

# Boral

Results for the full year to June 2007



CEO & Managing Director,  
Rod Pearse

15 August 2007



## Agenda

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





# Financial Highlights & Markets Review



*Waurn Ponds  
cement works*



*Midland Brick  
Kiln #11*



*Moorebank QEU  
redevelopment*

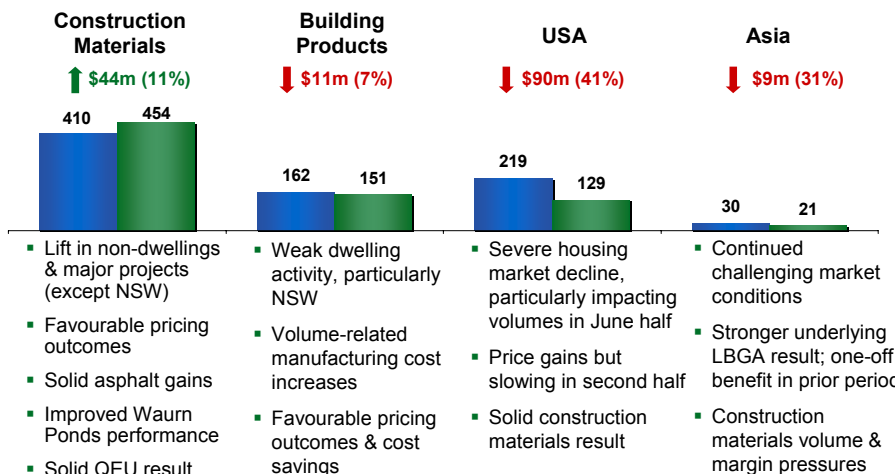
## Profit after tax down 18% due to cyclical market downturns, especially in US housing activity

Revenue	↑	3%	to	\$ 4.9b
EBITDA	↓	7%	to	\$ 762m
EBIT	↓	14%	to	\$ 531m
Net Interest	↑	13%	to	\$111m
Profit after tax	↓	18%	to	\$ 298m
EPS	↓	19%	to	50.0 cents
Final dividend (100% franked)		unchanged	at	17 cents
Return on equity		from 13.2%	to	10.0%



## EBITDA impacted by decline in US & Australian building products housing related earnings

EBITDA (A\$m) FY2006 ■ FY2007 ■



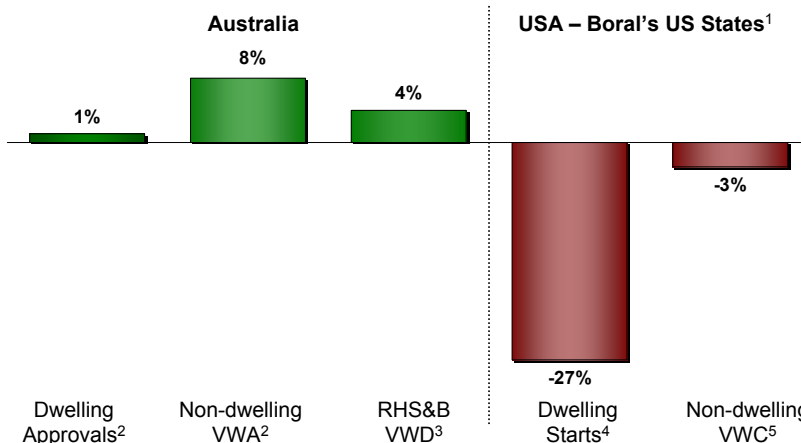
Results for the full year to June 2007

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## Market conditions mixed with significant US decline and continued pressure on Australian dwellings

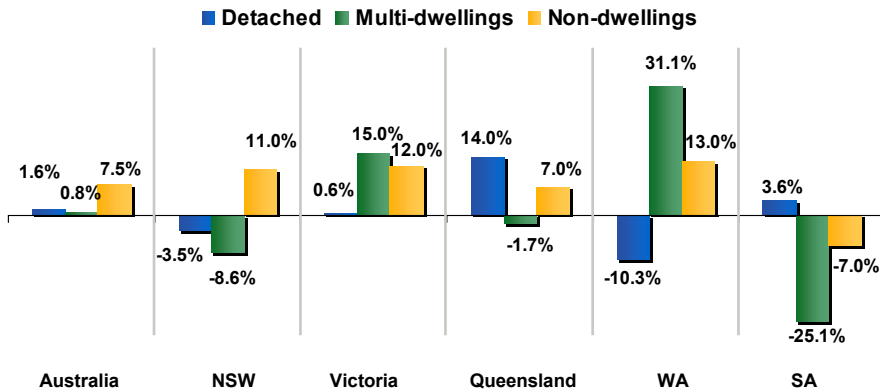
Market changes – FY2007 vs FY2006



- Alabama, Arizona, Arkansas, California, Colorado, Florida, Georgia, Illinois, Indiana, Kansas, Kentucky, Louisiana, Maryland, Mississippi, Missouri, Nevada, N. Carolina, Ohio, Oklahoma, S. Carolina, Tennessee, Texas, Virginia, Washington
- Approvals / value of work approved (VWA). Source: ABS
- Roads, Highways, Subdivisions & Bridges \$97/98 value of work done. Source: ABS actuals plus BIS Shrapnel June qtr 2007 forecast.
- Source: Dodge actuals
- Non-dwelling value of work commenced (VWC) at \$92 value. Source: Dodge actuals and forecast for June qtr 2007.

## NSW dwellings remained particularly weak

Percentage change in dwellings approvals and non-dwellings value of work approved – FY2007 vs FY2006



Source: ABS Original data series

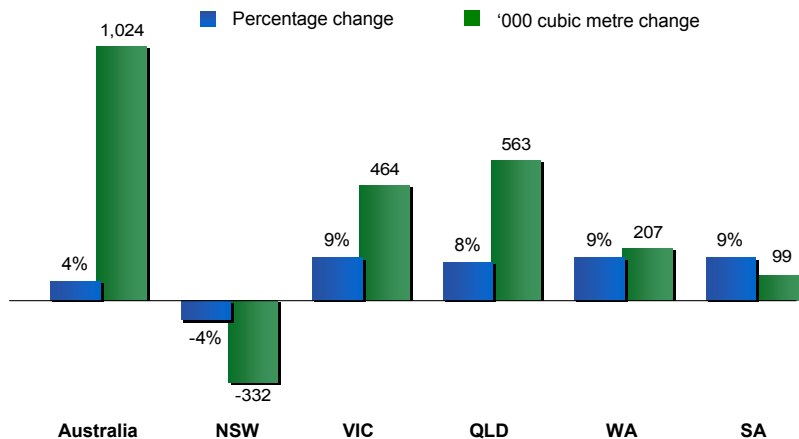
Results for the full year to June 2007

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## Concrete volumes up except in NSW, underpinned by strong activity in non-dwellings

