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Cash flow from operations of $141 million in the December 2008 half was $82 million below the December 2007 half year because of weaker operating cash flows and an increase in inventory. First half inventory growth will largely be reversed in the June half as production rates are slowed. Cash flows benefited from lower **capital expenditure** of $128 million compared with $280 million in the first half last year.

At 31

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Revenue	**2,594**	2,626	(1)
EBITDA	**285**	360	(21)
EBIT	**155**	240	(35)
Net interest	**69**	57	21
Profit before tax	**86**	183	(53)
Tax	**11**	51	(77)
Profit after tax	**75**	**132**	**(44)**
Cash flow from operating activities	**141**	223	(37)
Gross assets	**6,217**	6,027	3
Funds employed	**4,955**	4,635	7
Liabilities	**3,447**	3,001	15
Net debt	**2,184**	1,609	36
Growth & acquisition capital expenditure	**52**		

Australian dwelling starts declined to an estimated annualised level of 141,000 starts for the half year and are expected to decline further to around 135,000 for FY2009. This compares to 159,000 starts in FY2008. Dwelling approvals (a lead indicator) were at an annualised level of 121,000 in the December quarter; this is 35% below BIS Shrapnel's estimate of underlying demand of around 185,000 starts.

During the half year, housing approvals were down in all Australian states, but especially in Queensland, NSW and Western Australia reflecting affordability, market sentiment and consumer confidence issues. Estimated December half non-dwellings approvals were around 12% weaker than last year with non-dwelling approvals significantly lower in Western Australia and Victoria; an increase in project deferrals was evident in the December half due to resource and funding constraints.

NSW dwelling approvals for detached houses remained at their lowest level in 40 years. Approvals for dwellings in NSW were down 22% in the half year compared to the first half last year and non-dwellings value of work approved (VWA) was down 15% (Sep-08 quarter actual and based on BIS Dec-08 quarter forecast for VWC). Dwelling approvals in Victoria were down 9% and non-dwellings VWA was down 27%. In Queensland, approvals were down 38% for dwellings and non-dwellings VWA was up 20%; Western Australia dwelling approvals were down 16% and non-dwellings VWA was down 30%; and, in South Australia dwellings were down 7% and non-dwelling VWA was 3% stronger.

ABS data on Australian concrete volumes, which is a useful proxy for the total value of work done in dwellings, non-dwellings and infrastructure projects indicates that national concrete market volumes decreased by approximately 2% over the prior comparable period; increased infrastructure activity largely offset lower concrete demand in dwellings and softer non-dwellings activity.

To mitigate the impacts of the rapid market downturn in the USA and the protracted housing downturn in Australia and rising input costs, Boral is lifting prices and is undertaking significant initiatives including extensive plant shuts and slowdowns, a rigorous cost reduction program and a substantial lowering of capital expenditure.

In Australia, Boral's brick and roof tile plant utilisation in the half year averaged around 84% and 62%, respectively. In order to reduce first half inventory build and to better match production output with sales demand, it is expected that capacity utilisation will be around 70% for Bricks and around 50% for Roofing in the second half of FY2009; this will be achieved through a more extensive program of temporary and extended plant shutdowns and slowdowns. Similar production slowdowns and shutdowns are underway across Boral's Timber mills. In July 2008, Boral Timber closed its higher cost South Grafton parquetry plant and suspended production at its Walcha sawmill due to the weak market conditions experienced in Queensland and NSW and increased log costs. In mid January 2009, lime production at the Galong kiln was suspended due to reduced demand from the steel sector.

In the USA, brick plant utilisation averaged 42% during the period, down from 69% in the prior corresponding period. At the start of the second half of FY2009, Boral's brick plant utilisation is averaging around 20% which is reducing inventory levels and matching production with current sales demand levels. Capacity utilisation in MonierLifetile is down to around 19%, compared to 30% last year.

The focus on reducing costs has been a key priority in the US business since the downturn commenced in the December half 2006. Approximately 80% of Boral's US$30m step change program in Bricks and 90% of the US$30m cost reduction programs in MonierLifetile have now been successfully implemented. Additional cost reduction initiatives have been identified with annualised benefits in excess of US$25m in US Construction Materials compared with the prior corresponding half year. Stay-in-business (SIB) capital of $76m was around 60% of depreciation levels. Total capital expenditure is currently estimated to be around $250m for the full year which is 50% below FY2008.

