# Results at a Glance

(A$ million unless stated)

| Year ended 30 June | 2008 | 2007 | % Change |
|---|---|---|---|
| Revenue | 5,199 | 4,909 | 6 |
| EBITDA[1] | 688 | 762 | (10) |
| EBIT[1] | 448 | 531 | (16) |
| Net interest | 112 | 111 | 1 |
| Profit before tax[1] | 336 | 420 | (20) |
| Tax[1] | 90 | 122 | (26) |
| Minority interest | 1 | 0 | |
| **Underlying profit after tax** | **247** | **298** | **(17)** |
| Net significant items | 4 | 0 | |
| **Profit after tax** | **243** | **298** | **(19)** |
| Cash flow from operating activities | 582 | 482 | 21 |
| Gross assets | 5,895 | 5,817 | 1 |
| Funds employed | 4,425 | 4,470 | (1) |
| Liabilities | 2,985 | 2,829 | 6 |
| Net debt | 1,515 | 1,482 | 2 |
| Growth & acquisition capital expenditure | 327 | 226 | 45 |
| Stay-in-business capital expenditure | 169 | 192 | (12) |
| Depreciation | 240 | 231 | 4 |
| Employees | 15,928 | 16,194 | (2) |
| Sales per employee, $ million | 0.326 | 0.303 | 8 |
| Net asset backing, $ per share | 4.96 | 4.98 | - |
| Net tangible asset backing, $ per share | 4.41 | 4.41 | - |
| EBITDA margin on sales[1], % | 13.2 | 15.5 | (15) |
| EBIT margin on sales[1], % | 8.6 | 10.8 | (20) |
| EBIT return on funds employed[1], % | 10.1 | 11.9 | (15) |
| Return on equity[1], % | 8.5 | 10.0 | (15) |
| Gearing (net debt:equity), % | 52 | 50 | |
| Interest cover[1], times | 4.0 | 4.8 | |
| Underlying earnings per share[1], ¢ | 41.4 | 50.0 | (17) |
| Dividend per share, ¢ | 34.0 | 34.0 | - |
| Safety: (per million hours worked) | | | |
| Lost time injury frequency rate | 2.5 | 2.8 | |
| Recordable injury frequency rate | 26.7 | 27.8 | |

# Financial Performance

Underlying PAT[1] of $247m for the year was down 17% on last year's PAT of $298m. Reported PAT of $243m was 19% lower than the prior year.

A $4m significant item reflects a $31.9m write-down of goodwill in the Thailand construction materials business, which was largely offset by a $28.1m write-back of tax provisions.

The 6% revenue lift to $5.2b reflects strong volumes in most Australian building and construction markets except in New South Wales together with solid price gains and benefits from growth initiatives, all of which more than offset a 24% decline in US revenues.

[1] Excluding goodwill and tax provision adjustments.

Boral's EBITDA[1] of $688m was $74m (or 10%) lower than last year. Boral's overall EBITDA to sales margin was 13.2% compared with 15.5% last year.

EBIT of $448m was 16% down on last year. Australian EBIT increased by $48m (or 12%) to $465m, whilst offshore EBIT fell by A$127m to a loss of A$21m (a A$27m loss in the USA and a $7m profit in Asia). Overall EBIT to sales margin reduced to 8.6% compared with 10.8% in the prior year.

During the year, $151m of Performance Enhancement Program (PEP) savings were delivered across the Group, which equates to around 3.4% of compressible costs.

Depreciation costs increased by $9m to $240m and net interest expense increased by $1m to $112m.

Earnings per share[1] for the year of 41.4 cents compare with 50.0 cents last year. Return on equity[1] reduced to 8.5% compared with 10.0% in the prior year.

Operating cash flow (before capital expenditure) of $582m was up 21% on the prior year. Capital expenditure for the year was around $496m made up of $169m of stay-in-business and $327m of growth and acquisition capital expenditure.

Gearing (D/E) of 52% increased marginally compared to the level of gearing at 30 June 2007 (50%) but is well within our 40-70% target range. Net debt at 30 June 2008 was $1,515m compared with $1,482m at 30 June 2007.

During the year value adding capital management initiatives included a $114m off-market share buyback and an issuance of US$382m of 10 and 12 year unsecured notes in the US private placement market.

