Results announcement for the
year ended 30 June 2008

BORAL

Management Discussion & Analysis

19 August 2008

Overview

For the year ended 30 June 2008, Boral's **sales revenue** of $5.2b was 6% ahead of the prior year. A 13% lift in Australian revenues reflecting price strength, volume gains and benefits of recent growth initiatives more than offset a 24% decline in US revenues that occurred as a result of the significant decline in housing activity.

Boral's reported **profit after tax (PAT)** of $243 million was down 19% compared to the year ended 30 June 2007. Underlying PAT of $247 million (excluding goodwill and tax provision adjustments) was 17% lower than the prior year PAT of $298 million.

A 10% decline in Boral's underlying **EBITDA**[1] (earnings before interest tax depreciation & amortisation) to $688 million was due to the deterioration in the US market and related earnings impact.

In **Australia**, EBITDA of $657 million was 9% higher than the prior year. EBITDA from Construction Materials lifted by 8% to $489 million as a result of higher volumes and prices in most markets. Building Products' EBITDA of $168 million was 11% above last year due to strong markets in Queensland offsetting a decline in Western Australia as well as a solid lift in Timber earnings.

Boral's Construction Materials businesses in Australia enjoyed high levels of concrete demand (ABS concrete volumes up 7% on the prior year), underpinned by strong levels of non-residential and infrastructure construction activity in all states except New South Wales. Total dwelling approvals were up 4% year-on-year to around 159,000, but under-building continued in all states, especially in New South Wales where housing approvals were down a further 3% and detached housing starts are at their lowest in more than 40 years. In Western Australia, housing activity continued to soften with approvals down 10%.

EBITDA from **USA** operations decreased by A$118 million to A$11 million. The result was driven by the continued significant deterioration in housing activity, with US housing starts down 27% to 1.13 million compared to 1.55 million starts in the prior year. Lower volumes, increased raw material costs, and one-off costs (of US$4 million) associated with programs to reconfigure Boral's brick and roof tile production network contributed to the severe fall in earnings, particularly in the second half of the year. Cost reduction initiatives including network optimisation and overhead reduction, aimed at reducing fixed costs, continue to be implemented across the brick and roof tile business, with an expected incremental benefit of US$31.5m in FY2009.

Boral's EBITDA from **Asia** decreased by A$5 million to A$16 million. Results from our 50%-owned plasterboard JV business, LBGA, increased by 29% (before exchange rate impacts) and were better than expected due to stronger volumes, margin enhancements and growth benefits. Asian Construction Materials results fell significantly as a result of a price/cost squeeze in both Indonesia and Thailand. Challenging market conditions have been experienced in our Thailand concrete and quarry businesses and trading conditions remain difficult; we have therefore written off the $31.9 million of goodwill which arose on acquisition of the business in July 2004.

Cash flow from operations was $582 million for the year ended 30 June 2008, a $100 million increase on the prior year.

Boral's reported tax expense of $62 million includes a benefit of $28.1 million arising from the resolution of a number of outstanding matters with the Australian Taxation Office predominantly around the utilisation of tax losses and capital gains arising from the demerger in 2000.

It is too early to comment on **FY2009 outcomes** because of volatile conditions, particularly in the USA. Boral will provide an update on FY2009 trading conditions at the Annual General Meeting on 24 October.

[1] Excluding goodwill and tax provision adjustments.

Results at a Glance

(A$ million unless stated)

Year ended 30 June	2008	2007	% Change
Revenue	5,199	4,909	6
EBITDA[1]	688	762	(10)
EBIT[1]	448	531	(16)
Net interest	112	111	1
Profit before tax[1]	336	420	(20)
Tax[1]	90	122	(26)
Minority interest	1	0	
Underlying profit after tax	**247**	**298**	**(17)**
Net significant items	4	0	
Profit after tax	**243**	**298**	**(19)**
Cash flow from operating activities	582	482	21
Gross assets	5,895	5,817	1
Funds employed	4,425	4,470	(1)
Liabilities	2,985	2,829	6
Net debt	1,515	1,482	2
Growth & acquisition capital expenditure	327	226	45
Stay-in-business capital expenditure	169	192	(12)
Depreciation	240	231	4
Employees	15,928	16,194	(2)
Sales per employee, $ million	0.326	0.303	8
Net asset backing, $ per share	4.96	4.98	-
Net tangible asset backing, $ per share	4.41	4.41	-
EBITDA margin on sales[1], %	13.2	15.5	(15)
EBIT margin on sales[1], %	8.6	10.8	(20)
EBIT return on funds employed[1], %	10.1	11.9	(15)
Return on equity[1], %	8.5	10.0	(15)
Gearing (net debt:equity), %	52	50	
Interest cover[1], times	4.0	4.8	
Underlying earnings per share[1], ¢	41.4	50.0	(17)
Dividend per share, ¢	34.0	34.0	-
Safety: (per million hours worked)			
Lost time injury frequency rate	2.5	2.8	
Recordable injury frequency rate	26.7	27.8	

Financial Performance

Underlying PAT[1] of $247m for the year was down 17% on last year's PAT of $298m. Reported PAT of $243m was 19% lower than the prior year.

