Boral

RESULTS ANNOUNCEMENT

FOR THE HALF YEAR
ENDED 31 DECEMBER 2006

OVERVIEW

Boral Limited announced a profit after tax (PAT) of $147 million for the half year ended 31 December 2006, which was 15% lower than the PAT for the half year ended 31 December 2005.

Sales revenue of $2.5 billion was 6% higher than the prior corresponding half year underpinned by stronger activity levels in Australian non-dwellings and major projects together with price gains in most markets and growth benefits. EBITDA was 3% lower at $383 million due to a decline in USA and Australian building products housing-related earnings, which was partially offset by improved returns from Australian construction materials. Increased depreciation ($16 million) and interest costs ($9 million) and a slightly increased tax rate led to a profit after tax decline of 15% compared to the prior year.

Australian EBITDA of $284 million was 1% higher than the prior year. Operations in Australia, especially building products businesses in New South Wales, continued to face difficult housing-related market conditions, adversely impacting volumes and manufacturing costs. Construction materials businesses, however, benefited from a lift in non-dwellings and major infrastructure project work as well as from price gains and growth initiatives.

During the half year, EBITDA from offshore operations decreased by $13 million (11%) to $102 million, which was 26% of Boral's earnings. Following strong market conditions in FY2006, the US housing market experienced a sharp downturn in activity during the December half year, particularly impacting earnings from Boral's 50%-owned MonierLifetile concrete roof tile joint venture but also adversely impacting the US clay roof tile and brick businesses. In Asia, conditions remained challenging in key plasterboard and construction materials markets.

Boral expects to deliver a profit after tax in FY2007 approximately 15% lower than the $362 million reported in FY2006, which is in line with guidance advised at the Annual General Meeting last October.

FINANCIAL PERFORMANCE

PAT of $147 million for the half year was down 15% on last year's first half PAT of $172 million.

The 6% revenue lift to $2.5 billion reflects strong volumes in Australian non-dwellings & major projects, increased prices (despite weak Australian and USA dwelling activity) and benefits from growth initiatives.

Earnings before interest, tax, depreciation and amortisation (EBITDA) of $383 million was $10 million (or 3%) lower than last year and EBITDA to sales margin was 15.4% compared with 16.8% in the prior corresponding period.

Boral's reported EBIT of $267 million was 9% down on last year, predominantly reflecting the significant decline in US housing activity as well as the protracted downturn in Australian dwelling activity, especially in NSW, and higher input costs. EBIT to sales margin reduced to 10.7% (compared with 12.5% in the prior year).

Building Products Australia EBITDA was down $7 million or 8% to $79 million, reflecting depressed Australian dwelling volumes, particularly in NSW, and related manufacturing cost increases. Despite volume pressures, both favourable price outcomes and operational cost savings positively impacted the result.

EBITDA from Construction Materials Australia of $205 million was $10 million higher than the prior year (up 5%) reflecting a lift in non-dwelling and major project activity, which offset housing weakness, and significant gains in the asphalt business. The result also reflects improved manufacturing performance at the Waurn Ponds cement works, partially offset by a one-off $5 million cost impact at the Berrima cement works due to a kiln bearing failure early in the period. Concrete prices were 3% higher year-on-year, cement prices were up around 5% and quarry prices were flat compared with the prior year. Price increases were insufficient to fully recover cost increases and margins eased. Quarry End Use (QEU) earnings of $5 million compare with $4 million in the first half last year.

EBITDA from US operations was down 11% to US$70 million (from US$78 million). In Australian dollars, EBITDA was down 13% (from A$104 million) to A$90 million. The USA result was particularly driven by a significant housing market-driven decline in earnings from the MonierLifetile joint venture business.

Asia contributed a half year EBITDA result of $12 million, up 5% on the prior year ($11 million). Reported results from 50%-owned LBGA plasterboard joint venture were up on last year. Underlying results from LBGA however, remain steady and reflect continued competitive market conditions particularly in Korea, Thailand and China. Boral's construction materials operations in Indonesia were impacted by lower volumes. In Thailand construction materials, volumes increased but margins were squeezed by competitive market pressures.

During the half year, $55 million of Performance Enhancement Program (PEP) savings were delivered across the Group, which equates to around 2.6% of compressible costs.

Depreciation costs increased by $16 million to $116 million and net interest expense increased by $9 million from $46 million to $55 million, reflecting costs associated with new growth initiatives.

Earnings per share for the half year of 24.8 cents compare with 29.5 cents last year. Return on equity reduced to 11.9% compared with 13.6% in the prior year.

Operating cash flow (before capital expenditure) of $107 million was down on the prior year cash flow of $165 million. Capital expenditure for the half year was around $162 million ($62 million of stay-in-business and $100 million of growth and acquisition capital expenditure), which was one third lower than a year ago.

Gearing (D/E) of 58% remains similar to the level of gearing at 30 June 2006 (57%) and is well within our 40-70% target range. Net debt at 31 December 2006 was $1,637 million compared with $1,578 million at June 2006 (and $1,564 million at 31 December 2005).

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 21 March 2007.

