

# Boral Limited

*Building something great*



Strategy Presentation  
Mark Selway, CEO – 6 July 2010



# Building something great

## *The strategic building blocks for growth*



### 1 Laying the foundations

Review & respond, creating a strong platform for growth

### 2 Reinforcing the core

Focus & improve assets where Boral can be market leader

### 3 Investing for growth

Expand & invest through acquisition and innovation worldwide

### 4 Sector best performance

Realise sector best performance and market leading returns



# 1. Laying the Foundations

Review & respond, creating a strong platform for growth



# 1. Laying the Foundations

## Portfolio Review



### Conducted detailed review of the market and Boral's position in it:

#### Market Attractiveness vs Ability to Compete

	Boral Construction Materials & Cement	CRB	Clay & Concrete Products	Plasterboard	Timber	US Business	
<b>Market Attractiveness</b>	Relevant Market Size FY09	\$10,300m	\$3,700m	\$1,640m	\$3,300m	\$3,600m	\$2,450m
	Market Best ROS <sup>1%</sup> FY09	12%	10%	7%	11%	8%	(17)%
	Historical Growth <sup>2</sup> (last ~10yrs)	8%	5%	1%	14%	5%	(21)%
	Competitive Intensity	Medium	High	Medium	Medium	High	Medium
<b>Ability to Compete - Boral position</b>	Market Position	1 or 2	1 (except BFS)	1 or 2	1 or 2	Mid range	1 or 2
	Leadership Potential	<ul style="list-style-type: none"> <li>Leader</li> <li>Invest in strategic quarry and cement</li> </ul>	<ul style="list-style-type: none"> <li>Possible</li> <li>Invest in innovation / automation</li> </ul>	<ul style="list-style-type: none"> <li>Possible</li> <li>Invest in low cost manufacturing</li> </ul>	<ul style="list-style-type: none"> <li>High</li> <li>Invest in capacity</li> </ul>	<ul style="list-style-type: none"> <li>Low</li> </ul>	<ul style="list-style-type: none"> <li>Current leader in Bricks &amp; Tile</li> <li>Invest in refit market</li> </ul>
	Boral FY09 ROS <sup>1,3</sup>	12%	(1%)	2%	8%	3%	(20)%
	Boral 10yr historic Average ROS <sup>1</sup>	10%	5%	8%	13%	8%	10%
	Competitive Advantage	<ul style="list-style-type: none"> <li>Quarry positions</li> <li>NSW cement position</li> <li>Vertical integration</li> <li>Geographic cover</li> </ul>	<ul style="list-style-type: none"> <li>Strong NSW position in concrete placing</li> <li>Strong national windows position</li> </ul>	<ul style="list-style-type: none"> <li>Cost positions and customer relationships</li> <li>Installed capacity to satisfy market growth</li> </ul>	<ul style="list-style-type: none"> <li>Low cost, distribution model, customer relationships</li> <li>Leading positions: Asia &amp; Australia</li> </ul>	<ul style="list-style-type: none"> <li>Cost positions, access to scarce resources</li> </ul>	<ul style="list-style-type: none"> <li>Strong bricks share and distribution network</li> <li>Excellent tile position</li> <li>Installed capacity to satisfy market growth</li> <li>Boral Direct low cost distribution channel</li> </ul>

Figures represent management best estimates, based on comparable businesses.

<sup>1</sup> Return on Sales

<sup>2</sup> Compound Annual Growth Rate

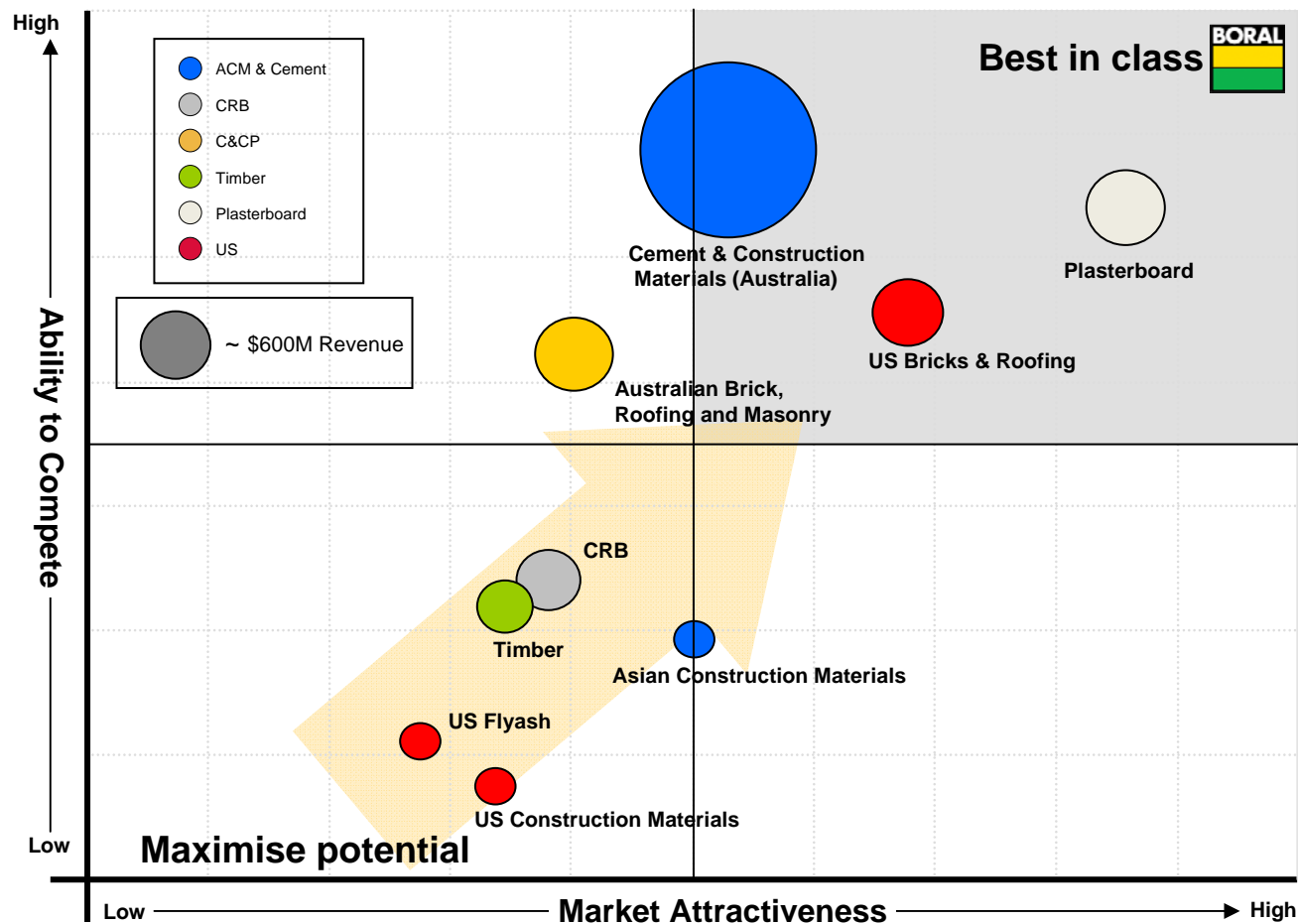
<sup>3</sup> Based on 2009 management accounts

