

# Boral

Results for the half year to December 2006

CEO & Managing Director,  
Rod Pearse

7 February 2007



## Agenda

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





# Financial Highlights & Markets Review



*Clay Tiles  
Trinidad*



*Midland Brick  
Kiln #11*

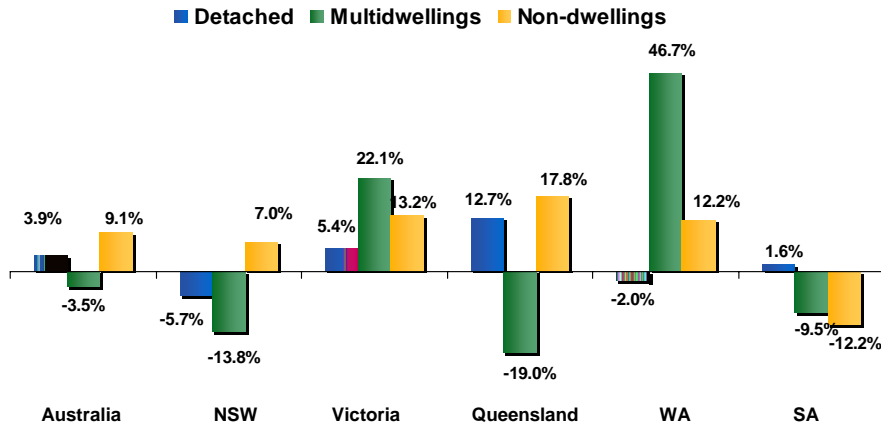


*Engineered  
Flooring*



## NSW dwelling & non-dwelling approvals remained particularly weak

Percentage change in dwellings approvals and non-dwellings value of work approved  
– 1H2007 vs 1H2006



Source: ABS Original data series

Results for the half year to December 2006



## Detached dwellings in NSW remain at 30 year low levels and well below underlying demand

1. Adelaide, Darwin, Hobart and Canberra.





## Profit after tax down 15% to \$147m in 1H2007

A\$m	1H2007	1H2006	%
Revenue	2,492	2,343	6
EBITDA	383	393	-3
EBIT	267	293	-9
Net Interest	55	46	19
Profit before tax	212	247	-14
Tax	65	74	-13
Profit after tax	147	172	-15

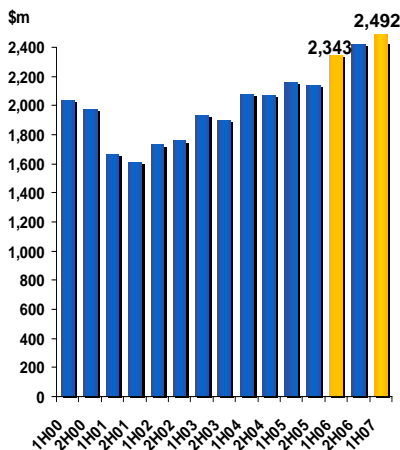
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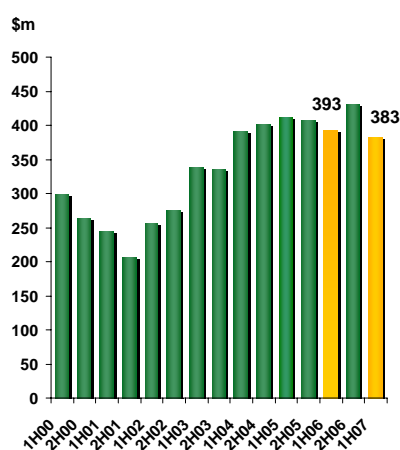


