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 in significant gains in the asphalt business. There was also some easing of fuel-related costs during the year which, combined with cement, concrete and quarry price gains of 4%, resulted in margin improvements. Manufacturing performance at the Waurn Ponds cement works improved significantly. Quarry End Use (QEU) earnings of $56 million compares with $47 million last year.

EBITDA from US operations was down US$61 million or 38% to US$102 million. In Australian dollars, EBITDA was down 41% (from A$219 million) to A$129 million. The USA result was significantly impacted by a severe housing market related decline in Boral's earnings from both roof tile and brick businesses. The effects of the housing downturn were particularly significant in the June half as sales volumes fell further and because production was disproportionately reduced to eliminate first half inventory build.

Asia contributed a full year EBITDA result of $21 million, down 31% on the prior year but underlying results were steady. Reported results from the 50%-owned plasterboard joint venture (LBGA) were below last year because of a one-off compensation payment for land resumed in Shanghai in FY2006. Underlying results from LBGA were up significantly reflecting growth and more stable market conditions in Korea and China in particular. Boral's construction materials operations in Indonesia were impacted by lower volumes; in Thailand construction materials volumes increased but margins were lower.

During the year, $142 million of Performance Enhancement Program (PEP) savings were delivered across the Group, which equates to around 3.4% of compressible costs.

Depreciation costs increased by $23 million to $231 million and net interest expense increased by $12 million to $111 million, reflecting costs associated with new growth initiatives.

Earnings per share for the year of 50.0 cents compare with 61.7 cents last year. Return on funds employed (ROFE) reduced to 11.9% from 14.2%. Return on equity reduced to 10.0% compared with 13.2% in the prior year.

Operating cash flow (before capital expenditure) of $482 million was 7% higher than the prior year cash flow of $449 million. Capital expenditure for the year was $418 million ($192 million of stay-in-business and $226 million of growth and acquisition capital expenditure).

Gearing (D/E) of 50% is well within our 40%-70% target range. Net debt at 30 June 2007 was $1,482 million compared with $1,637 million at December 2006 (and $1,578 million at 30 June 2006).

A fully franked interim dividend of 17.0 cents per share has been declared, taking the full year dividend to 34.0 cents per share (100% franked) which is in line with the prior year. The final dividend will be paid on 18 September 2007.

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

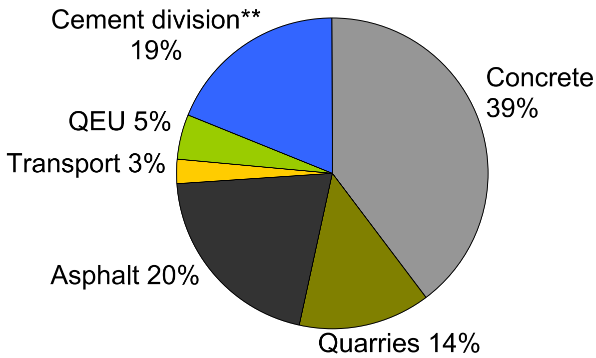
Operating **revenue** for Construction Materials, Australia of $2.5b was 6% higher than the prior year. The improved revenue was underpinned by strong quarry volumes, by cement, concrete and quarry pricing gains and by higher asphalt volumes and margins. Revenues also increased as a result of Boral's 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.

Market conditions in the 'resource driven' states of Queensland and WA remained strong and results improved significantly. In Victoria, Boral benefited from participation in Melbourne's EastLink project. However, markets were weaker in NSW where Boral has significant exposure, particularly in Sydney where ABS concrete volumes were down by 8%.

Construction Materials benefited from growth initiatives and $70m of **PEP** cost reductions.

Share of FY2007 External Revenue



**Cement division includes BCSC (excl. internal sales to Boral businesses), concrete placement & scaffolding

The **Concrete & Quarries** businesses reported revenues of $1,354m, 12% above last year and EBITDA improved. Despite weak conditions in NSW, Boral's concrete and quarry volumes increased nationally by 2% and 7% respectively, with increased demand driven by strong infrastructure activity. Average prices increased by 4% for delivered concrete and quarry products compared to last year. Input cost inflation pressures continued during the year, including the costs of raw materials, as well as equipment and services that are competing with the booming resource sector. Capacity constraints in the growth states of Queensland and WA resulted in additional cost pressures, whilst Penrith Lakes (PLDC) costs in NSW increased as quarrying moved into the final years of extraction. These cost pressures were partially offset by ongoing PEP programs and by new step change cost reduction initiatives in NSW and Queensland. The 1 April 2007 concrete and quarry price increases continue to gain traction in the market.