# 1. Laying the Foundations

## Portfolio Review



Conducted detailed review of the market and Boral's position in it:  
Market Attractiveness vs Ability to Compete



### Objective

- To move all businesses into best in class
- To operate with sector best performance

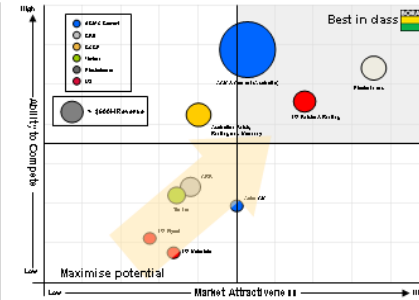
# 1. Laying the Foundations

## Portfolio Review



- Comprehensive portfolio review completed
  - Future investments will focus on markets with higher returns and where Boral has the realistic potential to lead and grow
- Market and product priorities
  - Superior through-the-cycle returns
  - Potential to lead / competitive advantage
  - Premium assets with high barriers to entry
  - Potential value uplift from self-help initiatives (operational, sales & marketing and innovation excellence)

	ACM & Cement	CRB	C&CP	Plasterboard	Timber	US Business
Market Size FY20	\$15,00M	\$1,700M	\$1,600M	\$1,300M	\$1,600M	\$2,800M
Market Share H20% FY20	12%	10%	8%	10%	8%	14%
Historical Growth (last 3 years)	8%	8%	1%	2%	8%	12%
Dividend Yield % (last 3 years)	2%	8%	8%	10%	8%	8%
Competitive Intensity	Medium	High	Medium	Medium	High	Medium
Market Position	1 or 2	1 (second BFE)	1 or 2	1 or 2	Mid range	1 or 2
Leadership Potential	• Lower cost in energy, quality and service	• Possible	• Possible	• High	• Low	• Current leader - Bricks & Tiles
Barrel FY20 ROIC	12%	2%	2%	1%	4%	14%
Barrel HPR ROIC	7% / 8% / 10%	2% / 1% / 1%	2% / 7% / 12%	7% / 10% / 17%	4% / 6% / 16%	10% / 10% / 18%
Competitive Advantage	• Quality products, better customer service, vertical integration, Geographic cover	• Strong ROIC position in Australia	• Cost positions and market leadership	• Low cost, distribution, leading customer service, leading presence Asia & Australia	• Cost position, market to market	• Strong ROIC position and leading customer service, excellent track record, installed capacity for world market growth, Boral Direct low cost distribution channel
	Market leading position		Opportunities for improvement			



### Long-term Core Businesses and Geographies

- Cement
- Construction Materials

Australia

- Plasterboard

Australia and Asia

- Bricks
- Roof Tiles
- Masonry

USA and Australia

### Maximise Potential

- Timber
- US Flyash
- US Construction Materials
- Asia Construction Materials
- Windows
- Scaffolding
- Panels