RESULTS AT A GLANCE

($ million unless stated)

Half year ended 31 December	2006	2005	% change
Revenue	**2,492**	2,343	6
EBITDA	**383**	393	(3)
EBIT	**267**	293	(9)
Net interest	**55**	46	19
Profit before tax	**212**	247	(14)
Tax	**65**	74	(13)
Profit after tax	**147**	**172**	**(15)**
Cash flow from operating activities	**107**	165	(35)
Gross assets	**5,633**	5,436	4
Funds employed	**4,482**	4,155	8
Liabilities	**2,788**	2,845	(2)
Net debt	**1,637**	1,564	5
Growth & acquisition capital expenditure	**100**	147	(32)
Stay-in-business capital expenditure	**62**	94	(34)
Depreciation	**116**	100	15
Employees	**16,026**	15,660	2
Sales per employee, $ million	**0.155**	0.150	3
Net tangible asset backing, $ per share	**4.19**	3.81	10
EBITDA margin on sales, %	**15.4**	16.8	(8)
EBIT margin on sales, %	**10.7**	12.5	(14)
EBIT return on funds employed (MAT), %	**13.1**	14.3	(8)
Return on equity (MAT), %	**11.9**	13.6	(13)
Gearing (net debt:equity), %	**58**	60	
Interest cover, times	**4.9**	6.4	
Earnings per share, ¢	**24.8**	29.5	(16)
Dividend per share, ¢	**17.0**	17.0	–
Safety: (per million hours worked)			
Lost time injury frequency rate	**3.1**	2.4	
Recordable injury frequency rate	**29.1**	27.9	

MARKET CONDITIONS

Approximately 74% of Boral's first half FY2007 earnings (EBITDA) were sourced from Australian markets (compared with 71% in the prior corresponding period), 23% came from USA building and construction activity (26% last year) and a further 3% of earnings were generated from Boral's Asian markets (3% last year).

During the half year the downturn in Australian dwelling activity continued. However, Australian non-dwellings and major projects were stronger during the half year. National concrete volumes lifted by approximately 6%, which is a good proxy for the overall volume of construction work done in Australia. The USA suffered a significantly greater than expected decline in housing activity during the half year, with total housing starts in "Boral's US states" down 23% on the prior corresponding period. Housing and construction activity in Asia remained at low levels in some key markets although there are some early signs of recovery.

Whilst remaining at low levels (and following a 7% decrease in FY2006) Australian dwelling approvals were 2% higher during the period compared with the half year ended 31 December 2006. Australian detached housing approvals were up by 4% whereas multi-dwelling approvals were down 4%. BIS Shrapnel is forecasting 144,600 housing starts for FY2007, compared with 150,657 in FY2006 and BIS Shrapnel's underlying demand estimates of around 165,100.

Activity in Australia's non-dwellings market segment continued to strengthen with value of work approved (VWA) up 9% in the first half of FY2007 compared with the first half of FY2006 following an 18% lift in FY2006.

"Boral's first half profit was delivered in line with guidance, reflecting a solid Australian construction materials result offset by housing-related volume impacts in the USA and in Australia."

KEN MOSS, Chairman

Australian building approvals continued to reflect regional economic and market sentiment differences on a state-by-state basis. After reaching its lowest level in 30 years during FY2006, building approval levels for detached housing in NSW fell a further 6% during the half year compared with the prior corresponding period. Multi-dwelling construction approvals in NSW were also down by 14%. During the period, NSW dwelling activity was estimated to be running at only 66% of BIS Shrapnel's forecast underlying demand levels[1], based on five years of forecast data[2]. The value of non-dwelling work approved in NSW was up 7% on the prior corresponding period. Boral continues to derive approximately 30% of its overall revenues from NSW markets.

Victoria remains less impacted by housing affordability issues, with dwelling approvals up by 9% including a 5% lift in detached dwellings and a 22% increase in multi-dwellings. Non-dwelling VWA lifted 13% in Victoria. In Queensland, detached dwellings were up 13%, yet overall dwelling approvals were only up 1% due to a 19% decline in multi-dwelling approvals. Dwelling activity in Queensland is estimated to be 6% below underlying levels of demand. VWA in non-dwellings in Queensland was up 18%.

In the resource sector-driven state of Western Australia (WA), total dwelling approvals were up 7% during the half year, however detached dwelling approvals were down 2% with multi-dwelling approvals lifting by a significant 47%. Dwelling levels in WA are approximately 24% above expected underlying demand. VWA for construction of non-dwellings in WA was up 12%.
In South Australia (SA), total dwelling approvals were down 1%; detached dwelling approvals were up 2%, which largely offset a 10% decline in multi-dwelling approvals. Dwelling activity in SA is running 20% above underlying demand levels. Non-dwellings in SA were 12% down on the prior corresponding half year.

Australian Bureau of Statistics (ABS) value of work done (VWD) in major road construction and infrastructure is not yet available for the December 2006 quarter but, based on BIS Shrapnel forecasts, it appears to have increased by around 5% in the six months to December 2006.

ABS data on Australian concrete volumes, which are a useful proxy for total building and construction VWD, indicate that concrete volumes increased by approximately 6% during the half year compared with the prior corresponding period.

In the USA, housing activity significantly declined following several years of very strong activity. Total housing starts (single + multi dwellings) in "Boral's US States" were 23% lower than last year, with region specific downturns particularly significant in California, Florida, Nevada and Arizona. The total value of construction work commenced in "Boral States" was down 16% on the prior corresponding half year with non-dwelling activity down 3%.

In Asia, Boral's key market exposures are in South Korea, Thailand, Indonesia and China. The slowdown in Korea showed some signs of improvement in the commercial construction segment but residential construction has only lifted modestly. In Thailand the unstable political/ economic environment and adverse weather conditions impacted overall construction activity. In Indonesia, following a period of dampened activity levels due to high fuel and input costs particularly impacting Boral's construction materials markets there were signs of the market having bottomed and starting to recover towards the end of the half year. East China is experiencing reduced rates of residential market growth in response to Government measures but market conditions in the Central West region are strong.

1 Based on BIS Shrapnel's forecast for underlying levels of housing starts for FY2007 – FY2011

2 Based on ABS commencement data FY2002 – FY2005 and BIS Shrapnel forecasts for FY2006 – FY2011

"Solid pricing outcomes, cost controls and benefits from growth initiatives have been delivered despite cyclical downturns in the Australian housing market, especially in NSW, and in the USA."