Boral's dividend pay-out ratio has averaged around 60% of earnings over the nine years since demerger. With the exception of FY2008, Boral has typically maintained a pay-out ratio of around 50% to 70% of after tax earnings (excluding significant items). As a result of the significant market-related earnings decline, the fully franked interim dividend of 7.5 cents announced today is substantially lower than the 17.0 cent half yearly dividend which has been paid out of earnings over the past four years. The interim dividend represents a pay-out ratio of 59% of after tax earnings.

Boral has decided to introduce a discount under its dividend reinvestment plan (DRP). With effect from the 2008/09 interim dividend, all shares issued under the DRP will be issued at a 2.5% discount to the market price. This discount will be applied to all future dividends until such time as Boral announces otherwise.

Boral's gearing (D/E) of around 79% is above the Company's longer-term target range of 40% -70% and compares with 52% at 30 June 2008. In August 2008 Boral increased and extended its major bank facility. Boral's previous US$600m note issuance facility expiring in August 2009 was replaced by a US$700m facility expiring in August 2011.

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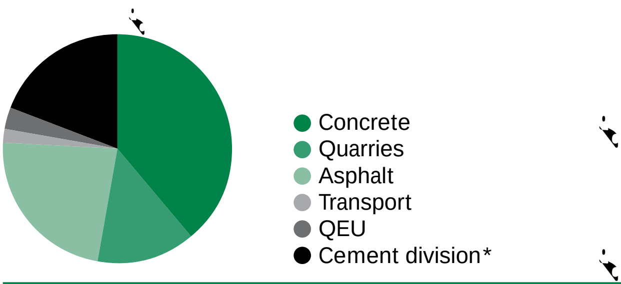
Sales revenue	**1,463**	1,454	1
EBITDA	**226**	236	(4)
EBIT	**155**	167	(7)
Capital expenditure*	**73**	58	26
Funds employed*	**2,328**	2,339	–
EBITDA return on sales, %	**15.5**	16.2	
EBIT return on sales, %	**10.6**	11.5	
EBIT return on funds employed (MAT), %	**14.6**	14.9	
Employees, number	**5,824**	5,845	–
Revenue per employee	**0.251**	0.249	1

* Including acquisitions



*Cement division includes Blue Circle (excl. internal sales to Boral businesses), De Martin & Gasparini & Formwork & Scaffolding.

Half year **revenue** from Boral's Australian Construction Materials businesses was steady on the prior year at $1.5b. Cement, lime, concrete and quarry price gains and stronger asphalt volumes increased revenues. Boral's Construction Materials revenues were supported by Boral's supply to major infrastructure projects including the Sturt Highway and Port Wakefield Road projects in South Australia, the Mitchell Highway in Western Australia and the Gateway Bridge and Ipswich road projects in Queensland. QEU revenues were well down on the prior year. Weather conditions significantly slowed sales volumes in the December quarter, particularly in Queensland.

Construction Materials **EBITDA** was down 4% or $10m on last year to $226m. Excluding QEU earnings, EBITDA of $219m was steady year-on-year. EBITDA to sales margin of 15.5% was below the 16.2% margin in the prior year. Return on funds employed of 14.6% (MAT) was slightly below the 14.9% in the prior year, reflecting lower earnings and a steady level of funds employed.

Construction Materials, Australia benefited from $37m (3% compressible costs) of PEP cost reductions in the half year compared to $27m in the previous period.

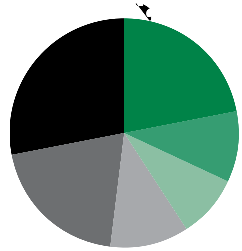
Concrete and Quarries revenues of $784m were 3% above last year and EBITDA was steady. Boral's quarry volumes were broadly in line with the prior year, underpinned by infrastructure activity in Queensland, South Australia and Western Australia. Boral's concrete volumes were down 6% on the prior year. The decline in Boral's concrete volumes reflects softer residential and non-residential activity, the completion of the EastLink project, and some market share weakness associated with price increase initiatives in April and August. By half year end some concrete market share had been regained. Average prices were up 8% for delivered concrete and 3% for quarry products. Price increases, together with cost reduction initiatives, offset higher input costs. National concrete price increases averaging around 5.5% and national quarry price increases averaging around 6.5% have been announced to take effect from 1 April 2009.