A $4m significant item reflects a $31.9m write-down of goodwill in the Thailand construction materials business, which was largely offset by a $28.1m write-back of tax provisions.

The 6% revenue lift to $5.2b 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 24% decline in US revenues.

[1] Excluding goodwill and tax provision adjustments.

Boral's EBITDA[1] of $688m was $74m (or 10%) lower than last year. Boral's overall EBITDA to sales margin was 13.2% compared with 15.5% last year.

EBIT of $448m was 16% down on last year. Australian EBIT increased by $48m (or 12%) to $465m, whilst offshore EBIT fell by A$127m to a loss of A$21m (a A$27m loss in the USA and a $7m profit in Asia). Overall EBIT to sales margin reduced to 8.6% compared with 10.8% in the prior year.

During the year, $151m of Performance Enhancement Program (PEP) savings were delivered across the Group, which equates to around 3.4% of compressible costs.

Depreciation costs increased by $9m to $240m and net interest expense increased by $1m to $112m.

Earnings per share[1] for the year of 41.4 cents compare with 50.0 cents last year. Return on equity[1] reduced to 8.5% compared with 10.0% in the prior year.

Operating cash flow (before capital expenditure) of $582m was up 21% on the prior year. Capital expenditure for the year was around $496m made up of $169m of stay-in-business and $327m of growth and acquisition capital expenditure.

Gearing (D/E) of 52% increased marginally compared to the level of gearing at 30 June 2007 (50%) but is well within our 40-70% target range. Net debt at 30 June 2008 was $1,515m compared with $1,482m at 30 June 2007.

During the year value adding capital management initiatives included a $114m off-market share buyback and an issuance of US$382m of 10 and 12 year unsecured notes in the US private placement market. Since year end a US$600m note issuance facility expiring in August 2009 was replaced by a US$700m facility expiring in August 2011.

A fully franked final dividend of 17.0 cents per share has been declared, which is in line with the prior year. The dividend will be paid on 18 September 2008.

Market Conditions

Approximately 96% of Boral's FY2008 earnings (EBITDA[1]) were sourced from Australian markets (compared with 80% in the prior year), 2% came from USA building and construction activity (17% last year) and a further 2% of earnings were generated from Boral's Asian markets (3% last year).

During the year, Australian housing activity remained at low levels, especially in New South Wales. However, the value of work done (VWD) in Australian building and construction was up 4.8% year-on-year[2] as higher levels of activity in Australian non-dwellings and major projects offset the soft housing market. The USA experienced continued deterioration in housing activity, particularly in the second half of the year, but plasterboard markets in Asia improved, including Indonesia, China and South Korea.

Australian dwelling approvals in the 12 months to June 2008 were 4% higher than in the prior year, with Australian detached housing approvals up 3% and multi-dwelling approvals 5% higher. Dwelling starts are expected to be around 155,000 for FY2008 versus 152,000 starts in FY2007; this compares with BIS Shrapnel's forecast of average underlying demand of around 185,000 starts over the next five years.

The pipeline of work approved in the Australian non-dwellings market segment remains strong with value of work approved (VWA) up 7% during the year compared with the prior year.

On a state-by-state basis trends in building approvals continued to differ, reflecting for example affordability and structural market issues in New South Wales and a continued weakening in the Western Australian detached housing market driven by affordability.

1 Excluding goodwill and tax provision adjustments.
2 Based on June 2008 quarter BIS forecast for dwellings and non-dwellings; RHS&B based on BIS forecast for October 2007-June 2008

During FY2008, New South Wales dwelling approvals for detached houses were at 40 year low levels, with dwelling approvals declining a further 3% to 30,500, which is 39% below BIS Shrapnel estimates of underlying demand over the next five years (50,000 starts). New South Wales non-dwellings VWA was down 1%. With approximately 40% of Boral's Australian revenues being derived from New South Wales, the continued slowdown adversely impacted Boral's result. However, Boral remains very well positioned in both construction materials and building products in New South Wales to benefit from a future lift in demand. Dwelling approvals in Victoria were up 13% and non-dwellings VWA was up 9%. In Queensland, approvals were up 5% for dwellings although there was significant weakness in the second half, and non-dwellings VWA was up 3%. In Western Australia, dwelling approvals were down 10% but non-dwellings VWA was up 36%. In South Australia, dwelling approvals were up 20% and non-dwellings VWA, 21% stronger.

Australian Bureau of Statistics (ABS) VWD, in major road construction and infrastructure is not yet available for the June 2008 quarter but it appears to have increased by around 10-11% in real terms during the year ended 30 June 2008, compared with the prior year.

ABS data on Australian concrete volumes, which is a useful proxy for total VWD, indicates that concrete volumes in FY2008 increased by approximately 7% over last year.

