Results announcement for the
half year ended 31 December 2007

Management Discussion & Analysis

13 February 2008

Overview

Boral Limited announced a 5% lift in **sales revenue** to $2.6 billion for the half year ended 31 December 2007 compared with the half year ended 31 December 2006. Australian revenues increased by 12% due to price improvement, volume gains and growth initiatives which more than offset a 19% fall in US revenues.

Boral's **profit after tax (PAT)** of $132 million was 10% lower than the PAT of $147 million for the corresponding half year ended 31 December 2006. Interest costs and depreciation charges increased by $2 million and $4 million respectively.

Boral's **EBITDA** (earnings before interest tax depreciation & amortisation) was 6% down to $360 million due to a significant decline in US housing activity. EBITDA from Australian operations of $326 million was 15% higher than the prior year and margins improved. Construction Materials' EBITDA lifted 15% to $236 million as a result of stronger volumes and increased pricing in most markets. Building Products' EBITDA of $90 million was 14% above last year due to a lift in earnings from East Coast activities which offset a decline in Western Australia. US EBITDA of A$29 million was 68% down on the prior year.

Boral's Construction Materials businesses in **Australia** enjoyed high levels of concrete demand (ABS concrete volumes up 5% on the prior corresponding period), underpinned by strong non-residential and infrastructure construction activity in all states except New South Wales. Similarly, housing markets were buoyant in most states except New South Wales where activity remains at cyclically low levels, and Western Australia, where the housing market has weakened from peak levels of demand experienced a year ago. Boral is well positioned in both construction materials and building products in New South Wales to benefit from a future lift in demand.

The significant contraction in the housing market in the **USA** continued to deepen in the six months to 31 December 2007, extensively impacting Boral's US Brick and Roof Tile operations. In the first half of the year, total housing starts (single + multi dwellings) fell by 24% to 1.24 million (annualised). We anticipate that housing starts will fall further and will be around 1.1 million for FY2008 compared with 1.55 million in FY2007 and 2.1 million in FY2006. With some 70% of Boral's US revenues exposed to the housing sector, Boral has been focused on managing the business through the housing downturn by rationalising production to manage inventory levels, reducing costs, maintaining prices, and enhancing revenues through direct distribution and product development. During the half year, capacity utilisation in Boral's US Brick business averaged 69% and in the MonierLifetile concrete roof tile business it averaged 30%. Boral's US Construction Materials operations, which derive around 60% of revenues from infrastructure and non-residential construction markets, have remained relatively robust.

Boral's **Asian** businesses reported A$9 million of EBITDA (A$12 million last year) representing around 2% of Boral's total half year earnings. First half results from Boral's plasterboard joint venture, LBGA, were better than expected but Construction Materials results were weaker.

Cashflow from operations was $223 million in the December 2007 half year, an increase of $116 million on the December 2006 half year.

Boral expects that its **profit after tax in FY2008** will be approximately 15% lower than the $298 million reported in FY2007 which is in line with advice at the Annual General Meeting last October.

Results at a Glance

(A$ million unless stated)

Half year ended 31 December	2007	2006	% Change
Revenue	2,626	2,492	5
EBITDA	360	383	(6)
EBIT	240	267	(10)
Net interest	57	55	4
Profit before tax	183	212	(14)
Tax	51	65	(22)
Profit after tax	**132**	**147**	**(10)**
Cash flow from operating activities	223	107	109
Gross assets	6,027	5,633	7
Funds employed	4,635	4,482	3
Liabilities	3,001	2,788	8
Net debt	1,609	1,637	(2)
Growth & acquisition capital expenditure	219	100	119
Stay-in-business capital expenditure	61	62	(2)
Depreciation	120	116	3
Employees	16,265	16,026	2
Sales per employee, $ million	0.161	0.155	4
Net asset backing, $ per share	5.02	4.78	5
Net tangible asset backing, $ per share	4.37	4.19	4
EBITDA margin on sales, %	13.7	15.4	(11)
EBIT margin on sales, %	9.1	10.7	(15)
EBIT return on funds employed (MAT), %	10.9	13.1	(17)
Return on equity (MAT), %	9.4	11.9	(21)
Gearing (net debt:equity), %	53	58	
Interest cover, times	4.2	4.9	
Earnings per share, ¢	22.0	24.8	(11)
Dividend per share, ¢	17.0	17.0	-
Safety: (per million hours worked)			
Lost time injury frequency rate	2.3	3.1	
Recordable injury frequency rate	24.7	29.1	

Financial Performance

PAT of $132m for the half year was down 10% on last year's first half PAT of $147m.

The 5% revenue lift to $2.6b reflects strong volumes in most Australian building and construction markets except in New South Wales together with solid price gains and benefits from growth initiatives, all of which more than offset a 19% decline in US revenues.

