



# Boral Limited

Results for the year to 30 June 2009

19 August 2009

Rod Pearse, CEO and Managing Director



## Agenda

- Financial and market overview
- Financial results
- Divisional performance
- Responding to the market downturn
- Outlook





# Financial & market overview



## FY2009 financial results

Revenue	↓	6%	to	\$ 4.9b
EBITDA <sup>1</sup>	↓	22%	to	\$ 539m
EBIT <sup>1</sup>	↓	38%	to	\$ 276m
Net interest <sup>1</sup>	↑	14%	to	\$ 127m
Underlying profit after tax <sup>1</sup>	↓	47%	to	\$ 131m
Profit after tax	↓	42%	to	\$ 142m
Underlying EPS <sup>1</sup>	↓	46%	to	22.2 cents
Final dividend (100% franked)	↓	68%	to	5.5 cents
Return on equity <sup>1</sup>		from 8.5%	to	4.8%

1. Excluding significant items

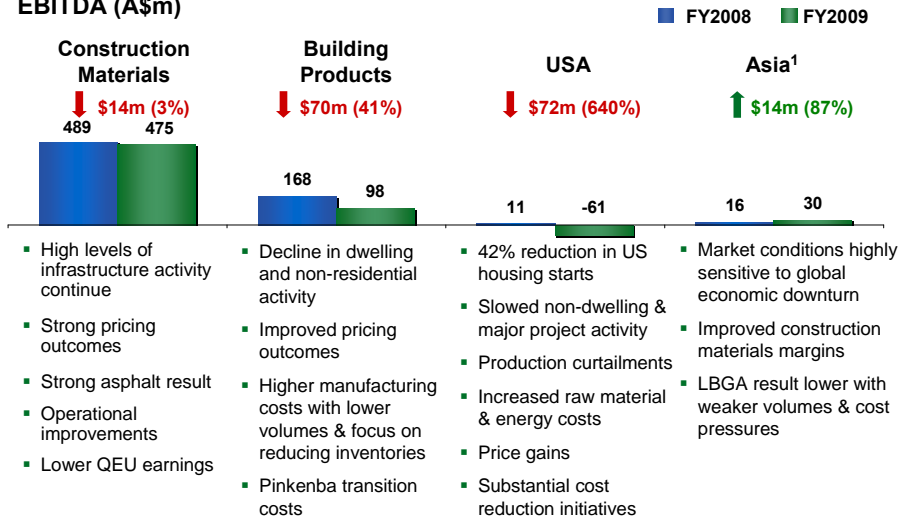
Results for the full year to June 2009



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## Significant decline in Australia (EBITDA ↓ \$84m) and in the US (EBITDA ↓ \$72m); Asian earnings up

### EBITDA (A\$m)



- High levels of infrastructure activity continue
- Strong pricing outcomes
- Strong asphalt result
- Operational improvements
- Lower QEU earnings

- Decline in dwelling and non-residential activity
- Improved pricing outcomes
- Higher manufacturing costs with lower volumes & focus on reducing inventories
- Pinkenba transition costs

- 42% reduction in US housing starts
- Slowed non-dwelling & major project activity
- Production curtailments
- Increased raw material & energy costs
- Price gains
- Substantial cost reduction initiatives

- Market conditions highly sensitive to global economic downturn
- Improved construction materials margins
- LBGA result lower with weaker volumes & cost pressures

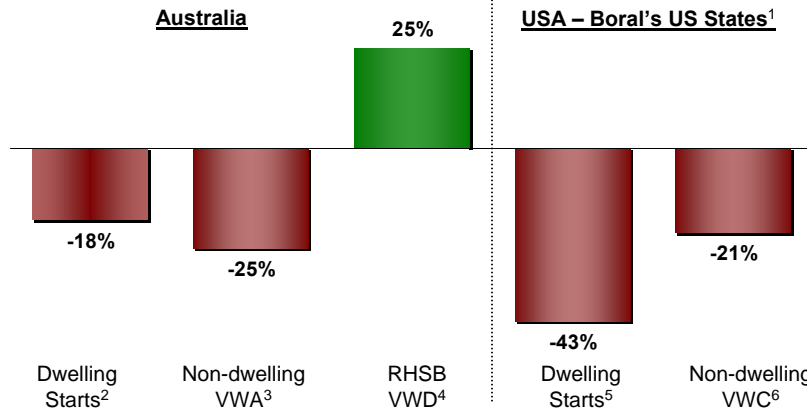
1. Includes earnings from construction materials and Boral's share of reported profits from LBGA, which are equity accounted and are after financing and tax.

## Key "Perform" goals have been delivered despite global economic downturn

- Pricing discipline maintained
- Market share largely held
- Achieved \$195m (4.5% of compressible costs) in PEP and step change cost reductions
- Strong focus on cash flow – good second half outcomes
- Balance sheet back in shape
- Strong sustainability performance including safety

## Australian dwelling starts and non-dwelling approvals declined and US dwelling starts deteriorated further

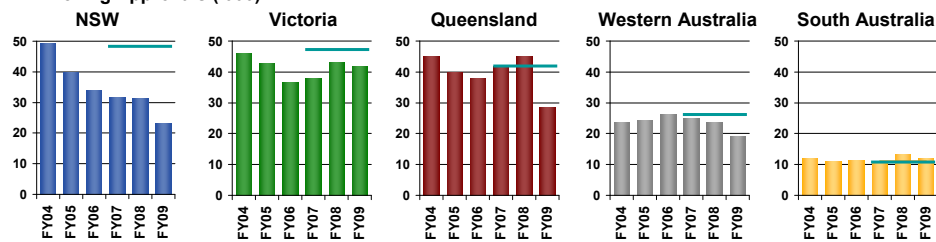
Market changes – FY2009 vs FY2008



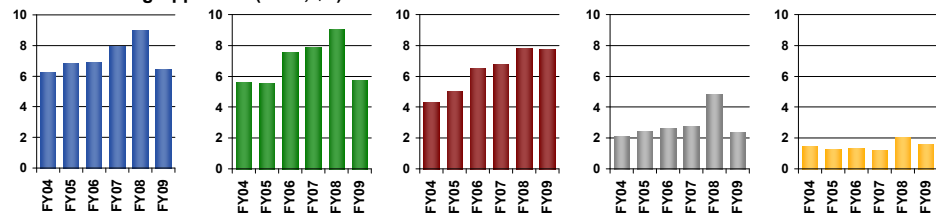
1. Alabama, Arizona, Arkansas, California, Colorado, Florida, Georgia, Illinois, Indiana, Kansas, Kentucky, Louisiana, Maryland, Mississippi, Missouri, Nevada, N.Carolina, Ohio, Oklahoma, S.Carolina, Tennessee, Texas, Virginia, Washington
2. Source: ABS actuals to Mar-09 and Boral estimate for Jun Qtr 2009 based on Mar Qtr 2009 approvals
3. Non-dwelling value of work approved (VWA) based on constant 06/07 prices. Source: ABS actuals to Mar-09 and BIS Shrapnel Value of Work Commenced forecast for Jun Qtr 2009 (as at Jun-09)
4. RHSB value of work done (VWD). Source: ABS actuals (chain volume measures) to Mar-09 and BIS Shrapnel forecast for Jun Qtr 2009 (as at Jul-09)
5. Source: Dodge actuals
6. Non-dwelling value of work commenced (VWC) at 1992\$ values. Source: Dodge actuals to Mar-09 and forecast for June Qtr 2009.