In the USA, housing activity significantly declined. Total housing starts (single + multi dwellings) were down 27% to 1.13 million starts in FY2008. Single family starts were down more significantly with a 35% reduction for the year and a 40% year-on-year decline in the second half. In "Boral's Brick States" total housing starts were down 29% whilst in "Boral's Roof Tile States" they were down 38%.

In Asia, Boral's key market exposures are in South Korea, Thailand, Indonesia and China. Conditions in the South Korean domestic economy stabilised favourably impacting on Boral's plasterboard result. In Indonesia, construction activity lifted particularly in the second half of the year. In Thailand, political uncertainty continues to impact large infrastructure projects specifically and construction generally. In China, strong market conditions have been experienced, including increased activity in East China.

Segment Results

Construction Materials, Australia

(A$ million unless stated)

Year ended 30-June	2008	2007	% change
Sales revenue	2,960	2,549	16
EBITDA	489	454	8
EBIT	351	318	10
Capital expenditure*	180	169	6
Funds employed*	2,310	2,271	2
EBITDA return on sales, %	16.5	17.8	
EBIT return on sales, %	11.9	12.5	
EBIT return on funds employed, %	15.2	14.0	
Employees, number	5,798	5,838	(1)
Revenue per employee	0.511	0.437	17

* Including acquisitions

Full year **revenue** of $3.0b for Construction Materials, Australia, was 16% higher than the previous year. The revenue lift was attributed to stronger cement, lime, quarry and asphalt volumes together with price increases in cement, quarry products and concrete. Boral's concrete volumes were 3% higher than last year, which were below national market volume increases of around 7% predominantly because of Boral's disproportionate exposure to New South Wales where ABS reported concrete volumes were down 1%.

EBITDA was up 8% on last year to $489m, reflecting improved earnings from quarries, asphalt and Blue Circle Cement in particular. There was a $5m one-off cost in the prior year in relation to the Berrima cement works. **EBITDA to sales** margin of 16.5% was down on the prior year reflecting higher input costs. **Return on funds employed** increased from 14.0% in the prior year to 15.2%.

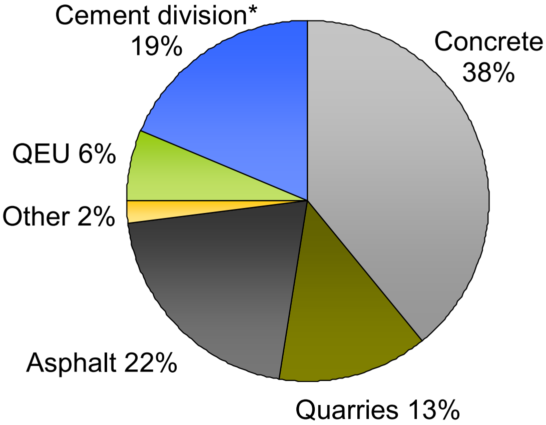
Construction Materials benefited from growth initiatives and $88m of **PEP** cost reductions.

Revenues of $1,512m from the **Concrete & Quarries** businesses were 12% higher than last year. Boral's concrete and quarry volumes increased nationally by 3% and 10% respectively, with increased demand driven by strong infrastructure activity particularly in Queensland and Victoria, tempered by soft trading conditions in New South Wales. A strong performance in Boral's asphalt business also underpinned the stronger quarry volumes. Whilst prices were up 7% for delivered concrete and 5% for quarry products, average prices for quarry products were impacted in the June half due to product mix issues. Price increases, together with cost reduction initiatives, were required to offset the higher input costs including raw materials, fuel, equipment and services that are competing with the booming resource sector. EBITDA increased.

Boral's **Asphalt** business performed strongly with volumes up 23% and revenues of $648m up 26% on last year. The improved result was driven by high levels of infrastructure activity such as the EastLink project in Melbourne and highway upgrades in Brisbane, together with a favourable product mix towards Deeplift (a higher asphalt intensity product). Margins remained at historically high levels despite bitumen cost escalation. EBITDA increased.

Boral's **Quarry End Use (QEU)** business contributed $54m of EBIT (compared with $56m last year) and cash flow was up significantly. During the period, earnings were predominantly sourced from the sale of land forming part of the Southern Employment Lands at Greystanes, the George's Fair (Moorebank) development and the Deer Park Western 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 of our partners in these projects.

Share of FY2008 External Revenue



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

External revenue for the **Cement division**, which includes Blue Circle, Formwork & Scaffolding and De Martin & Gasparini, was $566m, a 19% increase on the prior year. Volumes were stronger in all businesses and cement and lime pricing improved.

In **Blue Circle**, cement volumes were up 6% on last year, underpinned by a substantial lift in Queensland and steady but strong volumes in Victoria. In New South Wales, core volumes were up marginally but the New South Wales business benefited from increased wholesale and interstate sales. Lime volumes improved by 32%, primarily driven by demand from the steel sector. Average cement prices were up 3% compared with the prior year and lime prices were 9% higher. Blue Circle's EBITDA improved due principally to increased volumes and prices as well as improved kiln operating levels. In the prior year (July 2006), there was a trunnion failure at Berrima resulting in a three week outage and costing around $5m. Berrima's Kiln 6 continues to produce at above name-plate capacity. The Galong lime plant loading improved significantly during the year with the kiln working more effectively; there are further opportunities for higher volumes and improved returns from Galong. Waurn Ponds is now largely self-sufficient (except during planned shutdowns) and the kiln has achieved a record run between major shutdowns.