The **Asphalt** business performed very strongly during the year with volumes up 10% and revenues of $515m up 16% on last year. Margins improved despite bitumen cost escalation and EBITDA improved significantly. During the year the Asphalt business benefited from high levels of infrastructure spend including supply to major projects such as the EastLink project in Melbourne. Boral is continuing to invest in Asphalt capacity to strengthen our position in growth corridors in key markets including new plants at West Burleigh and Ipswich in Queensland, at Geelong in Victoria, in Welshpool, Perth and two mobile plants.

Boral **Transport's** EBITDA was lower than last year following our exit from the Hunter Valley Transport business. The transport business now largely supports internal transport needs.

Boral's **Quarry End Use** (QEU) business contributed $56m of EBIT (up around $9m on last year). QEU earnings came from the George's Fair (Moorebank) and Nelson's Ridge (Greystanes) developments, the sale of land at Northgate and Richmond Lowlands, and the Deer Park Western Landfill operation. The Sydney residential market remains depressed and residential land sales are below expectation at Moorebank and Greystanes; QEU earnings from these projects were underpinned by minimum contractual commitments of our partners in these projects. QEU earnings in FY2007 were again heavily weighted to the second half of the year.

As announced at the half year, we have exited the mining **Contracting** business in WA which made a loss during FY2007 but the asset value of all related equipment was recovered.

External revenue for the **Cement division**, which includes **Blue Circle Southern Cement** (BCSC), Formwork & Scaffolding and De Martin & Gasparini, was $477m, which was down 6% on last year. In BCSC, cement volumes were similar to last year, with stronger volumes in Queensland and Victoria and lower volumes in NSW. Average cement prices were up 4% on last year. Lime volumes were up 21% off a low base with demand from the steel sector improving but still short of expectations. BCSC EBITDA improved significantly as a result of price increases and operational improvement initiatives including a $17m operational improvement from the Waurn Ponds kiln (offset in part by a trunnion bearing failure at Berrima in the December half costing around $5m and an early refractory change at Galong costing around $2m). Berrima kiln #6 is operating at above rated capacity and Waurn Ponds and Galong are now performing well.

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)

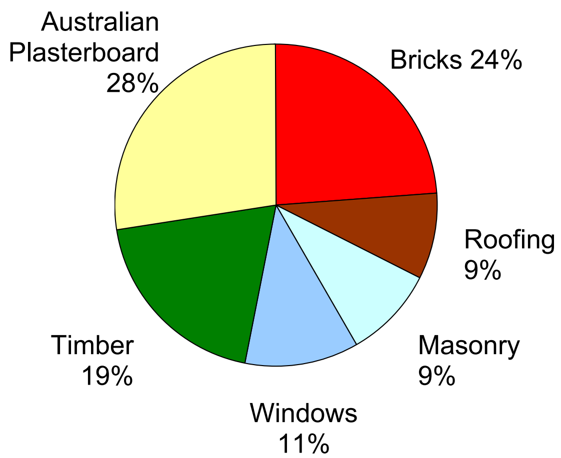
Year ended 30-Jun	2007	2006	% change
Sales revenue	1,275	1,213	5
EBITDA	151	162	(7)
EBIT	99	118	(16)
Capital expenditure*	127	119	7
Funds employed*	1,114	1,001	11
EBITDA return on sales, %	11.8	13.4	
EBIT return on sales, %	7.8	9.7	
EBIT return on funds employed, %	8.9	11.8	
Employees, number	4,107	4,143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

Share of FY2007 External Revenue



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.

Timber's revenue increased 12% to $247m driven primarily by stronger market conditions in Queensland, sales growth from the recently acquired South Coast hardwood business (Davis & Herbert) and increased engineered flooring product sales. FY2007 EBITDA was flat with the prior year but was well up in the June half. Cost pressures from log supply and wages escalation compressed margins. Hardwood volumes were up by 10% due to improving demand from structural and flooring markets and strong demand from infrastructure projects. Average selling prices for hardwood products were steady. Softwood volumes were up 3% and softwood prices recovered in the second half from the price declines experienced in the first half and were on average, up about 1%. Plywood prices strengthened during the year by around 4%. Timber manufacturing performance improved in the second half with increased throughput and recovery at the Herons Creek hardwood mill and in the engineered flooring plant at Murwillumbah. During the year operations at the Gloucester hardwood mill were suspended due to the weak market conditions experienced in NSW.