## Revenue at high levels; EBITDA impacted by low volume costs but holding up relative to last cycle

Sales Revenue



EBITDA<sup>1</sup>



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

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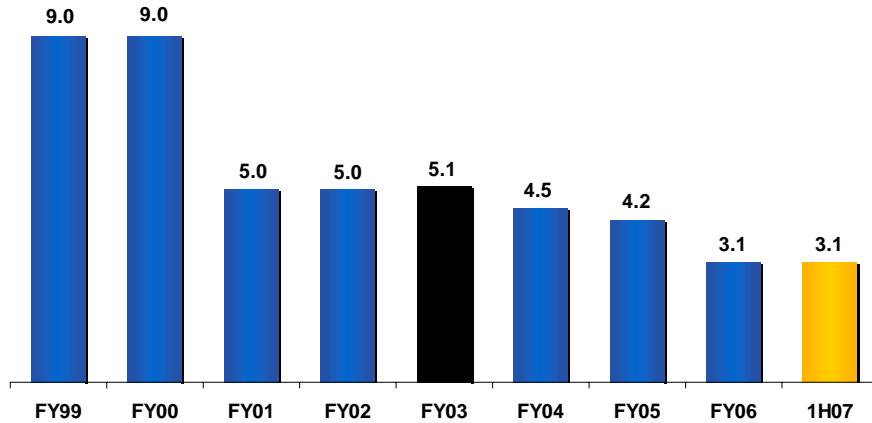


## Boral's balance sheet remains in good shape

As at A\$m	Dec-06	Dec-05
		1,564
		60%
	37%	38%
<b>Net Interest cover</b>	<b>4.9 x</b>	6.4 x
	<b>4,482</b>	4,155
<b>Return on equity (MAT)</b>	<b>11.9%</b>	13.6%

## Boral's safety performance trend is favourable but there is more to do

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



1. LTIFR per million hours worked

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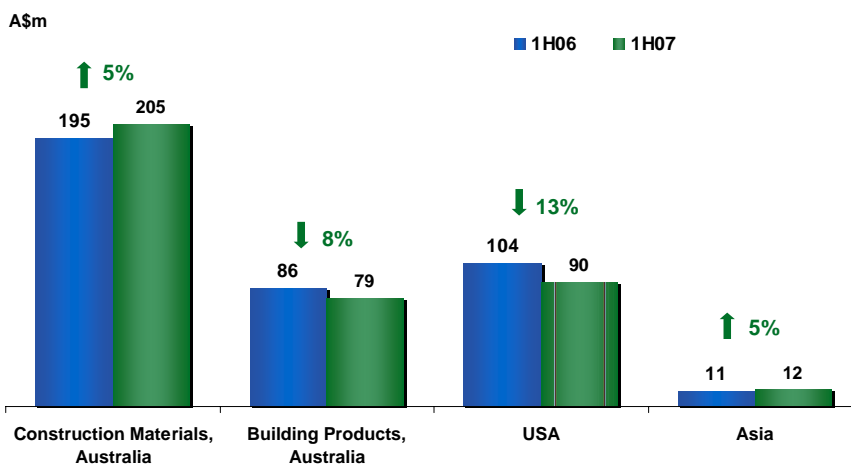


# Divisional Performance



*Construction of EastLink, Melbourne*

## Australian half year EBITDA earnings steady; offshore down



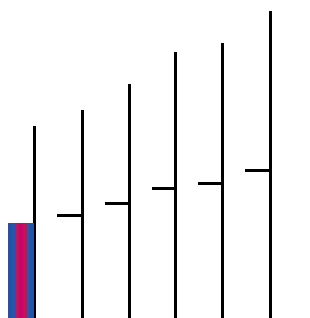
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## Construction Materials: EBITDA up 5% driven by stronger volumes

A\$m	1H07	1H06	%
Sales	1,271	1,179	8
EBITDA	205	195	5
EBIT	137	136	-
Funds employed	2,289	2,154	6
EBITDA/sales %	16.1	16.6	
EBIT/sales %	10.8	11.6	
ROFE % (MAT)	12.5	13.2	



