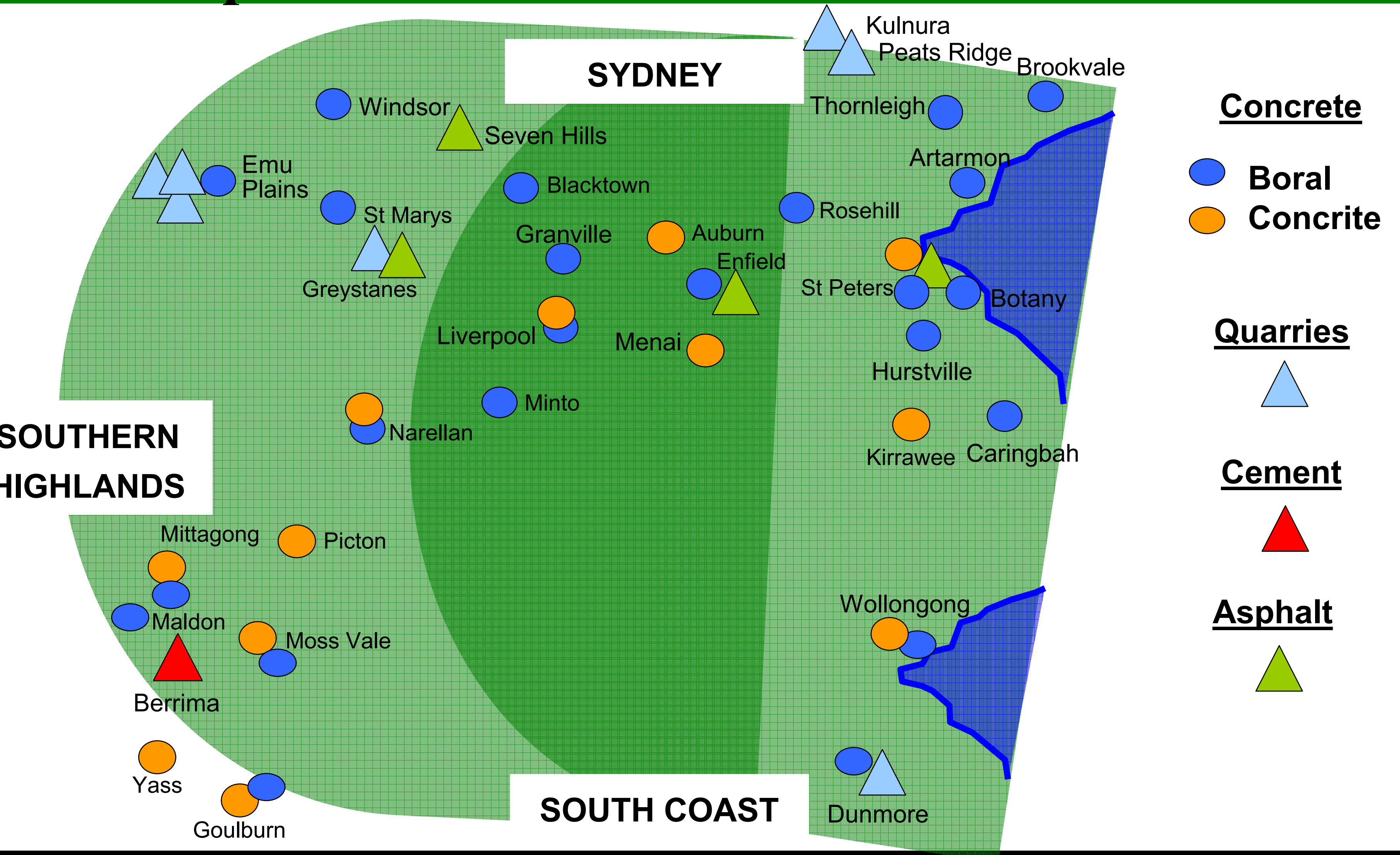
Perform and grow around leading reserve and market positions - AUSTRALIA