Plasterboard revenue in Australia was up by 7% on last year to $351m despite continued softness in Australian new dwelling activity. Plasterboard revenue was underpinned by increased sales of other manufactured and re-sale products through multiple channels to market. Average selling prices fell by around 1% year on year. Cost reduction initiatives offset lower prices enabling underlying margins to be maintained. Australian Plasterboard EBITDA was in line with the prior year. GRA, our gypsum supply joint venture with CSR, was restructured during July 2007 and Boral's shipping needs have now been outsourced to CSL.

Windows EBITDA was up on last year due to stronger volumes and strong cost control. Revenue of $145m was 4% ahead of last year despite difficult conditions in the housing market particularly in NSW. Sales in Queensland, Victoria and WA were stronger during the year.

USA

Year ended 30-Jun	2007	2006	% change
US$m			
Sales revenue	699	714	(2)
EBITDA	102	163	(37)
EBIT	75	139	(46)
A$m			
Sales revenue	883	957	(8)
EBITDA	129	219	(41)
EBIT	95	186	(49)
Capital expenditure*	100	100	-
Funds employed*	813	848	(4)
EBITDA return on sales, %	14.6	22.8	
EBIT return on sales, %	10.7	19.4	
EBIT return on funds employed, %	11.6	21.9	
Employees, number	2,503	2,679	
Revenue per employee	0.353	0.357	

* Including acquisitions

Operating revenue from US operations was down 2% on last year to US$699m. However, if MonierLifetile (MLT) revenues (which are equity accounted) are included on a pro-rata basis, Boral's US revenues reduced by 8%. US **EBITDA** for the year was down 37% to US$102m. In Australian dollar terms US EBITDA was 41% down on last year to A$129m. This result was driven by the downturn in US housing activity, with the most significant decline in US earnings coming from the MLT concrete roof tile joint venture and from the US brick business (which was particularly impacted in the second half both by lower sales volumes and by production curtailments which substantially eliminated the brick inventory build which occurred in the first half of the year).

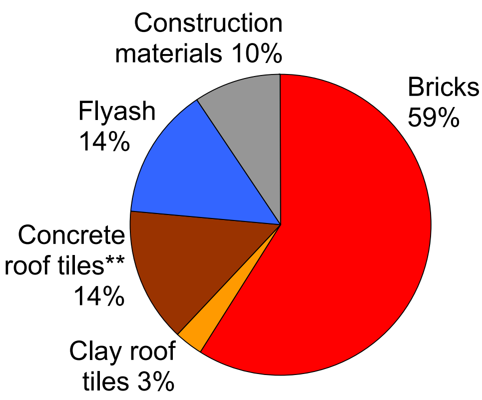
EBITDA to sales margin reduced from 22.8% to 14.6%.

Boral's US operations benefited from US$26m of PEP cost reduction.

Revenue from **US Bricks** was down by 3% to US$478m. First half revenues increased by 7% but revenues fell by 12% in the June half. Average brick selling prices were 6% higher during the year, reflecting flow through of price increases which occurred in FY2006 and an increase in the percentage of Boral manufactured bricks sold through direct distribution which is now up to approximately 80% (from around 70% last year). Prices weakened by around 1% in the June half and June 2007 prices were flat with those achieved in June 2006. Brick sales volumes reduced by 11% in the year (5% down in the December half and 17% down in the June half) and production volumes were 12% lower (4% up in the December half and 26% lower in the June half). EBITDA was significantly down as a result of 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 **Clay Roof Tiles** of US$27m was down 9% on last year. Average selling prices increased by 6% because of the flow through of price increases which occurred in FY2006 but prices weakened by 1% in the June half and June prices were 1% above those achieved in June 2006. Sales volumes were down by 14% (down 9% in the December half and down 18% in the second half). EBITDA was well below last year as volumes and production costs were directly impacted by the slowdown in West Coast markets resulting in lower rates of production to avoid inventory build. The new plant in Trinidad incurred a loss of US$1.7m as a result of start-up issues and deteriorating market conditions in South Florida. The construction of a new tile plant at Ione in Northern California is well underway and is scheduled to begin production in the fourth quarter of CY2007; it will replace line 5 at Corona in Southern California, which requires a kiln rebuild.