# 1. Laying the Foundations

## *Simplifying the organisation*

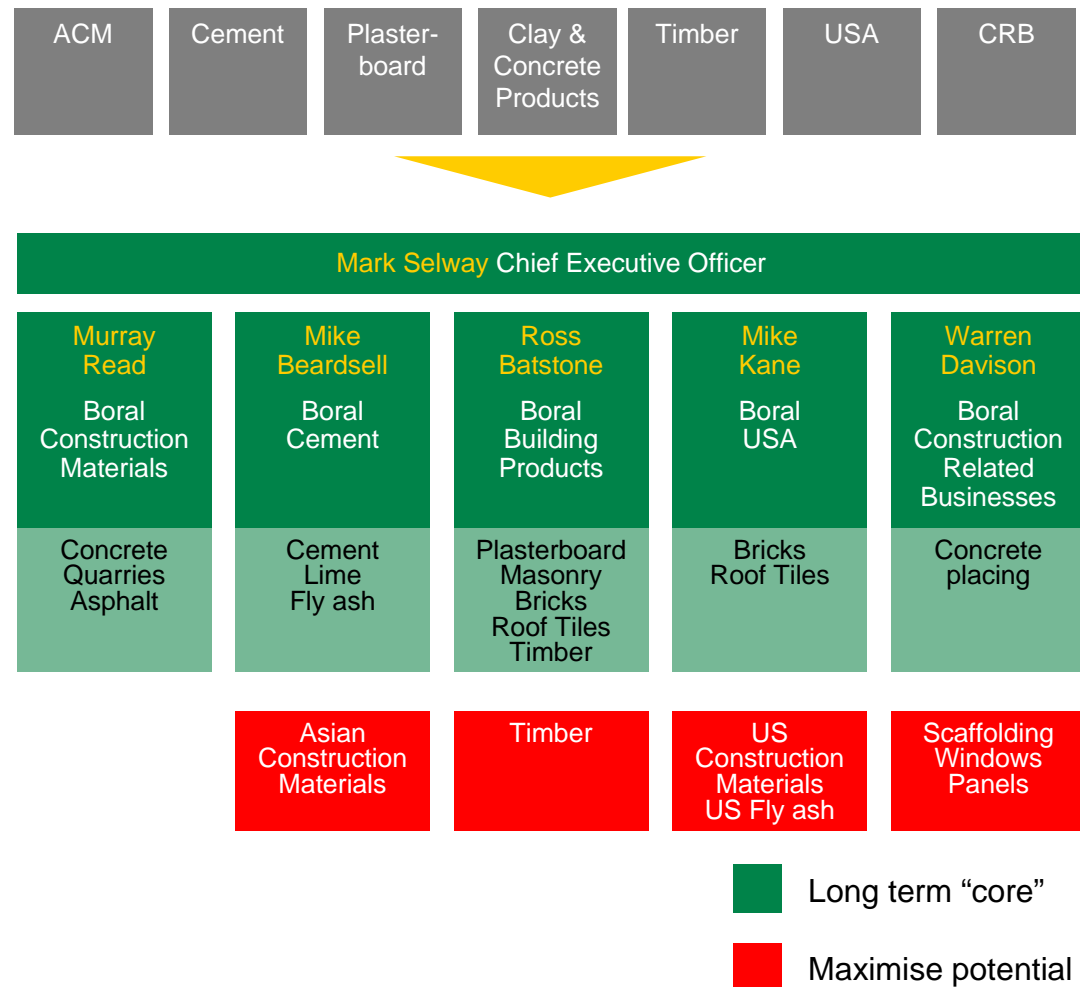


- Consolidation of Boral divisions from 7 to 5

- CEO direct business reports reduced
- Slimmer reporting structure
- Simplified processes
- Reduction in overhead costs
- Maximised synergies across the group

- Adopt a 'one company' approach

- One Boral, one organisation
- Senior team accountability
- Shared responsibilities and aligned objectives
- More effective cross-divisional coordination



# 1. Laying the Foundations

## *Asset impairments*



- Strategic review has identified a number of under-performing assets and assets which may have more natural owners who can derive greater value than Boral
- Results in exceptional non-operational impairments of the carrying value of various group assets and restructuring costs totalling \$289 million (net profit after tax \$224 million), based on unaudited accounts
  - Key impairments include US brick plants, Penrith Lakes quarry, non-core assets, slow moving inventory
- The \$289 million total includes a restructuring charge of circa \$14 million to reorganise Boral to a simpler, leaner business - expected to result in cost savings from 2011.

### Impairment summary \*

	Impact \$m
<b>Business write-downs</b>	
Australia	(79)
Asia	(17)
<b>Asset write-downs</b>	
Australia	(136)
USA	(43)
<b>Corporate restructure</b>	(14)
<b>Total (EBIT)</b>	<b>(289)</b>
<b>Income tax benefit</b>	<b>65</b>
<b>Net profit after tax</b>	<b>(224)</b>

Cash impact - approximately \$34m

\* See Appendix for more detail



## 2. Reinforcing the core

Focus & improve assets where Boral can be market leader



# 2. Reinforcing the core

## *Focus & improve*



2. Reinforcing the core

Operational excellence	Sales and marketing excellence	Innovation excellence
<p>Applying LEAN process to 'one Boral'</p> <p>Group-wide focus on manufacturing excellence</p> <p>Improved working capital through just-in-time principles</p> <p>Minimising waste, improved utilisation and product flow</p> <p>Group-wide commitment to achieving sector best performance</p>	<p>More effective sales and marketing across businesses and geographic regions</p> <p>Improved inter-divisional cooperation and leveraging scale</p> <p>Capitalising on geographic position and distribution networks</p>	<p>Increase funding into R&amp;D</p> <p>Cross sell new innovative products across existing customer range</p> <p>Improve structure and process to introduce new products into the market</p>



1. Laying the foundations

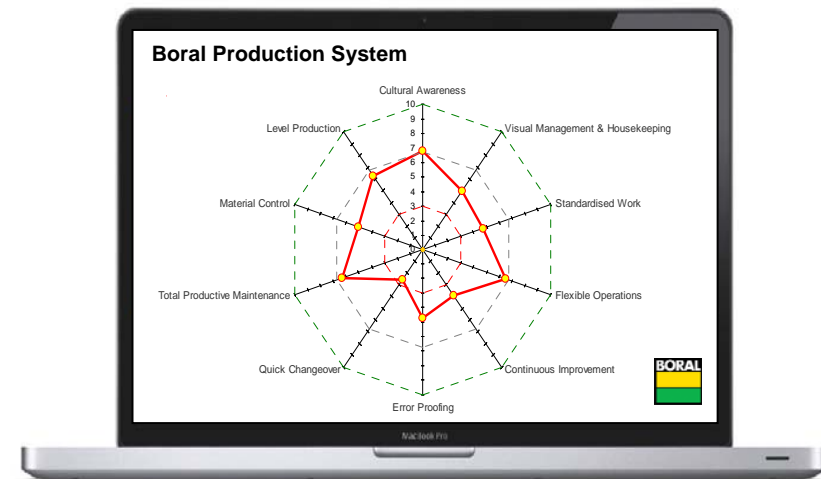
One Boral	A simple structure
<p>Group identity rather than silos</p> <p>Senior executive team 'owning' all of Boral</p> <p>External branding as part of long term process</p>	<p>Designed to maximise market potential</p> <p>Streamlined internal processes maximising synergy potential</p>

## 2. Reinforcing the core *Operational excellence*



- What is the **Boral Production System (LEAN)**?
  - A structured programme focused on eliminating manufacturing waste and improving efficiency
- The opportunities are significant
  - Elimination of waste
  - Improved customer service
  - Improved utilisation
  - Improved efficiencies
- An established step-by-step approach
  - Benchmark existing Group, identifying best practice standards
  - Bring all businesses to Group best practice standard
  - Benchmark Group best against global best practice
  - “Raise the bar” until sector best performance achieved
- Experience and commitment
  - Successfully implemented similar systems in the past
  - Dedicated management team in place to drive the Boral Production System across the Group

### Lean assessment audits



Progressively driving Boral businesses  
to global best practice

## 2. Reinforcing the core *Operational excellence*



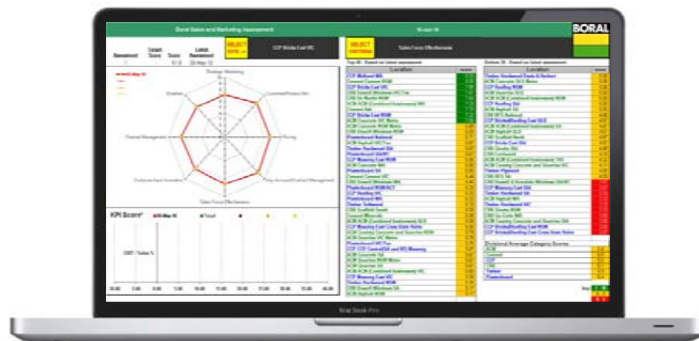
- Operational audits** have identified significant potential to grow customer service and improve productivity across the Group
- Audit of 89 largest Boral operations confirms:**
  - Boral's current performance can be significantly improved
  - Areas of best practice are evident throughout the Group
  - Substantial installed capacity can be opened up without adding new capital
- Boral Production System (LEAN)** is being introduced across the Group
- Focused on best practice and releasing working capital** in support of market growth