Boral's reported EBITDA of $360m was $23m (or 6%) lower than last year and whilst margins improved in Australia, Boral's overall EBITDA to sales margin was 13.7% compared with 15.4% in the prior corresponding period.

EBIT of $240m was 10% down on last year, reflecting the significant decline in US housing activity as well as lower earnings from construction materials operations in Asia. Offshore EBIT fell by A$66m (or 82%) to A$14m, whilst Australian EBIT increased by $40m (or 21%) to $230m. Quarry End Use (QEU) earnings of $16m compared with $5m in the first half last year. EBIT to sales margin reduced to 9.1% compared with 10.7% in the prior year.

During the half year, $53m of Performance Enhancement Program (PEP) savings were delivered across the Group, which equates to around 2.3% of compressible costs.

Depreciation costs increased by $4m to $120m and net interest expense increased by $2m from $55m to $57m, reflecting costs associated with growth investments and modestly higher interest rates.

Earnings per share for the half year of 22.0 cents compare with 24.8 cents last year. Return on equity (on a moving annual total basis) reduced to 9.4% compared with 11.9% in the prior year.

Operating cash flow (before capital expenditure) of $223m was up significantly on the prior year cash flow of $107m. Capital expenditure for the half year was around $280m made up of $61m of stay-in-business and $219m of growth and acquisition capital expenditure.

Gearing (D/E) of 53% increased compared to the level of gearing at 30 June 2007 (50%) but is well within our 40-70% target range. Net debt at 31 December 2007 was $1,609m compared with $1,482m at June 2007 and $1,637m at 31 December 2006.

A fully franked interim dividend of 17.0 cents per share has been declared, which is in line with the prior year. The interim dividend will be paid on 19 March 2008.

Market Conditions

Approximately 90% of Boral's first half FY2008 earnings (EBITDA) were sourced from Australian markets (compared with 74% in the prior corresponding period), 8% came from USA building and construction activity (23% last year) and a further 2% of earnings were generated from Boral's Asian markets (3% last year). This geographical shift in Boral's earnings reflects the significant deterioration in US housing activity and a solid lift in Australian non-dwellings and major projects.

During the half year, Australian dwelling approvals were 4% higher than in the comparable period last year. Australian detached housing approvals increased by 1% and multi-dwelling approvals were up 8% over the same period.

The pipeline of work approved in the non-dwellings market segment remains strong with the value of work approved up 13% during the period, compared to the same time last year.

On a state-by-state basis, trends in building approvals continued to differ. Affordability and market sentiment issues continue to weigh on demand in New South Wales and there is weakening in the Western Australian detached housing market. During the period, Queensland and South Australia rose strongly and Victoria strengthened. With approximately 40% of Boral's Australian revenues being derived from New South Wales, the continued slowdown in New South Wales adversely impacted Boral's result. During the half year, New South Wales dwelling approvals were down 4%, remaining at their lowest levels in 30 years. Value of work approved for non-dwellings in New South Wales was up 6% over the same period. Dwelling approvals in Victoria were up 11% and non-dwellings VWA was up 11%. In Queensland, approvals were up 11% for dwellings and non-dwellings VWA remained steady; Western Australia dwelling approvals were down 15% and non-dwellings VWA was up 59%; and, in South Australia dwellings were up 19% and non-dwelling VWA was 32% stronger.

Australian Bureau of Statistics (ABS) value of work done (VWD) in major road construction and infrastructure is not yet available for the December 2007 quarter but based on the September 2007 quarter actuals and BIS Shrapnel forecasts for the December 2007 quarter, VWD appears to have increased by around 12% on the prior comparable period.

ABS data on Australian concrete volumes is a useful proxy for total VWD; concrete volumes increased by approximately 5% during the six months to 31 December 2007, over the prior comparable period.

In the USA, housing activity declined significantly. Total housing starts (single + multi dwellings) in "Boral's US Brick States" were 26% lower in the half year than the prior comparable period and starts were 38% lower in "Boral's Tile States".

In Asia, Boral's key market exposures are in South Korea, Thailand, Indonesia and China. Improved conditions in the South Korean domestic economy favourably impacted on Boral's plasterboard result. The uncertain market environment dampened overall construction activity in Thailand which impacted construction materials in particular. In Indonesia, construction activity showed some recovery with large projects lifting. In China, strong market conditions have been experienced in the areas in which we operate, including increased activity in East China.