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

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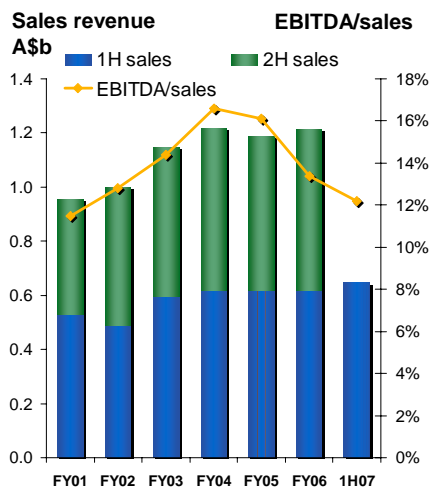
## Revenues up 8% underpinned by stronger volumes but margins weaker

(exited business during period)

<b>QEU</b>	19	23	-18
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## Building Products: effective pricing but EBITDA down 8% due to volume weakness

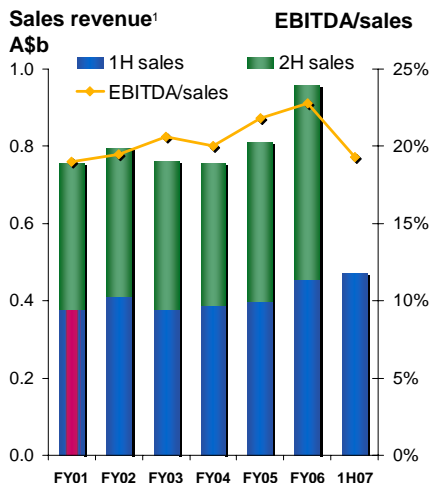
A\$m	1H07	1H06	%
Sales	<b>646</b>	621	4
EBITDA	<b>79</b>	86	-8
EBIT	<b>53</b>	64	-17
Funds employed	<b>1,058</b>	959	10
EBITDA/sales %	<b>12.2</b>	13.8	
EBIT/sales %	<b>8.2</b>	10.3	
ROFE % (MAT)	<b>10.1</b>	13.8	





## USA: EBITDA down 13% due to housing downturn

US\$m	1H07	1H06	%
Sales <sup>1</sup>	361	340	6
EBITDA	70	78	-11
A\$m	1H07	1H06	%
Sales <sup>1</sup>	469	455	3
EBITDA	90	104	-13
EBIT	73	88	-17
Funds employed	844	829	2
EBITDA/sales %	19.3	22.9	
EBIT/sales %	15.6	19.4	
ROFE % (MAT)	20.2	19.8	



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.

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## USA: revenue growth due to price gains & increased direct sales, offset market-related decline in volumes

Ext. sales US\$m	1H07	1H06	%	volume	price
US Bricks	249	234	7	↓	↑
Clay Tiles	14	14	-2	↓	↑
Concrete Tiles <sup>1</sup>				↓	↑
Flyash	60	57	4	↓	↑
Construction Materials	39	35	10	↑	↑
<b>TOTAL</b>	<b>361</b>	<b>340</b>	<b>6</b>		

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

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## USA: EBITDA down 13% due to housing downturn

- § **Bricks:** EBITDA up despite lower sales volumes which were offset by price increases and increased direct distribution sales, together with cost savings
- § **Concrete rooftiles:** profits significantly down as price increases insufficient to offset significantly weaker volumes and related cost impacts
- § **Clay rooftiles:** lower EBITDA as volumes directly impacted by housing slowdown,





## Objectives

1. Exceed weighted average cost of capital (WACC) through the cycle
2. Deliver better financial returns than the competition in comparable markets