Boral's **Asphalt** business continued its strong performance with revenues of $341m up 15% on last year and volumes up 4%. EBITDA was steady.

Boral's **Quarry End Use** (QEU) business contributed $7m of EBIT (down $9m from $16m in the prior corresponding period, which included the sale of land forming part of the Southern Employment Lands at Greystanes). With the Sydney residential market remaining depressed and the commercial property sector around Australia under considerable pressure, QEU earnings have softened and are expected to be around $35m-$40m in FY2009 compared with FY2008 QEU earnings of $54m. Forecast second half FY2009 earnings are largely underpinned by minimum contractual commitments from development partners.

Sales revenue	**688**	687	–
EBITDA	**63**	90	(30)
EBIT	**34**	63	(46)
Capital expenditure*	**37**	70	(46)
Funds employed*	**1,214**	1,153	5
EBITDA return on sales, %	**9.2**	13.1	
EBIT return on sales, %	**4.9**	9.2	
EBIT return on funds employed (MAT), %	**7.0**	9.5	
Employees, number	**3,950**	4,069	(3)
Revenue per employee	**0.174**	0.169	3

* Including acquisitions



Boral's Australian Building Products group reported **operating revenue**

Building Products businesses delivered $12m of PEP cost reductions during the period compared to $14m in the previous period.

Bricks revenue of $149m was down 4% on the prior year as a result of a 9% decline in volumes which was partially offset by an increase in average selling price of around 4%. Bricks' EBITDA was below the prior period largely due to lower volumes and increased shutdown/slowdown costs to manage brick inventory levels.

Revenue from **Roofing** of $66m was up 12% on the prior period. Roofing prices increased by 3% and volumes were 10% higher than the prior corresponding period as previously lost market share was regained in Queensland and Victoria through the introduction of new products and improved quality and availability. EBITDA from Roofing increased significantly because of increased prices and volumes and improved manufacturing performance resulting from recent upgrades to the Queensland and Victorian concrete tile plants and the NSW clay tile plant.

Revenue from **Masonry** of $60m was 7% down on last year primarily because of weaker markets in NSW and Queensland whilst Masonry prices were up around 8% in part due to product mix. Masonry EBITDA was significantly lower year-on-year.

Windows' revenue was down 6% to $77m and EBITDA was down significantly due to weaker residential sales volumes particularly in Queensland and NSW.

Timber revenues of $141m were in line with last year. Sales volumes reduced by 11% during the half year reflecting lower housing-related demand, particularly in Queensland and NSW. Improvements in product prices of around 8% on average reduced the impact of the volume decline. Production curtailment strategies, including reduced shifts and plant closures, resulted in reduced hardwood inventories during the period, however, increased wood fibre and harvesting costs, coupled with lower production rates, reduced EBITDA significantly. The reduction in the Australian dollar exchange rate has improved the competitiveness of timber products relative to imports with the benefits of this improved

Plasterboard revenue of $195m was up around 6% on last year. The Australian plasterboard market held up well during the first half but the pipeline of work will be significantly weaker in the second half as commercial and multi-residential project work softens and detached housing activity falls. Volumes were up 3% and average prices were 2% stronger during the half year. Sales of non-manufactured resale products through Boral owned and operated trade stores contributed favourably during the half year. Despite volume and price lifts, EBITDA from Plasterboard fell significantly year-on-year, in part because of a one-off transition cost of $7m incurred as Queensland plasterboard production was relocated from Northgate to Pinkenba. The new Pinkenba facility became operational at the end of May 2008. Production at the existing facility at Northgate ceased in September 2008. High waste levels and low utilisation levels were experienced during work up but these issues have been largely resolved. The prior half year included a net $3m one- off restructuring benefit. Price increases of around 4% have been announced to take effect between 1 February and 1 April 2009.