Segment Results

Construction Materials, Australia

(A$ million unless stated)

Half year ended 31-Dec	2007	2006	% change
Sales revenue	1,454	1,271	14
EBITDA	236	205	15
EBIT	167	137	22
Capital expenditure*	58	62	(6)
Funds employed*	2,339	2,289	2
EBITDA return on sales, %	16.2	16.1	
EBIT return on sales, %	11.5	10.8	
EBIT return on funds employed (MAT), %	14.9	12.5	
Employees, number	5,845	5,799	1
Revenue per employee	0.249	0.219	14

* Including acquisitions

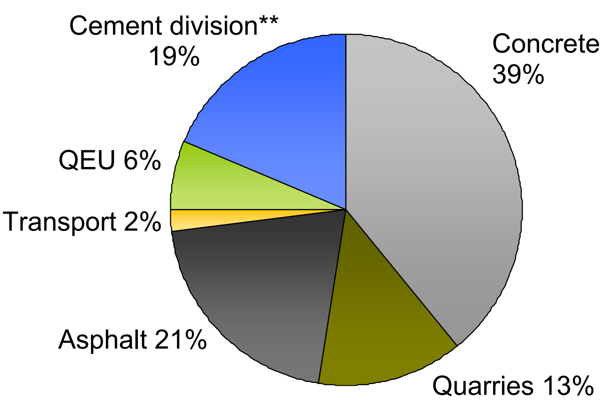
Half year **revenue** for Construction Materials, Australia increased 14% on the previous first half result to $1.5b. The improved revenue was underpinned by stronger volumes in concrete, quarries, cement and asphalt in most markets (except NSW) together with good pricing outcomes and increased QEU sales revenue during the period. Whilst Boral's concrete volumes were 3% higher on the prior year, this was below the national market increase of 5% because of Boral's disproportionate exposure to NSW where ABS volumes were down 4%.

EBITDA was up $31m or 15% on the prior year to $236m, due to volume and price gains together with an increased contribution from QEU. In addition, the prior year comparative period included a $5m one-off cost associated with a three-week kiln failure at the Berrima cement works. EBITDA to sales margin of 16.2% was marginally above the 16.1% margin in the prior year.

Return on funds employed of 14.9% (MAT) increased from 12.5% in the prior year, reflecting a pleasing lift in earnings and a reasonably steady level of funds employed.

Construction Materials benefited from growth initiatives and $27m of **PEP** cost reductions.

Share of HY2008 External Revenue



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

The **Concrete and Quarries** businesses reported revenues of $764m, which were 12% above the previous year and EBITDA improved. Boral's concrete and quarry volumes increased nationally by 3% and 5% respectively, with increased demand driven by stronger infrastructure activity particularly in Queensland and Victoria, tempered by soft trading conditions in NSW. Prices were up 7% for delivered concrete and 8% for quarry products compared to last year. These price increases, together with cost reduction initiatives, largely recovered input cost pressures including the costs of raw materials, equipment and services that are competing with the booming resource sector. National concrete price increases averaging around 6% and national quarry price increases averaging around 10% have been announced to take effect from 1 April 2008.

The **Asphalt** business performed strongly with volumes up 12% and revenues of $297m up 14% on last year and EBITDA improved. This result was driven by high levels of infrastructure spending particularly with the EastLink project in Melbourne and highway upgrades in Brisbane.

Boral's **Transport** business is now largely focused on supporting internal business and only undertakes external business where it complements internal requirements. Transport revenues decreased significantly but EBITDA improved.

Boral's **Quarry End Use** (QEU) business contributed $16m of EBIT (up $11m on last year) predominantly sourced from the sale of land forming part of the Southern Employment Lands at Greystanes and the Deer Park landfill operation. Whilst the Sydney residential market remains depressed with overall land sales below expectation at Moorebank and Greystanes, QEU earnings are underpinned by minimum contractual commitments, which will benefit the second half result. We continue to anticipate QEU earnings for the full year of around $50m.

External revenue for the **Cement division**, which includes **Blue Circle Southern Cement** (BCSC), Formwork & Scaffolding and De Martin & Gasparini, was $271m which was up 8% on last year. This result was largely due to stronger volumes, increased cement pricing and a sales mix change in De Martin & Gasparini. Cement volumes were up 5% on last year, including stronger volumes in Queensland in particular. BCSC core volumes were down in NSW, although total NSW volumes were up due to interstate and wholesale sales. Average cement prices were up 3% compared with the prior corresponding period. Lime prices were up 10% and volumes improved by 29% on last year, primarily driven by higher demand from the steel sector. BCSC EBITDA improved due to price and volume increases in addition to benefits from PEP initiatives and in the prior comparative period there was a trunnion bearing failure at Berrima costing around $5m. Berrima kiln #6 continues to operate at above rated capacity and Galong is performing well with the kiln running to design specification at peak times when required. Waurn Ponds had a major planned shutdown during the period resulting in higher maintenance costs compared with last year. A 5% price increase in cement in NSW and Victoria has been announced effective 1 April 2008 in addition to a Queensland cement price increase of 5% effective 1 February 2008.