Boral Lean Assessment SUMMARY											
Total Score (%)	LEAN Criteria										
	Total Score	Cultural Awareness	Visual Management & Housekeeping	Standardised Work	Flexible Operations	Continuous Improvement	Error Proofing	Quick Changeover	Total Productive Maintenance	Material Control	Level Production
51.3%	77.0	6.8	5.0	4.7	6.4	3.9	4.7	2.5	6.3	5.0	6.3
39.1%	58.6	2.9	4.7	1.6	4.6	2.9	2.2	2.5	2.5	6.3	7.1
37.8%	56.7	4.5	4.3	4.0	4.7	3.0	4.5	4.4	4.1	2.5	2.9
37.1%	55.6	4.3	3.1	2.5	3.9	2.9	6.3	3.1	4.6	5.0	1.7
37.0%	55.6	1.1	3.4	3.4	6.1	1.4	4.1	1.3	3.3	5.0	5.8
36.5%	54.7	4.3	2.5	0.9	5.4	2.5	3.1	1.6	2.9	5.4	6.3
36.4%	54.6	1.8	3.1	3.4	5.0	2.1	1.9	2.2	1.3	6.3	6.7
35.8%	53.7	5.0	2.2	4.7	4.3	3.9	4.1	1.6	2.5	4.2	3.3
34.3%	51.5	1.1	3.4	3.4	4.3	1.8	3.8	1.3	2.9	5.0	5.4
33.8%	50.6	2.1	1.9	0.6	5.7	0.7	2.8	2.2	2.9	5.8	6.3
33.1%	49.7	1.8	2.2	2.5	5.4	0.7	2.5	0.9	2.9	5.8	5.8
33.0%	49.4	5.0	2.2	4.1	4.6	1.8	3.4	1.9	1.3	4.2	4.2
32.6%	48.9	6.1	3.8	3.1	4.6	4.3	3.1	2.8	4.2	0.8	2.1
32.5%	48.8	2.5	4.1	1.3	4.3	2.1	2.2	1.9	2.5	5.0	5.4
32.1%	48.2	3.9	2.8	4.1	3.6	2.5	3.8	2.5	2.9	3.8	2.5
32.1%	48.1	2.5	2.2	0.6	4.6	1.8	0.9	2.5	1.3	6.3	6.7
31.8%	47.7	3.9	3.1	2.8	3.9	3.6	3.8	2.2	4.2	2.5	2.5
31.3%	47.0	1.1	1.9	3.4	4.3	1.4	2.8	1.6	2.5	5.0	5.0
31.2%	46.9	1.1	1.9	2.8	3.6	0.4	1.9	2.2	1.3	5.8	7.1
30.8%	46.3	2.1	1.3	0.9	5.4	2.1	2.5	1.3	2.5	4.2	6.3
30.6%	45.9	3.2	1.9	2.8	4.3	1.8	1.3	2.2	2.1	3.3	6.3
29.5%	44.2	4.3	2.2	1.9	4.6	2.1	3.1	1.6	4.6	2.5	2.9
28.9%	43.3	1.4	3.1	1.9	4.6	-	2.2	1.9	2.5	4.6	5.0
28.9%	43.3	1.8	2.5	0.6	4.3	0.4	2.5	0.6	2.1	5.8	5.8
28.8%	43.2	2.9	4.4	1.6	4.3	1.8	4.4	2.8	2.5	2.9	2.1
28.5%	42.8	1.8	2.8	-	5.4	0.7	1.9	1.6	2.1	5.0	5.4
27.9%	41.8	1.4	1.9	0.9	3.2	0.7	1.6	0.6	4.2	5.4	5.4
27.4%	41.1	3.2	2.8	1.9	3.6	0.7	2.8	3.4	3.8	2.5	2.9
27.2%	40.8	2.5	3.4	3.4	4.3	2.5	2.8	1.6	4.2	0.8	2.5
26.3%	39.4	1.8	2.8	1.9	4.3	2.1	1.9	2.2	2.5	3.3	2.9
24.0%	35.9	1.1	1.6	2.2	3.6	0.7	1.6	1.3	2.9	3.8	3.8
23.8%	35.8	1.1	1.3	5.0	3.2	0.4	1.6	1.9	2.5	2.9	2.9
23.8%	35.6	2.9	3.8	1.9	3.2	3.2	2.5	3.1	2.1	1.3	1.3
23.6%	35.5	3.2	2.5	4.1	3.6	1.4	2.2	2.2	0.8	2.9	1.3
22.5%	33.7	1.4	1.3	2.5	2.9	1.4	1.9	1.9	1.3	3.3	3.3
22.2%	33.2	2.9	3.1	1.6	3.2	3.2	2.2	3.1	2.1	1.3	0.8
22.1%	33.2	2.9	3.1	3.1	2.5	2.1	2.5	2.2	2.9	1.7	0.4
22.0%	33.0	2.1	1.3	2.8	2.5	1.1	2.2	1.6	1.3	2.1	4.2
21.7%	32.5	1.4	1.9	2.5	2.9	1.8	2.8	1.9	5.4	0.4	1.3
21.6%	32.3	1.1	1.3	1.9	2.9	1.1	1.9	1.5	0.8	2.9	4.6
19.7%	29.6	1.8	2.8	2.2	1.8	1.8	2.8	1.6	3.8	0.8	1.3
18.8%	28.2	2.9	3.4	1.9	1.8	2.5	1.9	2.8	2.1	0.4	0.8
18.3%	27.4	3.2	2.5	2.5	2.9	2.1	1.6	2.2	2.1	0.4	0.4
18.2%	27.3	1.8	0.9	0.9	1.8	1.1	1.6	0.6	3.8	2.9	2.1
18.0%	27.0	1.8	2.2	1.3	2.5	2.9	2.5	1.3	3.3	-	1.3
17.4%	26.1	0.4	0.3	0.3	2.9	0.7	1.6	2.5	2.9	2.1	2.5
16.9%	25.3	1.8	2.5	1.3	2.5	1.4	1.6	1.9	2.1	1.3	1.3
15.7%	23.5	2.5	1.3	0.9	2.5	1.4	2.5	1.3	1.3	1.7	0.8
15.2%	22.9	2.1	0.9	2.2	2.1	0.4	1.6	1.3	1.3	1.3	2.1
13.6%	20.4	2.1	2.5	1.6	1.4	1.4	1.9	1.6	2.1	0.4	-
12.0%	18.0	1.1	1.9	0.9	2.1	1.4	0.3	0.9	2.1	0.8	0.8