Share of FY2007 External Revenue



** 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

Boral's 50%-owned **Concrete Roof Tile** joint venture, MonierLifetile, delivered a loss of US$4m compared to last year's record profit of US$28m. Average prices increased by around 4% because of the flow through of price increases which occurred in FY2006 but prices deteriorated by 10% in the second half of FY2007 and were 11% lower in June 2007 than in June 2006. Sales volumes in FY2007 were down by 35% (down 27% in the December half and down 44% in the June half). MonierLifetile operations are heavily concentrated on the West Coast in California, Nevada and Arizona and in Florida; the decline in single family housing starts in these key markets averaged around 40%. Production costs were higher than last year due to increases in raw material costs (cement and sand) and inefficiencies resulting from decreased production rates necessary to control inventory levels, which reduced throughout the year.

Revenue from **BMTI Flyash** of US$116m was down 1%. EBITDA was steady compared to last year's record result. Higher prices and new product initiatives offset lower volumes resulting from the loss of the Belews Creek power station contract mid-year and because of very weak demand for cementitious products in Florida.

Revenue from the Colorado concrete and quarry **Construction Materials** business was up by 7% to US$78m. EBITDA increased significantly above last year; price increases for aggregates, concrete and block were sufficient to recover increases in the costs of fuel, cement and other raw materials. Concrete volumes were below last year due to slowing residential construction, as well as adverse winter weather conditions, however, aggregate and block volumes were above last year. Key PEP initiatives, including cartage, productivity and raw material efficiency programs (mix design and procurement), also contributed to the improved result.

Asia

(A$ million unless stated)

Year ended 30-Jun	**2007**	**2006**	**% change**
Sales revenue*	183	177	3
EBITDA	21	30	(31)
EBIT	12	23	(46)
Funds employed	376	377	
Return on funds employed, %	3.2	6.0	

* *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.*

Boral's Asian operations delivered a full year EBITDA of $21m, which was down 31% on last year but steady on an underlying basis. A decline in earnings from construction materials in Asia due to volume (Indonesia) and margin pressures (Indonesia & Thailand) was offset by improved market conditions and significantly improved underlying earnings in the LBGA plasterboard joint venture business.

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.

Boral's full year dividend represents an annualised grossed up dividend yield of 6.1% per annum (after franking) on Boral's weighted average share price for the year to June 2007.

Boral's final dividend will be paid on 18 September 2007 and the Dividend Reinvestment Plan (DRP) for shareholders will continue to be offered. Boral will prepare for an on-market share buyback of up to 15 million shares to offset the anticipated dilutive effect of the issue of shares through the DRP during FY2006 and FY2007.

Value-Adding Growth

Boral has continued to invest in growth projects through the year to strengthen the Company's leading market positions. The performance of recently completed growth projects has continued to improve. Some growth initiatives, such as those in construction materials in Australia, have continued to progressively deliver increased value whilst others, such as brick and roof tile investments in the USA, are positioning Boral well for growth with market recovery.

During the period, $226m of growth capital was spent largely on previously announced organic growth projects including the Berrima Cement Mill #7 upgrade (now complete), US brick and roof tile plants / the Queensland Plasterboard plant (under construction), and the acquisition of a further 30% of Girotto Precast.

Our 50/50 plasterboard joint venture with Lafarge, LBGA, has progressed construction of a new plasterboard plant in Chengdu, China and a new plant in Rajasthan, India for a total combined investment of US$28m. Both plants are expected to be in operation in the March 2008 quarter. Together with the new US$13m plasterboard plant in Vietnam, which was completed in FY2007, these investments are securing LBGA's number one market position in the Asian region (excluding Japan), positioning the business well to benefit from high growth markets in the longer-term.

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 with expectations through synergy benefits and improved industry structure. The Oklahoma acquisition is expected to be earnings per share accretive in FY2008 and results will improve as synergies are realised.