AUSTRALIA

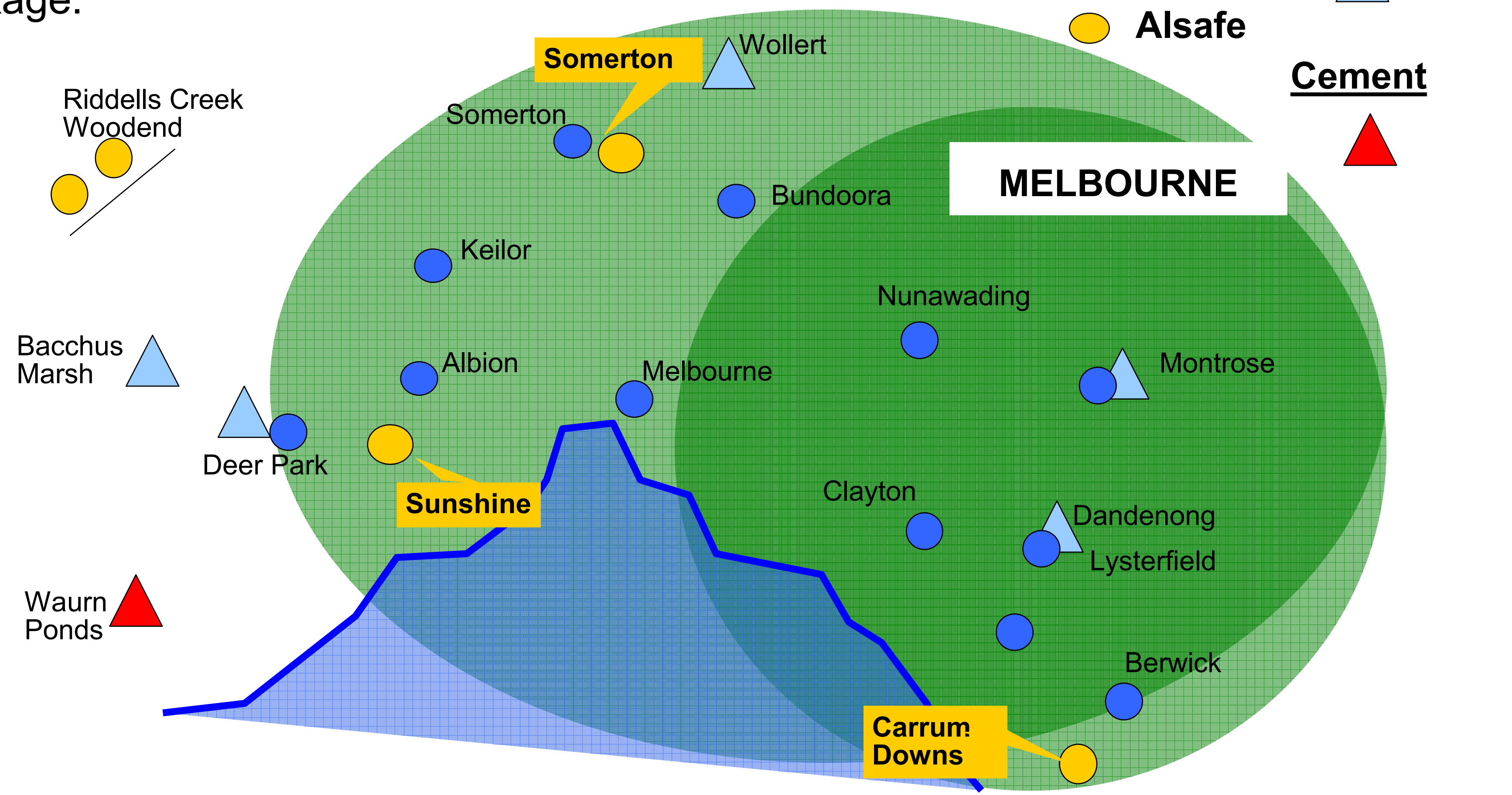
Cement	#1	Concrete	#1
Quarries	#1	Asphalt	#2
Bricks	#1	Roof tiles	#2
Masonry	#1	Plasterboard	#2