ROD PEARSE, CEO & Managing Director

SEGMENT RESULTS

Construction Materials, Australia

(A$ million unless stated) Half year ended 31 December	2006	2005	% change
Sales revenue	**1,271**	1,179	8
EBITDA	**205**	195	5
EBIT	**137**	136	–
Capital expenditure*	**62**	118	(47)
Funds employed*	**2,289**	2,154	6
EBITDA return on sales, %	**16.1**	16.6	
EBIT return on sales, %	**10.8**	11.6	
EBIT return on funds employed (MAT), %	**12.5**	13.2	
Employees, number	**5,799**	5,831	(1)
Revenue per employee	**0.219**	0.202	8

* Including acquisitions

Revenue for Construction Materials, Australia of $1.3 billion was 8% higher than last year, underpinned by stronger concrete and quarry volumes, concrete and cement pricing gains, and higher asphalt volumes. In addition, as a result of Boral's acquisition of an additional 30% of Girotto Pre-cast during the period (taking ownership to 80%) Girotto revenues are now consolidated.

EBITDA was 5% up on the prior year, reflecting a lift in non-dwellings and major projects, solid asphalt gains and improved performance at Waurn Ponds. Prices were up but cost increases were not fully recovered and a one-off cost associated with a three-week cement kiln failure at Berrima in July adversely impacted the result. **EBIT** was in line with the prior corresponding period at $137 million. Some margin recovery occurred late in the period following October concrete and cement price increases and a reduction in fuel costs. EBITDA to sales margin of 16.1% was below last year's 16.6% margin.

Conditions remained mixed across Boral's construction materials markets. Activity levels in the 'resource driven' states of Queensland and WA were strong, and in Victoria Boral benefited from a significant exposure to the Melbourne EastLink project. Concrete market volumes in NSW, where Boral has strong integrated construction materials margins, were down by 4% and continued to adversely impact earnings during the period.

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

The **Concrete and Quarries** businesses reported revenues of $684 million, which were 13% above the previous year but EBITDA was slightly lower. Boral's concrete and quarry volumes increased nationally by 6% and 11% respectively with increased demand largely driven by strong infrastructure activity. As already noted, Girotto revenues are now consolidated. Average prices increased by 3% for delivered concrete, whilst prices for quarry products were steady. Input cost pressures continued during the half year. Fuel costs eased in the second quarter but salary and wage pressures remained high; the quarry industry competes directly for people with the booming resources sector. Some margin gains due to easing of fuel-costs and concrete price lifts were delivered late in the period. Further margin improvements are expected from April price increases and as the benefits of structured "step change" improvement programs in NSW and Queensland concrete and quarry businesses start to impact.

The **Asphalt** business performed well during the half year with volumes up 20% and revenues of $260 million up 25% on last year. Margins improved despite bitumen price escalation and EBITDA improved significantly. The Asphalt business continued to be active in supplying major projects such as the Bruce Highway in Queensland and the EastLink project in Melbourne. We continued to invest in new asphalt plants in growth corridors in key markets including new plants at West Burleigh and Ipswich in Queensland, a new plant at Geelong in Victoria and at Welshpool in Perth.

Boral's **Transport's** EBITDA was steady compared with last year. Our previously announced exit from the Hunter Valley Transport business has been completed.

Boral's **Quarry End Use** (QEU) business contributed $5 million of EBIT (up around $1 million on last year) predominantly sourced from the Deer Park landfill operation and sales at Nelson's Ridge (Greystanes). Whilst the Sydney residential market remains depressed with overall land sales below expectation at Moorebank and Greystanes, QEU earnings are underpinned by minimum contractual land bank off-take commitments of our partners in these projects, which will benefit the second half result. We continue to anticipate QEU earnings for the full year of around $50 million.

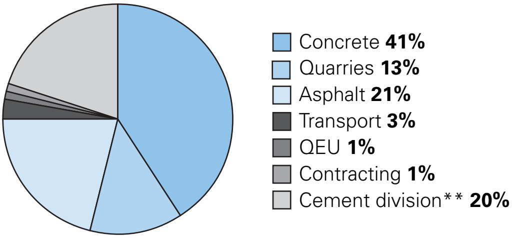
As previously foreshadowed, we have now exited our **Contracting** business in WA, which delivered a loss during the period.

External revenue for the **Cement division**, which includes **Blue Circle Southern Cement** (BCSC), Formwork & Scaffolding and De Martin & Gasparini, was $251 million, which was down 7% on last year. In **BCSC**, cement volumes were steady nationally. Average cement prices were up around 5% during the period contributing to an increase in external revenue, with October/November price increases holding. Whilst lime demand from the steel sector was weak, we achieved higher lime volumes to the mining and other sectors, resulting in a 14% lift in lime volumes. BCSC EBITDA improved significantly, helped by price increases and a $12 million improvement from the Waurn Ponds kiln, offset in part by a trunnion bearing failure at Berrima costing around $5 million (down for 3 weeks in July) and an early refractory change at Galong costing around $2 million. The Galong lime kiln came back on stream in December after an extended outage and is operating well.

Downward pressure on **Formwork & Scaffolding** earnings continued as intense price competition arising from industry over capacity and the housing downturn impacted the result. Volumes were slightly up.

De Martin & Gasparini produced a solid result placing 15% more concrete volumes over the prior year but earnings were down due to a less favourable sales mix.

Share of HY2007 External Revenue



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

Building Products, Australia

(A$ million unless stated) Half year ended 31 December	2006	2005	% change
Sales revenue	**646**	621	4
EBITDA	**79**	86	(8)
EBIT	**53**	64	(17)
Capital expenditure*	**46**	68	(32)
Funds employed*	**1,058**	959	10
EBITDA return on sales, %	**12.2**	13.8	
EBIT return on sales, %	**8.2**	10.3	
EBIT return on funds employed (MAT), %	**10.1**	13.8	
Employees, number	**4,111**	4,109	–
Revenue per employee	**0.157**	0.151	4

* Including acquisitions

Boral's Australian Building Products businesses reported a 4% lift in **operating revenue** to $646 million driven by solid pricing outcomes in bricks, roofing and masonry despite weaker volumes. Plasterboard revenue lifted with non-board products contributing disproportionately. Increased sales of Boral's new engineered flooring product, Silkwood™, also contributed to stronger revenues.