Formwork & Scaffolding experienced stronger volumes during the period however the business was impacted by pricing pressure and one-off costs resulting from branch rationalisation and stock write downs. The national branch rationalisation project, which has re-shaped the business, saw branch numbers reduce from 28 to 14 branches during the year. The scale efficiencies that are expected from this program are necessary because of lower prices driven by low cost imports predominantly from China. Scaffolding utilisation increased from 61% to 69% during the period. EBITDA was lower.

De Martin & Gasparini reported higher revenues and relatively steady margins. The sales mix changed with a higher proportion of total value-added project work which resulted in higher revenues but around 9% less concrete volumes placed over the prior year.

Building Products, Australia

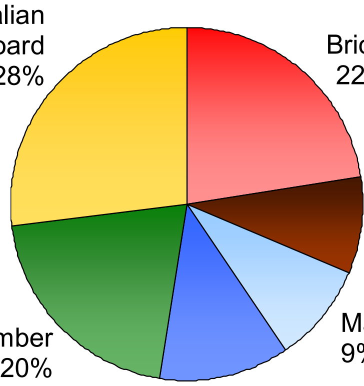
(A$ million unless stated)

Year ended 30-June	2008	2007	% change
Sales revenue	1,357	1,275	6
EBITDA	168	151	11
EBIT	114	99	15
Capital expenditure	125	127	(1)
Funds employed	1,178	1,114	6
EBITDA return on sales, %	12.4	11.8	
EBIT return on sales, %	8.4	7.8	
EBIT return on funds employed, %	9.7	8.9	
Employees, number	4,080	4,107	(1)
Revenue per employee	0.333	0.311	

Boral's Australian Building Products businesses reported a 6% **revenue** lift to $1.4b driven by stronger pricing outcomes and higher volumes in Queensland and South Australia offsetting weaker volumes in Western Australia.

Building Products reported an 11% increase in EBITDA to $168m due to a solid lift in Timber results and improved outcomes in Roofing, Masonry and Windows. Brick earnings in Western Australia reduced because of weakening markets and higher manufacturing costs associated with more extensive Brick plant shutdowns. **EBITDA to sales** margin of 12.4% compares favourably with 11.8% in the prior year.

Share of FY2008 External Revenue



Return on funds employed of 9.7% compares with 8.9% in the prior year, despite a 6% lift in funds employed largely due to capital investment in the Queensland plasterboard plant.

Building Products' businesses delivered $29m of **PEP** cost reductions during the period.

Revenue from the **Bricks** businesses of $307m was in line with last year; a 2-3% decline in brick volumes nationally was offset by a 3% increase in average prices. Whilst brick volumes were lower in Western Australia, higher brick volumes were reported on the East Coast. Bricks EBITDA was below the prior period largely due to lower volumes in Western Australia. Special price increases were announced to help offset input cost pressures. A manganese levy on bricks and roof tiles became effective in New South Wales and Victoria in April 2008 and July 2008 respectively. Additionally a fuel levy of between 1% and 3% has been announced to come in to effect in October 2008 on bricks, roofing and masonry products.

Revenue from **Roofing** of $120m was up 11% on the prior year. Roofing volumes were 9% higher with increased activity in Queensland, South Australia and Victoria offsetting a softer New South Wales market. Prices were up 1-2% due to price increases and a product mix shift which favoured the "supply & fix" segment in Queensland and South Australia. Volume and price increases together with improved manufacturing efficiencies offset the adverse impacts of temporary closures of the clay tile plant at Wyee for a dryer upgrade and the Springvale concrete roof tile plant for a major upgrade. EBITDA from the Roofing business improved year-on-year.

Masonry revenue lifted by 3% to $122m reflecting price increases of 2% and 1% higher volumes. Weaker volumes in New South Wales and Victoria partially offset strong market activity in Queensland, Western Australia and South Australia. Masonry EBITDA increased during the period.

During the year **Windows'** EBITDA improved on last year due to higher prices, ongoing tight cost controls and stronger volumes which included some modest market share gains. Revenue was up 9% to $159m with stronger sales in South Australia and Victoria in particular.