Changes in Australian readymix concrete production – FY2007 vs FY2006



Source: ABS

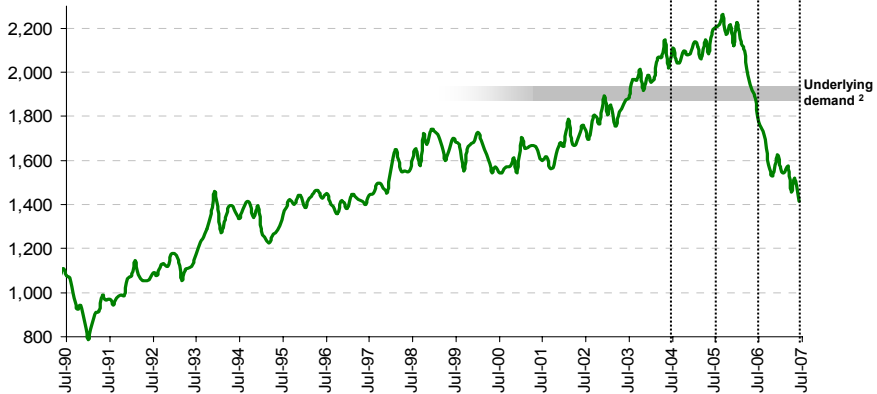
Results for the full year to June 2007

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## The US housing market has experienced a rapid decline

Total US housing permits ('000 building permits)<sup>1</sup>



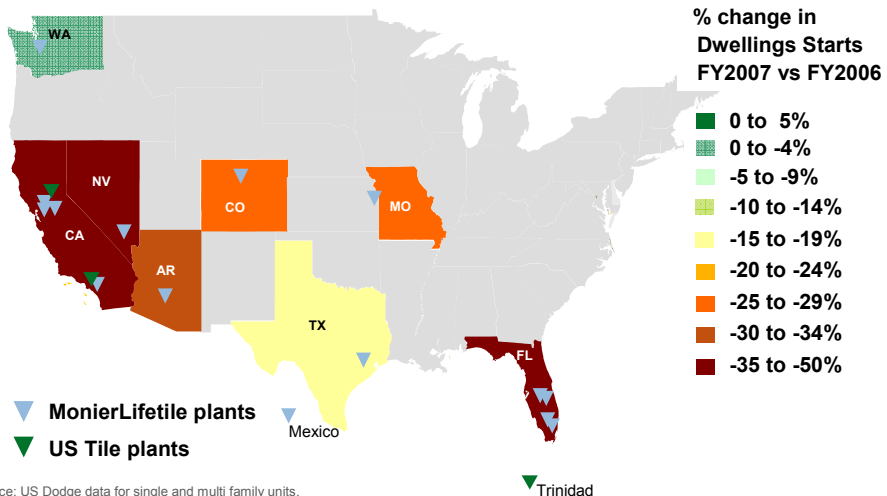
1. Seasonally adjusted annualised monthly permits from US Census
2. Joint Center for Housing Studies of Harvard University

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## MonierLifetile has been severely impacted by the housing downturn since May 2006



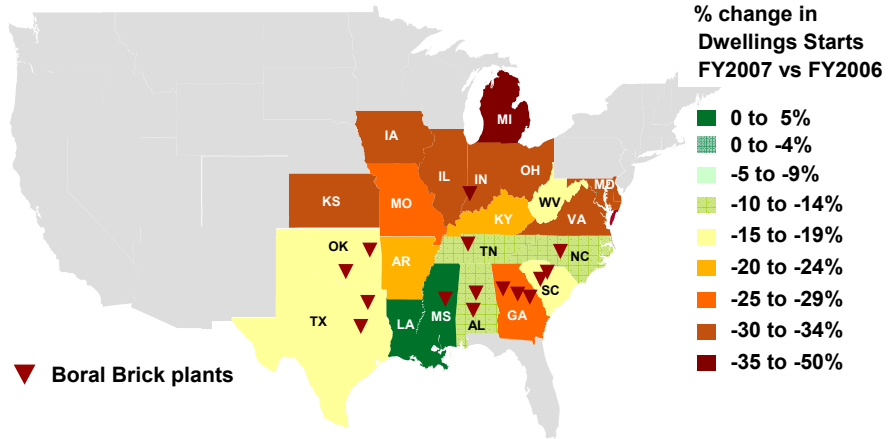
Source: US Dodge data for single and multi family units.

Results for the full year to June 2007

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## US Bricks has been significantly impacted by the housing downturn since October 2006



Source: US Dodge data for single and multi family units.

Results for the full year to June 2007

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# Financial Results



*Galong Limestone Quarry & Lime Kiln*



*Wetcast Masonry plant, Wacol*

## Profit after tax down 18% for the full year

A\$m	Dec-06 half	Jun-07 half	FY2007	FY2006	% Δ
Revenue	2,492	2,417	<b>4,909</b>	4,767	<b>3</b>
EBITDA	383	379	<b>762</b>	823	<b>(7)</b>
EBIT	267	264	<b>531</b>	614	<b>(14)</b>
Net Interest	55	56	<b>111</b>	98	<b>13</b>
Profit before tax	212	208	<b>420</b>	516	<b>(18)</b>
Tax	65	57	<b>122</b>	153	<b>(20)</b>
Profit after tax	147	151	<b>298</b>	362	<b>(18)</b>

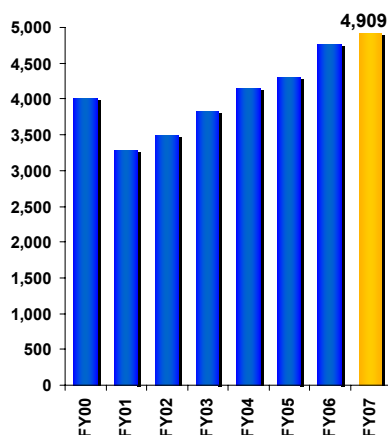
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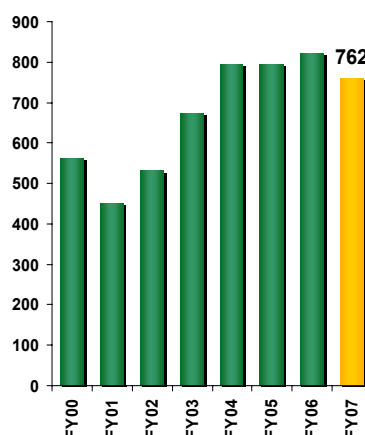