Building Products reported an 8% decline in **EBITDA** to $79 million due to low demand from the dwelling sector and higher manufacturing costs as production was slowed and temporary plant shutdowns extended further, particularly impacting East Coast brick, roofing, masonry and timber operations. EBITDA to sales margin of 12.2% compares with the 13.8% margin reported last year.

Return on funds employed fell by 27% because of margin compression and the impact of capital investment in the Midland Brick Kiln #11 and the Queensland plasterboard plant on funds employed.

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

In line with market conditions, weak demand for **Bricks, Roofing** and **Masonry** products on the East Coast adversely impacted revenues and earnings. Pricing outcomes however, were positive. Continued lower sales volumes on the East Coast resulted in six clay products manufacturing plants being temporarily shutdown for extended periods (approximately 4-8 weeks each) and masonry and roof tile manufacturing plants operated on reduced shifts.

Revenue from **Bricks** of $154 million was up 3% on last year ($149 million) as a result of flat volumes and average price gains of around 3-4% across the portfolio. The impact of East Coast brick volume declines on revenues due to reduced demand (particularly in NSW and Queensland) was offset by an increase in brick volumes in WA. Bricks EBITDA was slightly ahead of the prior period due to volume and price gains in WA offsetting lower volumes and plant shutdown costs on the East Coast.

Whilst **Roofing** prices were up by 4-5%, softer activity in NSW was offset by increased activity in Queensland and Victoria with overall volumes steady. Revenue from Roofing of $56 million was up 4% (from $54 million). Manufacturing improvements at Carole Park, the strong Victorian market and price increase benefits were offset by the impact of continued weakness in NSW. EBITDA was steady.

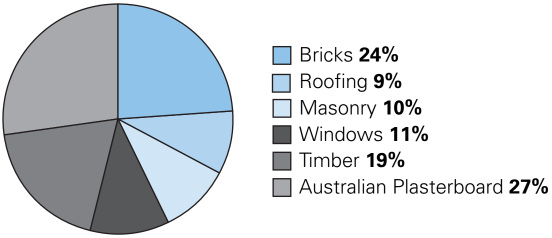
Masonry's revenue of $61 million was 10% below the prior year corresponding period reflecting 12% lower volumes driven by reduced masonry sales and loss of share in NSW as a result of the entry of new competitor manufacturing capacity. Average prices were up 3-4% driven by positive mix shifts and product price increases (except in NSW). EBITDA was significantly down.

Windows EBITDA was up on last year due to stronger volumes and ongoing cost controls. Half year revenue of $74 million was 6% ahead of last year ($70 million) and was a credible result given the tough conditions in the housing market particularly in NSW.

Timber delivered a lower EBITDA in the half year compared with the prior corresponding period due to continued weak markets particularly in NSW, cost increases, manufacturing performance issues in hardwood and lower woodchip export volumes. Production costs were higher due to log supply issues, the suspension of production at Gloucester and slowing of production in other mills. Ramp-up of the new Engineered Flooring plant at Murwillumbah is continuing and whilst production and sales of Silkwood™ engineered flooring product lifted significantly during the half year, plant performance is about 20% below target which is limiting earnings improvement. Timber revenue of $124 million was up 9% on the prior corresponding period largely driven by higher engineered flooring sales and increased sales of lower-margin product to non-residential markets. Hardwood prices were 2% weaker due to adverse mix impacts and softwood prices were lower but did not decline at the same rate as last year; softwood prices were down by around 2% but volumes were up 1% due to mix shifts. Plywood prices strengthened during the half year, up by around 4% on steady volumes. A formalised Step Change performance improvement program is being implemented in the Hardwood business with benefits expected to start coming through in the second half.

Plasterboard revenue in Australia was up 6% on the prior corresponding period despite the slowdown in Australian new dwelling activity and average selling prices falling by around 1%. Contracting revenues and sales of other manufactured and re-sale products increased disproportionately and board volumes increased. Ongoing cost reduction initiatives offset the impacts of lower prices and increased raw material and distribution costs. EBITDA was steady.

Share of HY2007 External Revenue



USA

Half year ended 31 December	2006	2005	% change
US$m			
Sales revenue	**361**	340	6
EBITDA	**70**	78	(11)
EBIT	**56**	66	(15)
A$m			
Sales revenue	**469**	455	3
EBITDA	**90**	104	(13)
EBIT	**73**	88	(17)
Capital expenditure*	**43**	50	(13)
Funds employed*	**844**	829	2
EBITDA return on sales, %	**19.3**	22.9	
EBIT return on sales, %	**15.6**	19.4	
EBIT return on funds employed (MAT), %	**20.2**	19.8	
Employees, number	**2,619**	2,628	–
Revenue per employee	**0.179**	0.173	3

* Including acquisitions

Operating revenue from US operations was up 6% on last year to US$361 million, however, **EBITDA** for the half year was down 11% to US$70 million. Solid US revenues were underpinned by overall price increases, which more than offset lower market related volumes. In Australian dollar terms US EBITDA was 13% down on last year to A$90 million. This result was largely impacted by the downturn in US housing activity, with the most significant decline in US earnings coming from our concrete roof tile joint venture business, which is equity accounted and hence does not result in a corresponding adverse impact on Boral's revenues. EBITDA from the Brick and Roof Tile businesses was adversely impacted by lower volumes as well as by a US$6 million impact for the half year due to increases in natural gas prices.

EBITDA to sales margin reduced from 22.9% to 19.3%.

Boral's US operations benefited from US$9 million of PEP cost reduction. Growth initiatives undertaken in recent years including the construction materials business in Colorado, the new Union City brick plant and Salisbury brick plant expansion are delivering solid benefits. Sales and production from the clay tile joint venture in Trinidad were below expectation because of commissioning difficulties. Other growth projects, including the new clay tile plant at Ione, California and the new brick plant in Indiana progressed satisfactorily during the half year.