## 2. Reinforcing the core Sales & marketing excellence



- **Sales & marketing audits** have identified significant potential to improve sales effectiveness
- Improve training and customer support
- Maximise potential for logistics and distribution efficiencies
- Leverage potential for cross selling integrated solutions
- Benchmark studies indicate potential for margin improvements year on year

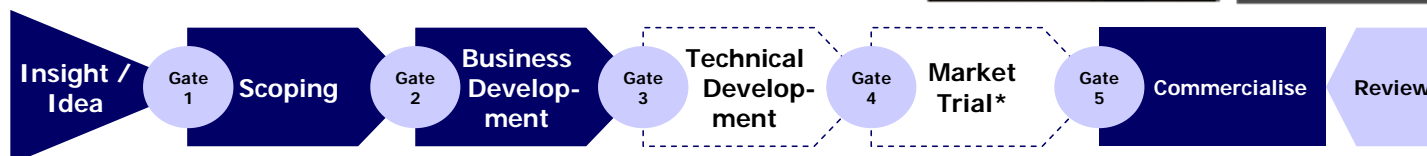
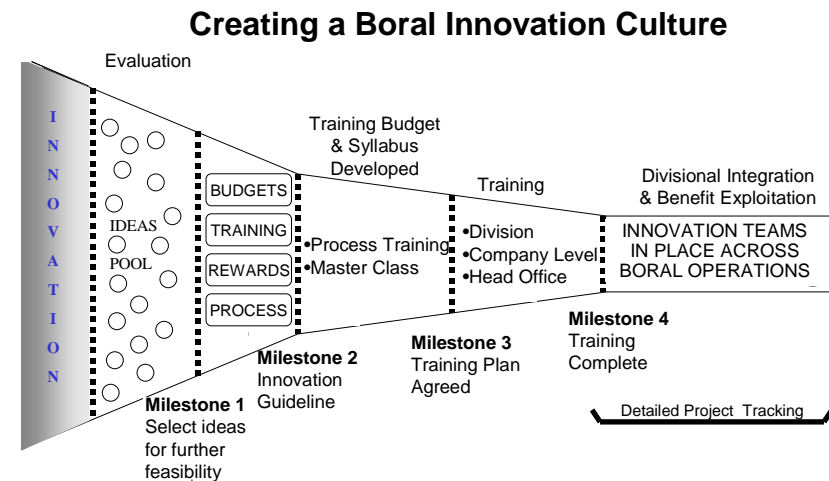


