Results announcement for the
year ended 30 June 2007

Management Discussion & Analysis

15 August 2007

Overview

Boral Limited announced a profit after tax (PAT) of $298 million for the year ended 30 June 2007, which was 18% lower than the PAT for the year ended 30 June 2006.

Sales revenue of $4.9 billion was 3% higher than the prior year reflecting a 6% lift in Australian revenues due to price increases, strong volumes in Australian non-dwellings and major projects, and benefits of recent growth initiatives. US revenues fell by 8% due to housing-related volume declines and an appreciation of the Australian dollar. Revenues from Asia lifted by 3%.

EBITDA was 7% lower at $762 million due to a decline in USA and Australian building products housing-related earnings, which was partially offset by improved returns from Australian construction materials. Increases in depreciation ($23 million) and interest costs ($12 million) led to a profit after tax decline of 18% compared to last year.

In Australia, EBITDA of $605 million was 6% higher than the prior year. The continued downturn in Australian dwelling activity, especially in New South Wales, continued to negatively impact earnings adversely affecting volumes and manufacturing costs. Earnings from construction materials businesses however, were stronger on the back of major infrastructure project work and non-dwellings activity particularly outside New South Wales. Price gains and growth initiatives also benefited the result.

Offshore EBITDA decreased by $98 million (40%) to $150 million, and accounted for 20% of Boral's total EBITDA for the year ending 30 June 2007. Following strong market conditions in FY2006, the US market experienced a severe downturn in single family home construction across all major markets which negatively impacted shipments in the brick and roof tile businesses. In Asia, conditions improved in a number of key plasterboard markets, whilst construction materials markets remained challenging.

Cashflow from operations was $482 million in FY2007, an increase of $33 million on the prior year.

It is too early to comment on FY2008 outcomes because of volatile conditions in some of Boral's key markets. Boral will provide an update on FY2008 trading conditions at the Annual General Meeting on 29 October.

Financial Performance

PAT of $298 million for the year was down 18% on last year's PAT of $362 million.

The 3% revenue lift to $4.9 billion reflects strong volumes in Australian non-dwellings and major projects, increased prices (despite weak Australian and USA dwelling activity) and benefits from recent growth initiatives.

Earnings before interest, tax, depreciation and amortisation (EBITDA) of $762 million were $60 million (or 7%) lower than last year and EBITDA to sales margin was 15.5% compared with 17.3% last year.

Boral's reported EBIT of $531 million was 14% down on last year, largely impacted by the severe decline in US housing activity as well as the continued weakness in Australian dwelling activity, especially in NSW. EBIT to sales margin reduced to 10.8% compared with 12.9% in the prior year.

Building Products Australia EBITDA was down $11 million or 7% to $151 million, reflecting weak Australian dwelling activity, particularly in NSW, and higher unit costs partly driven by lower production volumes. Favourable price outcomes and operational cost savings positively impacted the result.

EBITDA from Construction Materials Australia of $454 million was $44 million higher than the prior year (up 11%). A lift in non-dwelling and major project activity offset housing weakness and resulted

Results at a Glance

(A$ million unless stated)

Year ended 30 June	2007	2006	% Change
Revenue	4,909	4,767	3
EBITDA	762	823	(7)
EBIT	531	614	(14)
Net interest	111	98	13
Profit before tax	420	516	(18)
Tax	122	153	(20)
Profit after tax	**298**	**362**	(18)
Cash flow from operating activities	482	449	
Gross assets	5,817	5,587	
Funds employed	4,470	4,333	
Liabilities	2,829	2,832	
Net debt	1,482	1,578	
Growth & acquisition capital expenditure	226	307	
Stay-in-business capital expenditure	192	207	
Depreciation	231	209	
Employees	16,194	15,802	
Sales per employee, $ million	0.303	0.302	
Net tangible asset backing, $ per share	4.41	4.07	
EBITDA margin on sales, %	15.5	17.3	
EBIT margin on sales, %	10.8	12.9	
EBIT return on funds employed, %	11.9	14.2	
Return on equity, %	10.0	13.2	
Gearing (net debt:equity), %	50	57	
Interest cover, times	4.8	6.3	
Earnings per share, ¢	50	61.7	
Dividend per share, ¢	34.0	34.0	
Safety: (per million hours worked)			
Lost time injury frequency rate	2.8	3.1	
Hours lost, %	0.09	0.11	

