Results announcement for the
half year ended 31 December 2008

Management Discussion & Analysis

11 February 2009

Overview

Boral Limited reported $2.6 billion of **sales revenue** for the six months to 31 December 2008, which was in line with last year, with price increases and a weaker Australian dollar broadly offsetting volume reductions and lower Quarry End Use (QEU) sales. Australian revenues of $2.15 billion were steady. USA revenues of US$242 million were 27% down and were 18% down when translated to Australian dollars at a 12% weaker average AUD/USD exchange rate. Asian revenues increased by 26%.

Boral's net **profit after tax (PAT)** of $75 million was 44% below the $132 million PAT in the first half last year. Earnings per share for the half year of 12.8 cents compare with 22.0 cents last year.

Depreciation charges increased by $10 million and Boral's **interest** expense was $12 million higher.

Boral's **EBITDA** (earnings before interest tax depreciation & amortisation) of $285 million was $75 million or 21% lower than the prior year first half result due to housing related losses in the USA and a decline in Australian Building Products' earnings. Boral's overall EBITDA to sales margin was 11.0% compared with 13.7% in the prior corresponding period. Boral's **EBIT** of $155 million was down 35%.

In **Australia**, dwelling starts were down an estimated 11% for the half year compared with the prior corresponding period, to an annualised rate of around 141,000 starts. Australian concrete volumes (Australian Bureau of Statistics) decreased by 2% because of weaker demand from the dwellings and non-dwellings markets which was largely offset by an increase in infrastructure activity.

Boral's EBITDA for the half year from **Construction Materials in Australia** was $226 million, down around $10 million. Excluding QEU earnings, Construction Materials EBITDA of $219 million was steady on the prior year benefiting from effective price management and operational improvement initiatives. A first half QEU result of $7 million compares with $16 million in the first half last year (which included a large sale of land forming part of the Southern Employment Lands project).

EBITDA from **Australian Building Products** of $63 million was down $27 million or 30%. Whilst prices increased, lower volumes, higher input costs and higher than expected transition costs associated with the new Pinkenba (Queensland) plasterboard plant reduced profits.

In the **USA**, housing activity continued to decline rapidly, with annualised total housing starts of 766,000 reported in the first half of the year; this was 37% lower than in the six months to 31 December 2007 and down around 65% from the market peak in 2006. Boral reported an EBITDA loss of US$10 million (or A$13 million) from the USA for the first half of the year, which compares with a first half EBITDA profit of US$25 million (or A$29 million) last year. Despite benefits from extensive cost reduction initiatives and price gains across Boral's US businesses, the continued deterioration in the housing market and related production curtailments, especially in Bricks and Roof Tiles, contributed to the significant earnings loss in the USA. In addition to the housing downturn, an overall slowdown in non-dwellings and major project construction has reduced profits from Boral's US Construction Materials operations.

Boral's businesses in **Asia** reported A$12 million of EBITDA up from A$9 million last year. Asia Construction Materials performed better than expected, benefiting from price and volume increases in Indonesia and operational improvements in Thailand. Results from Boral's 50%-owned plasterboard joint venture, LBGA, were weaker. Improved pricing only partially offset the impact of lower volumes in the December quarter as the effect of the global financial crisis spread and higher interest and tax expenses were incurred.

Boral's prices have been increased in virtually all markets. Operational and overhead cost reduction programs are on track and new initiatives have commenced. Performance Enhancement Programs (PEP) have reduced compressible costs by around $75 million over the past six months. Employment levels (including both full time employees and contract labour hire) have been reduced by around 8%

(~1,800 people) over the past year. Headcount in the USA has been reduced by 45% since the FY2006 market peak.

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

At 31 December 2008, around 80% of debt was denominated in US dollars which matches Boral's US dollar assets. Boral's net debt of $2,184 million at 31 December 2008 compares to $1,515 million at 30 June 2008 (and $1,609 million at 31 December 2007). The increase in gearing largely resulted from the adverse impact of a 28% reduction of the AUD/USD exchange rate at half year end compared to 30 June 2008. **Gearing** (D/E) increased from 52% at 30 June 2008 to 79% at 31 December 2008.

A fully franked **interim dividend** of 7.5 cents per share has been declared, which is 56% below the prior year. The interim dividend will be paid on 3 April 2009.

Whilst forecasting is particularly difficult at the current time, Boral expects that its **PAT in FY2009** will be around $120 million assuming 600,000-650,000 US housing starts, around 135,000 Australian housing starts and an AUD/USD exchange rate of $0.65 in the June half.