Timber delivered a significant improvement in EBITDA compared with the prior year, driven by improved softwood and hardwood prices, lower manufacturing costs and increased sales volumes. Whilst market activity levels remain low, Timber's revenue increased 11% to $273m driven primarily by price rises and stronger demand for structural timber products in Queensland, formwork demand from the buoyant

Australian concrete market, and an increase in flooring demand in the alterations and additions (A&A) market particularly in the first half of the year. Product prices improved 6% on average as a result of price increases and a favourable product mix. Increased log costs and wage escalation pressures were more than offset by price increases, including an improvement in residue prices and manufacturing efficiency gains at Herons Creek and at the engineered flooring Murwillumbah operation. However, due to the overall market softness, inventory levels of hardwood and engineered flooring increased during the year. With demand in the New South Wales A&A market weakening in the second half following interest rate rises, cost reduction was the focus. In July 2008, Boral Timber ceased production at the higher cost South Grafton and Walcha hardwood mills due to the weak market conditions experienced in New South Wales and higher input costs.

Revenue from the Australian **Plasterboard** business was $376m, a 7% increase on last year. Sales of non-manufactured products bought for re-sale through Boral owned and operated trade stores contributed to the result as did strong new dwelling construction activity in Queensland and South Australia. One-off costs associated with commissioning of the new 40 million m^2 p.a. plasterboard facility at Pinkenba (Queensland) and the transition from the existing facility at Northgate offset a one-off net $3m benefit resulting from restructuring in the December half. EBITDA was steady year-on-year; and net plasterboard selling prices increased on average by around 2% nationally. The new facility at Pinkenba became operational at the end of May 2008 and plasterboard production at Northgate ceased in mid-June 2008.

USA

Year ended 30-June	2008	2007	% change
US$m			
Sales revenue	607	699	(13)
EBITDA	10	102	(90)
EBIT	(25)	75	(133)
A$m			
Sales revenue	671	883	(24)
EBITDA	11	129	(91)
EBIT	(27)	95	(129)
Capital expenditure*	180	100	(81)
Funds employed*	789	813	(3)
EBITDA return on sales, %	1.7	14.6	
EBIT return on sales, %	(4.0)	10.7	
EBIT return on funds employed, %	(3.4)	11.6	
Employees, number*	2,208	2,503	(12)
Revenue per employee	0.304	0.353	(14)

* Including acquisitions

Revenue from US operations was down 13% on last year to US$607m. Excluding revenues from the Oklahoma construction materials businesses which were acquired in August 2007, but including our share of MonierLifetile revenues (which are equity accounted), revenues were down by around 24%. **EBITDA** for the year was down 90% to US$10m, which included US$4m of one-off performance improvement program costs and a US$5m write-down of brick plant and equipment assets. In Australian dollar terms US EBITDA was 91% down on last year to A$11m. At the **EBIT** level a loss of US$25m (A$27m) was reported versus a profit of US$75m (A$95m) last year. The US result was severely impacted by the continued downturn in US housing activity, with US housing starts down 27% to 1.13m compared to 1.55m starts in the prior year. Softer sales volumes and the related production curtailments coupled with increased raw material costs contributed to the severe fall in earnings particularly in the second half of the year.

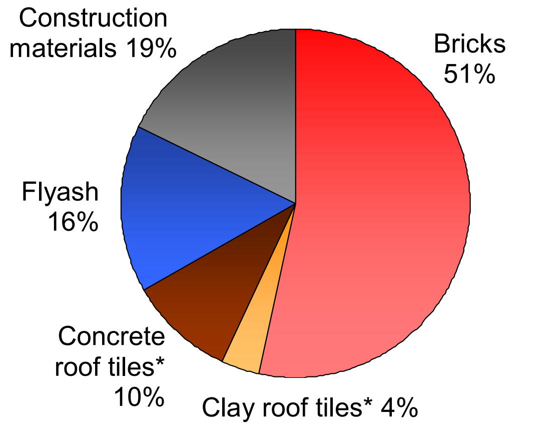
EBITDA to sales margin reduced from 14.6% to 1.7%.

The business has been implementing structured cost reduction programs in response to the significant market downturn including plant network optimisation and head count reductions. These cost reduction programs have resulted in head count reductions of approximately 1,400 employees in Boral's US and MonierLifetile operations since FY2006 (approximately 36%). **Cost reduction and margin improvement programs** involving US$30m of cost savings in the Bricks business and a further US$25m of cost reductions in MonierLifetile (based on 100% of the MonierLifetile business) were developed and implemented during FY2008. By the beginning of FY2009 around 50% of these programs were fully implemented in Bricks and 90% implemented in MonierLifetile, with US$6m of savings delivered in Bricks and US$10m in MonierLifetile in FY2008. The full benefits of these programs are expected to be delivered in FY2009.

Boral's US operations benefited from a total US$24m of **PEP** and other cost savings initiatives during the year.

Revenue from the **US Brick** business of US$346m was down by 28% due to a 27% decline in sales volumes. Average brick prices reduced by 2% due to a less favourable regional and product mix, otherwise prices have remained stable. Boral manufactured bricks sold through direct distribution remain at approximately 80% of total volumes. Brick production volumes reduced by 29% (22% down in the December half and 38% down in the June half) in response to the lower sales volumes and the need to reduce inventory levels. Brick plant utilisation averaged 56%, down from 79% last year, and is currently running around 40% to manage inventory levels. EBITDA was significantly down as a result of the low volumes and the related production network inefficiencies, as well as one-off costs of US$2.5m associated with programs to reconfigure the brick plant network. The June half year result includes a US$5m write-down of a specialised brick plant used to manufacture product for the high end market. The strong focus on cost reductions is continuing in FY2009.