Formwork & Scaffolding experienced stronger volumes because of increased utilisation during the period however, the business was impacted by pricing pressure and one-off costs resulting from branch rationalisation and stock write downs. EBITDA was lower.

De Martin & Gasparini reported higher revenues but lower margins due to a less favourable product mix with a greater proportion of packages placed and around 20% less concrete volumes placed over the prior year.

Building Products, Australia

(A$ million unless stated)

Half year ended 31-Dec	2007	2006	% change
Sales revenue	687	646	6
EBITDA	90	79	14
EBIT	63	53	19
Capital expenditure*	70	46	50
Funds employed*	1,153	1,058	9
EBITDA return on sales, %	13.1	12.2	
EBIT return on sales, %	9.2	8.2	
EBIT return on funds employed (MAT), %	9.5	10.1	
Employees, number	4,069	4,111	(1)
Revenue per employee	0.169	0.157	8

* Including acquisitions

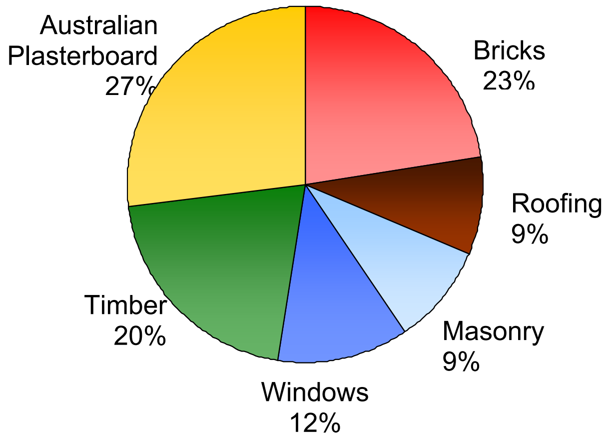
Boral's Australian Building Products businesses reported a 6% lift in **operating revenue** to $687m as a result of a significant lift in Timber and Windows revenues and increased revenues from Plasterboard, Roofing and Masonry.

Building Products' **EBITDA** increased by $11m (14%) to $90m, reflecting increased East Coast earnings in Hardwoods, Softwood, Plasterboard (assisted by a net $3m one-off restructuring gain), Masonry, Windows and Bricks, partially offset by a significant reduction in Midland Brick's earnings as WA markets weakened.

Return on funds employed (on an MAT basis) reduced from 10.1% to 9.5% because of a 9% lift in funds employed largely due to capital investment in the new Queensland plasterboard plant.

Building Products' businesses delivered $14m of PEP cost reductions during the period.

Share of HY2008 External Revenue



Revenue from **Bricks** of $155m was in line with last year as a result of volumes down 2-3% offset by average price gains of around 3%. On the East Coast, higher brick volumes in Victoria and particularly in Queensland benefited the result whilst volumes in NSW were flat with the continuing low levels of activity in the detached housing market. In WA, the impact of lower volumes and cost pressures were partially offset by price increases. Bricks EBITDA was below the prior period due to lower volumes and increased plant maintenance costs in WA and increased shutdown and slowdown costs to manage inventory levels on the East Coast.

Revenue from **Roofing** of $60m was up 6% on the prior corresponding period. Roofing volumes were 3% higher with increased activity in Queensland and SA offsetting a softer NSW market. Prices were up 1-3% due to price increases and a channel mix shift favouring the "supply and fix" segment. These price increases combined with improved manufacturing efficiencies offset the adverse impacts of the temporary closure at Wyee for a dryer upgrade and the shutdown of Springvale for a major plant upgrade. EBITDA was steady.

Masonry's revenue of $64m was 5% above last year reflecting price increases of 2% and 3% higher volumes driven by market activity in Queensland and the regaining of some market share in NSW. Masonry's manufacturing performance improved over the prior year and EBITDA was up.

Windows' EBITDA was up on last year due to stronger volumes and ongoing cost controls. Half year revenue was up 11% to $82m with stronger sales in SA, Victoria and Queensland in particular.

Timber's revenue increased by 13% to $141m and EBITDA improved, driven by improved sales volumes, higher softwood and hardwood prices and lower manufacturing costs. The Timber result benefited from strong demand for structural timber products in Queensland, flooring demand in the NSW alterations & additions market, and formwork demand from the stronger Australian concrete market. Increased log costs were offset by good manufacturing performance and price gains during the half. Product prices improved 5% on average but were up more in softwoods recovering previous price erosion. Further price increases have been announced for February/March 2008 in softwood, hardwood and plywood businesses.