Revenue from **US Bricks** was up by 7% to US$249 million due to the benefits of higher prices and increased direct shipments, which were partially offset by a 5% decline in brick sales volumes. Sales volumes in the December quarter were 11% below the corresponding quarter last year predominantly because of the slowdown in Ohio, Kentucky and Tennessee as well as reduced distributor sales. Average selling prices in bricks increased by around 9% during the half compared with last year, reflecting both price increases and an increase in the percentage of Boral manufactured bricks that were sold through direct distribution. EBITDA improved as a result of price increases and cost savings, but were well below expectations because of weaker markets than anticipated, particularly in the December quarter.

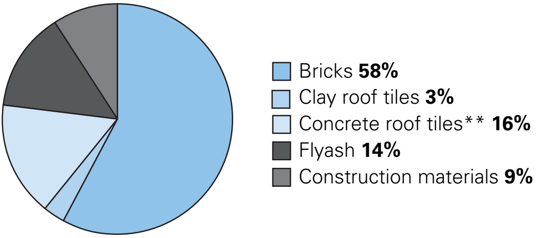
Revenue from **Clay Roof Tiles** of US$14 million was down 2% on last year reflecting an 11% lift in average selling prices but a 9% decline in volumes. Price increases offset cost increases in raw materials and fixed energy contracts. However, EBITDA was well below last year as volumes were directly impacted by the housing slowdown, particularly in western markets, resulting in less efficient production due to the slowing of the plant to manage inventories. The Trinidad joint venture posted a small loss during the first half associated with commissioning and ramp up of the new plant. Commissioning of the new clay tile plant in Ione, California, is scheduled for late 2007/early 2008.

Boral's 50/50 **Concrete Roof Tile** joint venture with Lafarge, MonierLifetile, delivered a profit contribution of US$5 million, down US$6 million on the underlying US$11 million profit earned last year (before a one-off US$5 million benefit in the half year ending December 2005 resulting from a favourable royalty outcome). Price increases of around 14% were insufficient to offset weaker volumes (down 27%) and related cost impacts. Sales volumes in the December quarter were 35% below the corresponding period last year due predominantly to the significant slowdown in new home construction in western markets (California, Arizona and Nevada). Slower new home construction in Florida was partially offset by ongoing re-roof activity.

The **BMTI Flyash** business delivered a 4% revenue lift to US$60 million. EBITDA improved due to increased average flyash prices offsetting lower volumes.

Revenue from the Colorado concrete and quarry **Construction Materials** business was up by 10% to US$39 million and EBITDA was significantly above last year as integration and synergy benefits matured, resulting in improved margins. Price increases for aggregates, concrete and block were sufficient to recover increases in the cost of cement and other raw materials. Concrete volumes were below the prior corresponding period due to slowing residential construction and inclement weather conditions late in the half year, offset partially by an increase in commercial projects. Key PEP initiatives, including cartage productivity and raw material cost reduction programs (mix design and procurement) also contributed to this result.

Share of HY2007 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.

Asia

(A$ million unless stated) Half year ended 31 December	2006	2005	% change
Sales revenue*	**100**	84	18
EBITDA	**12**	11	5
EBIT	**8**	8	(5)
Funds employed	**381**	335	14
Return on funds employed (MAT), %	**5.8**	5.6	

* 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 $12 million, which was up 5% on last year.

Equity accounted income of $7.4 million from the **Asian plasterboard** JV (LBGA) with Lafarge was above the same period last year, reflecting a once-off reported cost impact in the prior corresponding period. Underlying results from the LBGA plasterboard joint venture remain steady. In South Korea, trading conditions remained volatile and there was continued pressure on prices which were slightly down over the period, however, volumes were stronger. The unstable political/economic environment in Thailand, together with lower exports, resulted in continued pressure on plasterboard prices and volumes. In China, despite continued Government intervention aimed at curtailing residential real estate speculation in East China, total volumes were significantly higher which included a full half year contribution from the second factory in the Central West which was commissioned in September quarter 2005. Prices in China were up during the period. A new 10m m^2 plant in Vietnam, involving a total investment of US$13 million, was commissioned in August 2006 and is still in development stage in a market which is growing faster than expected but which is competitive. Energy related costs continued to put further pressure on margins across the business.

Construction Materials profits in Asia were lower during the period compared with the prior year. In Indonesia, concrete volumes were lower but in line with the market, with price increases offsetting significant cement and diesel cost increases. Industry conditions are showing early signs of improvement. In the Concrete & Quarry business in Thailand, concrete volumes lifted significantly, however margins were compressed due to cost increases that could not be passed on through price increases. In a very tough market compounded by political uncertainty and adverse weather conditions (floods) which slowed overall growth in construction activity, there was batch plant excess capacity.

CAPITAL MANAGEMENT

A fully franked interim dividend of 17.0 cents per share has been declared, representing a payout ratio of 69% of earnings.

Boral's interim dividend represents an annualised grossed-up dividend yield of 6.6% per annum (after franking) on Boral's weighted average share price for the half year to December 2006.

Boral's interim dividend will be paid on 21 March 2007 and the Dividend Reinvestment Plan for shareholders will continue to be offered.

VALUE-ADDING GROWTH

Boral has continued to invest in growth projects through the half year as well as continuing to progressively deliver increased value from growth spend in prior periods.

During the period $100 million of growth capital was spent largely on previously announced organic growth projects including the new US brick and roof tile plants, the new Queensland Plasterboard plant, the Berrima Cement Mill #7 upgrade and the acquisition of a further 30% of Girotto Pre-cast.