Results at a glance (A$ million unless stated)

Half year ended 31 December	2008	2007	% Change
Revenue	2,594	2,626	(1)
EBITDA	285	360	(21)
EBIT	155	240	(35)
Net interest	69	57	21
Profit before tax	86	183	(53)
Tax	11	51	(77)
Profit after tax	**75**	**132**	**(44)**
Cash flow from operating activities	141	223	(37)
Gross assets	6,217	6,027	3
Funds employed	4,955	4,635	7
Liabilities	3,447	3,001	15
Net debt	2,184	1,609	36
Growth & acquisition capital expenditure	52	219	(76)
Stay-in-business capital expenditure	76	61	25
Depreciation	129	120	8
Employees	15,398	16,265	(5)
Sales per employee, $ million	0.168	0.161	4
Net tangible asset backing, $ per share	4.06	4.37	(7)
EBITDA margin on sales, %	11.0	13.7	(20)
EBIT margin on sales, %	6.0	9.1	(34)
EBIT return on funds employed[1] (MAT), %	7.3	10.9	(33)
Return on equity[1] (MAT), %	6.8	9.4	(28)
Gearing (net debt:equity), %	79	53	49
Interest cover, times	2.3	4.2	(45)
Earnings per share, ¢	12.8	22.0	(42)
Dividend per share, ¢	7.5	17.0	(56)
Safety: (per million hours worked)			
Lost time injury frequency rate	2.0	2.3	(13)
Recordable injury frequency rate	26.0	24.7	5

[1] Excludes significant items in FY2008

Market conditions

Australian dwelling starts declined to an estimated annualised level of 141,000 starts for the half year and are expected to decline further to around 135,000 for FY2009. This compares to 159,000 starts in FY2008. Dwelling approvals (a lead indicator) were at an annualised level of 121,000 in the December quarter; this is 35% below BIS Shrapnel's estimate of underlying demand of around 185,000 starts. During the half year, housing approvals were down in all Australian states, but especially in Queensland, NSW and Western Australia reflecting affordability, market sentiment and consumer confidence issues. Estimated December half non-dwellings approvals were around 12% weaker than last year with non-dwelling approvals significantly lower in Western Australia and Victoria; an increase in project deferrals was evident in the December half due to resource and funding constraints.

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

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

In the USA, housing activity declined significantly. Total annualised housing starts (single + multi dwellings) were down 37% to 766,000 starts (and down around 65% from the market peak in 2006). Total housing starts in "Boral's US States" were 42% lower than the prior year. In "Boral's Brick States" total housing starts were down 39% and in "Boral's Roof Tile States" they were down 44%. Estimated non-dwelling value of work commenced in "Boral States" was down 9%.

Boral's key market exposures in Asia are in South Korea, Thailand, Indonesia and China. Markets in key plasterboard markets of Korea, Thailand and China were stronger in the September quarter but then weakened significantly in the December quarter as the effect of the global financial crisis spread, significantly impacting volumes. Political uncertainty in Thailand continued in the half year which further eroded market activity. In Indonesia there was some improvement in construction activity levels.

Responding to the market downturn

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

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

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

The focus on reducing costs has been a key priority in the US business since the downturn commenced in the December half 2006. Approximately 80% of Boral's US$30m step change program in Bricks and

90% of the US$30m cost reduction programs in MonierLifetile have now been successfully implemented. Additional cost reduction initiatives have been identified with annualised benefits in excess of US$25m in US Construction Materials businesses (including Flyash), with US$2.4m expected in FY2009 (all in the second half). In FY2009, these initiatives and other Performance Enhancement Program (PEP) initiatives are expected to deliver around US$40m of incremental benefits for Boral compared with FY2008.

In Boral's Australian businesses, a range of step change improvement programs are also underway. Management and administration functions in the east coast Bricks and Roofing businesses were merged in September 2008 with the bulk of the project to be completed by the end of FY2009; annual savings of around $4.3m will be delivered when fully implemented. At Midland Brick, a step-change program will commence in the second half of FY2009 with phased benefits of $10m-$15m from FY2010; and in Australian Construction Materials, the implementation of Six Sigma has assisted with the identification of $45m of cost reduction initiatives which will deliver benefits over three years from FY2009.

Step change initiatives across the business include a focus on optimising workforce numbers. Boral's full time equivalent (FTE) employee numbers reduced by around 5% year-on-year to 15,398. The main head count reductions have been in the USA, where FTEs are down 31% year-on-year and 45% from the peak in FY2006 (excluding the impact of the Oklahoma construction materials acquisitions in FY2007). In Australia, FTE levels were steady over the past year; there has however been a substantial focus on reducing overtime levels and casual labour. Contract labour hire FTEs in Australia have reduced by 33% in the six months to 31 December 2008 (from 1,250 to 830) and contractor labour is down 67% in the USA. Overall, Boral's FTE employee headcount and contract labour hire reductions were around 1,800 people or about 8% in the 12 months ended December 2008.