Plasterboard's revenue at $185m was up 5% on last year. Sales of non-manufactured products bought for re-sale through Boral owned and operated trade stores contributed to this favourable outcome as did strength in new dwelling construction activity in Queensland and despite market conditions in NSW remaining weak. Average net plasterboard selling prices increased by 1% nationally although outcomes varied by State. Increased revenues and cost reduction initiatives and a one-off net $3m benefit resulting from restructuring contributed to a lift in EBITDA. Dry commissioning of the new 40m m^2 per annum capacity plasterboard production and distribution facility located in Pinkenba, Queensland, started in December 2007 and wet commissioning commenced in January 2008. This state-of-the-art facility is expected to be in full operation during March 2008 at which time the existing facility at Northgate will close.

USA

Half year ended 31-Dec	2007	2006	% change
US$m			
Sales revenue	333	361	(8)
EBITDA	25	70	(64)
EBIT	9	56	(85)
A$m			
Sales revenue	381	469	(19)
EBITDA	29	90	(68)
EBIT	10	73	(87)
Capital expenditure*	145	43	238
Funds employed*	887	844	
EBITDA return on sales, %	7.5	19.3	
EBIT return on sales, %	2.6	15.6	
EBIT return on funds employed (MAT), %	3.5	20.2	
Employees, number*	2,535	2,619	(3)
Revenue per employee	0.150	0.179	(16)

* Including acquisitions

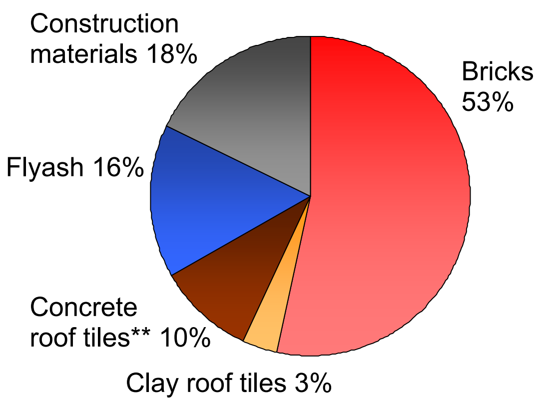
Operating revenue from US operations was down 8% on last year to US$333m. Excluding the revenues from the Oklahoma concrete and quarry businesses acquired during the half year and including our share of the MonierLifetile JV revenues, US revenues were down by around 20%. **EBITDA** for the half year was down 64% to US$25m. In Australian dollar terms US EBITDA was 68% down on last year to A$29m. The US result was severely impacted by the continued downturn in housing activity, with total US housing starts down 24% to 622,000 for the half year to 31 December 2007 compared to 816,000 starts for the same period last year. Lower volumes and the related production curtailments, coupled with increased raw material costs contributed to cost escalation and the significant fall in earnings. Natural gas costs favourably impacted the results by US$3m on the prior corresponding period. Cost reduction initiatives aimed at reducing fixed costs have been implemented across all businesses, including corporate administrative offices.

EBITDA to sales margin reduced from 19.3% to 7.5% and return on funds employed fell from 20.2% to a low level of 3.5%.

Boral's US operations benefited from US$8m of PEP cost reduction and other savings initiatives during the half year. As part of a structured cost reduction program, Boral's labour force has reduced by approximately 370 employees in Boral's US Brick business and by 600 employees in the MonierLifetile JV since June 2006.

Revenue from **US Bricks** was down by 21% to US$197m due to market related volume declines. Sales volumes were 20% below last year as new home starts in Boral "US brick states" were 26% below the prior comparative period. Average brick prices reduced by 2% as a result of a less favourable regional and product mix. Boral manufactured bricks sold through direct distribution remains at approximately 80% of total volumes.

Share of HY2008 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.

Bricks EBITDA was significantly down reflecting higher per unit manufacturing costs due to low levels of production capacity utilisation to prevent inventory build and higher freight costs due to the mothballing of some plants and region mix. Plant utilisation averaged 69% during the period, down from 92% last year, and is currently running at around 50% to reduce inventories. There has been a strong focus on cost reduction with a range of initiatives, including selling, general and administrative cost reduction initiatives, implemented in the December 2007 quarter.

Revenue from **Clay Roof Tiles** of US$13m was down 4% on last year despite a 2% increase in average selling prices benefiting from favourable product mix which was more than offset by lower volumes during the period. Clay tile volumes were down 6% on last year; further volume reductions are expected in the second half with the tightening credit environment. The half year result was also impacted by wet weather in California (80% of US Tile's market). EBITDA was below last year with lower volumes combined with higher production costs resulting from slower plant run rates to avoid inventory build. The new plant in Trinidad was closed for two months from late November 2007 for maintenance and inventory management. Line 5 at Corona was mothballed in November 2007, as commissioning of the new tile plant in Ione, California is nearing completion and is expected to be fully operational by the end of the March 2008 quarter.