Share of FY2008 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.

Revenue from **Clay Roof Tiles** of US$25m was down 8% on last year because of lower volumes more than offsetting a 4% increase in average selling prices which benefited from a favourable product mix during the period. Clay tile volumes were 11% lower than the prior year as the overbuilt western US and Florida markets were further negatively impacted by the tight US credit market and the high level of foreclosures. EBITDA was well below last year as production costs were directly impacted by lower rates of production to avoid inventory build. The Trinidad plant was closed for two months from late November 2007 for maintenance and inventory management. Line 5 at the Corona plant was mothballed in November 2007 and Line 4 is scheduled to be temporarily closed in October 2008 in response to the continued slow market conditions. The western markets will be supplied from Boral's low cost tile plant at Ione in Northern California.

Boral's 50%-owned **Concrete Roof Tile** joint venture, MonierLifetile, delivered a loss of US$21m compared to a prior year loss of US$4m. Whilst average concrete roof tile prices for the year decreased by around 5%, June 2008 prices were up 7% year-on-year. Sales volumes were down by 42%. MonierLifetile operations are heavily concentrated on the West Coast in California, Nevada and Arizona and in Florida; the decline in single family housing starts in these four key markets averaged around 48% on the prior year (73% from the peak in 2005). Unit production costs were higher than last year due to inefficiencies resulting from decreased production rates, with plant utilisation down to 27% compared to 48% in the prior year and around 75% in FY2006.

Revenue from **BMTI Flyash** of US$111m was down 4%. EBITDA was lower than the prior year; lower volumes particularly in Florida and Georgia more than offset gains from higher prices and new product initiatives.

Revenue from the **US Concrete & Quarry** businesses (Denver and Oklahoma) was US$125m which was 61% above the prior year primarily due to the newly acquired Oklahoma operations in August 2007; EBITDA increased. In Denver, concrete volumes were around 10% lower than last year as commercial and infrastructure sales only partially offset the impact of a weak residential construction market and poor weather conditions. Price increases for aggregates and concrete together with cost controls and reduced selling and administrative expenses were sufficient to offset higher fuel and other inflationary cost impacts. EBITDA in Denver was down year-on-year. Integration of the Oklahoma business is complete however performance was below expectations during the period because of energy related cost increases and lower than expected volumes due in part to poor weather.

Asia

(A$ million unless stated)

Year ended 30-June	2008	2007	% change
Sales revenue*	191	183	5
EBITDA*	16	21	(22)
EBIT*	7	12	(45)
Funds employed	285	376	
Return* on funds employed, %	2.3	3.2	

* *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. The FY2008 result excludes the write-down of goodwill in the Thailand construction materials business.*

Boral's Asian operations delivered a full year **EBITDA** of $16m, which was down 22% on last year. A continued improvement in market conditions in a number of key plasterboard markets in the Asian plasterboard JV business (LBGA) partially offset the decline in earnings from construction materials in Asia due to margin pressures.

LBGA equity accounted profit after tax was $18.1m, which was 12% above the prior year. This includes a $2.5m adverse impact due to the appreciation of the Australian dollar. Overall, **LBGA plasterboard** sales volumes and revenues lifted in all markets with improved market conditions experienced in South Korea, Thailand, Indonesia and East China and market development activity assisted growth in the Central West of China and in Vietnam. LBGA's cost improvement program, Excellence 2008, resulted in enhanced margins despite transport and energy cost pressures. The capacity upgrade of the Dangjin plant in Seoul, and commissioning of the new plants in Rajasthan, India and Chengdu, China were all completed within time and cost budgets during FY2008.

Construction Materials results in Asia were significantly down for the period. Although Indonesia increased concrete volumes by around 30%, including market share recovery, prices were flat in an environment where costs increased significantly, particularly diesel and cement. At the end of the financial year, concrete prices in Indonesia increased significantly resulting in improved margins and profitability. Thailand concrete volumes were down by 1%, with market share being maintained, however, political uncertainty continued to impact large infrastructure projects specifically and construction generally. Margin squeeze was experienced as prices reduced (-4%) at the same time as cement and diesel costs continued to increase.

Capital Management

A fully franked final dividend of 17.0 cents per share has been declared, representing a payout ratio of 83% of earnings for the full year.

Boral's dividend represents a grossed up dividend yield of 7.3 % per annum (after franking) on Boral's weighted average share price for the year ($6.65).

Boral's final dividend will be paid on 18 September 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 52% compared with 53% at 31 December 2007 and 50% at 30 June 2007. Gearing remains within our target range of 40% -70%.

In April 2008, Boral completed an off-market share buy-back, of around $114m or 3.3% of issued shares at $5.65 per share. The off-market share buy-back was undertaken to offset the dilutive impact of the DRP and Executive Option Plan (EOP) share issuance which occurred during FY2006 and FY2007.