Despite substantial volume pressures in key markets, price management strategies have resulted in price growth in most businesses. Import parity prices in Australia have increased and prices have increased more generally to recover input cost increases and to protect and enhance margins. Further price increases across most products will occur in the second half of the financial year.

Growth capital expenditure has been wound back significantly. Previously announced capacity upgrades have largely been completed. Whilst many new growth investments have been delayed until markets and cash flows recover, some very attractive opportunities remain under active consideration. Growth and acquisition capital expenditure in the first half was down 76% to $52m compared with the prior corresponding half year. Stay-in-business (SIB) capital of $76m was around 60% of depreciation levels. Total capital expenditure is currently estimated to be around $250m for the full year which is 50% below FY2008.

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

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

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

Boral continues to maintain substantial committed, undrawn bank facilities and has no material refinancing requirements until August 2011.

Boral's financial metrics remain well within its debt covenants and the Company does not anticipate that it will breach any of its covenants. Based on Boral's access to bank facilities and its financial position relative to its debt covenants Boral has no requirement to raise additional equity nor is it contemplating doing so.

Segment Results

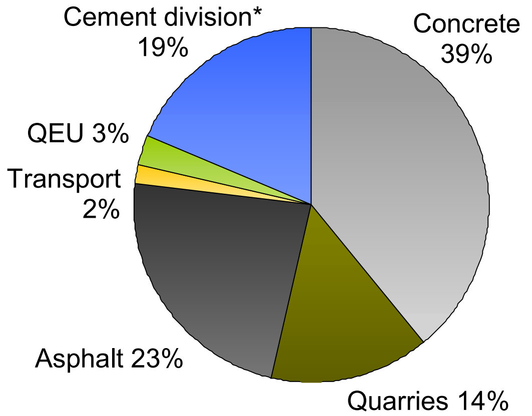
Construction Materials, Australia

(A$ million unless stated)

Half year ended 31-Dec	2008	2007	% change
Sales revenue	1,463	1,454	1
EBITDA	226	236	(4)
EBIT	155	167	(7)
Capital expenditure*	73	58	26
Funds employed*	2,328	2,339	-
EBITDA return on sales, %	15.5	16.2	
EBIT return on sales, %	10.6	11.5	
EBIT return on funds employed (MAT), %	14.6	14.9	
Employees, number	5,824	5,845	-
Revenue per employee	0.251	0.249	1

* Including acquisitions

Share of HY2009 External Revenue



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

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

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

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

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

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

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

External revenue for the **Cement Division**, which includes Blue Circle Southern Cement, Formwork & Scaffolding and De Martin & Gasparini, was $274m which was up 1% on last year. This was largely due to a 7% lift in average cement prices and a 9% lift in lime prices which was partially offset by reduced cement and lime volumes and a less favourable sales mix in De Martin & Gasparini. Cement volumes were down 3% on last year. Increased cement volumes to major road projects such as the Southern Hume Highway and the replacement of some imported product was offset by reduced wholesale and interstate sales. NSW cement sales volumes were down 4%. Victorian cement volumes were down 11% largely due to the completion of the EastLink project in FY2008. Lime volumes were down 4%, primarily driven by reduced demand from the steel and mining industries. In mid January 2009 the quicklime facility at Galong in NSW was temporarily shut due to reduced demand from the steel sector. Blue Circle's EBITDA improved principally due to improved prices which more than offset cost pressures and lower volumes. A $10/tonne cement price increase in NSW and Victoria and a $15/tonne price increase in Queensland has been announced effective 1 April 2009.

Formwork & Scaffolding experienced stronger volumes with utilisation improving from 68% to 76%, however the business was impacted by pricing pressure particularly in NSW. Benefits from cost savings initiatives including the national branch rationalisation project completed in FY2008 were realised in the half year and EBITDA improved.

De Martin & Gasparini reported lower revenues and margins. A change in sales mix to a lower proportion of total packages won resulted in lower revenues but around 1% more concrete volumes placed over the prior year. EBITDA decreased.