Perform and grow around leading reserve and market positions - CONCRETE



Perform and grow around leading reserve and market positions - ALSAFE

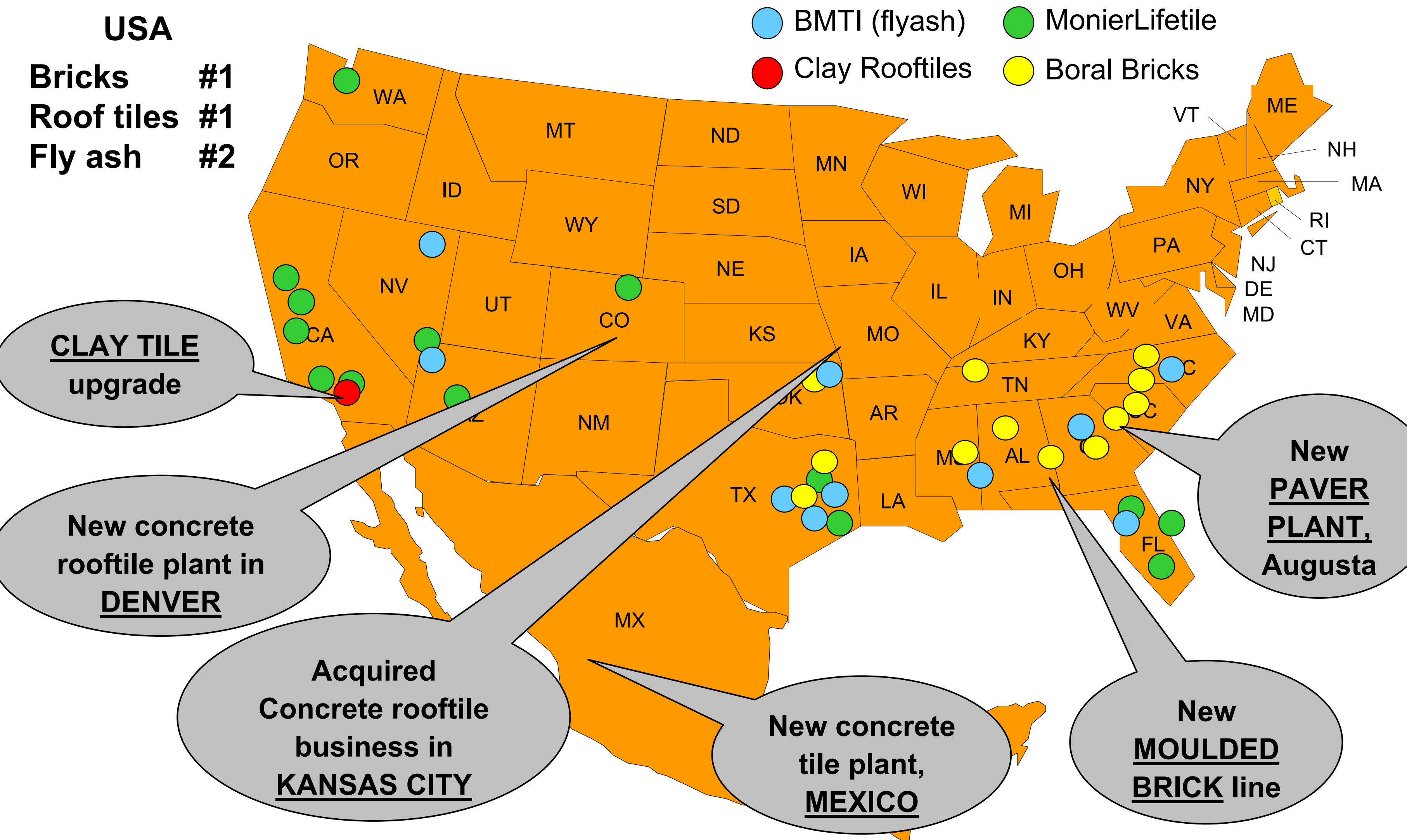
Boral operates Alsafe as a second brand to retain the "independent" culture and minimise market share leakage.