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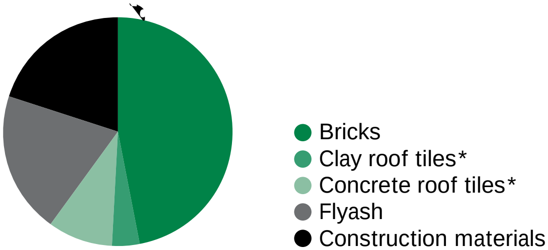
US$m			
Sales revenue	**242**	333	(27)
EBITDA	**(10)**	25	(141)
EBIT	**(28)**	9	(430)
A$m			
Sales revenue	**313**	381	(18)
EBITDA	**(13)**	29	(147)
EBIT	**(37)**	10	(474)
Capital expenditure*	**13**	145	(91)
Funds employed*	**1,083**	887	
EBITDA return on sales, %	**(4.2)**	7.5	
EBIT return on sales, %	**(11.7)**	2.6	
EBIT return on funds employed (MAT), %	**(6.8)**	3.5	
Employees, number*	**1,754**	2,535	(31)
Revenue per employee	**0.179**	0.150	19

* Including acquisitions



* MonierLifetile & Trinidad JVs are equity accounted – Boral's share of revenue does not appear in consolidated accounts but is included in the revenue pie chart.

Operating revenue from US operations was down 27% on last year to US$242m. An **EBITDA** loss of US$10m (A$13m) was reported which compares to a US$10m loss (excluding a plant write-down) in the June half 2008 and a profit of US$25m (A$29m) in the December half last year. The US result was significantly impacted by the further decline of the US housing market, with total US housing starts down 37% compared to the same period last year. Lower sales and production volumes and higher energy costs (US$5m) reduced earnings but the benefits of significant step change cost reduction initiatives significantly benefited results.

EBITDA to sales margin reduced from 7.5% to -4.2%. Return on funds employed fell from 3.5% to -6.8%, reflecting in part the impact of the lower Australian dollar increasing the translated value of funds employed in the USA.

Boral's US operations benefited from US$18m of **PEP cost reduction and other savings** initiatives during the half year compared to US$8m in the previous period. Boral's US labour force has reduced by around 1,500 employees (or ~45% of the workforce) as part of a US$70 million structured cost reduction program across the US portfolio of businesses.

Revenue from **US Bricks** of US$125m was down by 37% due to a 39% decline in sales volumes which was in line with the fall in new home starts in Boral's "US brick states" over the prior comparable period. Average brick prices increased by 4% as a result of a temporary fuel recovery charge implemented in June 2008 as well as a favourable resale and product mix through the direct distribution channel. Bricks sold through direct distribution remains at approximately 80% of total volumes. Brick plant utilisation averaged 42% during the period, down from 69% last year. Bricks' EBITDA was significantly down, despite the benefits of step change cost reduction initiatives, reflecting higher per unit manufacturing costs due to lower levels of production as well as higher freight costs due to the mothballing of some plants.

Boral's 50%-owned concrete roof tile joint venture, **MonierLifetile** (MLT), delivered a half year EBIT loss of US$10m equal to the loss reported in the prior corresponding half year despite housing starts being down 44% in the "US tile states" and sales and production volumes being down 34% and 39% respectively. Average prices were up 1% as prices stabilised in most key markets. Market share remained stable. Unit production costs were higher than the prior year due to inefficiencies resulting from decreased production rates with plant utilisation down to around 19%, compared to 30% last year. The impact of lower volumes and inefficient plant operating levels has been largely offset by benefits from step change cost reductions and other improvement initiatives.

Sales revenue*	**123**	97	26
EBITDA*	**12**	9	29
EBIT*	**7**	5	48
Funds employed	**345**	381	
Return* on funds employed (MAT), %	**2.6**	2.3	

* 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 and are after financing and tax.

The RBA's 400 basis point reduction in Australian interest rates and improvements announced in October 2008 to the First Home Owners Grant have significantly improved housing affordability and should significantly lift dwelling starts. These initiatives are not, however, expected to favourably affect Boral's businesses until at least the June quarter of FY2009.

Some $20 billion of the Federal Economic Stimulus package announced in early February represents increased expenditure on building and construction activity but this will take some time to implement and flow through. The Federal Government's initiative should strengthen demand for both Construction Materials and Building Products businesses in FY2010 and FY2011.