## Australian dwelling and non-dwelling approvals were down and under-building continued in all States

Dwelling Approvals ('000) <sup>1</sup>



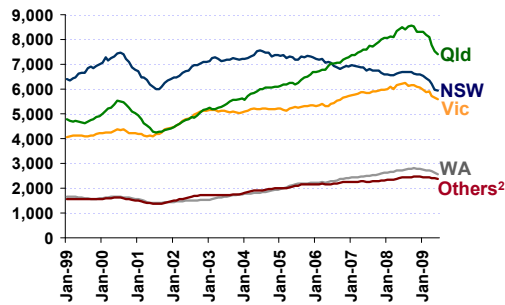
Non-Dwelling Approvals (VWA, \$b) <sup>2</sup>



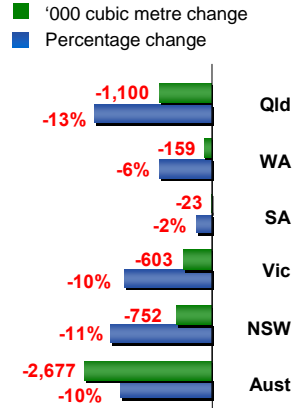
1. Source: ABS. Seasonally adjusted.
2. Non-dwelling value of work approved (VWA) based on constant 06/07 prices. Source: ABS actuals to Mar-09 and BIS Shrapnel Value of Work Commenced forecast for Jun Qtr 2009 (as at Jun-09)
3. Source: BIS Shrapnel based on FY07-FY09 estimates of underlying demand. Starts sourced from ABS, actuals to Mar-09 and Boral estimate for Jun Qtr 2009 based on Mar Qtr 2009 approvals

## Concrete demand declined in all States because of lower demand in dwellings and non-dwellings

Readymix concrete production<sup>1</sup>  
(MAT, January 1999 to June 2009, '000)



Changes in Australian readymix concrete production<sup>1</sup> – FY2009 vs FY2008



1. Source: ABS  
2. SA, NT, Tasmania and ACT

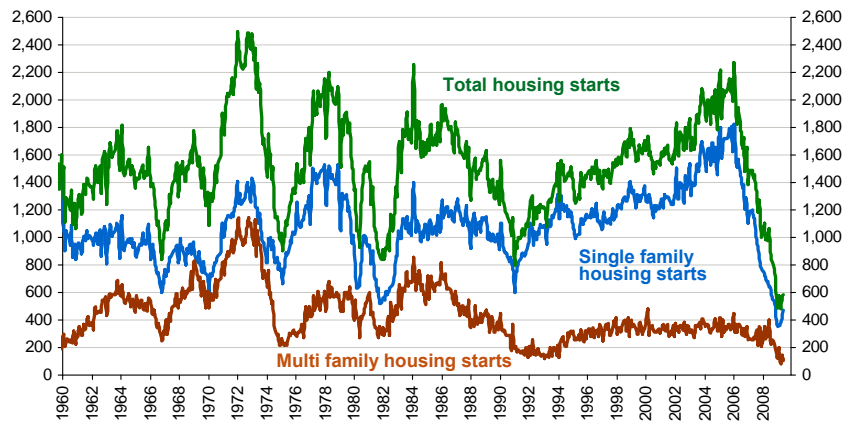
Results for the full year to June 2009



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## The US housing market experienced a significant deterioration down ~42% from 1.13m to ~650,000 starts

Total US dwelling starts ('000)<sup>1</sup>



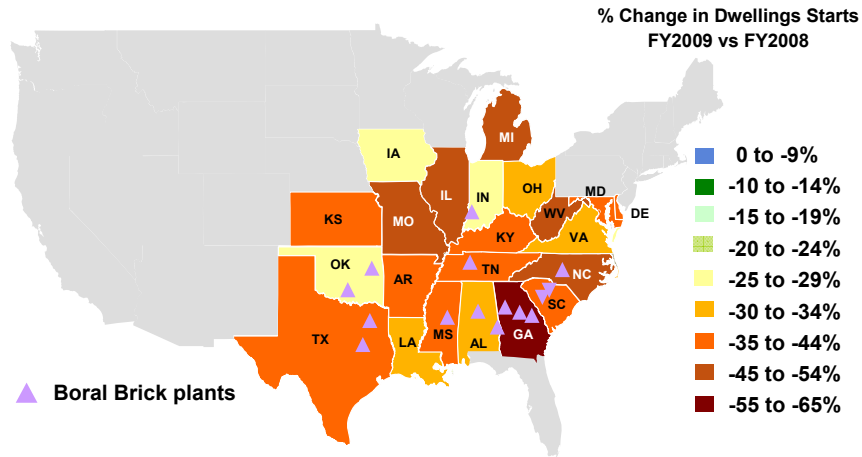
1. Seasonally adjusted annualised monthly starts from US Census

Results for the full year to June 2009



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**Housing starts in Brick states fell by 40% in FY09, following a decline of 29% in FY08 and 19% in FY07**



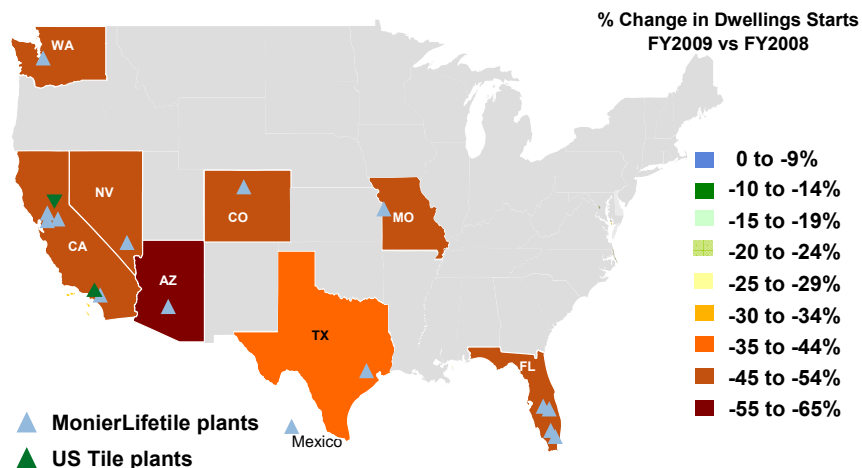
Source: US Dodge data for single and multi family units

Results for the full year to June 2009

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**Housing activity in the Tile states fell by 45% in FY09, this follows a decline of 37% in FY08 and 29% in FY07**