During FY2008, New South Wales dwelling approvals for detached houses were at 40 year low levels, with dwelling approvals declining a further 3% to 30,500, which is 39% below BIS Shrapnel estimates of underlying demand over the next five years (50,000 starts). New South Wales non-dwellings VWA was down 1%. With approximately 40% of Boral's Australian revenues being derived from New South Wales, the continued slowdown adversely impacted Boral's result. However, Boral remains very well positioned in both construction materials and building products in New South Wales to benefit from a future lift in demand. Dwelling approvals in Victoria were up 13% and non-dwellings VWA was up 9%. In Queensland, approvals were up 5% for dwellings although there was significant weakness in the second half, and non-dwellings VWA was up 3%. In Western Australia, dwelling approvals were down 10% but non-dwellings VWA was up 36%. In South Australia, dwelling approvals were up 20% and non-dwellings VWA, 21% stronger.

Australian Bureau of Statistics (ABS) VWD, in major road construction and infrastructure is not yet available for the June 2008 quarter but it appears to have increased by around 10-11% in real terms during the year ended 30 June 2008, compared with the prior year.

ABS data on Australian concrete volumes, which is a useful proxy for total VWD, indicates that concrete volumes in FY2008 increased by approximately 7% over last year.

In the USA, housing activity significantly declined. Total housing starts (single + multi dwellings) were down 27% to 1.13 million starts in FY2008. Single family starts were down more significantly with a 35% reduction for the year and a 40% year-on-year decline in the second half. In "Boral's Brick States" total housing starts were down 29% whilst in "Boral's Roof Tile States" they were down 38%.

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 on Boral's plasterboard result. In Indonesia, construction activity lifted particularly in the second half of the year. In Thailand, political uncertainty continues to impact large infrastructure projects specifically and construction generally. 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-June | 2008 | 2007 | % change |
|---|---|---|---|
| Sales revenue | 2,960 | 2,549 | 16 |
| EBITDA | 489 | 454 | 8 |
| EBIT | 351 | 318 | 10 |
| Capital expenditure* | 180 | 169 | 6 |
| Funds employed* | 2,310 | 2,271 | 2 |
| EBITDA return on sales, % | 16.5 | 17.8 | |
| EBIT return on sales, % | 11.9 | 12.5 | |
| EBIT return on funds employed, % | 15.2 | 14.0 | |
| Employees, number | 5,798 | 5,838 | (1) |
| Revenue per employee | 0.511 | 0.437 | 17 |

* Including acquisitions

Full year **revenue** of $3.0b for Construction Materials, Australia, was 16% higher than the previous year. The revenue lift was attributed to stronger cement, lime, quarry and asphalt volumes together with price increases in cement, quarry products and concrete. Boral's concrete volumes were 3% higher than last year, which were below national market volume increases of around 7% predominantly because of Boral's disproportionate exposure to New South Wales where ABS reported concrete volumes were down 1%.

**EBITDA** was up 8% on last year to $489m, reflecting improved earnings from quarries, asphalt and Blue Circle Cement in particular. There was a $5m one-off cost in the prior year in relation to the Berrima cement works. **EBITDA to sales** margin of 16.5% was down on the prior year reflecting higher input costs. **Return on funds employed** increased from 14.0% in the prior year to 15.2%.

Construction Materials benefited from growth initiatives and $88m of **PEP** cost reductions.

Revenues of $1,512m from the **Concrete & Quarries** businesses were 12% higher than last year. Boral's concrete and quarry volumes increased nationally by 3% and 10% respectively, with increased demand driven by strong infrastructure activity particularly in Queensland and Victoria, tempered by soft trading conditions in New South Wales. A strong performance in Boral's asphalt business also underpinned the stronger quarry volumes. Whilst prices were up 7% for delivered concrete and 5% for quarry products, average prices for quarry products were impacted in the June half due to product mix issues. Price increases, together with cost reduction initiatives, were required to offset the higher input costs including raw materials, fuel, equipment and services that are competing with the booming resource sector. EBITDA increased.

Boral's **Asphalt** business performed strongly with volumes up 23% and revenues of $648m up 26% on last year. The improved result was driven by high levels of infrastructure activity such as the EastLink project in Melbourne and highway upgrades in Brisbane, together with a favourable product mix towards Deeplift (a higher asphalt intensity product). Margins remained at historically high levels despite bitumen cost escalation. EBITDA increased.

Boral's **Quarry End Use (QEU)** business contributed $54m of EBIT (compared with $56m last year) and cash flow was up significantly. During the period, earnings were predominantly sourced from the sale of land forming part of the Southern Employment Lands at Greystanes, the George's Fair (Moorebank) development and the Deer Park Western Landfill operation. Whilst the Sydney residential market remains depressed with overall land sales below expectation at Moorebank and Greystanes, QEU earnings are underpinned by minimum contractual commitments of our partners in these projects.

External revenue for the **Cement division**, which includes Blue Circle, Formwork & Scaffolding and De Martin & Gasparini, was $566m, a 19% increase on the prior year. Volumes were stronger in all businesses and cement and lime pricing improved.