In April 2008, Boral completed the issuance of US$382m of 10 year and 12 year unsecured notes in the US private placement market further strengthening Boral's balance sheet.

In August 2008, Boral increased and extended its major bank facility. The US$600m note issuance facility expiring in August 2009 was replaced by a US$700m facility expiring in August 2011.

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 growth strategy is focused on delivering shareholder value through the economic cycles. Boral's strong reserves, low-cost competitive assets and leading market positions are a fundamental source of value-creation.

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

During the year, $327m of growth and acquisition capital expenditure was invested in growth projects to increase capacity for longer-term market growth and to strengthen Boral's cost positions in the short-term. Specific growth investments that continued or commenced during the period included plasterboard projects in Australia and Asia; bricks, roof tiles and construction materials in the USA; and construction materials primarily in Queensland.

In Australia, the new 40 million m^2 plasterboard plant at Pinkenba in Queensland was fully operational by the end of May 2008. The net investment cost is up to 12% higher than the $106m net investment as originally announced but remains subject to contract negotiations. Market demand for plasterboard remains solid and is in line with project expectations.

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

During the first half of the year, Boral announced plans to construct a $33m low-cost 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. In recent months this growth project has been upgraded to a $44m investment and will now incorporate the transfer of large format paver manufacturing from the Jandakot plant to the new Middle Swan plant. This project will liberate both the Cannington and Jandakot sites for potential re-development. 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. The new plant which will have the capability to produce a broad product range positions Boral to realise market growth potential. The new WA masonry plant is expected to deliver benefits shortly after commissioning in the September quarter 2009.

In the USA, commissioning of the US$55m brick plant at Terre Haute in Indiana and the US$30m clay roof tile plant at Ione in California were both completed in the June 2008 quarter. The Terre Haute and Ione plants have considerably improved Boral's cost position and both plants will operate at high utilisation rates during FY2009. Mothballing of older, higher cost capacity has taken place due to the market conditions.

Plasterboard growth projects in our 50/50 joint venture with Lafarge, LBGA, are progressing well with construction of new plasterboard plants in Chengdu, China and Rajasthan, India for a total combined investment of US$28m completed in the second half of the year. Since year end, Boral announced that LBGA is investing a total of US$48 million to purchase land and to construct a new plant at the Baoshan Industrial Zone in Shanghai, China. The new plant is expected to be in operation in the December 2009 quarter. Plasterboard production capacity is expected to be 34 million m^2 per annum initially with the site allowing flexibility to increase capacity in the future. The additional plant will strengthen LBGA's leading position in East China and position the business well to supply the growing market.

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

Current Major Growth Activities

Growth project	Current status
• New 40m m^2 **plasterboard** plant in Qld	• Plant fully operational by end of May 2008, progress so far has been encouraging. Expect net investment cost to be up to 12% higher than the originally announced $106m, subject to the outcome of recoveries from project contractors. Market demand remains solid, in line with expectations. **Completed.**
• $21m total investment in new **asphalt plants** at West Burleigh & Ipswich in Qld, Geelong in Vic and in Welshpool, WA	• Continued reinvestment in national asphalt network. Construction completed of new asphalt plants at West Burleigh on the Gold Coast (August 2007), Ipswich (September 2007) in Qld, Geelong in Vic (July 2007) and Welshpool in WA (October 2007). **Completed.**
• US$84m acquisition of **construction materials** assets in **Oklahoma City**: Schwarz Readymix, a ready-mixed concrete & sand business & the quarry assets of Davis 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. **Completed.**
• US$10m acquisition of **sand & gravel reserves** in **Denver, Co**	• Acquired sand and gravel reserves well located to supply the Denver market as existing reserves come to the end of their useful lives. **Completed.**
• New US$55m, 120m SBE US **brick plant** at Terre Haute, **Indiana**	• Commissioning completed June 2008 quarter. This low cost plant will operate at high utilisation rates reaching full production in FY2009. Capital costs were in line with budget. Final spend was around 5% above original plan. **Completed.**
• New US$30m, 130k square p.a., **clay roof tile plant** at **Ione, CA**	• Commissioning completed June 2008 quarter. Final capital costs were slightly ahead of announced US$27.5m expenditure. **Completed.**
• US$42m upgrade (total) of LBGA's **Dangjin plasterboard plant**, near Seoul, to double **capacity** to 75mm²	• 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. **Completed.**
• US$28m (total) in new **LBGA** plasterboard plants in Rajasthan, **India** (8m m²) & **Chengdu**, China (10m m²)	• Commissioning completed at Rajasthan, India in April 2008 and in Chengdu, China in June 2008, both ahead of plan with investment cost below budget. **Completed.**
• $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 Qld demand. Completion of clinker storage due in September 2008 quarter and increased grinding capacity by June 2009 quarter.
• $44m investment in new **masonry plant** in WA	• The new plant to be located at Middle-Swan will replace Boral's high cost, ageing Cannington and Jandakot plants, lifting Boral's WA masonry capacity from 90,000 tonnes to 170,000 tonnes p.a., and facilitating the transfer of large format paver manufacture from Jandakot. This will liberate both the Cannington and Jandakot sites for sale. Construction expected to commence in December 2008 quarter with benefits shortly after commissioning in the September 2009 quarter.
• Strengthening of **concrete network** including rebuild of Artarmon (NSW) batching facility ($14m) and higher capacity replacement plant in Gladstone (Qld) ($5m)	• Rebuilding of concrete plant at Artarmon with expected completion by December 2009 pending finalisation of design proposal. Replacement of existing Gladstone plant with new higher capacity plant on purchased land with expected completion June 2009.
• US$48m (total) in new **LBGA** plasterboard plant (& land) at Baoshan, Shanghai China (34m m²)	• New Shanghai plant is expected to be in operation in December 2009 quarter. Capacity expected to be 34 million m^2 per annum initially with site flexibility to increase capacity in future. Will strengthen LBGA's leading positions in East China and positions business well to supply market growth.