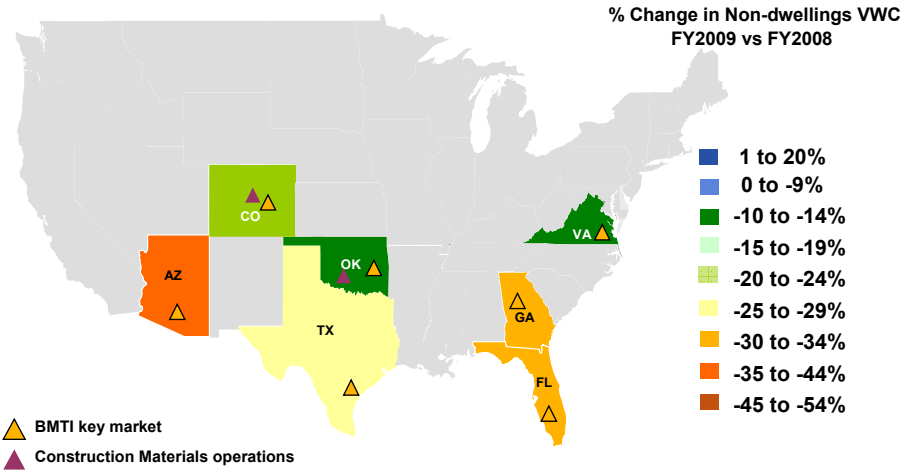
Source: US Dodge data for single and multi family units

Results for the full year to June 2009

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## Dwelling (and non-dwelling) activity in Colorado and Oklahoma was well down



Source: Non-dwelling value of work commenced (VWC) from US Dodge at 1992\$ values

Results for the full year to June 2009

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## Financial results



## Underlying profit after tax down 47% for the full year

A\$m	Dec-08 half	Jun-09 half	FY2009	FY2008	% Δ
<b>Revenue</b>	2,594	2,281	<b>4,875</b>	5,199	<b>(6)</b>
<b>EBITDA<sup>1</sup></b>	285	254	<b>539</b>	688	<b>(22)</b>
<b>EBIT<sup>1</sup></b>	155	121	<b>276</b>	448	<b>(38)</b>
<b>Net interest<sup>1</sup></b>	(69)	(58)	<b>(127)</b>	(112)	<b>14</b>
<b>Profit before tax<sup>1</sup></b>	86	63	<b>149</b>	336	<b>(56)</b>
<b>Tax<sup>1</sup></b>	(11)	(6)	<b>(17)</b>	(90)	<b>(81)</b>
<b>Underlying NPAT<sup>1</sup></b>	75	56	<b>131</b>	247	<b>(47)</b>
<b>Net significant items</b>	-	11	<b>11</b>	(4)	
<b>Reported NPAT</b>	75	67	<b>142</b>	243	<b>(42)</b>

1. Excluding significant items

Results for the full year to June 2009

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## Net significant items of \$11m during the period

### Reconciliation of underlying result to reported result

A\$m	EBIT	Interest	Tax	Profit after tax
<b>Underlying results</b>	<b>276</b>	<b>(127)</b>	<b>(17)</b>	<b>131</b>
Significant items				
Disposal of investment <sup>1</sup>	38		(11)	27
Impairment of assets* <sup>2</sup>	(80)		17	(63)
Onerous contract* <sup>3</sup>	(27)		10	(17)
Tax matters* <sup>4</sup>		29	35	64
<b>Total</b>	<b>(69)</b>	<b>29</b>	<b>51</b>	<b>11</b>
<b>Reported results</b>	<b>206</b>	<b>(98)</b>	<b>34</b>	<b>142</b>

\* These write downs and provisions are non cash

1. Disposal of shareholding in Adelaide Brighton Limited

2. Relates to impairment of goodwill (\$48m), idle brick plants in the US and Australia (\$17m), property and project costs in Australia and Asia (\$15m)

3. Contractual obligations around fly ash purchases in Florida

4. Favourable resolution of outstanding matters with Australian and US taxation authorities

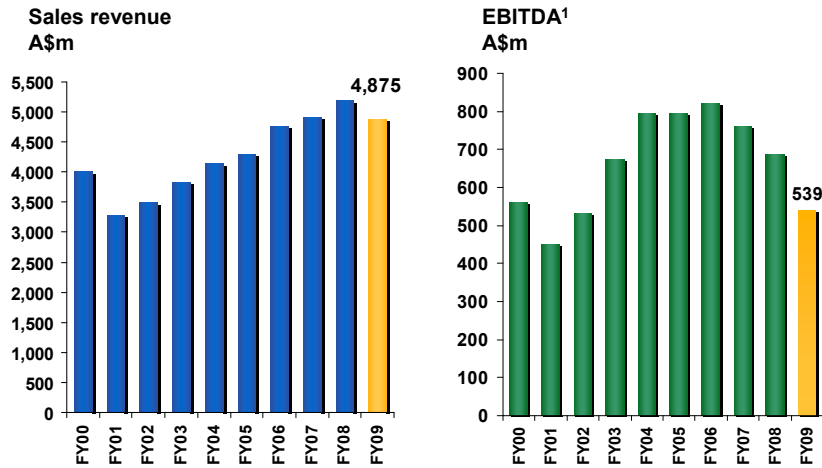
Results for the full year to June 2009

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## Sales and EBITDA impacted by significantly weaker housing markets in both the USA and Australia