Market Conditions

Approximately 80% of Boral's FY2007 EBITDA was sourced from Australian markets (70% last year), 17% came from USA building and construction activity (27% last year) and a further 3% of earnings were generated from Boral's Asian markets (3% last year).

During the year, the downturn in the Australian dwellings market (especially in NSW) continued but volumes in Australian non-dwellings and major projects were higher. The USA suffered a significant decline in housing activity during the period. Improved conditions are being experienced in some Asian markets (Korea, China and Thailand) but other Asian markets continue to experience low levels of demand (Indonesia).

Australian dwelling approvals were 1% higher in FY2007 compared with the prior year (following an 8% decrease in the year to 30 June 2006). Australian detached housing approvals increased by 2% and multi-dwelling approvals were up 1%. Total housing starts for the year ended 30 June 2007 are forecast to be around 149,000. BIS Shrapnel is forecasting 148,000 housing starts for FY2008.

The pipeline of work in the non-dwellings market segment remains strong with value of work approved (VWA) for Australian non-dwellings up 8% in the twelve months to June 2007, compared to last year.

On a state-by-state basis, building approval trends were diverse with affordability issues most severe in NSW and WA and stronger markets in other states. During FY2007, NSW dwelling approvals for detached houses and multi-dwellings were down a further 6% over the prior year consolidating the 30-year low levels in NSW housing activity. With approximately 40% of Boral's Australian revenues continuing to be derived from NSW, the continued weakness in NSW again adversely impacted Boral's result. Non-dwellings VWA was up 11% in NSW in the year to June 2007. Dwelling approvals in Victoria were up 4% and up 12% in non-dwellings. In Queensland, approvals were up 9% for dwellings and up 7% for non-dwellings; WA dwelling approvals were down 3% and non-dwellings were up 13%; and, in SA dwellings were down 5% and non-dwellings were 7% weaker.

Australian Bureau of Statistics (ABS) value of work done (VWD) in major road construction and infrastructure is not yet available for the June 2007 quarter but based on the nine months to March 2007 and a forecast for the June quarter, VWD increased by around 4% on the prior corresponding period.

ABS data on Australian concrete volumes, which is a useful proxy for total building and construction VWD, indicates that concrete volumes in FY2007 increased by approximately 4% over the prior year.

In the USA, housing activity declined significantly. Total housing starts (single and multi dwellings) in "Boral's US States" were 27% lower in the twelve months to June 2007 than the prior year. The value of dwellings work commenced for the year ended June 2007 in "Boral's US States" was down 29% and the total value of construction work commenced in "Boral States" is expected to be down 21% on the prior year with non-dwelling activity down 3% in real terms.

In Asia, Boral's key market exposures are in South Korea, Thailand, Indonesia and China. Conditions in the South Korean domestic economy stabilised, favourably impacting Boral's plasterboard result. The unstable political environment in Thailand dampened overall construction activity levels. In Indonesia, construction activity remained low and high fuel and input costs adversely affected Boral's construction materials margins. In China, strong market conditions have been experienced, including increased activity in East China.

Segment Results

Construction Materials, Australia

(A$ million unless stated)

Year ended 30-Jun	2007	2006	% change
Sales revenue	2,549	2,410	6
EBITDA	454	410	11
EBIT	318	286	11
Capital expenditure*	169	273	
Funds employed*	2,271	2,202	3
EBITDA return on sales, %	17.8	17.0	
EBIT return on sales, %	12.5	11.9	
EBIT return on funds employed, %	14.0	13.0	
Employees, number	5,838	5,754	
Revenue per employee	0.437	0.419	

* Including acquisitions

Operating **revenue** for Construction Materials, Australia of $2.5b was 6% higher than the prior year. The improved revenue was underpinned by strong quarry volumes, by cement, concrete and quarry pricing gains and by higher asphalt volumes and margins. Revenues also increased as a result of Boral's acquisition of an additional 30% of Girotto Precast during the year (taking ownership to 80%); Girotto revenues are now consolidated.