# Progressively delivering increased value from growth

Growth project	Current Status
<b>Herons Creek</b> (Timber)	§ Fully commissioned and operating well but production has been contained to one shift to limit inventory growth (due to weak market conditions) and log supply issues.
<b>Berrima Cement Mill #7</b> , (NSW)	§ Practical completion in Jan-07 with solid benefits to be progressively delivered in line with business plan.
<b>Plasterboard</b> (Qld)	§ Construction underway with commissioning anticipated to commence during Dec-07 qtr. Market demand remains solid and in line with expectations.
<b>Terre Haute</b> (Bricks, USA)	§ Construction underway with completion anticipated in the Dec-07 qtr. Low cost plant, will be operating at high utilisation rates reaching full production in FY2009.
<b>lone</b> (Clay tiles, USA)	§ Completion of site works with construction progressing satisfactorily and completion expected by December 2007.
<b>Concrete roof tiles</b> (Florida & Nevada)	§ The Lake Wales roof tile plant in Florida has commenced commissioning and will be well positioned to supply the re-roofing market and the recovery in the Florida new construction market. Las Vegas plant land is under contract but commencement of construction delayed due to current market downturn.
<b>South Korea</b> (Plasterboard LBGA)	§ Commissioning anticipated in early CY2008 with benefits flowing from anticipated Korean residential market recovery.
<b>Rajasthan India &amp; Chengdu, China</b> (Plasterboard LBGA)	§ 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.



## New LBGA JV investment – US\$11m on new Chengdu plant

### CHINA

- § Well positioned in China's central west region
- § 10m m<sup>2</sup> p.a. initially, site flexibility to increase capacity
- § Rapidly developing market - plasterboard systems now more widely known and used
- § Complements current positions in Chongqing
- § Fifth plasterboard plant to be built and operated by LBGA in China
- § Scheduled completion: March 2008 quarter





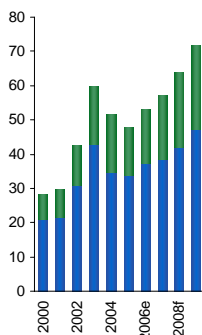




## Asian construction demand currently steady but expected to grow in future years

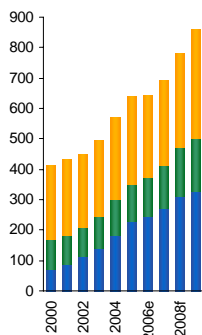
### South Korea

Value of construction orders received. Trillion Won



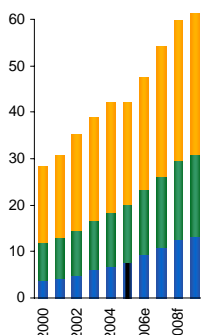
### Thailand

Gross fixed capital formation. Billion Bhat



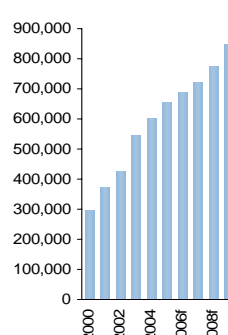
### Indonesia

Value of completion. Trillion Rp



### China

Total Building Commencements ('000m<sup>2</sup>)



Residential Non-residential Eng & Constr Total Building

BIS Shrapnel September 2006 forecasts from 2006 onwards for South Korea, Thailand, Indonesia and 2005 onwards for China.

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## Outlook for FY2007

### § Australia

- dwelling commencements down 4% to 145,000 starts
- continued weakness in NSW
- strength in non-dwelling & infrastructure activity outside NSW
- price increases (4% - 12% in concrete, 12% ex-bin in quarries from 1 April)

### § Sudden and sharp slowdown in **USA** housing

- annualised rate of 1.5 million starts in June half
- earnings impacted more significantly in June half by lower activity levels, particularly in bricks and concrete roof tiles

### § Competitive market conditions in **Asia**

### § **QEU** earnings of ~ \$50m of which \$45m in June half

### § PEP/operational cost saving targets of ~3%

### § Growth benefits (particularly in USA & Cement)

### § In line with AGM guidance, we expect Boral's FY2007 PAT to be around 15% below the \$362m reported for FY2006

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