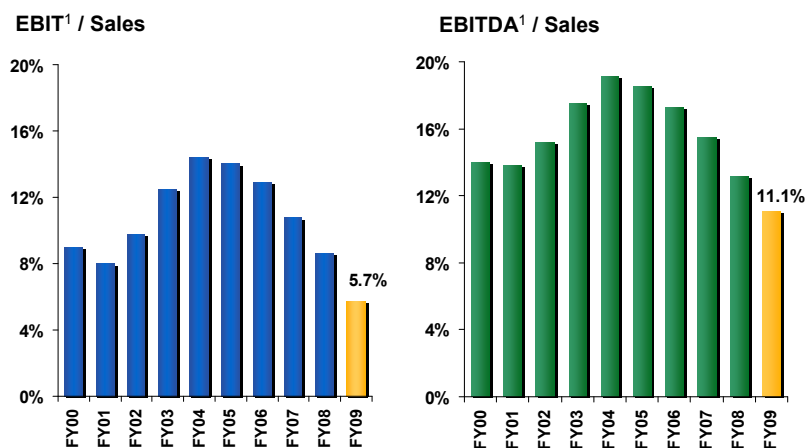


1. Excluding significant items  
 Note - FY05 result onward has been adjusted for adoption of A-IFRS

Results for the full year to June 2009



## Margins declined due to reduced housing related volumes in the USA and weaker volumes in most other markets

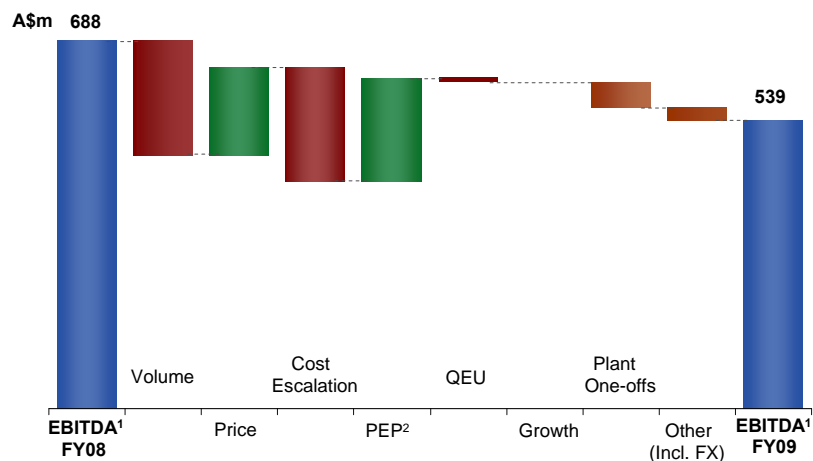


1. Excluding significant items  
 Note - FY05 result onward has been adjusted for adoption of A-IFRS

Results for the full year to June 2009



## EBITDA decreased by \$149m to \$539m



1. Excluding significant items
2. Performance Enhancement Program

Results for the full year to June 2009

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## Boral's balance sheet is in good shape

As at A\$m	June-09	Dec-08	June-08
Cash flow from operating activities <sup>1</sup>	419	141	582
Net debt	1,514	2,184	1,515
Net debt / equity	55%	79%	52%
Net debt / (net debt + equity)	35%	44%	34%
EBITDA interest cover <sup>2</sup>	4.2 x	4.1 x	6.2 x
EBIT interest cover <sup>2</sup>	2.2 x	2.3 x	4.0 x
Funds employed	4,268	4,955	4,425
Return on funds employed <sup>2</sup>	6.5%	7.3%	10.1%
Return on equity <sup>2</sup>	4.8%	6.8%	8.5%

1. After interest & tax paid, before capex & dividends
2. Excluding significant items. Moving annual total basis for Dec-08.

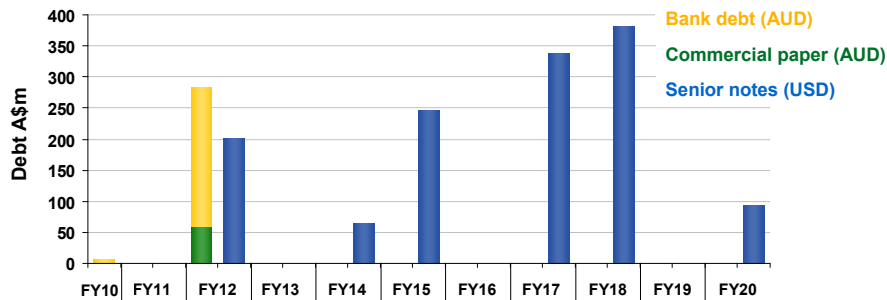
Results for the full year to June 2009

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## Boral's balance sheet is well positioned and we are comfortably within debt covenants

Debt Maturity Profile at 30 June 2009 (Total Debt A\$1.6b)



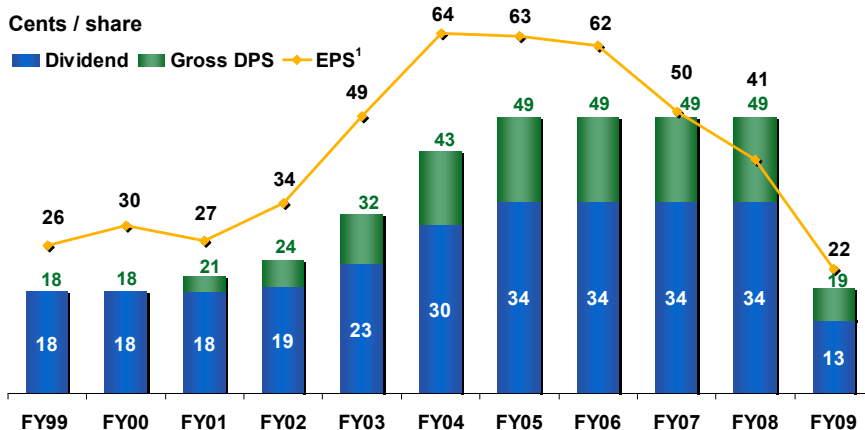
- Weighted average debt maturity ~6 years; Weighted average cost of debt ~6.0%
- Aug-08: replaced US\$600m note facility expiring in Aug-09 with US\$700m facility expiring in Aug-11
- Mar-09: converted US\$500m of US\$700m syndicated bank facility at \$0.63 exchange rate
- Available funds from this \$1.040b committed bank facility of ~A\$820m (at 30 June 2009)

Results for the full year to June 2009

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## EPS impacted by cyclical earnings weakness; Boral's dividend payout ratio continues to average ~60% with full franking maintained



1. Underlying EPS – excluding significant items

Results for the full year to June 2009

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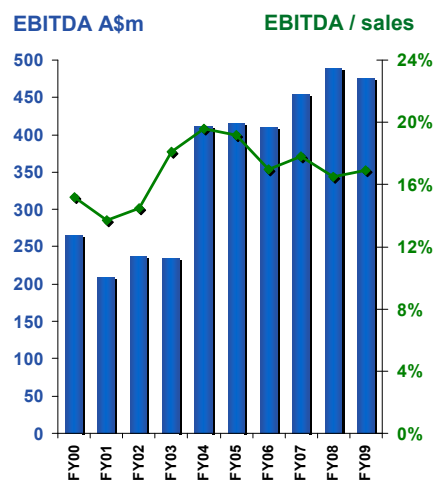


# Divisional performance



## Construction Materials: EBITDA down 3% driven by weaker dwelling and non-dwelling volumes

A\$m	FY09	FY08	% Δ
Sales	2,817	2,960	(5)
EBITDA	475	489	(3)
EBIT	330	351	(6)
Funds employed	2,240	2,310	(3)
EBITDA/sales %	16.9	16.5	
EBIT/sales %	11.7	11.9	
ROFE %	14.7	15.2	



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



**Construction Materials revenues down 5% largely reflecting lower QEU revenues offsetting benefits from pricing gains and increased asphalt volumes**

Ext. sales A\$m	FY09	FY08	% Δ	volume Δ	price Δ	EBITDA Δ
<b>Cement<sup>1</sup></b>	503	566	(11)	↓	↑	↓
<b>Concrete &amp; Quarries</b>	1,438	1,512	(5)	↓	↑	↓
<b>Asphalt</b>	719	648	11	↑	↑	↑
<b>QEU</b>	118	181	(34)			↓
<b>Other<sup>2</sup></b>	39	53	(27)			
<b>TOTAL</b>	<b>2,817</b>	<b>2,960</b>	<b>(5)</b>			

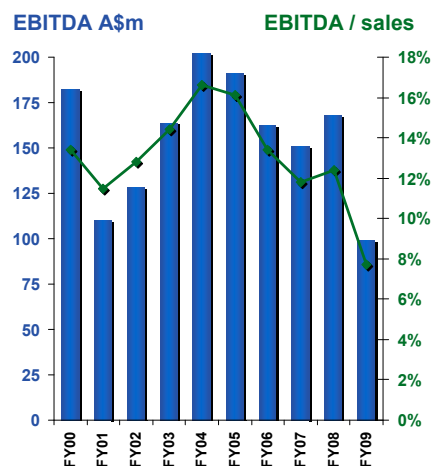
1. Revenue includes Blue Circle Southern Cement, De Martin & Gasparini, and Formwork & Scaffolding. Volume & price changes for cement only.
2. Transport operations, which are now largely internally focused.