Perform and grow around leading reserve and market positions - USA

USA

Bricks	**#1**
Roof tiles	**#1**
Fly ash	**#2**



Perform and grow around leading reserve and market positions - ASIA

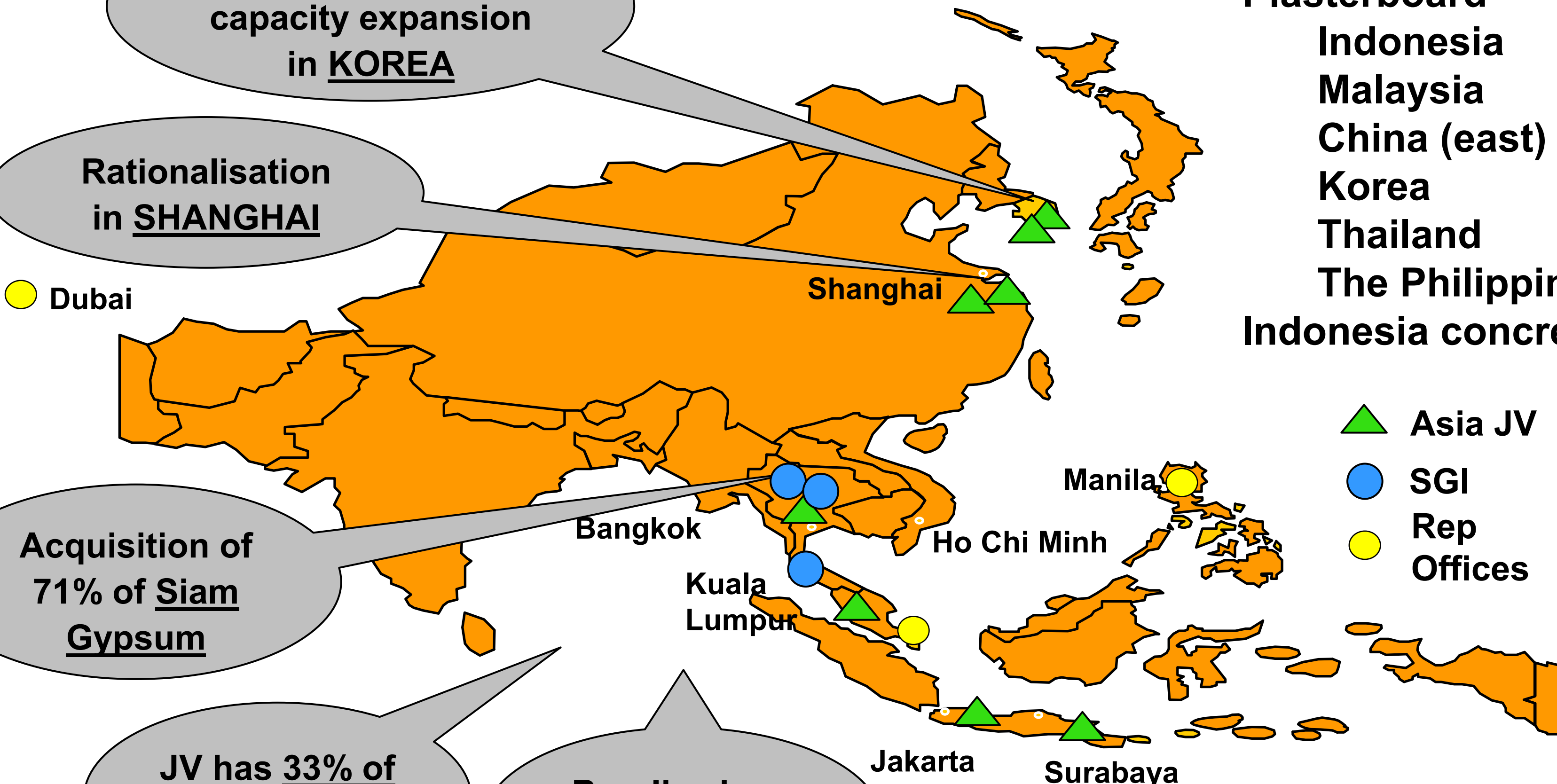
30 million m2 capacity expansion in **KOREA**

Rationalisation in **SHANGHAI**

Acquisition of 71% of **Siam Gypsum**

JV has **33% of** Asian capacity

Boral's share of JV from 27% to 43%



ASIA

Plasterboard*	
Indonesia	#1
Malaysia	#1
China (east)	#1
Korea	#1
Thailand	#1
The Philippines	#1
Indonesia concrete	#1