Boral's **acquisition** spend has continued to be an important contributor to current earnings and is providing substantial strategic benefits. Overall, acquisitions are delivering returns which exceed Boral's hurdle rate. Nevertheless, our concrete and quarry acquisition in Thailand is performing below expectations due to politically related market demand pressures and industry excess capacity both in cement and in pre-mix concrete. Other large acquisitions of recent years are significantly value creating including Franklin Brick in the USA, Concrite in NSW and the 19.9% share of Adelaide Brighton Limited (ABL). The acquisition of 19.9% shareholding in ABL for $167m has been strongly value creating; as at 30 June 2007, there has been $$229m of capital growth from the ABL investment which has not been included in Boral's earnings.

Organic growth has accounted for around half of Boral's growth spend and portfolio returns are currently averaging around cost of capital for completed projects. These returns are improving as projects mature. Some large investments, such as Waurn Ponds and Berrima cement expansions, Midland Brick's Kiln 11, and the new cement bagging capacity at Maldon are delivering returns in line with expectations. Some other investments, however, such as the lime kiln at Galong in NSW, the new engineered flooring plant at Murwillumbah and the new roof tile plants in the USA including clay and concrete tiles for the Florida market, are currently not delivering expected returns due to low levels of utilisation because of weak markets. These investments, together with the new brick plant at Terre Haute, Indiana, will deliver significantly improved returns as markets recover.

Expenditure on the new plasterboard facility in Queensland continued during the year with commissioning expected to commence in December 2007.

Acquisitions and organic growth projects which have been completed are proving to be value creating and have offset the reduction in Boral's EBITDA which would otherwise have resulted from the significant Australian and USA housing downturns. We are confident that as current projects are completed, and as markets grow, Boral's growth portfolio will be increasingly value-adding and will improve Boral's overall returns. A status of recently completed and continuing growth projects is summarised in the accompanying table (attachment A).

Performance against Objectives

Boral's four financial objectives remain unchanged and performance against objectives is being maintained.

1. Exceed WACC through the cycle

Returns have exceeded Boral's weighted average cost of capital over the seven and a half years since demerger. Return on funds employed for FY2007 was 11.9% (compared with 14.2% for FY2006) and return on equity of 10.0% compares with 13.2% last year.

2. Deliver better financial returns than the competition in comparable markets

Boral's returns continue to compare well to competitors in like markets across most businesses. Boral's *Perform & Grow* strategy, incorporating a strong focus on operational improvements and pricing disciplines, is underpinning Boral's performance.

3. Deliver superior total shareholder returns

Boral's total shareholder return (TSR) from share price appreciation and dividends was 25% per annum over the seven and a half years from Demerger to 30 June 2007, ranking the stock at number 21, which is in the second quartile of ASX100 companies over that period. Boral's share price appreciation since Demerger has been underpinned by average earnings per share compound growth of around 8% per annum and by dividend compound growth of 9.5% per annum over the same period. Boral's TSR has however underperformed the ASX100 over the twelve months to 30 June 2007 with a TSR of 12% compared with the TSR of the ASX100 Index of 22%.

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 and cost management should mitigate some volume related impacts and an extended program of temporary plant closures should contain inventory growth, particularly in bricks and roof tiles, but will adversely impact manufacturing costs in FY2008. Building Products results are expected to soften in FY2008.

We anticipate that increased non-dwelling and infrastructure activity will favourably impact Construction Materials businesses in Australia during FY2008 and that results will improve. The concrete and quarry price increases that were announced effective 1 April 2007 will continue to flow through in FY2008. We forecast QEU earnings for FY2008 of around $50m which will again be weighted heavily to the second half of the year.

Forecasters currently expect USA housing starts to be around 1.4-1.5 million in FY2008, down around 3%-10% on FY2007 levels (1.55 million starts) which will reduce brick and roof tile sales / production volumes and earnings compared to FY2007 levels. Natural gas costs should be lower than in FY2007. The Schwarz / Arbuckle acquisitions should increase USA construction materials EBITDA in FY2008 by around US$12m.

Despite the current depressed USA and Australian housing markets, we have long-term confidence in these key markets. We believe that the underlying demand level for dwellings in the USA is around 1.8 million starts (excluding manufactured housing) and in Australia it is around 170,000 starts per annum.

We expect continued growth and competitive market conditions in Asia for the remainder of FY2008.

Operating cost improvements from performance enhancement programs of around 3% have been targeted.