Boral Sales and Marketing Assessment SUMMARY										
Total Score (%)	KPIs		Criteria							
	EBIT / Sales		Total Score (out of 100)	Strategic Marketing	Customer/Product Mix	Pricing	Key Account/Contract Management	Sales Force Effectiveness	Customer-lack Innovation	Channel Management
77.4%	-	61.9	7.1	8.0	8.1	8.6	7.9	7.6	7.8	7.1
74.5%	-	59.5	8.0	7.5	7.4	7.6	8.2	6.9	6.9	7.2
72.5%	-	58.0	6.7	7.7	7.6	7.3	6.7	7.3	8.0	6.6
71.5%	-	57.2	6.8	7.3	7.2	6.6	6.6	8.7	7.6	6.4
71.3%	-	57.0	6.1	7.8	8.0	8.2	6.5	4.3	9.0	7.0
70.2%	-	56.2	6.3	8.5	7.0	7.1	7.7	6.0	6.8	6.8
66.6%	-	53.3	6.9	7.0	6.4	7.0	6.0	7.3	6.4	6.3
66.4%	-	53.2	6.5	6.8	6.1	7.3	6.7	6.3	7.2	6.3
66.3%	-	53.0	6.4	7.5	7.6	6.6	6.3	6.3	7.2	6.6
65.5%	-	52.4	6.6	7.2	7.0	7.7	7.2	5.0	5.6	6.1
65.5%	-	52.4	6.4	7.0	6.4	8.0	6.0	6.0	6.0	6.6
65.1%	-	52.1	6.0	8.0	7.2	6.2	7.3	6.0	5.3	6.0
63.3%	-	50.6	6.5	6.1	7.3	6.9	6.3	5.7	6.3	5.6
62.4%	-	49.9	5.9	6.5	6.4	6.5	6.0	4.3	5.6	6.6
62.3%	-	49.8	5.0	7.2	7.4	7.6	6.7	4.7	6.4	4.9
61.8%	-	49.5	6.0	6.0	7.2	6.0	5.7	6.0	7.6	5.0
61.2%	-	48.9	5.6	8.0	6.8	7.4	7.3	2.0	5.6	6.3
60.3%	-	48.2	6.0	7.3	6.4	7.3	4.7	6.7	4.8	5.8
60.2%	-	48.2	6.7	5.7	6.4	5.5	4.0	8.0	7.2	4.8
59.9%	-	48.0	5.4	7.0	7.7	7.4	5.8	4.0	5.1	5.5
59.6%	-	47.7	5.9	6.1	6.5	6.6	5.8	4.7	6.9	5.3
58.8%	-	47.1	5.6	5.3	6.8	6.7	5.5	4.7	6.8	5.8
58.1%	-	46.5	5.2	7.3	6.6	5.7	6.3	4.0	6.8	4.5
57.9%	-	46.3	6.0	6.3	6.4	6.8	6.3	4.0	5.2	5.3
57.9%	-	46.3	5.9	6.6	7.0	7.1	5.3	4.3	5.1	5.6
57.5%	-	46.0	5.9	6.6	7.6	6.2	6.9	3.6	2.8	6.4
57.3%	-	45.8	4.4	6.0	6.4	7.6	4.7	6.0	5.2	5.5
57.2%	-	45.8	5.9	5.9	5.5	6.7	5.4	5.1	5.8	5.5
57.2%	-	45.8	5.7	6.6	6.4	6.3	6.4	4.1	4.5	5.8
56.6%	-	45.2	5.8	5.9	6.8	6.7	5.8	3.3	5.6	5.3
55.9%	-	44.7	4.7	4.7	6.6	7.0	5.2	4.3	6.0	5.3
55.8%	-	44.7	6.3	6.7	6.4	6.4	7.0	6.0	-	5.9
55.8%	-	44.6	4.7	6.0	5.8	5.9	6.8	3.7	6.0	5.8
55.7%	-	44.6	5.4	5.8	6.6	6.5	6.5	3.3	4.0	6.4
55.7%	-	44.6	5.7	7.0	-	6.9	6.7	6.0	6.0	6.3
55.6%	-	44.5	5.3	6.0	7.2	4.7	5.0	6.0	4.8	5.5
54.8%	-	43.9	4.4	6.2	6.6	6.6	5.0	3.3	5.2	6.6
54.2%	-	43.4	5.4	7.5	7.0	7.3	6.4	4.0	-	5.8
52.7%	-	42.2	5.3	6.5	7.0	7.5	7.6	3.0	-	5.3
52.7%	-	42.2	5.1	5.7	5.6	7.8	6.0	4.0	4.0	4.0
52.5%	-	42.0	5.1	6.7	4.8	6.2	5.0	3.3	5.6	5.3
52.4%	-	41.9	6.0	6.7	5.2	4.7	3.7	5.3	6.4	4.0
52.0%	-	41.6	4.9	5.0	6.2	6.2	5.7	4.0	4.4	5.3
51.8%	-	41.5	6.2	6.7	7.2	5.8	5.7	4.7	-	5.3
51.5%	-	41.2	6.0	5.7	4.0	7.0	8.0	-	6.0	4.5
50.5%	-	40.4	5.1	6.0	5.6	5.3	5.0	4.0	5.2	4.3
50.1%	-	40.1	3.9	6.3	5.0	6.4	5.5	3.3	4.4	5.3
49.5%	-	39.6	5.1	7.6	6.8	6.8	3.3	4.7	6.3	5.3
48.3%	-	39.4	5.4	5.2	5.6	6.2	5.0	4.0	4.0	4.0
48.0%	-	39.2	6.0	5.7	5.6	5.2	4.7	2.7	4.4	5.0
48.0%	-	39.1	5.0	5.7	5.7	6.0	4.1	4.0	3.5	5.1
48.0%	-	38.8	4.4	5.3	5.8	6.4	5.2	3.0	4.2	4.5
48.6%	-	38.8	7.4	5.3	7.5	7.4	4.8	4.0	4.8	5.3
48.5%	-	38.8	5.1	5.7	5.6	7.0	5.0	2.0	4.4	4.0
48.3%	-	38.6	3.8	5.3	5.6	6.4	5.0	4.0	4.0	4.5
48.1%	-	38.5	4.7	5.7	7.2	7.6	4.7	4.7	-	4.0
45.9%	-	36.7	4.0	5.3	5.2	6.2	4.7	3.3	4.0	4.0
45.6%	-	36.5	4.0	5.3	6.0	5.5	4.3	3.3	4.0	4.0
45.5%	-	36.4	5.6	6.0	5.2	5.3	2.7	4.0	3.2	4.8
42.9%	-	34.3	4.4	4.7	5.6	5.0	4.2	3.3	2.6	4.5
42.5%	-	34.0	4.0	4.7	4.4	5.4	3.0	4.0	4.0	4.5
41.3%	-	33.0	3.3	7.0	6.0	5.8	4.4	2.0	-	4.5
40.9%	-	32.7	3.6	5.7	4.4	6.4	3.0	2.7	2.8	4.3
39.9%	-	31.9	3.7	3.3	4.3	5.0	3.3	4.0	4.5	3.8
35.2%	-	28.1	3.3	4.3	3.2	4.8	3.7	2.0	2.8	4.0
35.1%	-	28.1	4.4	4.3	4.8	3.5	3.3	-	3.2	4.5
34.6%	-	27.7	4.0	4.3	5.2	4.9	4.0	2.0	-	3.3
32.9%	-	26.3	3.8	3.5	4.0	5.6	3.3	2.7	-	3.5
28.5%	-	22.8	2.9	3.0	3.2	4.8	3.0	2.7	-	3.3

## 2. Reinforcing the core *Innovation excellence*



- Plan to increase funding for research / more dynamism in delivering great new products to the market
- Well positioned: Boral already interacts with retailers, home builders, contractors, commercial builders
- Capitalise on the use of fly ash (by-product of coal fired power) in Australia and USA to produce green products
- Accelerated launch of composite products in the US market



# 3. Investing for growth

Expand & invest through acquisition and innovation worldwide

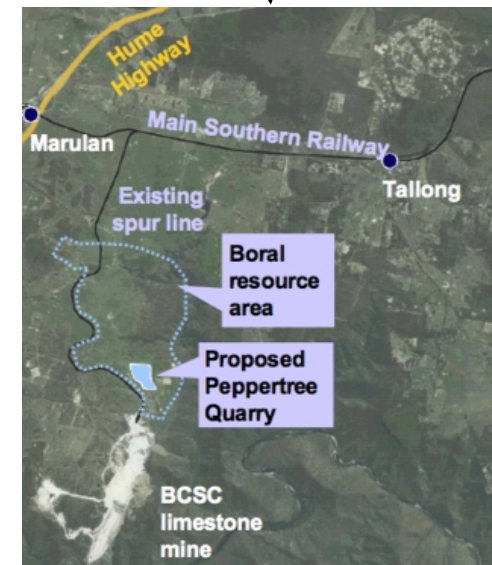
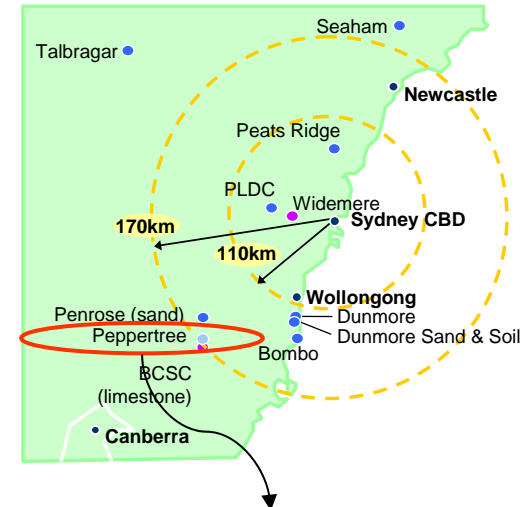