Asia JV

SGI

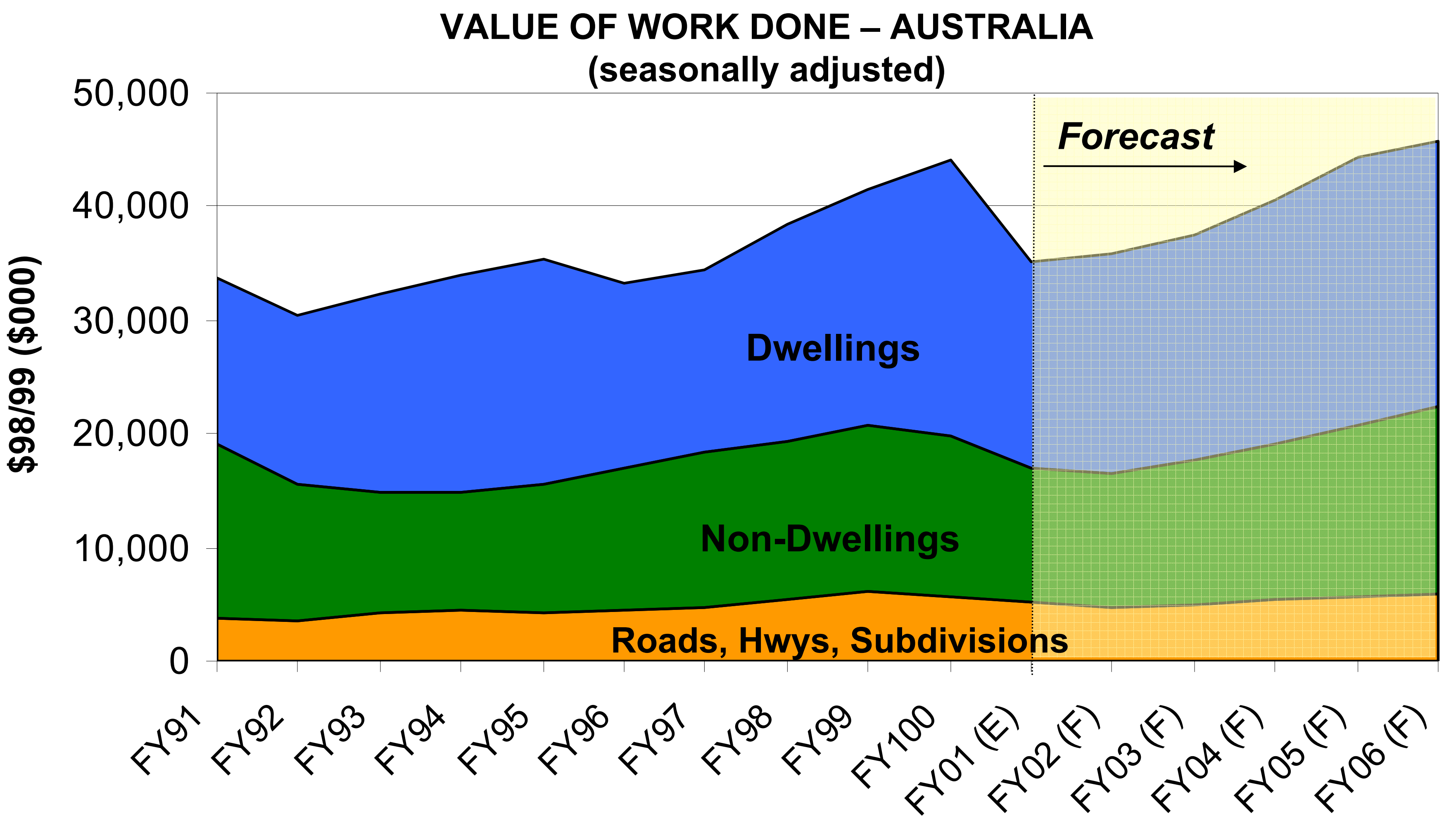
Rep Offices

*Asian plasterboard in joint venture with Lafarg

Outlook –Australian housing market expected to improve: construction materials and US to be steady