## Sales & EBITDA remain at high levels

Sales revenue  
A\$m



EBITDA  
A\$m



FY05 result onward has been adjusted for adoption of A-IFRS

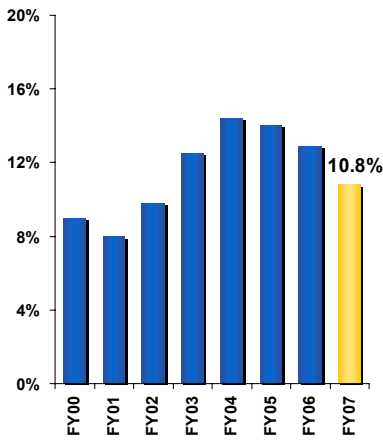
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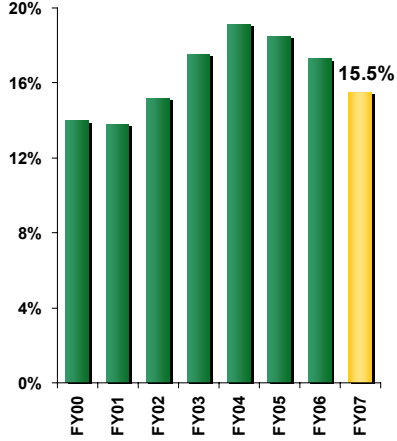


## Margin pressure reflects decline in US housing activity and continued downturn in NSW

EBIT / Sales



EBITDA / Sales



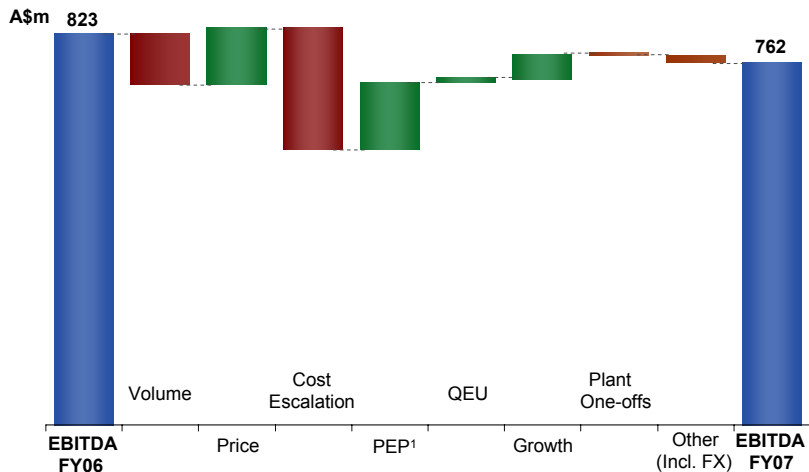
FY05 result onward has been adjusted for adoption of A-IFRS

Results for the full year to June 2007

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## EBITDA – Volume decreases reduced earnings; price / PEP initiatives were needed to help offset inflation



1. Performance Enhancement Program

Results for the full year to June 2007

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## Boral's balance sheet remains in good shape

As at A\$m	June 07	June 06
Net debt	1,482	1,578
Net debt / equity	50%	57%
Net debt / (net debt + equity)	33%	36%
Net Interest cover	4.8 x	6.3 x
Funds employed	4,470	4,333
Return on funds employed	11.9%	14.2%
Return on equity	10.0%	13.2%

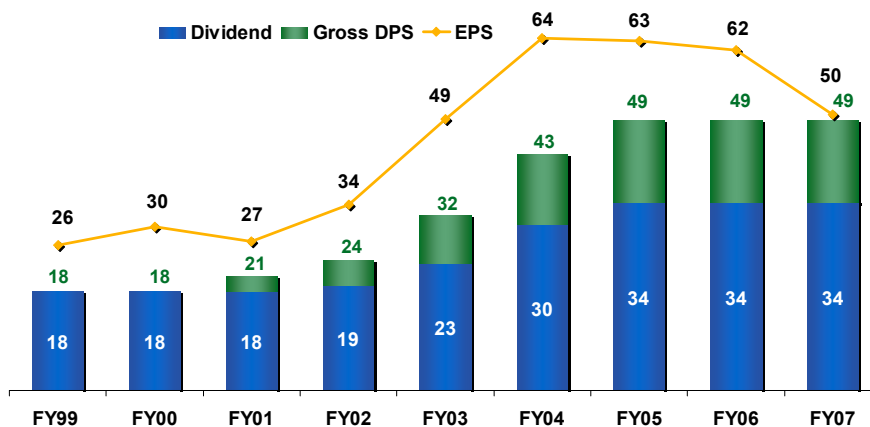
Results for the full year to June 2007

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## Boral's earnings & EPS have grown strongly since demerger

Cents / share



Results for the full year to June 2007

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# Divisional performance



*Construction of EastLink, Melbourne*



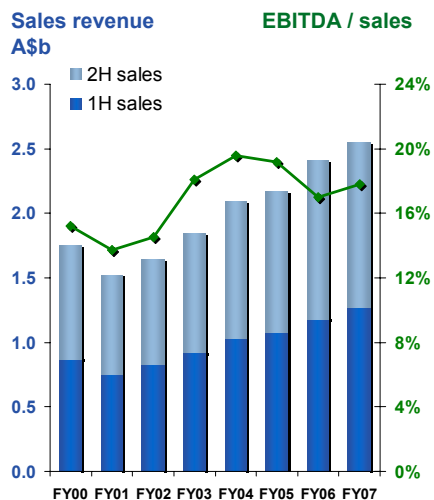
*Cement bagging plant, Maldon*



*New LBG plant, Vietnam*

## Construction Materials: EBITDA up 11% driven by stronger volumes and price gains

A\$m	FY07	FY06	% Δ
Sales	<b>2,549</b>	2,410	6
EBITDA	<b>454</b>	410	11
EBIT	<b>318</b>	286	11
Funds employed	<b>2,271</b>	2,202	3
EBITDA/sales %	<b>17.8</b>	17.0	
EBIT/sales %	<b>12.5</b>	11.9	
ROFE %	<b>14.0</b>	13.0	



FY05 result onward has been adjusted for adoption of A-IFRS

## Construction Materials revenues up 6% underpinned by stronger non-dwellings volumes & solid pricing outcomes

Ext. sales A\$m	FY2007	% Δ	volume Δ	price Δ	EBITDA Δ
<b>Cement<sup>1</sup></b>	477	-6	↔	↑	↑
<b>Concrete<sup>2</sup> &amp; Quarries</b>	1,354	12	↑	↑	↑
<b>Asphalt</b>	515	16	↑	↑	↑
<b>Transport</b>	69	-33			↓
<b>QEU</b>	118	7			↑
<b>Contracting</b>	16	-59			Exited business during period
<b>TOTAL</b>	<b>2,549</b>	<b>6</b>			

1. Cement division includes BCSC (external revenues), concrete placement & scaffolding. Volume & price changes for cement only.
2. Includes consolidation of Giroto revenues for FY2007