In **Blue Circle**, cement volumes were up 6% on last year, underpinned by a substantial lift in Queensland and steady but strong volumes in Victoria. In New South Wales, core volumes were up marginally but the New South Wales business benefited from increased wholesale and interstate sales. Lime volumes improved by 32%, primarily driven by

# Building Products, Australia

*(A$ million unless stated)*

| Year ended 30-June | 2008 | 2007 | % change |
|---|---|---|---|
| Sales revenue | | | |
| EBITDA | | | |
| EBIT | | | |

Boral's Australian Building Products businesses reported a 6% **revenue** lift to $1.4b driven by stronger pricing outcomes and higher volumes in Queensland and South Australia offsetting weaker volumes in Western Australia.

Building Products reported an 11% increase in EBITDA to $168m due to a solid lift in Timber results and improved outcomes in Roofing, Masonry and Windows. Brick earnings in Western Australia reduced because of weakening markets and higher manufacturing costs associated with more extensive Brick plant shutdowns. **EBITDA to sales** margin of 12.4% compares favourably with 11.8% in the prior year.

**Return on funds employed** of 9.7% compares with 8.9% in the prior year, despite a 6% lift in funds employed largely due to capital investment in the Queensland plasterboard plant.

Building Products' businesses delivered $29m of **PEP** cost reductions during the period.

Revenue from the **Bricks** businesses of $307m was in line with last year; a 2-3% decline in brick volumes nationally was offset by a 3% increase in average prices. Whilst brick volumes were lower in Western Australia, higher brick volumes were reported on the East Coast. Bricks EBITDA was below the prior period largely due to lower volumes in Western Australia. Special price increases were announced to help offset input cost pressures. A manganese levy on bricks and roof tiles became effective in New South Wales and Victoria in April 2008 and July 2008 respectively. Additionally a fuel levy of between 1% and 3% has been announced to come in to effect in October 2008 on bricks, roofing and masonry products.

Revenue from **Roofing** of $120m was up 11% on the prior year. Roofing volumes were 9% higher with increased activity in Queensland, South Australia and Victoria offsetting a softer New South Wales market. Prices were up 1-2% due to price increases and a product mix shift which favoured the "supply & fix" segment in Queensland and South Australia. Volume and price increases together with improved manufacturing efficiencies offset the adverse impacts of temporary closures of the clay tile plant at Wyee for a dryer upgrade and the Springvale concrete roof tile plant for a major upgrade. EBITDA from the Roofing business improved year-on-year.

**Masonry** revenue lifted by 3% to $122m reflecting price increases of 2% and 1% higher volumes. Weaker volumes in New South Wales and Victoria partially offset strong market activity in Queensland, Western Australia and South Australia. Masonry EBITDA increased during the period.

During the year **Windows'** EBITDA improved on last year due to higher prices, ongoing tight cost controls and stronger volumes which included some modest market share gains. Revenue was up 9% to $159m with stronger sales in South Australia and Victoria in particular.

**Timber** delivered a significant improvement in EBITDA compared with the prior year, driven by improved softwood and hardwood prices, lower manufacturing costs and increased sales volumes. Whilst market activity levels remain low, Timber's revenue increased 11% to $273m driven primarily by price rises and stronger demand for structural timber products in Queensland, formwork demand from the buoyant

Australian concrete market, and an increase in flooring demand in the alterations and additions (A&A) market particularly in the first half of the year. Product prices improved 6% on average as a result of price increases and a favourable product mix. Increased log costs and wage escalation pressures were more than offset by price increases, including an improvement in residue prices and manufacturing efficiency gains at Herons Creek and at the engineered flooring Murwillumbah operation. However, due to the overall market softness, inventory levels of hardwood and engineered flooring increased during the year. With demand in the New South Wales A&A market weakening in the second half following interest rate rises, cost reduction was the focus. In July 2008, Boral Timber ceased production at the higher cost

# Asia

Boral's Asian operations delivered a full year **EBITDA** of $16m, which was down 22% on last year. A continued improvement in market conditions in a number of key plasterboard markets in the Asian plasterboard JV business (LBGA) partially offset the decline in earnings from construction materials in Asia due to margin pressures.

LBGA equity accounted profit after tax was $18.1m, which was 12% above the prior year. This includes a $2.5m adverse impact due to the appreciation of the Australian dollar. Overall, **LBGA plasterboard** sales volumes and revenues lifted in all markets with improved market conditions experienced in South Korea, Thailand, Indonesia and East China and market development activity assisted growth in the Central West of China and in Vietnam. LBGA's cost improvement program, Excellence 2008, resulted in enhanced margins despite transport and energy cost pressures. The capacity upgrade of the Dangjin plant in Seoul, and commissioning of the new plants in Rajasthan, India and Chengdu, China were all completed within time and cost budgets during FY2008.