Results for the full year to June 2009



**Building Products: EBITDA down 41% due to lower volumes resulting in higher manufacturing costs**

A\$m	FY09	FY08	% Δ
Sales	<b>1,277</b>	1,357	(6)
EBITDA	<b>98</b>	168	(41)
EBIT	<b>40</b>	114	(65)
Funds employed	<b>1,188</b>	1,178	1
EBITDA/sales %	<b>7.7</b>	12.4	
EBIT/sales %	<b>3.1</b>	8.4	
ROFE %	<b>3.4</b>	9.7	



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

Results for the full year to June 2009



## Building Product revenues down 6%; stronger pricing outcomes across all products offset by lower volumes

Ext. sales A\$m	FY09	FY08	% Δ	volume Δ	price Δ	EBITDA Δ
<b>Bricks</b>	277	307	(10)	↓	↑	↓
<b>Roofing</b>	119	120	-	↓	↑	↓
<b>Masonry</b>	114	122	(7)	↓	↑	↓
<b>Plasterboard</b>	371	376	(1)	↓	↑	↓
<b>Timber</b>	256	273	(6)	↓	↑	↓
<b>Windows</b>	140	159	(12)	↓	↑	↓
<b>TOTAL</b>	<b>1,277</b>	<b>1,357</b>	<b>(6)</b>			

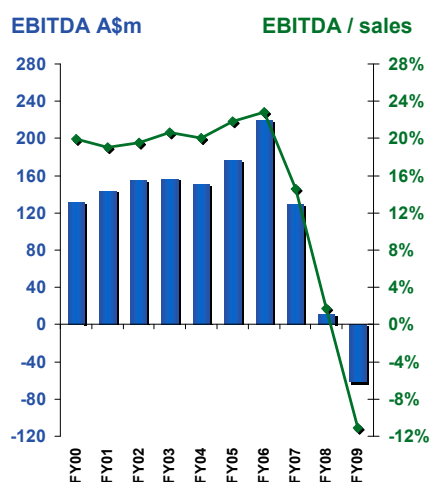
Results for the full year to June 2009

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## USA: EBITDA down US\$55m due to deterioration in housing activity and related production curtailments

\$m	FY09	FY08	% Δ
Sales <sup>1</sup> (US\$)	<b>406</b>	607	(33)
EBITDA (US\$)	<b>(45)</b>	10	(545)
EBIT (US\$)	<b>(81)</b>	(25)	(230)
Sales <sup>1</sup> (A\$)	<b>545</b>	671	(19)
EBITDA (A\$)	<b>(61)</b>	11	(640)
EBIT (A\$)	<b>(109)</b>	(27)	(301)
Funds employed (A\$)	<b>812</b>	789	3
EBITDA/sales %	<b>(11.1)</b>	1.7	
EBIT/sales %	<b>(20.0)</b>	(4.0)	
ROFE %	<b>(13.4)</b>	(3.4)	



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 2009

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**USA: revenues down due to continued deterioration in housing, in addition to weakness in non-dwellings and major project construction**

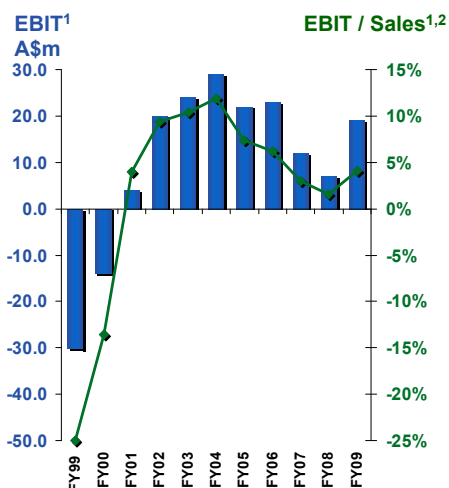
Ext. sales US\$m	FY09	FY08	% Δ	volume Δ	price Δ	EBITDA Δ
US Bricks	202	346	(42)	↓	↑	↓
Clay Tiles	16	25	(34)	↓	↑	↓
Concrete Tiles <sup>1</sup>				↓	↑	↑
Fly Ash	92	111	(17)	↓	↑	↓
Construction Materials <sup>2</sup>	96	125	(23)	↓	↑	↓
<b>TOTAL</b>	<b>406</b>	<b>607</b>	<b>(33)</b>			

1. MonierLifetile JV is equity accounted – Boral's share of revenue does not appear in consolidated accounts.  
 2. Includes Oklahoma concrete and quarry operations acquired in August 2007.

Results for the full year to June 2009



**Asia EBIT up \$12m; improved Construction Materials result partially offset by weaker LBG A earnings**



- **Concrete & Quarries:** results improved despite lower volumes and difficult market conditions
- Significant operational improvements
- Pricing gains
- **Plasterboard JV** after tax contribution<sup>3</sup> of \$13m down 26%
- Weaker overall volumes and cost pressures
- Benefited from cost improvement program and price improvements

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. Excludes significant items.  
 2. Revenues for FY01 onwards adjusted to include Boral's share of the Plasterboard Asia JV.  
 3. Plasterboard JV contribution is profit after financing and tax.



# Responding to the market downturn



## Effective pricing and tight capital management are key priorities across the business

### Price management

- Strong pricing outcomes across the group
- Further price increases required to cover input cost increases
- 1 April 09 Concrete, Quarry and Cement price increases continue to be realised
- 6% increases for Bricks and Pavers in NSW & Qld 1 October 09; Vic increases effective 1 July 09

### Capital management

- SIB at 62% of depreciation
- Review of previously announced growth projects
- Growth/acquisition capex of only \$77m; still considering attractive projects
- Comprehensive program to reduce working capital; 1H09 inventory build largely reversed in 2H09
- Dividend down 62%
- 2.5% DRP discount in place





## Responding to the market downturn with capacity management and cost reduction initiatives

### Managing capacity

- **USA**
  - 14 out of 23 US brick kilns mothballed or shut
  - FY09 capacity utilisation: bricks 30%, concrete roof tiles 16%
- **Australia**
  - Grafton Parquetry closed (Jul 08)
  - Walcha timber mill suspended (Aug 08)
  - Galong quicklime facility suspended (Jan 09)
  - Kempsey brick plant temporarily shut (Jul 09)
  - Midland Brick Kiln 4 closed, Kiln 8 production suspended
  - FY09 capacity utilisation: bricks 70-75%, roofing 53%, timber ~80%