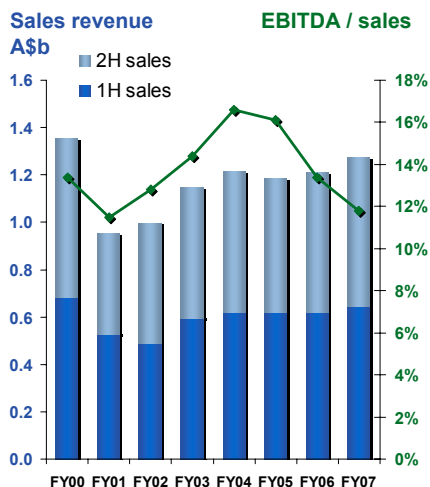
Results for the full year to June 2007

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## Building Products: effective pricing but EBITDA down 7% due to volume weakness

A\$m	FY07	FY06	% Δ
Sales	<b>1,275</b>	1,213	5
EBITDA	<b>151</b>	162	-7
EBIT	<b>99</b>	118	-16
Funds employed	<b>1,114</b>	1,001	11
EBITDA/sales %	<b>11.8</b>	13.4	
EBIT/sales %	<b>7.8</b>	9.7	
ROFE %	<b>8.9</b>	11.8	



FY05 result onward has been adjusted for adoption of A-IFRS

Results for the full year to June 2007

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## Building Product revenues up 5% driven by solid pricing outcomes despite weaker housing volumes

Ext. sales A\$m	FY2007	% Δ	volume Δ	price Δ	EBITDA Δ
Bricks	305	3	↓	↑	↓
Roofing	108	4	↓	↑	↑
Masonry	119	-7	↓	↔	↓
Plasterboard	351	7	↑	↓	↔
Timber	247	12	↑	↔	↔
Windows	145	4	↑	↑	↑
<b>TOTAL</b>	<b>1,275</b>	<b>5</b>			

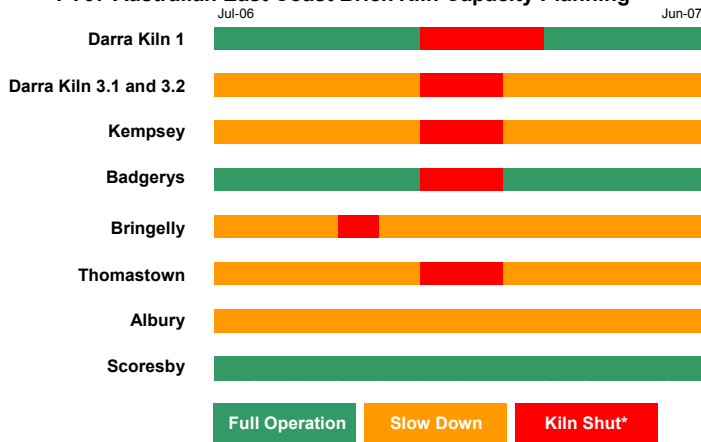
Results for the full year to June 2007

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## East Coast brick capacity utilisation was ~74% in FY2007

### FY07 Australian East Coast Brick Kiln Capacity Planning



Note: Push rates may alter from time to time  
 \* Denotes temporary closure of part of site

Results for the full year to June 2007

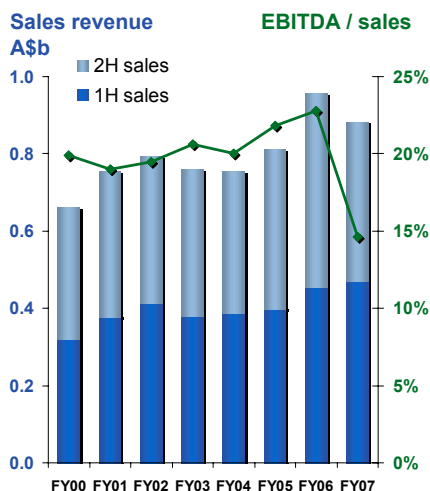
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## USA: US\$ EBITDA down 37% due to housing downturn

US\$m	FY07	FY06	% Δ
Sales <sup>1</sup>	699	714	-2
EBITDA	102	163	-37

A\$m	FY07	FY06	% Δ
Sales <sup>1</sup>	883	957	-8
EBITDA	129	219	-41
EBIT	95	186	-49
Funds employed	813	848	-4
EBITDA/sales %	14.6	22.8	
EBIT/sales %	10.7	19.4	
ROFE %	11.6	21.9	



FY05 result onward has been adjusted for adoption of A-IFRS

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

Results for the full year to June 2007

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## USA: revenues slightly down as price gains largely offset market-related decline in volumes

Ext. sales US\$m	FY2007	% Δ	volume Δ	price Δ	EBITDA Δ
US Bricks	478	-3	↓	↑	↓
Clay Tiles	27	-9	↓	↑	↓
Concrete Tiles <sup>1</sup>			↓	↓	↓
Flyash	116	-1	↓	↑	↔
Construction Materials	78	7	↓	↑	↑
<b>TOTAL</b>	<b>699</b>	<b>-2</b>			

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

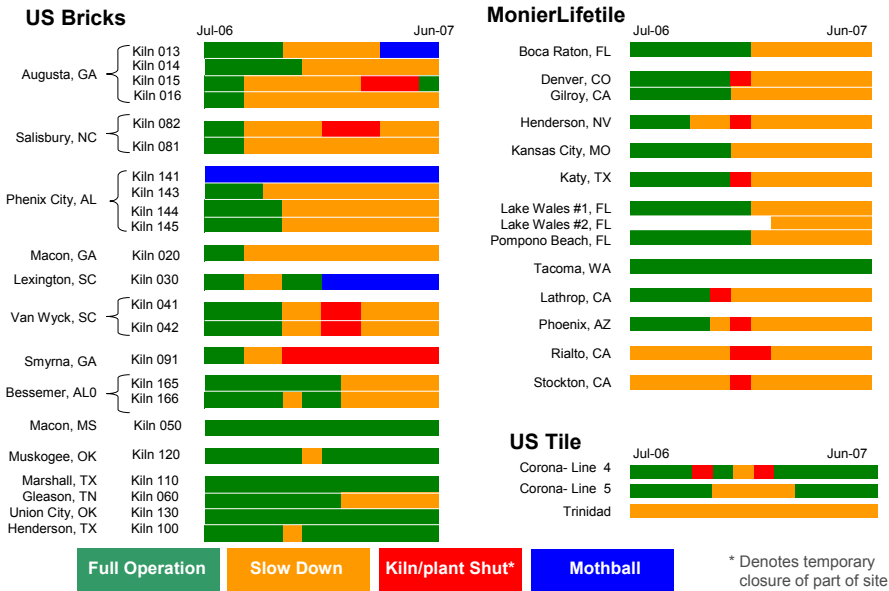
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## Utilisation reduced from 1H07 to 2H07 in US Bricks from 92% to 73% and Concrete Roof Tiles from 59% to 38%