Our 50/50 plasterboard joint venture with Lafarge, LBGA, has progressed plans to construct a new plasterboard plant in Chengdu, China and a new plant in Rajasthan, India for a total combined investment of US$28 million. Both plants are expected to be in operation in the March 2008 quarter. The new plant in Chengdu will involve a total investment of around US$11 million, including land. LBGA has secured long term FGD gypsum supply to the plant and plasterboard production capacity is expected to be 10m m^2 per annum initially with flexibility to increase capacity in the future. The new plant in India, which is in the Khushkera area of Rajasthan, 150 kilometres from New Delhi, will be the first plasterboard plant to be built and operated by LBGA in India. LBGA has secured long term natural gypsum supply to the plant and plasterboard production capacity is expected to be 8m m^2 per annum initially with the site providing flexibility to increase capacity in the future.

Boral's **acquisition** spend has continued to be an important contributor to current earnings as well as providing substantial strategic benefits. Overall, acquisitions are delivering returns which exceed Boral's hurdle rate. Boral's five largest acquisitions since demerger are Adelaide Brighton (19.9% shareholding), Franklin Brick, the Denver construction materials businesses, Concrite, and Hanson's Thailand concrete and quarries business. The acquisition of a 19.9% shareholding in Adelaide Brighton for $167 million has been strongly value creating. Whilst the appreciation in the Adelaide Brighton share price is not reflected in our earnings, the combination of dividends and share price growth has resulted in strong returns from this investment. The Franklin Brick acquisition is also strongly value-adding and is securing downstream markets for our brick manufacturing operations; around 75% to 80% of our US brick sales are now made directly to homebuilders or installers. The Denver concrete and quarries business is achieving cost of capital returns in line with expectations through synergy benefits and improved industry structure. Concrite continues to be strongly value-adding and is securing Boral's construction materials position in NSW. Our concrete and quarry acquisition in Thailand is however performing below expectations with industry concrete and quarry capacity currently in excess of market demand which has been depressed by political uncertainty.

Organic growth has accounted for around half of Boral's growth spend and portfolio returns are currently averaging around cost of capital for completed projects but improving as projects mature. New or upgraded plants typically take longer than acquisitions to deliver expected returns due to the lead time between commitment of the capital and full ramp up of operations with capacity utilisation dependent on market conditions. The earlier organic growth projects are now past the ramp up period and are typically delivering returns in line with Boral's hurdle rates; these include projects such as the major capacity expansion of our Berrima cement plant as well as capacity expansions in our concrete, quarry and asphalt plant networks in Australia. However, Australian East Coast products upgrades (such as hardwood timber processing facilities) provided additional capacity to meet market demand and are currently not delivering expected returns due to low levels of utilisation because of weak markets. We have experienced some delays in achieving the desired output in some new facilities, notably the Waurn Ponds cement expansion, the new lime kiln at Galong in NSW and the new engineered flooring plant at Murwillumbah but these facilities are now performing significantly better and will deliver returns in line with expectations over the next twelve months.

During the December 2006 half year, a number of organic growth projects advanced from project completion to ramp up in line with initial expectations. The recently commissioned Union City brick plant has been operating at levels close to capacity supplying the Texas and Southwest US markets which have proven to be resilient. New brick capacity in Western Australia and the new wetcast masonry plant in Queensland have progressively increased throughput during the half year, supplying markets in Australia that are less affected by the current downturn and both plants are operating in line with expectations. New cement grinding capacity at Berrima and bagging capacity at Maldon has been successfully commissioned over the past six months and will deliver in line with expectations during the second half.

We are also investing in additional organic growth projects which will not be completed until the second half of FY2007 or later. Expenditure on the new plasterboard facility in Queensland, the new brick plant in Indiana, rooftile plants in California, Florida and Las Vegas and plasterboard plants in Vietnam and Korea continued during the half year. Long term investment has also been made in recent years for example at Marulan in Southern

NSW and at Reedy Creek, to secure strategic quarry reserves in NSW and Queensland. Whilst this expenditure reduces current returns, these projects are progressing in line with expectations and will deliver value to Boral once completed.

Acquisitions and organic growth projects which have been completed are proving to be value creating. We are confident that as current projects are completed, and as markets grow, these will all prove to be value creating and will improve Boral's overall returns. A status of recently completed and continuing growth projects is summarised in the following pages.

PERFORMANCE AGAINST OBJECTIVES

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

1. Exceed WACC through the cycle
Returns have exceeded Boral's weighted average cost of capital through the cycle over the seven years since demerger. Return on funds employed on a moving annual total basis to 31 December 2006 was 13.1% (compared with 14.3% in the prior corresponding period) and return on equity of 11.9% compares with 13.6%.

2. Deliver better financial returns than the competition in comparable markets
Boral's returns continue to compare well to competitors in like markets across most businesses. Boral's Perform & Grow strategy, incorporating a strong focus on operational improvements and pricing disciplines, is underpinning Boral's performance.

3. Deliver superior total shareholder returns

Boral's total shareholder return (TSR) from share price appreciation and dividends was 24% per annum over the seven years from Demerger to 31 December 2006, ranking the stock at number 20, which is the in the second quartile of ASX100 companies over that period. Boral's share price appreciation since 2000 has been underpinned by average earnings per share compound growth of around 13% per annum and by dividend compound growth of 11% per annum over the same period. Boral's TSR has however underperformed over the twelve months to 31 December 2006 with a TSR of -2% compared with the TSR of the ASX100 Index of 18%.

4. Deliver superior returns in a sustainable way

We remain committed to the sustainability of Boral's businesses in a financial, social and environmental sense. In October 2006, a comprehensive Sustainability Report for the year ended 30 June 2006, was published with the Annual Review 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 FY2007, Boral's lost time injury frequency rate (LTIFR) per million hours worked was 3.1 which was steady on the LTIFR for the year ended 30 June 2006. Over the past six months two fatalities occurred in our Asian operations, two in the USA and one in our Australian operations which are deeply regretted.