Boral's 50/50 **Concrete Roof Tile** joint venture, MonierLifetile, reported a loss of US$11m compared to last year's profit of US$5m. Average prices were down 10% mainly driven by competitive pressures in Florida and Northern California. Prices now appear to have stabilised except in Southern Florida. Market share has declined marginally due to MonierLifetile's disproportionate exposure to big builders and because of price competition in some regions. Sales and production volumes were 43% lower than in the prior period. Production costs were higher than last year due to inefficiencies resulting from decreased production rates with plant utilisation down to 30% for the period in comparison to 59% last year. Step Change cost reduction initiatives have been targeted to achieve annualised savings of US$25m with around 28% of these savings to be delivered by June 2008.

Revenue from the **BMTI Flyash** business of US$57m was down 4%. EBITDA was below last year as higher prices and new product initiatives were unable to offset lower volumes resulting from the loss of a contract in December 2006 and continued weak residential construction demand in Florida.

Revenue from US **Concrete & Quarry** businesses (Denver and Oklahoma) was US$66m which was 68% above the prior year predominantly because of the newly acquired Oklahoma operations. EBITDA improved. Price increases for aggregates and concrete recovered increases in the cost of fuel, cement and other raw materials. Underlying concrete volumes were around 2% lower than last year as stronger commercial and infrastructure demand partially offset the impact of a weak residential construction market and because of inclement weather conditions. Concrete margins improved through price management, cost controls and reduced selling, general and administrative costs. Key PEP initiatives, including raw material cost reduction programs (mix design and procurement), also contributed to this result. Integration of the Oklahoma business is continuing however performance is currently below expectations predominantly because of bad weather in December.

Asia

(A$ million unless stated)

Half year ended 31-Dec	2007	2006	% change
Sales revenue*	97	100	(2)
EBITDA*	9	12	(22)
EBIT*	5	8	(41)
Funds employed	381	381	
Return* on funds employed (MAT), %	2.3	5.8	

* *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 $9m, which was down 22% on last year.

Equity accounted after tax income of $9.7m from the **Asian plasterboard** JV (LBGA) with Lafarge was 31% above the same period last year. LBGA sales volumes and revenues lifted due to generally improved market conditions across the region, including South Korea and East China. LBGA's cost improvement program resulted in enhanced margins despite pressure from energy cost increases particularly in the December 2007 quarter. The US$42m upgrade of the Dangjin plant in Seoul, doubling capacity to 75m m^2 per annum was commissioned in December 2007, ahead of time and within its cost budget.

In Construction Materials in Indonesia, benefits from increased concrete volumes were offset by lower concrete prices, together with cartage and raw material cost increases particularly in cement. Industry volumes are strengthening, though margins are likely to remain under pressure. Both the quarry and pipe businesses had increased volumes and the second pipe plant at Surabaya is now fully commissioned. In Thailand, concrete volumes were down in line with the market. Continued political instability has adversely impacted foreign investment and delayed the commencement of large government infrastructure projects. We expect conditions to remain difficult for around the next 12 months. Margin squeeze was experienced as prices reduced at the same time as cement and diesel costs continued to increase. Asian Construction Materials EBITDA reduced compared to the prior year.

Capital Management

A fully franked interim dividend of 17.0 cents per share has been declared, representing a payout ratio of 77% of earnings.

Boral's interim dividend represents an annualised grossed up dividend yield of 7.1 % per annum (after franking) on Boral's weighted average share price for the half year to December 2007, and of 8.1% on Boral's VWAP ($6.01) over the past month.

Boral's interim dividend will be paid on 19 March 2008 and the Dividend Reinvestment Plan (DRP) for shareholders will continue to be offered.

Boral's balance sheet remains robust, with gearing (D/E) of 53% compared with 50% at 30 June 2007 and 58% at 31 December 2006.

Boral has announced an off-market share buy-back, which will open on 3 March 2008 and close on 4 April 2008. The size of the off-market share buy-back will be approximately $100m, and will represent about 3% of issued shares; this will offset the dilutive impact of the DRP and Executive Option Plan (EOP) share issuance which occurred during FY2006 and FY2007. The buy-back will not constrain Boral's future capacity to pay fully franked dividends.

Value-Adding Growth

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

Boral's growth and acquisition spend has continued to be an important contributor to current earnings and is providing substantial strategic benefits.

In the USA, the current market conditions are suppressing the returns from recent growth investments in Boral's US brick and roof tile operations. In Australia however, acquisitions are delivering returns which exceed Boral's hurdle rate and returns from organic growth investments, are currently averaging above the cost of capital for completed projects.

As current growth projects are completed, and as markets recover and grow, Boral's growth portfolio will be increasingly value-adding and will improve Boral's overall returns.

During the six months to December 2007, $219m was invested in growth projects to strengthen and maintain Boral's leading positions. Specific growth investments that continued or commenced during the period include plasterboard growth projects in Australia and Asia; bricks, roof tiles and construction materials in the USA; and construction materials primarily in Queensland.