### FY07 Capacity Planning



## With 70% of US revenues driven by dwellings, our focus is to manage well through the downturn

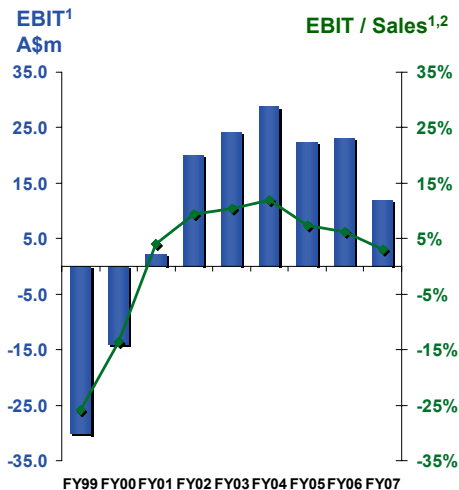
### DOWNTURN STRATEGY

- Manage brick & roof tile inventory through "production rationalisation initiative"
- Strict margin management controls to hold pricing and manage costs
- Review growth projects

### OUTCOME

- Brick production utilisation of 83% in FY07; Concrete roof tiles utilisation of 49% in FY07
  - Mothballed selected high cost plants (3)
  - Run low cost plants at 85-100%
- Inventory growth held
- Higher cost of production
- Brick prices up 3% in FY07 & held in 2H07; roof tile prices up 4% in FY07 but down in second half
- US\$26m of PEP in FY07; increased efficiencies from "step change" program
- EBITDA:sales margin 14.6% (down from 22.8%)
- Some projects delayed (e.g. Las Vegas concrete roof tile & Corona line #5 upgrade); Other projects to deliver cost benefits plus commissioning around time of forecast market lifts (e.g. Bricks, Terre Haute & Clay Tiles, Ione)

## Asia EBIT down 46% due to one-off compensation payment in prior year; underlying LBGA result up, construction materials down



- **Plasterboard JV** contribution of \$16m (down 18% due to Shanghai land payment in prior year)
- Growth and improved market conditions in some key plasterboard markets including Korea & China
- **Concrete & Quarries:** results lower due to margin pressure in Thailand and lower volumes and higher costs in Indonesia
- Adverse political and weather impacts experienced during period

1. Includes Plasterboard and Construction Materials.  
Plasterboard JV EBIT contribution from FY01 is profit after tax.  
FY05 result onward has been adjusted for adoption of A-IFRS.
2. Revenues for FY01 onwards adjusted to include Boral's share of the Plasterboard Asia JV.



# Perform & Grow strategy



*Brick plant under construction, Terre Haute, Indiana*

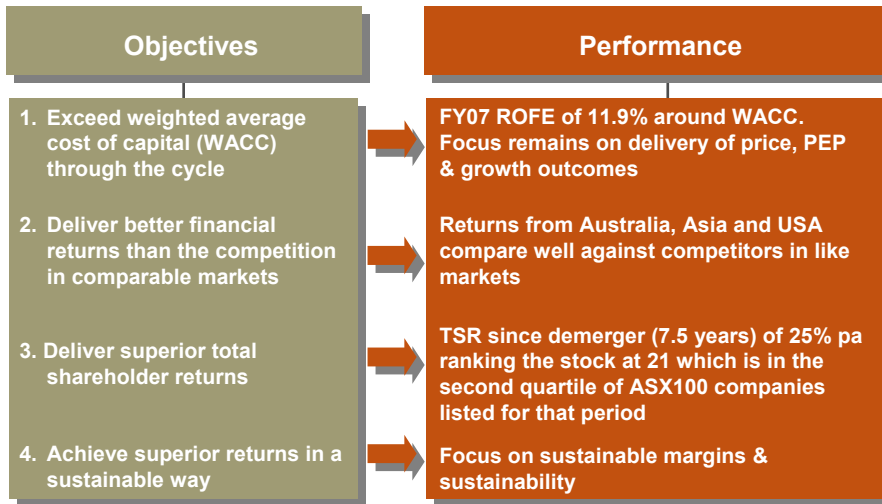


*Berrima cement mill 7 upgrade*



*Grotto Precast townhouse development, NSW*

## We continue to deliver against our objectives



Results for the full year to June 2007

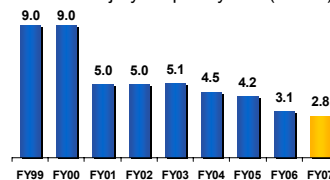
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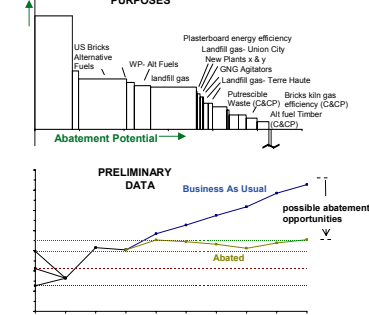
## We are managing our safety and climate change risks and opportunities

- Our **safety performance** has improved in terms of LTIFR
- We are developing an **abatement cost curve** to better understand the costs of carbon emissions and abatement
- We are firming up **1990 & 2000 historical data**, forecasting future emissions, considering appropriate **targets** & improving data collection processes
- We are identifying further “climate change” **opportunities** eg. cost reductions through energy efficiencies & alternate fuels; sustainable products including increasing understanding of life-cycle emissions of our products

Lost time injury frequency rate (LTIFR)<sup>1</sup>



FOR ILLUSTRATIVE PURPOSES



1. Per million hours worked

Results for the full year to June 2007

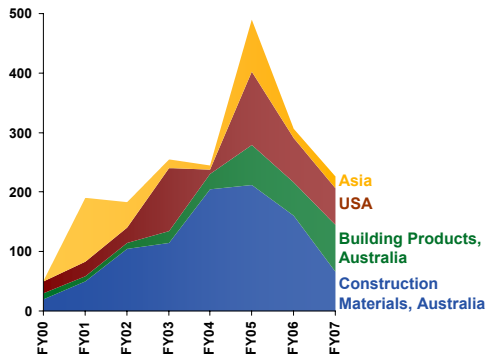
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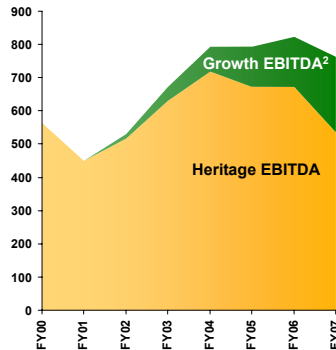


## Growth capex (\$226m in FY2007) has been invested across Boral's portfolio; over time Boral's growth portfolio is reducing earnings volatility

**GROWTH AND ACQUISITION CAPITAL EXPENDITURE (A\$ millions)<sup>1</sup>**



**BORAL GROWTH PROJECTS AND HERITAGE BUSINESS – EBITDA (A\$ millions)**



1. Excludes investment in ABL

2. Only relates to major projects (around 80% of spend). Excludes JVs & appreciation in value of the ABL shareholding.

Results for the full year to June 2007

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## Growth initiatives are well positioned for market recovery