CURRENT MAJOR GROWTH ACTIVITIES

Growth project	Current status
• $95 million upgrade of the **Waurn Ponds** (Vic) **cement works**	• Following 2006 ramp-up problems, now meeting production and plant availability targets. Delivering returns around cost of capital in FY2007.
• New US$35 million, 100m SBE US **brick plant** at **Union City**, Oklahoma	• Commissioning commenced in the March 2006 quarter in line with plan. Benefits are ahead of cost of capital and business plan. Low-cost plant servicing a relatively resilient South West US market.
• US$6 million upgrade of the **Katy, Texas** MonierLifetile **roof tile plant**	• Completion in FY2006, with phased benefits from June 2006. Texas market relatively resilient with upside when market recovers.
• **Midland Brick's** (WA) new $53 million, 50m SBE state-of-the-art **Kiln #11**	• Commenced commissioning in June 2006 quarter. Running well, supplying very strong WA housing market. Commissioning of full product range is continuing. Expect to achieve above cost of capital returns in June-07 half.
• $28 million upgrade of the **cement bagging plant** at **Maldon**	• Completed and commissioned on time and on budget. Phased benefits in line with plan since June 2006 quarter. Relocation of bagging operations to Maldon allowed closure of Seven Hills facility in June 2006.
• New $12 million automated **"wetcast" paving plant** at **Wacol** (Qld)	• Commissioning complete, securing low cost position in relatively fast growing segment. Early benefits since June 2006 quarter. Currently delivering above cost of capital returns.
• New 10m m^2 **plasterboard plant** in **Vietnam** involving a total JV investment of US$13 million	• Completed in line with budgeted time lines/costs. Producing plasterboard from September 2006 quarter; higher than anticipated market growth rates being experienced.
• New US$12 million (132k squares) **clay roof tile plant** in **Trinidad** in JV with ANSA McAL	• The plant is ramping up but operating below expectation due to commissioning issues. Production issues are being addressed with progress made during the half year.

Growth project	Current status
• $24 million **Herons Creek Timber mill** upgrade	• Fully commissioned and operating well but production contained to one shift to limit inventory growth (due to weak market conditions) and log supply issues.
• $27 million upgrade of **Berrima's cement mill #7** to 800k tpa (resulting in a 400k tpa net increase)	• Practical completion in January 2007 with solid benefits to be progressively delivered in line with business plan.
• Net $106 million new 40m m^2 **plasterboard** plant in Qld	• Construction underway with commissioning anticipated during December 2007 quarter. Market demand remains solid and in line with expectations.
• New US$55 million, 120m SBE US **brick plant** at Terre Haute, **Indiana**	• Construction completion anticipated in the December 2007 quarter. Low cost plant will operate at high utilisation rates reaching full production in FY2009.
• US$27.5 million, 130k square p.a., **clay roof tile plant** at **Ione, California**	• Completion of site works with construction progressing satisfactorily and completion expected by December 2007.
• US$69 million MonierLifetile JV investment in **concrete roof tile plants, – Las Vegas**, Nevada & **Lake Wales**, Florida	• Lake Wales plant has commenced commissioning and will be well positioned to supply re-roofing market and recovery in the Florida new construction market. Las Vegas plant land is under contract but commencement of construction delayed due to current market downturn.
• US$42 million upgrade (total investment) of LBGA's **Dangjin plant**, near Seoul, to double **plasterboard capacity** to 75m m^2	• Commissioning anticipated in early calendar year 2008 with benefits flowing from anticipated Korean residential market recovery.
• US$28 million (total investment) in new **LBGA** plasterboard plants in Rajasthan, **India** (8m m^2) and **Chengdu**, China (10m m^2)	• Long term natural gypsum supply to the plant in India and long term FGD gypsum supply in Chengdu have been secured. Both plants are expected to be in operation in the first half of calendar year 2008.

OUTLOOK – FY2007

For the full year to 30 June 2007, we expect Australian dwelling commencements to fall around 4% to 145,000. A program of matching production and sales levels through extended plant shutdowns will continue in the second half and will impact negatively on Building Products businesses. Effective price and cost management however, should continue to mitigate some volume related impacts.

We anticipate that increased non-dwelling and infrastructure activity outside of NSW will favourably impact the Construction Materials businesses in Australia. Price increases of around 4-12% in concrete and approximately 12% in quarries ex-bin prices have been announced from 1 April 2007.

We forecast QEU earnings for the full year of around $50 million, of which $5 million has been booked in the first half of the year.

We expect USA housing starts to be around 1.6 million for the full FY2007 with the June half running at an annualised rate of around 1.5 million starts but there is considerable uncertainty about this level of activity. The sharp downturn in USA housing starts experienced in the first half will impact more significantly on Boral's earnings in the second half, with sales, production and earnings from clay bricks and concrete and clay roof tiles at lower levels than in the December half.

Market conditions in Korea, China, Thailand and Indonesia are expected to remain competitive in FY2007 but underlying Asian earnings are expected to be resilient.

Operating cost improvements from performance enhancement programs will be consolidated by "step change" improvement programs in US Bricks and Clay Tiles, Australian Construction Materials in NSW and Queensland, East Coast Masonry and in Timber.

Growth initiatives will continue to progressively deliver improved benefits across the portfolio.

In line with guidance at Boral's Annual General Meeting in October, we expect that Boral's PAT in FY2007 will be around 15% below the $362 million PAT reported for FY2006.