For the full year FY2009, we expect Australian housing starts to be at an annualised level of around 135,000 starts which compares to 159,000 starts in FY2008. Lower sales and production volumes will result in significantly lower profits from Australian Building Products businesses for FY2009, particularly in the June half. Price increases which came into effect between 1 October 2008 and 1 February 2009 across a range of building products including bricks, roof tiles, masonry, plasterboard, and timber products will deliver benefits in the second half of FY2009.

Australian non-dwelling activity and infrastructure activity should remain at relatively high levels in FY2009 but the second half is expected to weaken as lower approvals and a higher number of project deferrals flow through. FY2009 earnings from Construction Materials in Australia are expected to be similar to FY2008. Improved prices and cost reduction initiatives should offset weaker demand from dwellings and non-dwellings markets. Further price increases have been announced in concrete ($9 per cubic metre nationally), quarries ($1-$2 per tonne nationally) and cement ($10 per tonne in NSW and Victoria and $15 per tonne in Queensland) effective 1 April 2009.

USA housing starts are currently at the lowest level recorded in the past 60 years. Despite the current depressed US housing market, Boral has long-term confidence in this market. However, the timing and phasing of the recovery is uncertain. The Harvard Center for Joint Housing Studies has recently confirmed their view that underlying demand in the USA is around 1.8 million starts per annum (excluding manufactured housing). Whilst new US housing inventories have reduced significantly, the high levels of existing housing inventories resulting from abnormally high foreclosure rates (and falling housing prices and confidence) are reducing new housing construction activity. Whilst it may prove to be conservative, it is assumed that US housing starts will fall by 35% in the June 2009 half year compared to the December half to around 500,000 starts. This would result in FY2009 housing starts of around 600,000-650,000. On this basis, the impact of extended temporary plant shutdowns and slowing of production will be more significant in the June half, particularly in Boral's US Brick business where June half production may be around 50% lower than in the December half. Roof tile capacity utilisation will be below 20%. USA losses will increase in the June half because of the significant drop in sales and production volumes.

Price and volume improvements in Indonesia construction materials and operational improvements in Thailand should result in higher Asian construction materials earnings than in FY2008. However, significantly weaker Asian plasterboard volumes and profits are expected as the effect of the global financial crisis spreads.

PEP and step change initiatives of 3.5% of compressible costs have been targeted for FY2009.

The impact of the global financial crisis makes forecasting extremely difficult at the current time. On the basis of Boral's assumptions of 600,000-650,000 housing starts in the USA and 135,000 starts in Australia and assuming an average exchange rate of $0.65 in the second half, Boral's profit after tax in FY2009 is expected to be around $120 million, in line with the updated guidance given to the market on 28 January 2009.

	$	$
Revenue	**2,594.4**	2,625.9
Cost of sales	**(1,733.1)**	(1,710.1)
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	$	$
Current Assets		
Cash and cash equivalents	**89.3**	47.4
Receivables	**810.9**	881.7
Inventories	**689.8**	600.1
Other	**57.2**	41.6
Total Current Assets	**1,647.2**	1,570.8
Non-Current Assets		
Receivables	**56.3**	39.8
Inventories	**64.6**	59.8
Investments accounted for using the equity method	**350.2**	298.2
Other financial assets	**350.5**	430.8
Property, plant and equipment	**3,269.7**	3,088.9
Intangible assets	**390.8**	326.1
Other	**87.9**	80.6
Total Non- Current Assets	**4,570.0**	4,324.2
Total Assets	**6,217.2**	5,895.0
Current Liabilities		
Payables	**650.0**	686.4
Interest bearing loans and borrowings	**65.2**	47.2
Current tax liabilities	**19.5**	96.9
Provisions	**181.2**	194.8
Total Current Liabilities	**915.9**	1,025.3
Non-Current Liabilities		
Payables	**44.3**	81.0
Interest bearing loans and borrowings	**2,208.6**	1,515.3
Deferred tax liabilities	**203.9**	316.9
Provisions	**74.1**	46.9
Total Non-Current Liabilities	**2,530.9**	1,960.1
Total Liabilities	**3,446.8**	2,985.4
Net Assets	**2,770.4**	2,909.6
Equity		
Issued capital	**1,673.6**	1,673.1
Reserves	**20.7**	113.0
Retained earnings	**1,075.0**	1,121.5
Total parent entity interest	**2,769.3**	2,907.6
Minority interests	**1.1**	2.0
Total Equity	**2,770.4**	2,909.6