The new modern plasterboard plant at Pinkenba in Queensland is in the final stages of commissioning and is expected to come into operation during March 2008 when the Northgate plant will be taken out of service. Market demand for plasterboard remains solid and is in line with project expectations. We expect that the net investment cost will be up to 12% higher than the $106m net investment as originally announced.

An $85m (total investment) upgrade of the cement capacity of Boral's joint venture Sunstate Cement business in Queensland has commenced and is expected to continue through to June 2009. The project will see clinker storage and grinding capacity lift by 50% to 1.5m tpa to meet growth in market demand in Queensland.

In the USA, commissioning of the new US$55m, 120m SBE brick plant at Terre Haute in Indiana is proceeding well. The first brick out of the kiln is scheduled for mid-March 2008 and once commissioned it is intended that this low cost plant will operate at high utilisation rates reaching full production in FY2009.

The new US$30m, clay roof tile plant at Ione in California is currently being commissioned and is expected to be fully operational by March 2008. Total capital costs are about 10% above the $27.5m capital expenditure previously announced.

Growth projects being undertaken in our 50/50 plasterboard joint venture with Lafarge, LBGA, are progressing well with construction of new plasterboard plants in Chengdu, China and a new plant in Rajasthan, India for a total combined investment of US$28m continuing during the period. Both plants are expected to be operational in the second half of the year.

Boral has announced plans to construct a $33m low-cost, environmentally efficient masonry plant at its Midland Brick site at Middle Swan in WA. The new plant will replace Boral's existing 40 year old, high cost, low capacity Cannington plant and will lift Boral's masonry products capacity in WA from 90,000 tonnes to 170,000 tonnes per annum. Growth in the WA concrete masonry market, as a whole, has been restricted since 2000 due to installed capacity operating at close to full utilisation. Opportunity exists to expand the market for masonry products by increasing capacity. This new plant which will have the capability to produce a broad product range, coupled with Midland Brick's market presence, sales and marketing expertise, positions Boral well to realise the market growth potential. The new WA masonry plant is expected to deliver benefits shortly after commissioning in the June quarter 2009.

A status of recently completed and continuing growth projects is summarised in the accompanying table:

Current Major Growth Activities

Growth project	Status
• $33m investment in new **masonry plant** in WA	• The new plant will replace Boral's high cost, ageing Cannington plant and will lift Boral's masonry capacity in WA from 90,000 tonnes to 170,000 tonnes p.a. Construction to commence in the June quarter 2008 and be completed by the June quarter 2009.
• US$80m acquisition of **construction materials** assets in **Oklahoma City**: Schwarz Readymix, a ready-mixed concrete & sand business & the Davis quarry assets of Arbuckle Materials	• Positions Boral as the second largest concrete producer in Oklahoma City and includes a limestone quarry at Davis, Oklahoma. The combined operations have annual production of around 750,000 cubic yards of ready-mixed concrete and 1.6 million tons of sand and aggregates. The aggregate reserves have a life of in excess of 30 years based upon current production.
• US$10m acquisition of **sand & gravel reserves** in **Denver, Co**	• Acquired 16.8 million ton of sand and gravel reserves very well located to supply the Denver market as existing reserves come to the end of their useful lives.
• $36m total investment in **asphalt plants** at Geelong (Vic), West Burleigh (Qld) & Welshpool (WA), and three mobile plants	• Construction completed on Geelong and West Burleigh by Jul-07. Welshpool was completed by Dec-07. Mobile plants are currently deployed on EastLink in Victoria and at Ipswich in Queensland; a further mobile plant is on order.
• **Midland Brick's** (WA) new $53m, 50m SBE state-of-the-art **Kiln #11**	• Operating at increasingly high levels of utilisation following the closure of Kiln 5 and as product development trials are completed. Achieving above cost of capital returns.
• New 40m m^2 **plasterboard** plant in Qld	• Commissioning started in December 2007; progress so far has been very encouraging. We expect the net investment cost will be up to 12% higher than the $106m originally announced. Market demand remains solid and is in line with expectations.
• New US$55m, 120m SBE US **brick plant** at Terre Haute, **Indiana**	• Commissioning is proceeding well and the first brick out of the kiln is scheduled for mid-March 2008. This low cost plant will operate at high utilisation rates reaching full production in FY2009. Capital costs are in line with plan.
• New US$27.5m, 130k square[1] p.a., **clay roof tile plant** at **Ione, CA**	• Commissioning underway and expected to be competed in the first quarter of CY2008. Forecast total capital costs are slightly above plan (+US$3m).
• US$33m (total) MonierLifetile JV investment in **concrete roof tile plant** at **Lake Wales**, Florida	• Lake Wales plant fully commissioned within capital budget and currently being used to rationalise old, higher cost capacity. Well positioned to supply the re-roofing market and future recovery in Florida's new construction market.
• US$42m upgrade (total) of LBGA's **Dangjin plasterboard plant**, near Seoul, to double **capacity** to 75m m²	• Commissioning completed in December 2007 ahead of plan with investment cost below budget. Benefits will flow as the Korean residential market lifts particularly around Seoul which is close to the Dangjin plant.
• US$28m (total) in new **LBGA** plasterboard plants in Rajasthan, **India** (8m m²) & **Chengdu**, China (10m m²)	• Construction underway with both plants expected to be in operation in the first half of CY2008.
• $85m (total) to upgrade **cement 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 September quarter 2008 and increased grinding capacity by June 2009 quarter.