EBITDA was up $44m or 11% on the prior year to a record $454m and EBITDA/sales margins and ROFE improved. The EBITDA improvement was particularly significant in the June half both in QEU and in other businesses. Improved earnings from Blue Circle Southern Cement (BCSC), from Asphalt and from QEU were the key drivers of the improved result.

Formwork & Scaffolding EBITDA reduced during the year whilst tonnage on hire and utilisation improved; prices reduced significantly as a number of competitors sought to continue to expand market share using imported hire stock.

De Martin & Gasparini revenues were down significantly and EBITDA was lower due to a less favourable sales mix during the period.

Building Products, Australia

(A$ million unless stated)

Year ended 30-Jun	2007	2006	% change
Sales revenue	1,275	1,213	5
EBITDA	151	162	(7)
EBIT	99	118	(16)
Capital expenditure*	127	119	7
Funds employed*	1,114	1,001	11
EBITDA return on sales, %	11.8	13.4	
EBIT return on sales, %	7.8	9.7	
EBIT return on funds employed, %	8.9	11.8	
Employees, number	4,107	4,143	
Revenue per employee	0.311	0.293	

* Including acquisitions

Boral's Australian Building Products businesses reported a 5% lift in **operating revenue** to $1.3b driven by higher prices offsetting weaker volumes across bricks, roofing and masonry. Plasterboard revenues were underpinned by increased volumes and sales of re-sale products. Increased hardwood and engineered flooring product sales also contributed.

Building Products' reported a 7% decline in **EBITDA** to $151m primarily because of weaker Masonry earnings and also because of lower volumes and higher manufacturing costs associated with lower levels of plant utilisation and temporary plant shutdowns.

In line with market conditions, demand for Bricks, Roofing and Masonry products on the East Coast was lower, adversely impacting revenues and contributing to earnings below the prior year. Pricing outcomes however, were steady or positive. Continued lower sales volumes on the East Coast resulted in a series of further temporary plant slowdowns/shutdowns. To manage inventories six clay products manufacturing sites had extended temporary shutdowns, and most concrete products plants operated on reduced shifts.

ROFE fell by 2.9% to 8.9% due to margin compression and increased investment in Midland Brick Kiln #11 and the Queensland plasterboard plant, which is currently under construction.

Building Products' businesses delivered $32m of **PEP** cost reductions during the period.

Revenue from the **Bricks** businesses of $305m was up 3% on last year as a result of average price gains of around 2-4% despite lower volumes (down 1-2%). On the East Coast, lower brick volumes continue to be driven by reduced detached housing market activity in NSW particularly in Sydney, though market share has been maintained. In WA, total brick volumes increased as did prices. Bricks EBITDA was below last year largely due to lower volumes and plant shutdown costs on the East Coast.

Roofing prices were up by around 3%. Softer market activity in NSW was partially offset by increased activity in Queensland and Victoria with overall volumes down 2%. Revenue from Roofing of $108m was up 4% and EBITDA was above the prior year.

Masonry's revenue of $119m was 7% below last year. Masonry prices were steady but volumes fell by 7% because of reduced masonry sales to the housing market and loss of market share following the entry of new manufacturing capacity. Masonry EBITDA was significantly below the prior year, particularly in the December half.

lower sales and production volumes, related production network inefficiencies and because of an US$11m increase in natural gas costs. Production and logistics efficiencies from Brick's "step change" program, and improved fuel efficiencies, partially offset inflationary impacts.