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[1] for the year ended 30 June 2008 was 10.1% (compared with 11.9% in the prior year) and return on equity[1] of 8.5% compares with 10.0%. Boral's current returns have reduced as a result of the cyclical lows in the US and Australian housing cycles. Boral's longer-term average return on funds employed have also reduced, however, over the past five financial years (FY2004-FY2008) Boral's EBIT to funds employed return has averaged 15.1%, which is well above Boral's weighted average cost of capital.

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

Boral's returns continue to compare well with competitors in like markets across most businesses. Solid investments to strengthen and maintain leading market and cost positions have provided benefits. A relentless focus on operational improvement and pricing disciplines is also helping Boral's businesses to maintain a strong underlying level of performance in cyclical downturns.

3. Deliver superior total shareholder returns

Boral's total shareholder return (TSR) from share price appreciation and dividends was 16% per annum over the eight and a half years from Demerger to 30 June 2008, placing the stock at the 41st percentile of the ASX100 companies over the same period. Boral's TSR has however underperformed over the twelve months to 30 June 2008 with a TSR of -33% compared with the TSR of the ASX100 Index over the period of -16%. 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 2008 will be published with the Annual Review in late September 2008 and will be available on Boral's website at www.boral.com.au/sustainability.

Safety performance remains strong across Boral's businesses. During the year, Boral's lost time injury frequency rate (LTIFR) per million hours worked was 2.5 which was a further improvement on the LTIFR of 2.8 for the year ended 30 June 2007. We deeply regret that an employee was fatally injured in a heavy vehicle accident in South Australia in December 2007.

[1] Excluding goodwill and tax provision adjustments.

Outlook - FY2009

In Australia, we expect dwelling commencements in FY2009 to be similar to the forecast level of around 155,000 for FY2008. We expect that Building Products profits for FY2009 will be similar to profits in FY2008, with effective price and cost management offsetting the impact of further softening in WA dwelling activity and the entry of a new competitor into the WA clay brick market. Fuel price levies, effective 1 October 2008, have been announced for brick, roof tiles and masonry products and price increases have also been announced in bricks, plasterboard and timber, which will benefit the FY2009 result.

We anticipate increased non-dwelling and infrastructure activity outside New South Wales which will favourably impact Construction Materials businesses in Australia in FY2009. Announced price increases in concrete ($12.50 per cubic metre effective 1 August 2008), quarries ($1 - $3 per tonne effective 1 August 2008), and cement ($15 per tonne effective 1 September 2008) will favourably impact the result and should offset cost increases. We forecast QEU earnings for FY2009 of around $50m which will again be weighted heavily to the second half of the year. Construction Materials earnings from Australia are expected to be stronger in FY2009.

In the USA, unsold new and existing house inventories remain at high levels, foreclosure rates have increased and there is uncertainty in the credit markets. It remains unclear when a turnaround in US housing activity may occur. Market forecasters currently expect US housing starts to be around 900k in FY2009 compared to annualised starts of around 1.0 million in the June half 2008 (and 1.25 million annualised starts in the December half). Whilst lower volumes will adversely impact brick and roof tile sales volumes and earnings, increased benefits from significant cost reduction programs in bricks and roof tiles will be delivered including efficiencies from the reconfiguration of Boral's brick plant network. US construction materials markets are expected to be weaker in FY2009 compared with FY2008. Overall, US earnings in FY2009 are expected to be lower than in FY2008.

Despite the current depressed US and Australian housing markets, we have long-term confidence in these key markets. We believe that the underlying demand level in the USA is ~1.8 million starts (excluding manufactured housing) and in Australia is around 185,000 starts per annum.

We expect continued competitive market conditions and input cost pressures in Asia in FY2009, particularly in construction materials.

Operating cost improvements from performance enhancement programs of at least 3% have been targeted and benefits from growth programs will again enhance earnings.

It is too early to comment further on FY2009 expected outcomes. We will provide an update on trading conditions at the AGM on 24 October 2008.