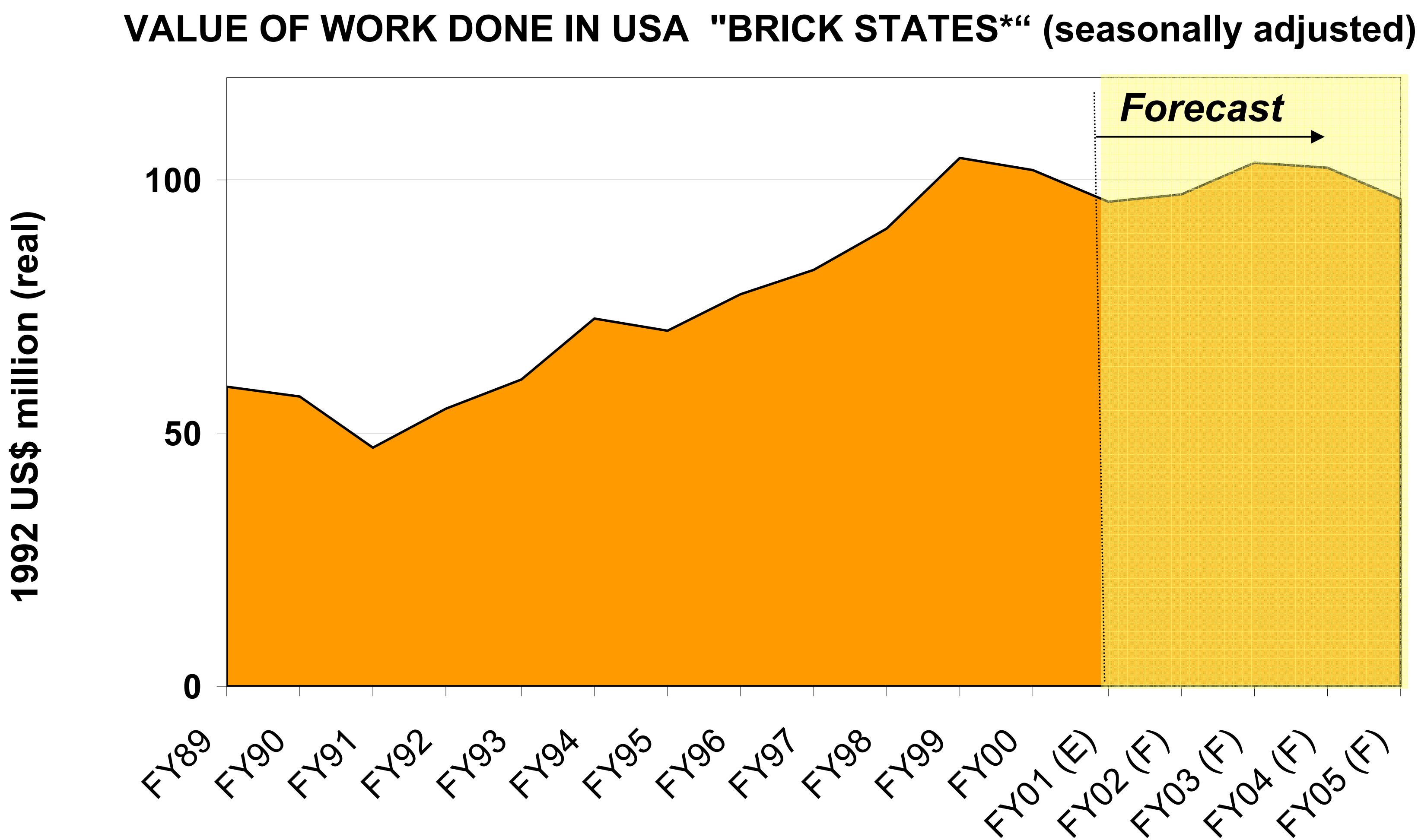
- Australian markets at bottom
- Signs of housing market recovery
- Upturn in Australian Building Products in H2 of FY2002
- Australian Construction Materials markets - flat through FY2002
- US housing markets should remain strong

BIS Shrapnel's latest forecasts show Australian markets (VWD) growing through to FY2006



ource: Australian Bureau of Statistics, AusStats & BIS Shrapnel Aug 01,

Strong markets in USA



* **Brick States:** Alabama, Arkansas, Carolinas, Florida, Georgia, Illinois, Indiana, Kentucky, Louisiana, Maryland, Mississippi, Missouri, Ohio, Oklahoma, Tennessee, Texas, Virginia.
Source:Dodge Data Q1 2001 and Q2 1999

Outlook – Sales revenue expected to be flat in FY2002 but underlying profit expected to be up

- Overall, FY2002 sales revenue expected to be flat
- Underlying profit after tax* expected to be stronger, due to:
  - stronger Australian housing market
  - stronger position in Plasterboard in Asia
  - benefits from operational and growth initiatives
  - continued QEU profits
- Size of improvement dependent on:
  - size and timing of Australian recovery
  - robustness of US housing cycle
  - exchange rates
- Good growth in Australia until FY2006
- USA and Asia should remain strong beyond FY2002

* PAT before profit from disposal of business

Boral achieves a full year profit of $153m in difficult trading conditions

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