Growth project	Current Status
<b>Waurin Ponds Stage 2</b>	<ul style="list-style-type: none"> <li>Achieved target production levels and around cost of capital returns in FY07; further optimisation being pursued to meet higher levels of demand.</li> </ul>
<b>Union City</b> (Bricks, USA)	<ul style="list-style-type: none"> <li>Commissioning commenced in Mar-06 qtr in line with plan. Benefits phased from Jun-06 qtr &amp; returns ahead of cost of capital &amp; business plan. Low-cost plant servicing a relatively resilient South West US market.</li> </ul>
<b>Midland Brick Kiln #11</b> (WA)	<ul style="list-style-type: none"> <li>Running well with commissioning of full product range to be completed in Sep-07 qtr. Achieving above cost of capital returns.</li> </ul>
<b>Maldon Bagging Plant</b> (Cement, NSW)	<ul style="list-style-type: none"> <li>Completed on time/budget. Benefits increasing in line with plan since Jun-06. Relocation of operations to Maldon allowed closure of Seven Hills in Jun-06.</li> </ul>
<b>Wacol Wetcast</b> (Paving, Qld)	<ul style="list-style-type: none"> <li>Commissioning complete, securing Boral's low cost position in relatively fast growing segment. Currently delivering above cost of capital returns.</li> </ul>
<b>Vietnam</b> (Plasterboard, LBGA)	<ul style="list-style-type: none"> <li>Completed on time/budget. Plasterboard production commenced in the Sep-06 qtr and achieving business case sales volumes.</li> </ul>
<b>Trinidad</b> (Clay tiles, USA)	<ul style="list-style-type: none"> <li>Completed in FY06. Operating at lower volumes due to weak market conditions in South Florida. Early production issues experienced have been resolved.</li> </ul>
<b>Herons Creek</b> (Timber)	<ul style="list-style-type: none"> <li>Fully commissioned and achieved design throughputs. Weakness in NSW market requires reduced operating hours to limit inventory growth.</li> </ul>
<b>Berrima Cement Mill #7</b> (NSW)	<ul style="list-style-type: none"> <li>Practical completion in Jan-07 with benefits to be progressively delivered in line with business plan.</li> </ul>
<b>Concrete &amp; Quarries</b> (South East Qld)	<ul style="list-style-type: none"> <li>Building capacity to meet ongoing infrastructure activity in SE Qld, including Lawnton concrete plant, Narangba, Purga and Stapleton quarries.</li> </ul>

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## Growth initiatives are well positioned for market recovery

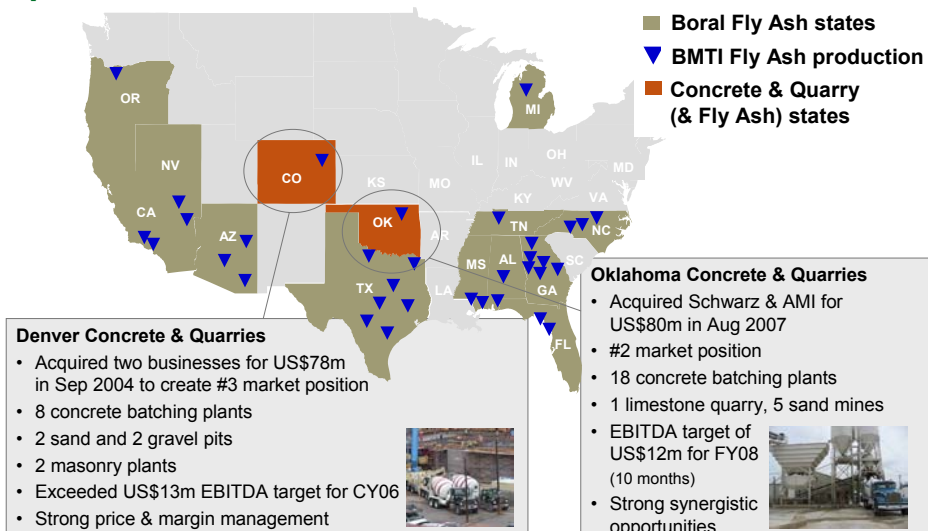
Growth project	Current Status
<b>Asphalt</b> (Australia)	<ul style="list-style-type: none"> <li>Construction completed on Geelong &amp; West Burleigh by Jul-07; Welshpool under construction due for completion Dec-07. Two mobile plants deployed in Victoria &amp; in Qld.</li> </ul>
<b>Plasterboard</b> (Qld)	<ul style="list-style-type: none"> <li>Construction underway with commissioning anticipated during Dec-07 qtr. Market demand remains solid and in line with expectations.</li> </ul>
<b>GoCrete</b> (WA)	<ul style="list-style-type: none"> <li>Automated precast plant due for completion in Dec-07 and will significantly lift our flooring and walling penetration in multi-unit construction in the buoyant Perth market.</li> </ul>
<b>Terre Haute</b> (Bricks, USA)	<ul style="list-style-type: none"> <li>Construction underway, completion anticipated in Mar-08 qtr. Low cost plant will operate at high utilisation rates reaching full production in FY09.</li> </ul>
<b>lone</b> (Clay tiles, USA)	<ul style="list-style-type: none"> <li>Construction progressing satisfactorily and completion expected by Dec-07.</li> </ul>
<b>Concrete roof tiles</b> (Florida & Nevada)	<ul style="list-style-type: none"> <li>Lake Wales plant successfully commissioned and well positioned to supply the re-roofing market and future recovery in Florida's new construction market. Construction of Las Vegas plant delayed due to market downturn.</li> </ul>
<b>South Korea</b> (Plasterboard LBGA)	<ul style="list-style-type: none"> <li>Commissioning expected in early CY2008 with benefits flowing from anticipated Korean residential market recovery.</li> </ul>
<b>Rajasthan, India &amp; Chengdu, China</b> (Plasterboard LBGA)	<ul style="list-style-type: none"> <li>Long term natural gypsum supply to the plant in India and long term FGD gypsum supply in Chengdu have been secured. Both plants are expected to be in operation in the first half of CY2008.</li> </ul>
<b>Sunstate Cement</b> (Qld)	<ul style="list-style-type: none"> <li>Feasibility study on grinding capability underway; completion of clinker storage expected in first half of CY2008.</li> </ul>

Results for the full year to June 2007

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## We are strengthening our construction materials position in the USA