### Cost reductions

- **USA**
  - 5-year program to deliver US\$94m with US\$49m benefits in FY09
- **Australia**
  - ACM Six Sigma ~\$45m savings over 3 years; BCSC ~10% costs down FY10-FY11; Bricks/Roofing management re-structure ~\$4m savings; Midland Brick step-change \$10m-\$15m from FY10
  - FTE employees down 1,162 (or 7%) in FY09

Results for the full year to June 2009

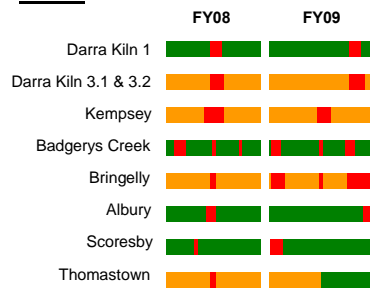
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## Capacity planning underpins sustainable pricing outcomes and inventory and cash management

### Capacity planning

#### Bricks

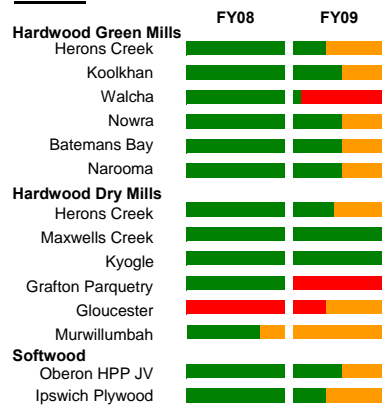


Full Operation

Slow Down

Shut\*

#### Timber



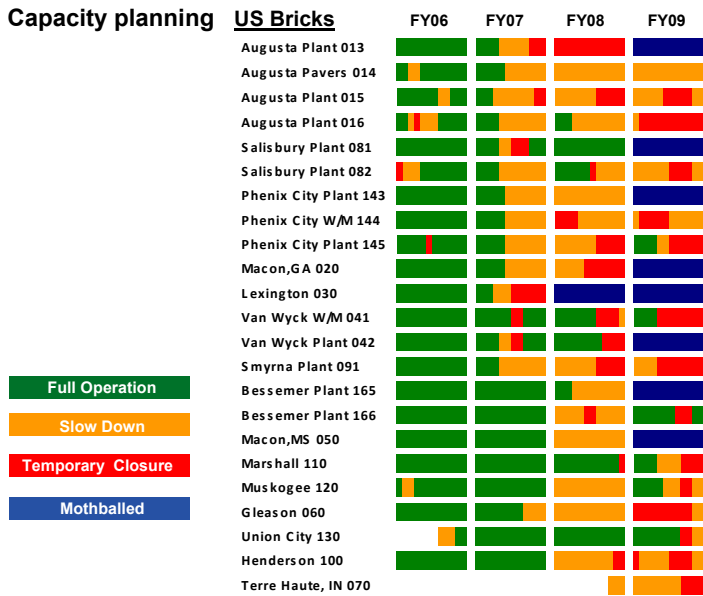
\* Denotes temporary or extended closure of part or all of site

Results for the full year to June 2009

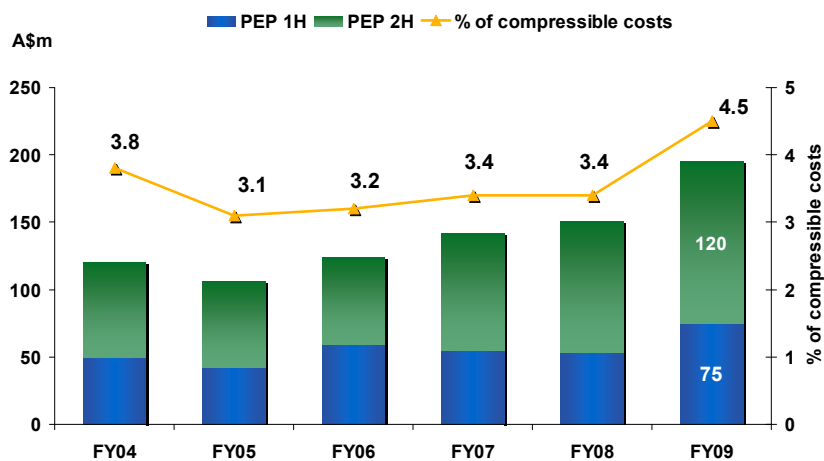
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...however, inventory reduction efforts have had a significant impact on profits



PEP and step change initiatives targeted at 4% of compressible costs for FY2010

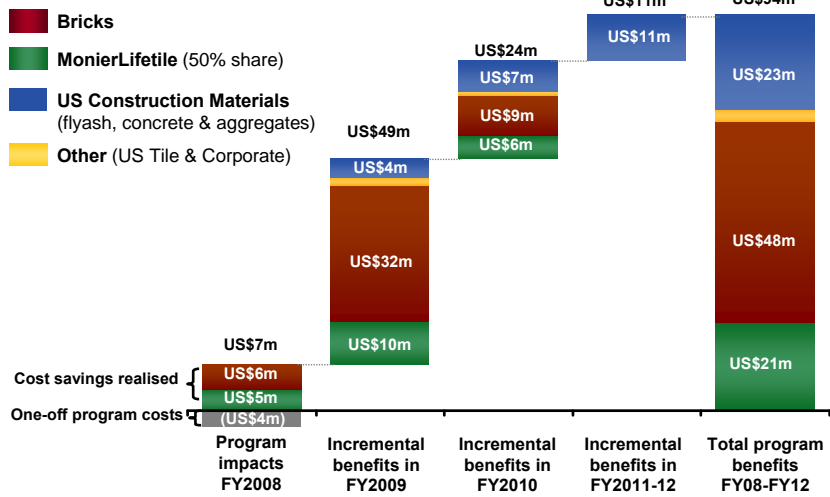


Results for the full year to June 2009

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## US accelerated step change programs and PEP delivered incremental benefits of US\$49m in FY2009



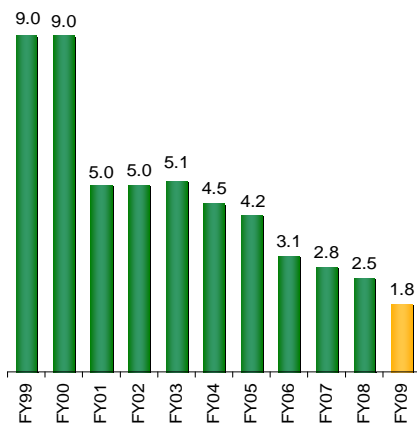
Results for the full year to June 2009

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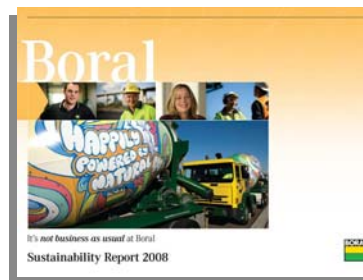


## Strong sustainability focus; safety performance continues to improve

Lost time injury frequency rate (LTIFR)  
(per one million hours worked)



Boral's 2009 Sustainability Report to be released at the end of September 2009  
[www.boral.com.au/sustainability](http://www.boral.com.au/sustainability)