**Construction Materials** results in Asia were significantly down for the period. Although Indonesia increased concrete volumes by around 30%, including market share recovery, prices were flat in an environment where costs increased significantly, particularly diesel and cement. At the end of the financial year, concrete prices in Indonesia increased significantly resulting in improved margins and profitability. Thailand concrete volumes were down by 1%, with market share being maintained, however, political uncertainty continued to impact large infrastructure projects specifically and construction generally. Margin squeeze was experienced as prices reduced (-4%) at the same time as cement and diesel costs continued to increase.

# Capital Management

A fully franked final dividend of 17.0 cents per share has been declared, representing a payout ratio of 83% of earnings for the full year.

Boral's dividend represents a grossed up dividend yield of 7.3 % per annum (after franking) on Boral's

# Value-Adding Growth

Boral is an integrated resource-based manufacturing company operating in building and construction materials markets in Australia, the USA and Asia. Boral's growth strategy is focused on delivering shareholder value through the economic cycles. Boral's strong reserves, low-cost competitive assets and leading market positions are a fundamental source of value-creation.

Boral's growth and acquisition spend has continued to be an important contributor to current earnings

## Current Major Growth Activities

| Growth project | Current status |
|---|---|
| New 40m $m^2$ **plasterboard** plant in Qld | Plant fully operational by end of May 2008, progress so far has been encouraging. Expect net investment cost to be up to 12% higher than the originally announced $106m, subject to the outcome of recoveries from project contractors. Market demand remains solid, in line with expectations. **Completed.** |
| $21m total investment in new **asphalt plants** at West Burleigh & Ipswich in Qld, Geelong in Vic and in Welshpool, WA | Continued reinvestment in national asphalt network. Construction completed of new asphalt plants at West Burleigh on the Gold Coast (August 2007), Ipswich (September 2007) in Qld, Geelong in Vic (July 2007) and Welshpool in WA (October 2007). **Completed.** |
| US$84m acquisition of **construction materials** assets in **Oklahoma City**: Schwarz Readymix, a ready-mixed concrete & sand business & the quarry assets of Davis Arbuckle Materials | Positions Boral as the second largest concrete producer in Oklahoma City and includes a limestone quarry at Davis, Oklahoma. The combined operations have annual production of around 750,000 cubic yards of ready-mixed concrete and 1.6 million tons of sand and aggregates.02 0 0 10.02 |

# Performance against Objectives

Boral's four financial objectives remain unchanged and whilst short-term performance has been impacted by cyclical markets, through the cycle performance against objectives is being maintained.

Return on funds employed[1] for the year ended 30 June 2008 was 10.1% (compared with 11.9% in the prior year) and return on equity[1] of 8.5% compares with 10.0%. Boral's current returns have reduced as a result of the cyclical lows in the US and Australian housing cycles. Boral's longer-term average return on funds employed have also reduced, however, over the past five financial years (FY2004-FY2008) Boral's EBIT to funds employed return has averaged 15.1%, which is well above Boral's weighted average cost of capital.

Boral's returns continue to compare well with competitors in like markets across most businesses. Solid investments to strengthen and maintain leading market and cost positions have provided benefits. A relentless focus on operational improvement and pricing disciplines is also helping Boral's businesses to maintain a strong underlying level of performance in cyclical downturns.

Boral's total shareholder return (TSR) from share price appreciation and dividends was 16% per annum over the eight and a half years from Demerger to 30 June 2008, placing the stock at the 41st percentile of the ASX100 companies over the same period. Boral's TSR has however underperformed over the twelve months to 30 June 2008 with a TSR of -33% compared with the TSR of the ASX100 Index over the period of -16%. The recent decline in Boral's share price (together with domestic and global peers) reflects the cyclical nature of Boral's markets and earnings and the impact of the NSW and USA housing downturns.

Boral's Sustainability Report for the year ended 30 June 2008 will be published with the Annual Review in late September 2008 and will be available on Boral's website at www.boral.com.au/sustainability.

Safety performance remains strong across Boral's businesses. During the year, Boral's lost time injury frequency rate (LTIFR) per million hours worked was 2.5 which was a further improvement on the LTIFR of 2.8 for the year ended 30 June 2007. We deeply regret that an employee was fatally injured in a heavy vehicle accident in South Australia in December 2007.

[1] Excluding goodwill and tax provision adjustments.

# Outlook - FY2009