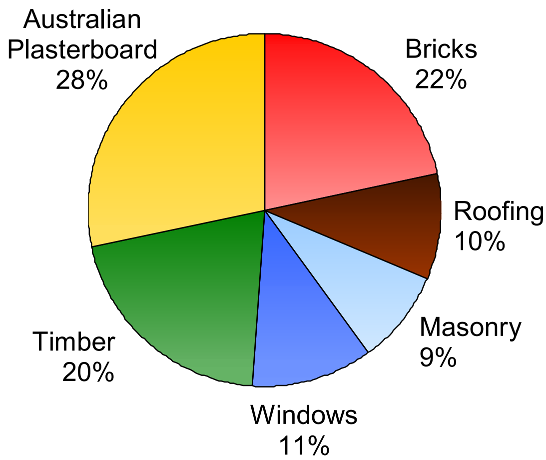
Building Products, Australia

(A$ million unless stated)

Half year ended 31-Dec	2008	2007	% change
Sales revenue	688	687	-
EBITDA	63	90	(30)
EBIT	34	63	(46)
Capital expenditure*	37	70	(46)
Funds employed*	1,214	1,153	5
EBITDA return on sales, %	9.2	13.1	
EBIT return on sales, %	4.9	9.2	
EBIT return on funds employed (MAT), %	7.0	9.5	
Employees, number	3,950	4,069	(3)
Revenue per employee	0.174	0.169	3

* Including acquisitions

Share of HY2009 External Revenue



Boral's Australian Building Products group reported **operating revenue** of $688m, which was in line with the prior year. Increased prices offset weaker volumes in most markets.

Building Products reported a 30% decline in **EBITDA** to $63m largely due to declining housing market volumes in Queensland, Western Australia and NSW and increased costs. Higher manufacturing costs associated with lower production volumes were experienced as well as increased raw material and energy costs.

Return on funds employed (on an MAT basis) reduced from 9.5% to 7.0% primarily because of the investment in the Pinkenba Queensland plasterboard plant and lower divisional earnings.

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

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

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

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

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

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

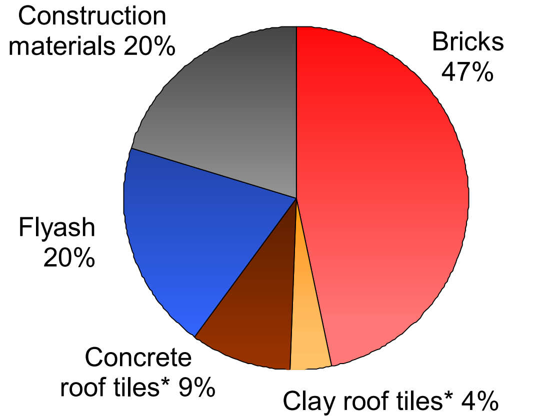
Plasterboard revenue of $195m was up around 6% on last year. The Australian plasterboard market held up well during the first half but the pipeline of work will be significantly weaker in the second half as commercial and multi-residential project work softens and detached housing activity falls. Volumes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

USA

Half year ended 31-Dec	2008	2007	% change
US$m			
Sales revenue	242	333	(27)
EBITDA	(10)	25	(141)
EBIT	(28)	9	(430)
A$m			
Sales revenue	313	381	(18)
EBITDA	(13)	29	(147)
EBIT	(37)	10	(474)
Capital expenditure*	13	145	(91)
Funds employed*	1,083	887	
EBITDA return on sales, %	(4.2)	7.5	
EBIT return on sales, %	(11.7)	2.6	
EBIT return on funds employed (MAT), %	(6.8)	3.5	
Employees, number*	1,754	2,535	(31)
Revenue per employee	0.179	0.150	19

* Including acquisitions

Share of HY2009 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.

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

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

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

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

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

Revenue from **Clay Roof Tiles** of US$10m was down 24% on last year. An 8% increase in average selling prices (resulting from price increases as well as a favourable product mix) was more than offset by a 28% decline in volumes during the period. Further production volume reductions are expected in the second half due to an increase in inventory in the first half and lower demand levels. EBITDA was significantly below last year. The commissioning of the Ione plant was successfully completed during the half year. However, due to the continued deterioration of market conditions the Ione plant was mothballed in December 2008 and will remain closed until markets improve. The plant in Trinidad has been mothballed since December 2008 for maintenance and inventory management, and will re-open at the end of February 2009.

Revenue from the **BMTI Flyash** business of US$53m was down 8%. EBITDA was below last year. Higher flyash prices did not offset the adverse impact of lower volumes resulting from weaker residential and construction demand across all markets.