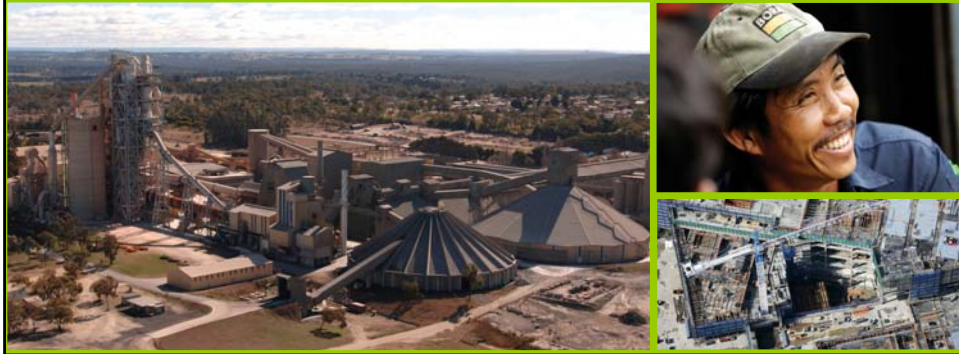
Results for the full year to June 2009

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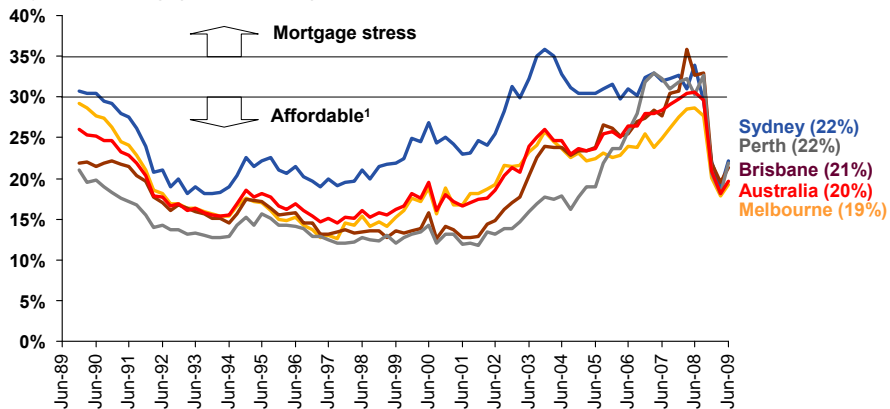


# Outlook



## Australian affordability is significantly improved (mortgage repayments down from 31% to 20% of household income)

Repayment of mortgage as percentage of household income (June 2009)



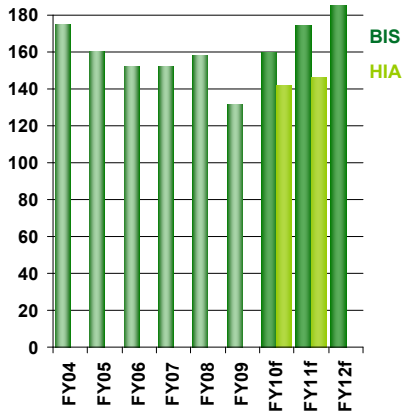
Source: HIA data to Jun-09 Qtr

1. The HIA defines "affordable" as not more than 30% of household income to fund a mortgage.

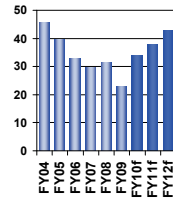


## Australian residential starts are expected to be around the bottom of the cycle in FY2009

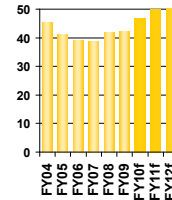
Australia Dwelling Starts ('000) <sup>1</sup>



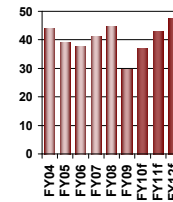
NSW



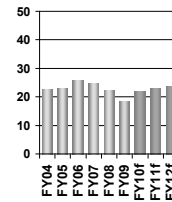
Victoria



Queensland



Western Australia



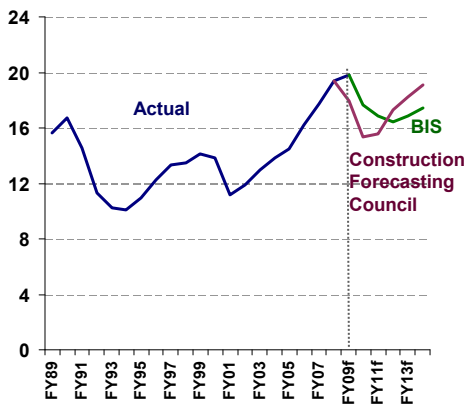
1. ABS actuals plus forecasts BIS Shrapnel (Jun-09), HIA (May-09); State forecasts are based on BIS Shrapnel

Results for the full year to June 2009

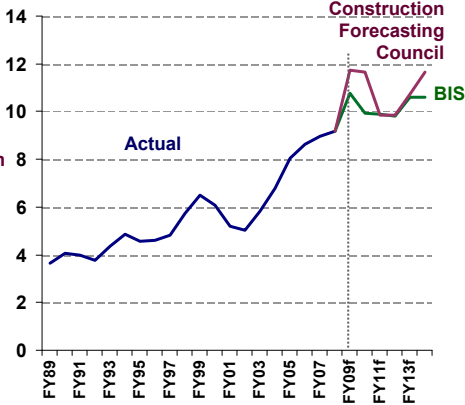


## Forecasters are expecting lower non-residential and RHSB activity over the next couple of years

Australian Non-Residential VWD  
A\$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, Construction Forecasting Council

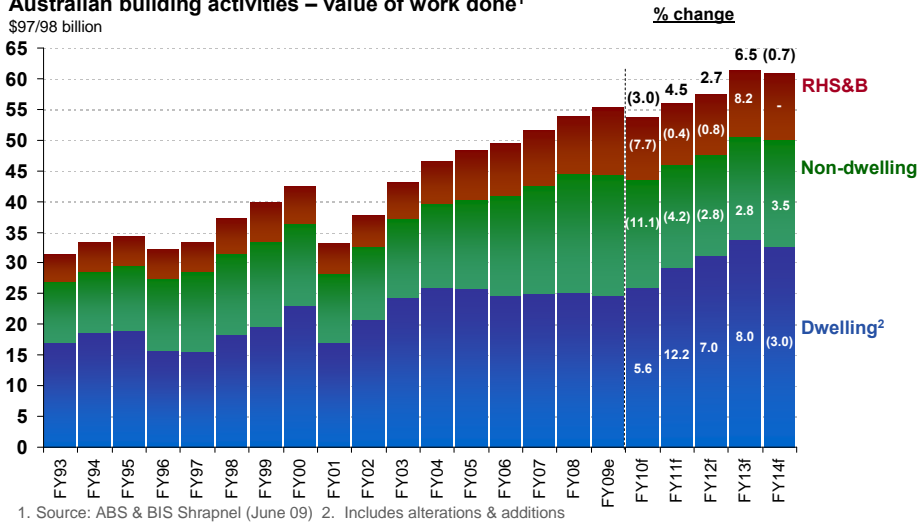
Results for the full year to June 2009



## Australian markets forecast to decline in FY2010 despite a lift in housing, with growth thereafter

### Australian building activities – value of work done<sup>1</sup>

\$97/98 billion



1. Source: ABS & BIS Shrapnel (June 09) 2. Includes alterations & additions

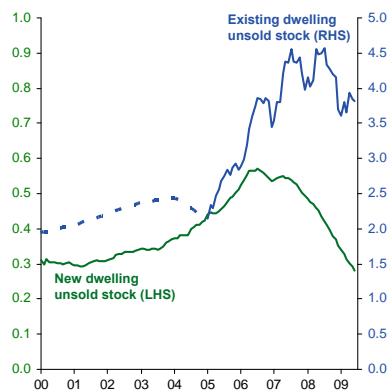
Results for the full year to June 2009



## In the US, excess new dwelling stock is below long term average; excess existing dwelling stock has fallen but months supply of housing stock is still high