Revenue from

Construction Materials results in Asia were significantly lower in FY2007 compared with the prior year. In Indonesia, concrete volumes were well down but market share was relatively stable; price increases did not offset cement and other raw material cost increases and the full impact of significant diesel cost increases. Both the quarry and pipe businesses made progress and the review of cement supply options advanced. In the Concrete & Quarry business in Thailand, concrete volumes lifted significantly as we recovered market share and expanded geographically. Margin squeeze was experienced as a result of cement and diesel costs increases.

Equity accounted income of $16m from the **Asian plasterboard JV (LBGA)** with Lafarge was 18% below the same period last year (which included a one-off compensation payment for land resumption), however on an underlying basis earnings were substantially stronger than last year. Trading conditions were more stable in South Korea and volumes were well up but there was continued pressure on prices which were slightly down over the period. Prices were up in East China during the period and total China volumes were substantially higher, supported by a full year contribution from the second factory in the Central West which was commissioned in September quarter 2005. Market conditions remained soft in Thailand and exports were lower which resulted in continued pressure on prices and volumes. A new US$13m 10m m^2 plant was commissioned smoothly in Vietnam in August 2006 but faced some early competitive pressures.

Capital Management

Boral's cashflow from operations again increased in FY2007, up from $449m in FY2006 to $482m in FY2007. However, capital expenditure of $418m and increased working capital contributed to an increase in average debt outstanding through the year. Nevertheless, a 15% appreciation in the Australian dollar primarily in the latter part of the year to 30 June 2007, and increased shareholder equity reserves, led to a $96m reduction in closing net debt and to a reduction in Boral's gearing to 50% on 30 June 2007 (compared to 57% on 30 June 2006).

A fully franked final dividend of 17.0 cents per share has been declared, which brings the full year dividend to 34.0 cents per share (100% franked). The full year dividend represents a payout ratio of 68% of earnings.

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Post year-end, Boral announced the US$80m acquisition of the Schwarz concrete and sand business and the Arbuckle hardrock quarry in Oklahoma, which continues the Company's value-adding US construction materials growth strategy. The step-out into the Oklahoma construction materials market follows Boral's successful move into Denver construction materials in September 2004 and the continued incremental benefits delivered from this acquisition strategy. The Denver construction materials business lifted EBITDA by 21% in FY2007 and is achieving cost of capital returns in line

4. Deliver superior returns in a sustainable way

We remain committed to the sustainability of Boral's businesses in a financial, social and environmental sense. For the year ended 30 June 2007, a comprehensive Sustainability Report will be published with the 2007 Annual Review and will be sent to shareholders and available on Boral's website www.boral.com.au at the end of September 2007.

In FY2007, a strong and ongoing improvement in safety performance was delivered across Boral's businesses. Boral's lost time injury frequency rate (LTIFR) per million hours worked was 2.8 for the year ended 30 June 2007, which is a 10% improvement on the LTIFR of 3.1 in the prior year. Percent hours lost reduced by 18% to 0.09 compared to the prior period. During the December half, two workplace-related fatalities occurred in our Asian operations, two in the USA and one in our Australian operations which are deeply regretted. There have been no subsequent workplace-related fatalities. We are determined to improve the workplace safety of both our employees and of contractors working in Boral's operations.

Outlook - FY2008

We expect dwelling commencements in Australia in FY2008 of around 145,000-150,000 starts compared to the estimated 149,000 starts in FY2007. Effective price an11due8aam aJune 20

Attachment A: Current Major Growth Activities

Growth project	Current status
$95m upgrade of the **Waurn Ponds** (Vic) **cement works**	Achieved target production levels and around cost of capital returns in FY07; further optimisation being pursued to meet higher levels of demand.
New US$35m, 100m SBE **brick plant** at **Union City**, Oklahoma (USA)	Commissioning commenced in Mar-06 quarter in line with plan. Benefits phased from Jun-06 quarter and returns ahead of cost of capital and business plan. Low-cost plant servicing a relatively resilient South West US market. plan. Lo **e6 refBT/TT122T**