Growth initiatives will progressively deliver improved benefits particularly as markets recover.

It is too early to comment on FY2008 outcomes because of the volatile conditions which currently exist in some of Boral's key markets. We will provide an update on trading conditions at the AGM on 29 October.

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.
• **Midland Brick's** (WA) new $53m, 50m SBE **Kiln #11**	• Running well with commissioning of full product range to be completed in Sep-07 quarter. Achieving above cost of capital returns.
• $28m upgrade of the **cement bagging plant** at **Maldon** NSW	• Completed on time/budget. Benefits increasing in line with plan since Jun-06. Relocation of operations to Maldon allowed closure of Seven Hills in Jun-06.
• New $12m **"wetcast" paving plant** at **Wacol** (Qld)	• Commissioning complete, securing Boral's low cost position in relatively fast growing segment. Currently delivering above cost of capital returns.
• Acquisition of a further 30% in **Girotto Precast** NSW for $9m	• Increased exposure to the fast growing precast market on the East Coast through lift in Boral's equity from 50% to 80%.
• New 10m m^2 **plasterboard plant** in **Vietnam** involving a total JV investment of US$13m	• Completed on time and on budget. Plasterboard production commenced in the Sep-06 quarter and is achieving business case sales volumes.
• New US$12m (132k squares[1]) **clay roof tile plant** in **Trinidad** in JV with ANSA McAL	• Completion in FY06 but operating at lower volumes due to weak market conditions in South Florida. Production issues experienced during the first year have been resolved.
• $24m **Herons Creek Timber mill** upgrade (NSW)	• Fully commissioned and achieved design throughputs. Weakness in NSW market requires reduced operating hours to limit inventory growth.
• $27m upgrade of **Berrima's cement mill #7** to 800k tpa	• Practical completion in Jan-07 with benefits to be progressively delivered in line with business plan.
• $7m investment in **SE Qld Concrete** & **Quarries capacity**	• Building capacity to meet ongoing infrastructure activity in SE Qld, including Lawnton concrete plant, Narangba, Purga and Stapleton quarries.
• $30m investment in **asphalt plants** at Geelong (Vic) West Burleigh (Qld) & Welshpool (WA) and two mobile plants.	• Construction completed on Geelong and West Burleigh by Jul-07. Welshpool is under construction and due for completion by Dec-07. Mobile plants are currently deployed on EastLink in Victoria and in Queensland.
• Net $106m new 40m m^2 **plasterboard** plant in Qld	• Construction underway with commissioning anticipated during Dec-07 quarter. Market demand remains solid and in line with expectations.
• New US$55m, 120mSBE **brick plant** at **Terre Haute**, Indiana	• Construction underway, completion anticipated in Mar-08 quarter. Low cost plant will operate at high utilisation rates reaching full production in FY09.
• New US$27.5m, 130k square, **clay roof tile plant** at **Ione, CA**	• Construction progressing satisfactorily and completion expected by Dec-07.
• US$69m MonierLifetile JV **concrete roof tile plants**, - **Las Vegas** & **Lake Wales**, **FL**	• Lake Wales plant successfully commissioned and well positioned to supply re-roofing market and future recovery in Florida's new construction market. Construction of Las Vegas plant delayed due to market downturn.
• US$42m upgrade (total) of LBGA's **Dangjin plant**, Seoul, double **capacity** to 75m m^2	• Commissioning expected in early CY2008 with benefits flowing from anticipated Korean residential market recovery.
• US$28m (total) in new **LBGA** plants Rajasthan, **India** (8m m^2) & **Chengdu**, China (10m m^2)	• 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 $10m **automated panels plant** at **GoCrete** in Perth, WA	• Due for completion in Dec-07 and will significantly lift our flooring and walling penetration in multi-unit construction in the buoyant Perth market.
• $85m (total) to upgrade **cement grinding capacity** of **Sunstate Cement** in Qld	• Expansion of clinker storage (and grinding) from 1.0m to 1.5m tpa to meet growing demand in Qld. Completion of clinker storage expected in first half of CY2008.
• US$80m **acquisition** of Schwarz & AMI, **Oklahoma**	• Acquired Schwarz concrete & sand assets and AMI hardrock quarry to secure #2 market position in Oklahoma City.

[1] One square = 100 square feet