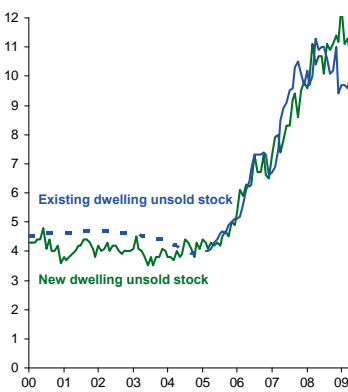
### Housing Stock

(Count, millions, seasonally adjusted)



### Housing Stock

(Months of supply)



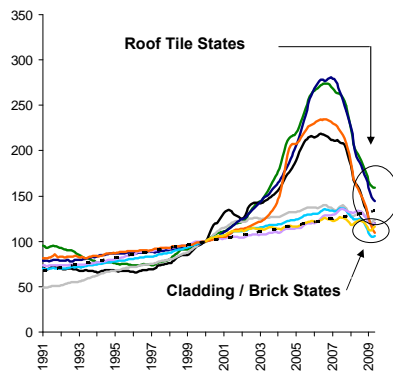
Source: US Census Bureau, National Realtors Association

Results for the full year to June 2009



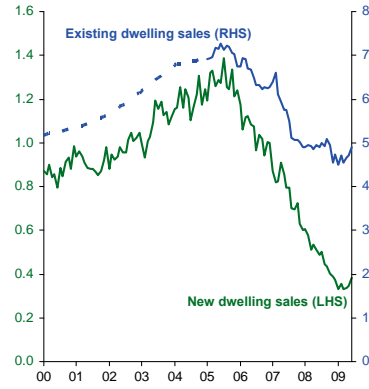
## US house prices may be close to the bottom of the cycle; sales of existing houses have stopped falling

**S&P/Case-Shiller® Home Price Index – May 2009**



Source: Standard & Poor's

**Houses Sold During Month (Annualised count, millions)**



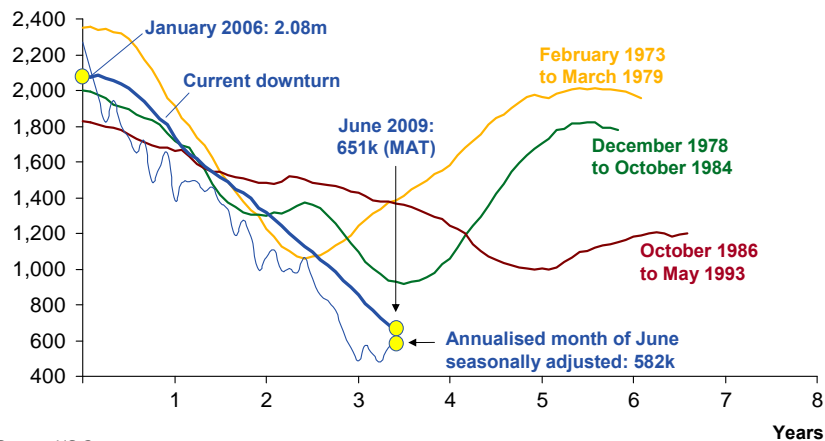
Source: US Census Bureau, National Realtors Association

Results for the full year to June 2009



## We are three and a half years into the current US housing downturn

**USA dwelling starts cycles peak to peak (Seasonally adjusted, moving annual total, '000)**

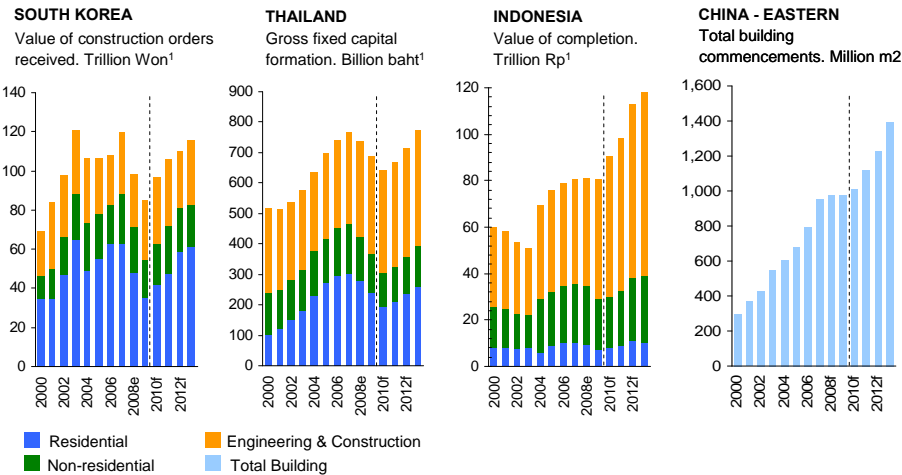


Source: US Census

Results for the full year to June 2009



## Asian construction activity remains sensitive to the effect of the global financial crisis



1. Stated in CY08 prices based on GDP deflator; Source: BIS Shrapnel (as at June 2009)

Results for the full year to June 2009



## Outlook for FY2010

- Mixed conditions in **Australia**
  - Dwelling starts currently ~120,000 annualised rate (forecasters expect a lift in FY10, HIA ~145,000 and BIS ~160,000)
  - Building Products earnings stronger in FY10 on higher dwelling activity and prices
  - Lower non-dwelling, softer infrastructure activity and lower QEU will reduce construction materials earnings (mitigated by higher dwelling activity and improved prices)
- Timing of **USA** housing recovery unclear
  - Expect housing starts to be broadly flat in FY10 on FY09 levels (Dec-09 half to be similar to Jun-09 half with recovery from Jun-10 half)
  - Continued benefits from significant cost reduction programs across all business
  - Reduced USD losses
- Market conditions and volumes in **Asia** remain sensitive to global recession
- **PEP**/operational cost saving of ~4% targeted; lower interest expense
- **Capital expenditure** to be lower than FY09
- Current market conditions should continue in 1H10; 2H10 should lift but too early to call
- Update on trading conditions to be provided at AGM in October 2009

Results for the full year to June 2009