[1] One square = 100 square feet

Performance against Objectives

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

1. Exceed WACC through the cycle

Return on funds employed for the twelve months to 31 December 2007 was 10.9% (compared with 13.1% in the prior corresponding period) and return on equity of 9.4% (moving annual total) compares with 11.9%. Currently at the low points of the US and Australian housing cycles Boral's current returns have reduced Boral's longer-term average return on funds employed. Over the past five financial years (FY2003-FY2007) Boral's EBIT to funds employed return has averaged around 15.3%, which is well above Boral's weighted average cost of capital.

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

Despite cyclical volume impacts in key markets, Boral's returns continue to compare well with competitors in like markets across most businesses. A relentless focus on operational improvements and pricing disciplines is helping Boral's businesses to maintain a strong underlying level of performance.

3. Deliver superior total shareholder returns

Boral's total shareholder return (TSR) from share price appreciation and dividends was 18% per annum over the eight years from Demerger to 31 December 2007, placing the stock at the 53rd percentile of the ASX100 companies over the same period. Boral's TSR has however underperformed over the twelve months to 31 December 2007 with a TSR of -17% compared with the TSR of the ASX100 Index of 12%. The recent decline in Boral's share price (together with domestic and global peers) reflects the cyclical nature of Boral's markets and earnings and the impact of the NSW and USA housing downturns.

4. Deliver superior returns in a sustainable way

Boral's Sustainability Report for the year ended 30 June 2007, was published with the Annual Review in October 2007 and is available on Boral's website at www.boral.com.au/sustainability.

Safety performance remains strong across Boral's businesses. In the first half of FY2008, Boral's lost time injury frequency rate (LTIFR) per million hours worked was 2.3 which was a further improvement on the LTIFR of 2.8 for the year ended 30 June 2007 (and 3.1 for the half year ended 31 December 2006). We deeply regret that an employee was fatally injured in a heavy vehicle accident in South Australia in December 2007.

Outlook - FY2008

Construction Materials profits in Australia in the first half were above the prior year. Subject to weather, we expect this trend to continue in the second half of the year. The improved Construction Materials result is being underpinned by stronger volumes, stronger prices and by effective operational improvement initiatives. Concrete, quarry and cement price increases (averaging between 5-10%) have been announced effective April 2008 and will benefit the result in the June quarter.

BIS Shrapnel is forecasting around 150,000 dwelling starts for FY2008, compared with 152,000 in FY2007. Despite weakness in some markets, the performance of Boral's Building Products businesses in Australia in the first half was ahead of expectation. Subject to weather, we expect that Building Products profits for the full year will be above last year.

In the USA, annualised housing starts of 1.24 million starts were experienced in the first half of the year, which was a 24% decline on the prior year. A 35% year-on-year decline in housing starts is expected in the second half of the year, resulting in total housing starts of around 1.1 million for FY2008. We have reduced production accordingly. The impact of extended temporary plant shutdowns and slowing of production will be more significant in the second half of the year in Boral's US Brick and Roof Tile businesses.

Despite the significant contraction in US housing markets and in construction activity in NSW, we have long-term confidence in these key markets. We support the view that long-term underlying demand in the USA is around 1.80 million starts (excluding manufactured housing) and in Australia is ~182,000 starts per annum.

In Asia we expect market growth but continued competitive conditions for the remainder of FY2008.

We anticipate QEU earnings for FY2008 of around $50m, of which $16m has been reported in the first half of the year. Second half QEU earnings will be underpinned by minimum contractual payments from land development projects in Sydney.

PEP/operational improvement outcomes of around 3% continue to be targeted.

Growth initiatives will progressively deliver improved benefits particularly as the USA and NSW markets recover.

In October 2007 at Boral's Annual General Meeting (AGM), we said that whilst there is considerable uncertainty US housing starts could fall to 1.1 million in FY2008 which is 29% below the prior year and 40% below the level of underlying demand. In line with AGM guidance, and subject to weather impacts, we expect Boral's profit after tax for the full year to be around 15% below the $298m PAT reported for FY2007.