INCOME STATEMENT

BORAL LIMITED AND CONTROLLED ENTITIES

	Consolidated	
	Half-year 31 Dec 2006 $ millions	Half-year 31 Dec 2005 $ millions
Revenue	**2,491.5**	2,343.2
Cost of sales	**(1,551.0)**	(1,451.2)
Distribution expenses	**(413.9)**	(383.6)
Selling and marketing expenses	**(111.0)**	(103.1)
Administrative expenses	**(176.4)**	(162.6)
	(2,252.3)	(2,100.5)
Other income	**4.7**	10.0
Other expenses	**(2.1)**	(0.1)
Share of net profit of associates and joint ventures attributable to members	**25.1**	40.3
Profit before net financing expense and income tax	**266.9**	292.9
Financial income	**3.0**	1.5
Financial expenses	**(57.9)**	(47.6)
Net financing expense	**(54.9)**	(46.1)
Profit before related income tax expense	**212.0**	246.8
Income tax expense	**(64.6)**	(74.1)
Net Profit	**147.4**	172.7
Attributable to:		
Members of the parent entity	**147.2**	172.4
Minority interests	**0.2**	0.3
Net Profit	**147.4**	172.7
Basic earnings per share – ordinary shares	**24.8¢**	29.5¢
Diluted earnings per share – ordinary shares	**24.8¢**	29.5¢

BALANCE SHEET
BORAL LIMITED AND CONTROLLED ENTITIES

	Consolidated	
	31 Dec 2006 $ millions	30 Jun 2006 $ millions
CURRENT ASSETS		
Cash and cash equivalents	**45.4**	76.2
Receivables	**762.8**	759.7
Inventories	**565.9**	528.5
Other	**37.4**	36.4
Total Current Assets	**1,411.5**	1,400.8
NON-CURRENT ASSETS		
Receivables	**27.7**	28.2
Inventories	**133.6**	120.7
Investments accounted for using the equity method	**412.7**	418.4
Other financial assets	**312.3**	289.1
Property, plant and equipment	**2,907.2**	2,908.1
Intangible assets	**351.3**	352.9
Other	**76.5**	68.8
Total Non-Current Assets	**4,221.3**	4,186.2
TOTAL ASSETS	**5,632.8**	5,587.0
CURRENT LIABILITIES		
Payables	**524.8**	608.8
Interest bearing loans and borrowings	**46.0**	1.0
Current tax liabilities	**37.6**	63.5
Provisions	**184.4**	189.9
Total Current Liabilities	**792.8**	863.2
NON-CURRENT LIABILITIES		
Payables	**48.4**	39.0
Interest bearing loans and borrowings	**1,636.3**	1,653.4
Deferred tax liabilities	**263.0**	227.6
Provisions	**47.4**	48.8
Total Non-Current Liabilities	**1,995.1**	1,968.8
TOTAL LIABILITIES	**2,787.9**	2,832.0
NET ASSETS	**2,844.9**	2,755.0
EQUITY		
Issued capital	**1,655.6**	1,622.7
Reserves	**88.4**	81.9
Retained earnings	**1,097.7**	1,048.5
Total parent entity interest	**2,841.7**	2,753.1
Minority interests	**3.2**	1.9
TOTAL EQUITY	**2,844.9**	2,755.0

STATEMENT OF RECOGNISED INCOME AND EXPENSE
BORAL LIMITED AND CONTROLLED ENTITIES

	Consolidated	
	Half-year 31 Dec 2006 $ millions	Half-year 31 Dec 2005 $ millions
Actuarial gain on defined benefit plans, net of tax	**2.4**	4.1
Net exchange differences from foreign operations taken to equity, net of tax	**(6.7)**	17.4
Fair value adjustment on cash flow hedges, net of tax	**(7.8)**	1.4
Fair value adjustment on available for sale financial assets, net of tax	**18.9**	17.4
Net income recognised directly in equity	**6.8**	40.3
Net profit	**147.4**	172.7
Total recognised income and expense for the half-year	**154.2**	213.0
Total recognised income and expense for the half-year is attributable to:		
Members of the parent entity	**154.0**	212.7
Minority interests	**0.2**	0.3
Total recognised income and expense for the half-year	**154.2**	213.0
Impact of change in accounting policy:		
Adjustment on adoption of AASB 132 and AASB 139, net of tax	**–**	20.5

STATEMENT OF CASH FLOWS

BORAL LIMITED AND CONTROLLED ENTITIES

	Consolidated	
	Half-year 31 Dec 2006 $ millions	Half-year 31 Dec 2005 $ millions
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	**2,699.2**	2,529.8
Payments to suppliers and employees	**(2,484.8)**	(2,259.5)
Dividends received	**17.1**	31.9
Interest received	**3.0**	1.6
Borrowing costs paid	**(58.2)**	(44.9)
Income taxes paid	**(69.6)**	(93.6)
Net cash provided by operating activities	**106.7**	165.3
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments for purchase of property, plant and equipment	**(149.5)**	(227.9)
Payments for intangibles	**(1.5)**	–
Payments for purchase of controlled entities and businesses (net of cash acquired)	**(8.8)**	(10.0)
Payments for purchase of other investments	**(2.5)**	(3.1)
Loans to associates	**(5.3)**	(0.9)
Proceeds on disposal of businesses and non-current assets	**11.4**	7.3
Net cash used in investing activities	**(156.2)**	(234.6)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of shares	**2.0**	7.7
Dividends paid (net of dividends reinvested under the Dividend Reinvestment Plan $30.9 million (2005: $35.8 million))	**(69.5)**	(62.8)
Proceeds from borrowings	**104.6**	144.5
Repayment of borrowings	**(20.0)**	(10.5)
Net cash provided by financing activities	**17.1**	78.9
NET CHANGE IN CASH AND CASH EQUIVALENTS	**(32.4)**	9.6
Cash and cash equivalents at beginning of the year	**76.2**	18.6
Effects of exchange rate fluctuations on the balances of cash and cash equivalents held in foreign currencies	**(3.1)**	0.6
Cash and cash equivalents at end of the half-year	**40.7**	28.8

Reconciliation of cash and cash equivalents. Cash includes cash on hand, at bank and short term deposits at call, net of outstanding bank overdrafts. Cash as at the end of the financial period as shown in the statement of cash flows is reconciled to the related items in the balance sheet as follows:

Cash and cash equivalents	**45.4**	52.7
Bank overdrafts	**(4.7)**	(23.9)
	40.7	28.8

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Visit Boral's website www.boral.com.au for a range of shareholder information and company news, information about Boral's products and services, historical and general information.