Revenue from US **Concrete & Quarry businesses** in Denver and Oklahoma of US$54m was 17% below the prior year predominately due to volume declines. Concrete volumes were around 24% lower than last year due to weak residential markets and lower commercial and infrastructure demand. Price increases for aggregates of around 9% and concrete of around 5% only partially offset the decline in volumes and the impact of higher fuel costs, which should reduce in the second half.

Asia

(A$ million unless stated)

Half year ended 31-Dec	2008	2007	% change
Sales revenue*	123	97	26
EBITDA*	12	9	29
EBIT*	7	5	48
Funds employed	345	381	
Return* on funds employed (MAT), %	2.6	2.3	

* *Boral's share of revenues from the Asian Plasterboard joint venture do not appear in Boral's consolidated accounts. Boral's profits from this business are equity accounted and are after financing and tax.*

Boral's Asian operations delivered a half year EBITDA of $12m, which was up $3m on last year. A significant favourable turnaround in earnings from Construction Materials in Asia offset lower Asian plasterboard earnings.

Boral's equity accounted income of $5m from the Asian plasterboard investment in LBGA was 52% below last year. Average contribution margin held year-on-year in the December quarter with price rises offsetting higher energy related costs. Income was also impacted by higher interest and tax. Whilst the September quarter volumes were around 10% above the prior year the December quarter was 10% to 15% down and around 25% down on the trend through the nine months to September 2008 because of the impact of the global financial crisis.

Earnings from **Construction Materials** in Indonesia improved significantly year-on-year and market share leadership was maintained. Thailand performance was turned around during the period (despite lower volumes) by higher prices, operational improvements and lower diesel costs.

Growth

Growth and acquisition capital expenditure for the six months to 31 December 2008 of $52m compares with $219m in the prior corresponding period.

The status of previously announced growth projects is summarised below:

Growth project	Current status
$85m (total) to upgrade cement bagging capacity of Sunstate Cement in Qld	Expansion of clinker storage (and grinding) from 1.0m to 1.5m tonnes p.a. remains on track with the clinker storage upgrade completed in the September 2008 quarter and increased grinding capacity on track for completion by June 2009 quarter.
$44m investment in new masonry plant in WA	The previously announced investment to lift Boral's WA masonry capacity from 90,000 tonnes to 170,000 tonnes p.a is continuing but has been slowed. Market growth and cost reduction benefits and cashflows from the sale of the Jandakot and Cannington Masonry sites will result in strong investment returns. Construction is expected to be completed around March 2010 quarter.
Strengthening of concrete network including rebuild of Artarmon (NSW) batching plant and higher capacity plant in Gladstone (Qld)	The rebuilding of the Artarmon concrete plant has not yet commenced; designs are being reviewed in order to reduce project costs. Replacement of the existing Gladstone plant with a higher capacity plant has been delayed until at least FY2010 as a result of the slowdown in local market demand.
US$48m (total) in new LBGA plasterboard plant (& land) at Baoshan, Shanghai China	LBGA is re-assessing the phasing of this investment in view of current market conditions.

Performance against objectives

Boral's earnings (EBITDA) from its USA businesses have reduced by $235m over the past two calendar years because of the collapse of the USA housing market with FY2009 volumes forecast to be only one-third of underlying demand. This has adversely affected Boral's overall earnings and share price performance. (Nevertheless, Boral has achieved an average EBITDA return on funds employed in the USA of 18% in the nine years since demerger.)

Since demerger, Boral's EBIT return on funds employed has averaged 13.5%, which is above Boral's weighted average cost of capital.

Boral's Performance Objectives

1. Exceed Boral's weighted average cost of capital (WACC) through the cycle
2. Deliver better financial returns than the competition in comparable markets
3. Deliver superior total shareholder returns
4. Deliver superior returns in a sustainable way

Boral's financial returns continue to compare well with competitors in like markets across most businesses.

Boral's total shareholder return (TSR) from share price appreciation and dividends was 13.0% pa over the nine years since demerger to 31 December 2008 (Boral's TSR performance ranks at the 49th percentile of ASX 100 companies over the period).

Based on the closing share price of $3.08 on 10 February 2009, the interim dividend of 7.5 cents per share represents an annualised grossed up dividend yield of 7.0% per annum (after franking); this share price is 44% below Boral's average closing share price in the nine years since demerger and 24% below Boral's net tangible assets on 31 December 2008.

Safety has continued to improve with employee lost time injury frequency rate (LTIFR) of 2.0 versus 2.3 in the first half of FY2008 and percent hours lost of 0.08% compared with 0.09% in the same period last year. Regrettably an employee in Indonesia was fatally injured in an accident involving two concrete trucks late in the half year.

Outlook - FY2009

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

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

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

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

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

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

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

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