# 3. Investing for growth

## *Investing in Construction Materials (Australia)*



- Strategic review confirmed market attractiveness and potential for Boral Construction Materials businesses
  - Strong through-the-cycle returns
  - Market leading positions
  - Competitive, lower cost operations
  
- Potential investment of circa \$200 million over 3 years in Peppertree hardrock quarry near Marulan being considered\*
  - Investment expected to secure Boral's leading position in the NSW aggregates market
  - Will include low cost rail link into 3 hubs sharing installed infrastructure of the cement business
  - Will replace Emu Plains quarry at the end of its economic life
  
- Potential to return in excess of cost of capital



\*Investment subject to necessary approvals

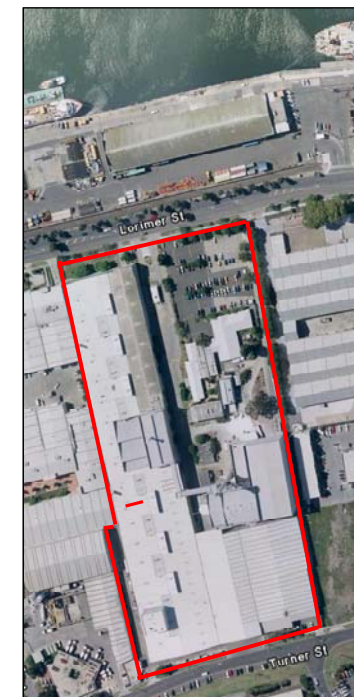


# 3. Investing for growth

## *Investing in Plasterboard*



- Strategic review highlighted strengths of Boral's plasterboard businesses
  - Strong through-the-cycle returns
  - Excellent market position
  - Competitive lower cost operations
- Circa \$80 million investment in the upgrade of Boral's Melbourne plasterboard plant\*
  - Once commissioned, the plant will have installed capacity to service expected growth in the southern states of Australia
  - Expected to bring cost efficiencies
  - Investment underpinned by strong distribution network
- Expected returns in excess of cost of capital



\*Investment subject to necessary approvals

# 3. Investing for growth

## *Committed to and investing in the USA*



- The strategic review confirmed the excellent competitive and future potential which Boral has in US tile and brick markets
  - Excellent medium cycle returns
  - Leadership market position
  - Competitive low cost operations
  - Efficient sales and distribution
  
- US\$75 million acquisition of remaining 50% share of US concrete roof tile business, MonierLifetile
  - Attractive acquisition price achieved due to weakened market conditions
  - Expect to generate annual cost synergies of circa US\$3 million through consolidation with Boral's clay roof tile business as well as revenue synergies
  - Strong return on capital expected assuming a medium term recovery in US housing starts
  - MonierLifetile currently loss-making but expected to return to profitability as markets recover



### MonierLifetile Summary (100%)

	FY2006 <sup>1</sup>	FY2009 <sup>1</sup>	FY2010e <sup>1</sup>
Housing starts	2,100k	640k	600k
Revenue	US\$336m	US\$83m	US\$75m
EBITDA	US\$59m	(US\$20m)	(US\$15m)
ROCE	33%	-20%	-18%

<sup>1</sup> Unaudited



### 3. Investing for growth

#### *Capital raising to fund growth & strengthen balance sheet*



- Boral is undertaking an equity raising of approximately \$490 million through a fully underwritten 1 for 5 accelerated renounceable pro rata entitlement offer
- Fixed Offer Price of \$4.10 per share
- Net proceeds to be used for:
  - MonierLifetile acquisition
  - Near term capital expenditure program including Melbourne plasterboard project
  - Provide financial flexibility for future growth, including potential investment in Peppertree hard rock quarry
  - Strengthen the balance sheet

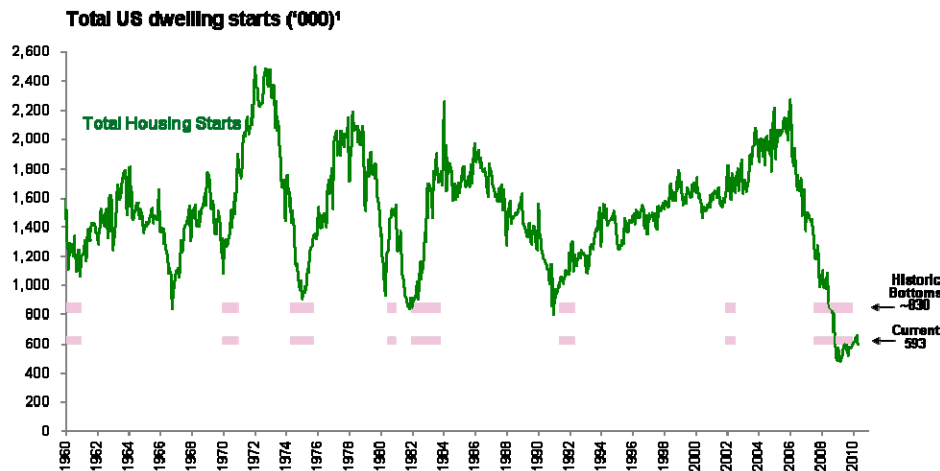
# Financial Implications

## *On track to deliver earnings guidance*



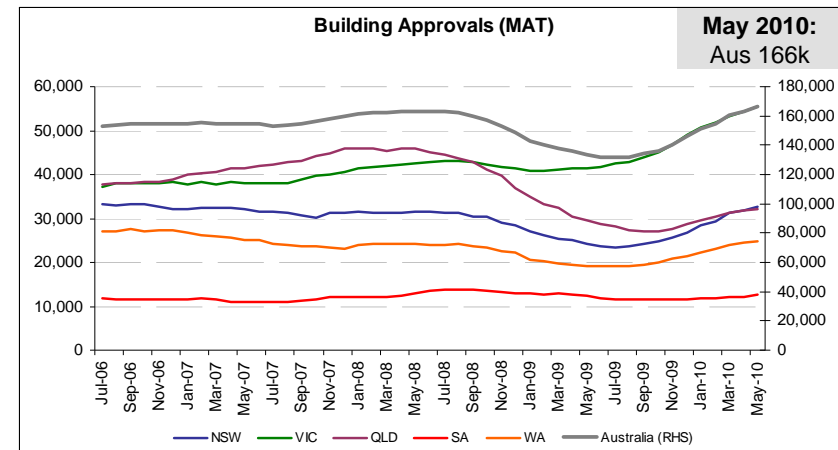
- At Boral's interim results in February 2010, we indicated our expectation that full year net profit after tax would be broadly in line with consensus of \$123.5m
- Unaudited management accounts confirm that, excluding the impairment charges announced today, full year net profit after tax is expected to be in the range of \$123.5m and \$132m