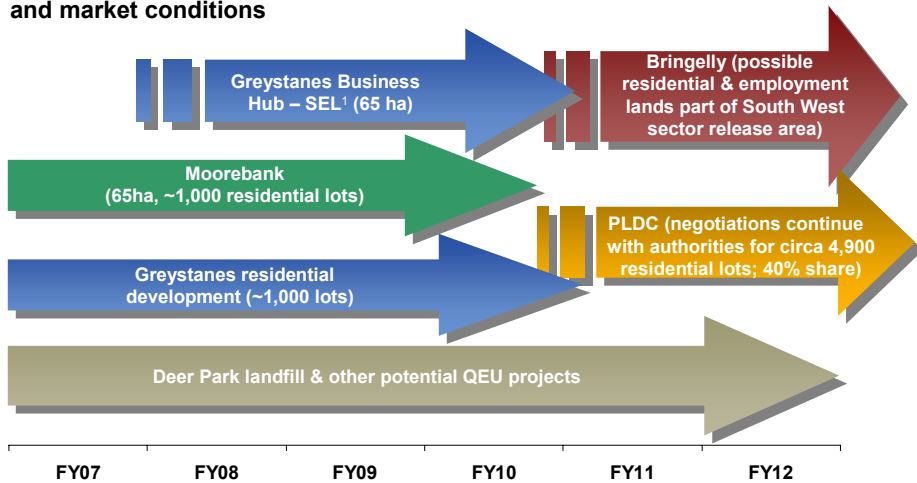
Results for the full year to June 2007

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## QEU: sustainable earnings expected to be ~\$50m pa

Actual timing of QEU projects will depend on government approvals and market conditions



1. SEL = Southern Employment Lands

Results for the full year to June 2007

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# Outlook



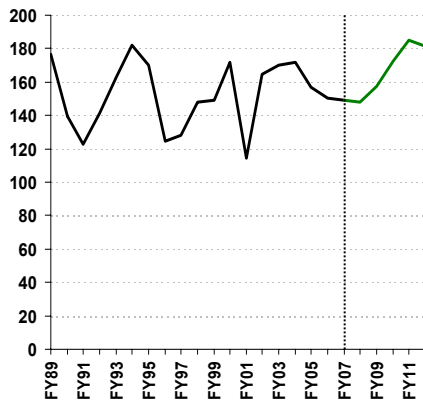
*Denver construction materials*



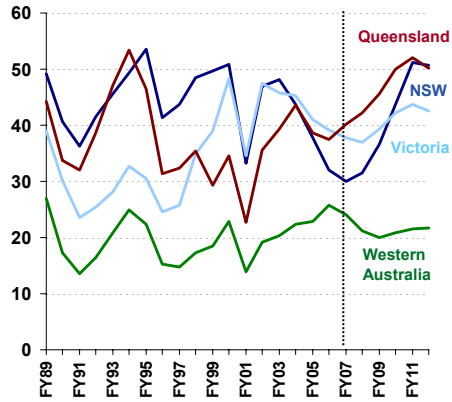
*Plasterboard plant under construction, Pinkenba, Queensland*

## Australian residential starts forecast to remain relatively steady in FY2008 with NSW recovery from FY2009

DWELLING STARTS—TOTAL AUSTRALIA ('000)



DWELLING STARTS—BY STATE ('000)



Source: ABS, BIS Shrapnel

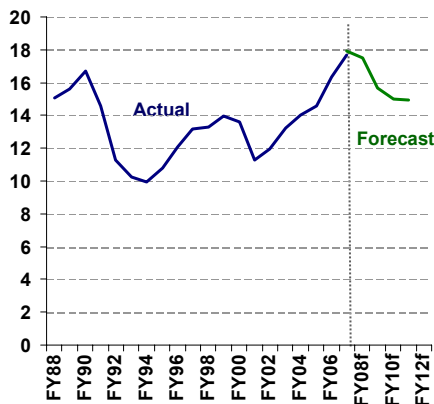
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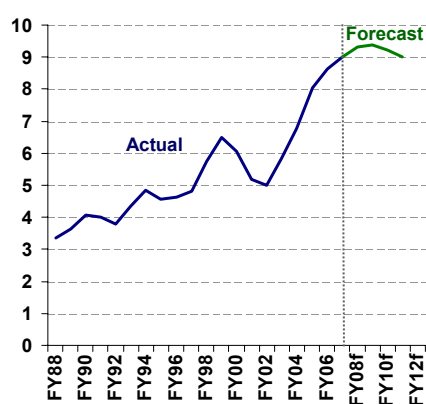


## BIS Shrapnel is forecasting continued strong Australian non-residential & RHSB activity in FY2008

Australian Non-Residential VWD  
\$97/98 Billion



Australian RHSB<sup>1</sup> VWD  
A\$97/98 Billion



1. Includes value of work done in roads, highways, subdivisions and bridges  
Source: ABS, BIS Shrapnel

Results for the full year to June 2007

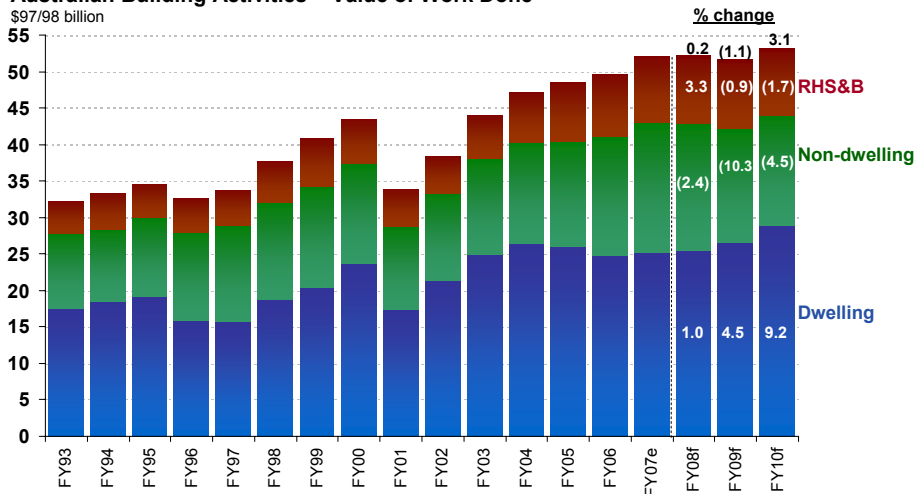
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## Overall, Australian markets forecast to remain steady in FY2008 with a dwellings recovery thereafter

### Australian Building Activities – Value of Work Done

\$97/98 billion



Source: ABS & BIS Shrapnel

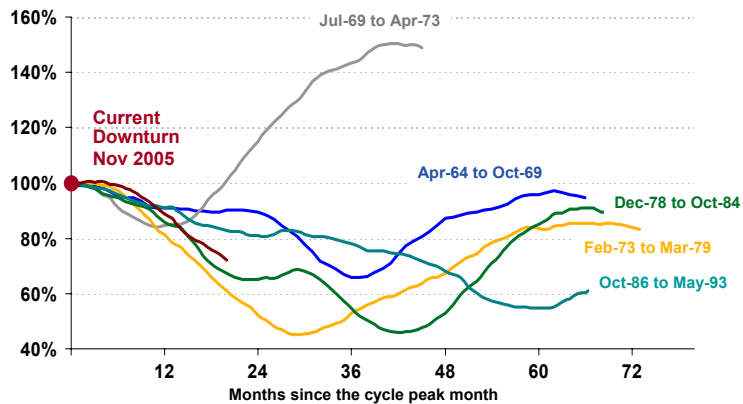
Results for the full year to June 2007

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## The USA is not expected to recover for another 12 to 18 months