### US Housing Starts



- Seasonally adjusted annualized monthly starts from US Census
- Gray bars indicate recession

### Australian Building Approvals



# Building something great

## Summary



### 1. Laying the foundations

- Future strategy to focus on Cement and Construction Materials in Australia; Plasterboard in Australia and Asia; and bricks, roof tiles and masonry both in Australia and the United States.
- Obsolete and inefficient facilities in the USA to close.
- Organisational restructure and capacity rationalisation.
- Asset impairment of \$289 million (net profit after tax \$224m).

### 2. Reinforcing the core

- Structured programme of operational excellence, sales & marketing excellence and a more dynamic approach to innovative new products.

### 3. Investing for growth

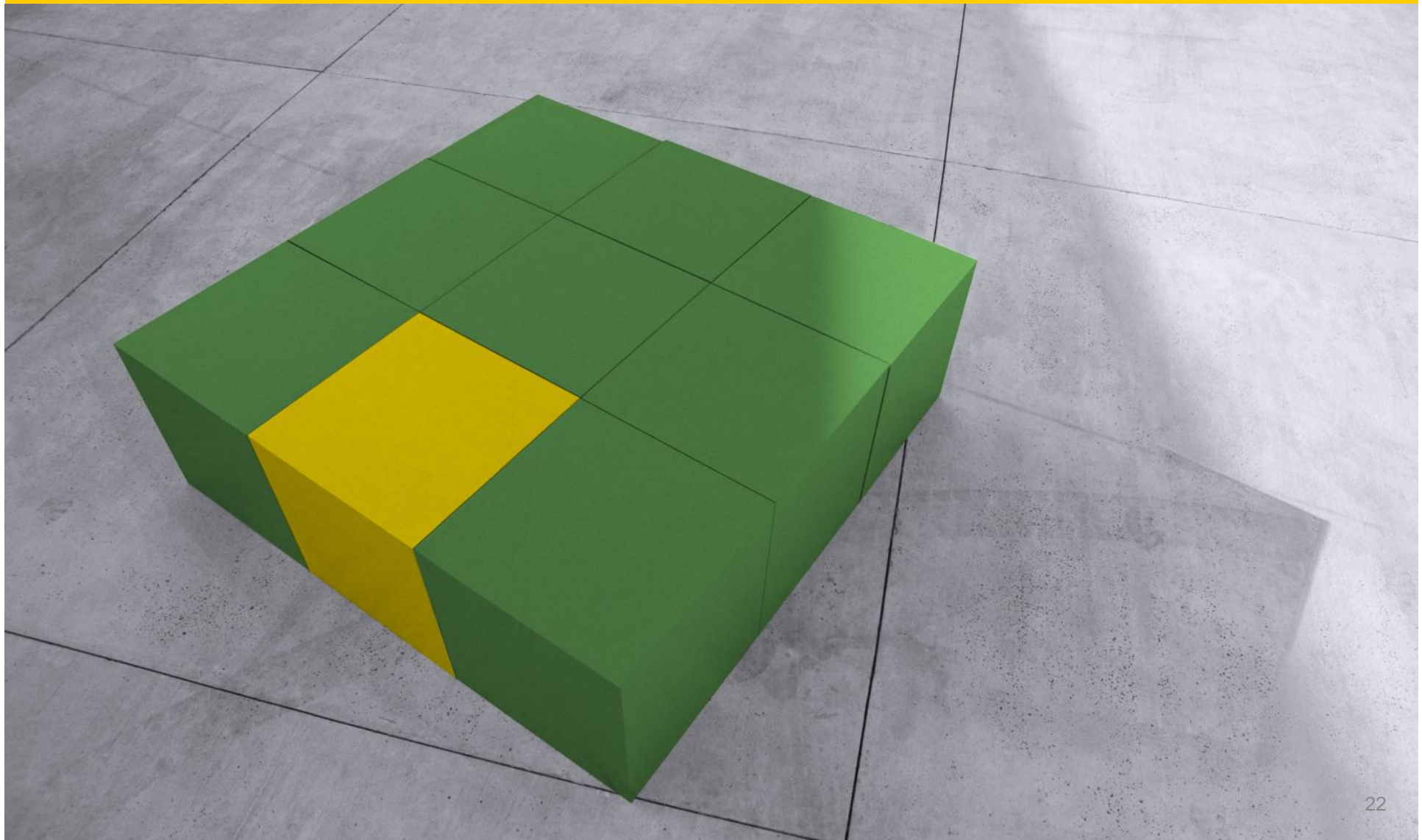
- Major investments in Construction Materials and Plasterboard.
- MonierLifetile acquisition - attractive acquisition price and synergy potential from US clay and concrete tile consolidation.
- Capital raising of approximately \$490m to finance investments and growth.

### 4. Outlook - The journey to sector best performance

- Boral expects full year net profit after tax, excluding the impairment charges announced today, to be in the range of \$123.5m and \$132m.



Questions?



# Appendix:

## *Asset impairment in more detail*



	Impact \$m
<b>Business Write-down</b>	
• Construction Related Businesses	(79)
• Thailand Construction Materials Businesses	(17)
<b>Asset Write-down:</b>	
Australia:	
• Share of associates' Impairment of Assets <sup>1</sup>	(42)
• Mothballed and obsolete assets, closure costs, demolition costs and provision for associated obsolete stores and obsolete and slow moving inventories	(94)
USA:	
• Mothballed brick & tile plants closure costs and associated obsolete and slow moving inventory	(43)
<b>Organisational Restructure</b>	
• Corporate and Divisional restructuring & simplification	(14)
<b>Total (EBIT)</b>	<b>(289)</b>
Income tax benefit	<b>65</b>
<b>Net profit after tax</b>	<b>(224)</b>

<sup>1</sup> Penrith Lakes Development Corporation Limited

Includes cash component of \$34m

# Important Notices



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