### USA DWELLING STARTS CYCLES PEAK TO PEAK (Seasonally adjusted, moving annual total, Index)



Source: US Census

Results for the full year to June 2007

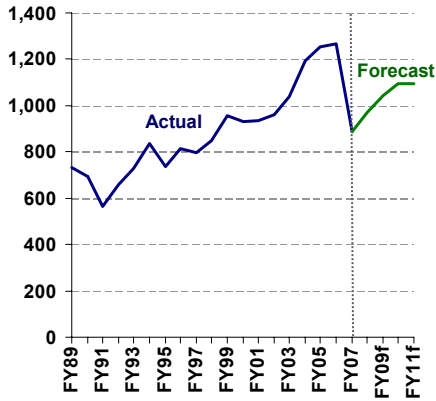
42



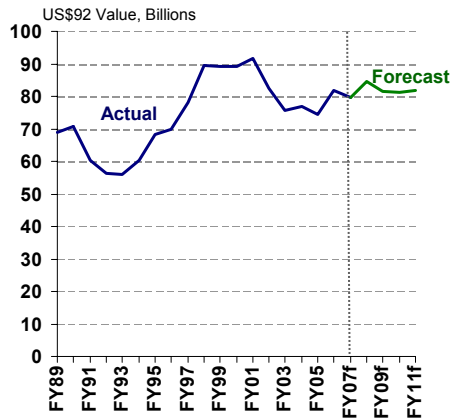
# Dodge forecasts a sharp fall in US single family housing starts in CY2007 with recovery thereafter

## USA Boral States<sup>1</sup>

**SINGLE FAMILY HOUSING STARTS**  
Thousand



**NON-RESIDENTIAL VWC**

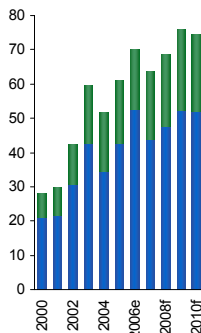


1. "US Boral States" - Alabama, Arizona, Arkansas, California, Colorado, Florida, Georgia, Illinois, Indiana, Kansas, Kentucky, Louisiana, Maryland, Mississippi, Missouri, Nevada, North Carolina, Ohio, Oklahoma, South Carolina, Tennessee, Texas, Virginia, Washington  
Source: US Dodge, Dodge March qtr 2007 forecast for June qtr 2007 non-residential VWC and FY2008 onwards for single family housing starts and non-residential VWC.

# Asian construction demand expected to grow

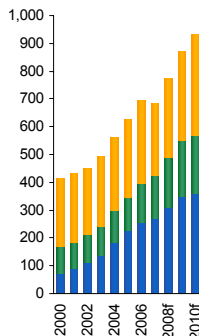
## South Korea

Value of construction orders received. Trillion Won



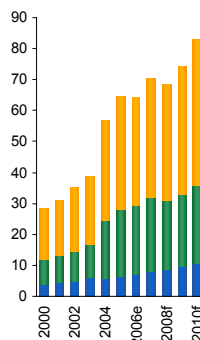
## Thailand

Gross fixed capital formation. Billion bhat



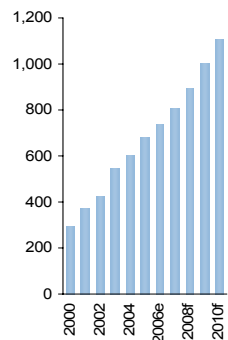
## Indonesia

Value of completion. Trillion Rp



## China - Eastern

Total building commencements. Million m2



■ Residential      ■ Engineering & Construction  
■ Non-residential      ■ Total Building

Source: BIS Shrapnel for South Korea 2007, Thailand 2007, Indonesia 2007 and China 2007.

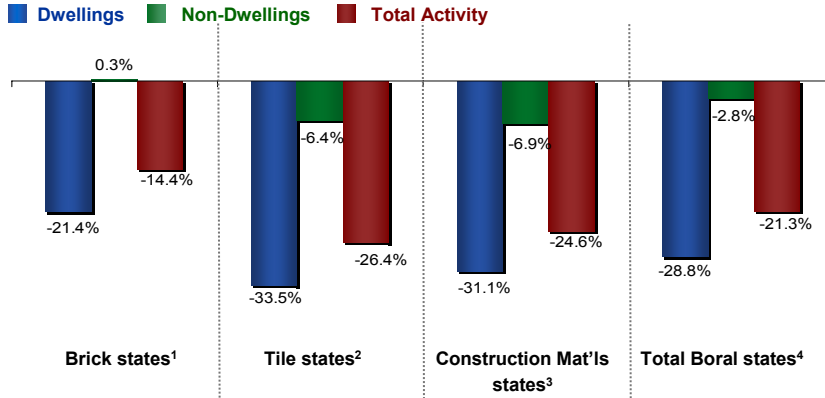
## Outlook for FY2008

- **Australia**
  - Expect dwelling commencements of ~145,000-150,000
  - Building Products results to soften
  - Continued strength in non-dwelling & infrastructure activity and increased concrete & quarries prices
  - QEU earnings of ~\$50 million, weighted heavily to second half of year
  - Construction Materials results to increase
- **USA**
  - Forecasters expect housing starts of ~1.4 to 1.5 million starts
  - Lower natural gas costs
  - Lower brick & roof tile volumes & earnings
  - Increased Construction Materials earnings from the Schwarz / Arbuckle acquisitions
- Continued market growth and competitive market conditions in **Asia**
- PEP/operational cost saving targets of ~3%
- Growth initiatives to progressively deliver benefits as markets recover
- Update on trading conditions to be provided at AGM in October 2007



# Dwellings value of work commenced in “Boral USA States” was down 29%

FY2007 vs FY2006 % change of Building Activities Value Work Commenced - US\$92



1. Alabama, Arkansas, Delaware, DC, Georgia, Illinois, Indiana, Iowa, Kansas, Kentucky, Louisiana, Maryland, Michigan, Mississippi, Missouri, N.Carolina, Ohio, Oklahoma, S.Carolina, Tennessee, Texas, Virginia, West Virginia

2. Arizona, California, Colorado, Florida, Missouri, Nevada, Texas, Washington

3. Alabama, Arizona, California, Colorado, Florida, Georgia, Michigan, Nevada, N.Carolina, Oklahoma, S.Carolina, Texas, Virginia

4. 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

Source: US Dodge, with actual FY2007 and forecast non-dwelling for June quarter 2007.