



# Media Release

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## Boral announces updated guidance for FY2009

Boral Limited advised today that due to the deterioration in market conditions in the USA, Australia and Asia, it is revising its full year guidance for its FY2009 result from \$200 million to \$120 million profit after tax. This forecast assumes an AUD / USD exchange rate of 65 cents in the June half.

The US housing market downturn has continued to deepen, which is having a significant impact on Boral's earnings. In August 2008 the consensus estimate given by external forecasters of US housing starts in FY2009 was 900,000. Boral's profit guidance at the AGM in October assumed FY2009 housing starts of 750,000 to 800,000. The most recent data for the month of December indicates further weakening with annualised starts and permits at around 550,000. Annualised housing starts for the December half (seasonally adjusted) were around 765,000 which was 37% below the prior corresponding period. Whilst it may prove to be conservative, it is assumed that in the June half 2009 US housing starts will be around 500,000 which taken together with the December half, would result in FY2009 housing starts of around 600,000-650,000 but in the current volatile market this is uncertain. This compares to current analyst average estimates of 813,000 starts for FY2009.

Boral's CEO and Managing Director, Rod Pearse, said: "As a result of the collapse in the housing market in the USA, we anticipate further significant reductions in sales and production volumes in the June half, particularly in bricks (where June half production may be around 50% lower than in the December half), but also in Boral's roof tiles and USA construction materials businesses. Additional operational and step-change improvement initiatives are underway to achieve better cost outcomes and previously announced cost reduction initiatives are delivering as previously projected."

Australian dwelling starts have also continued to weaken from the 155,000 starts reported in FY2008 and the 145,000 estimated at the AGM for the September quarter. Dwelling approvals, a lead indicator, weakened further to an annualised level of around 136,000 approvals in the five months to November. Dwelling approvals in the three months to November were at the annualised level of 128,000 which compares to underlying demand of around 185,000 starts. Boral estimates an annualised level of dwelling starts of around 141,000 starts in the half year to December 2008 and of 135,000 for FY2009.

Rod Pearse said: "In recent months the performance of our Australian building products businesses has been well below our expectations and the prior year. Continued weakness in Australian dwellings will result in lower sales and in further significant capacity reductions in the second half to supply a falling market and to offset inventory build in the December half. Reducing interest rates and improvements announced in October 2008 to the First Home Owners Grant will over time significantly improve housing affordability but these initiatives are not expected to favourably affect our Australian businesses until well into calendar year 2009. We expect that the profits of the Australian building products businesses for the full FY2009 year will be significantly below the prior year."

Weather conditions adversely affected Boral's Australian Construction Materials businesses in the December quarter. Residential / commercial demand is weakening and this is adversely affecting construction materials markets including Quarry End Use. Nevertheless, the Australian Construction Materials segment is expected to deliver results in FY2009 which will be similar to FY2008 primarily due to improved price and cost reduction initiatives.

Asian markets weakened significantly in the December quarter as a result of the increased adverse impact of the global financial crisis on building project activity and sales volumes are expected to weaken further in the June half.

Commenting on the full year profit outlook, Rod Pearse said: "Boral's profit after tax for the full year is expected to be around \$120 million. First half earnings are expected to be around \$75 million subject to finalisation within the company and review by Boral's external auditors; this compares to the AGM forecast of \$80 million for the December half."

Boral's dividend pay-out ratio has averaged around 60% of earnings over the eight years since demerger and with the exception of FY2008 Boral has typically maintained a pay-out ratio of around 50% to 70% of after tax earnings (excluding significant items). Rod Pearse said that "it is the Board's current intention to maintain a dividend pay-out ratio in line with past practice subject of course to there being no significant deterioration in Boral's financial circumstances in any particular year. The dividend from the December half year earnings will be substantially lower than the 17 cents half yearly dividend which has been paid out of earnings over the last four years. The actual dividend will be decided by the Board after it has reviewed the final half year accounts."

Boral has experienced an increase in inventory during the December half as a result of weakening sales; production in the June half will be significantly reduced to better match projected sales levels and to offset first half inventory build. Operating costs continue to be tightly managed through Boral's PEP programmes and step-change cost reduction initiatives which are in line with targets. Capital expenditure levels have been wound back significantly and capital expenditure is currently estimated to be around \$250 million for the full year which is 50% below FY2008.

Based on a preliminary Balance Sheet, Boral's closing debt / equity ratio at 31 December was around 80% but this figure remains subject to final adjustments. Rod Pearse said that "Boral's financial metrics remain well within its debt covenants and we don't anticipate any breach of covenants. Boral continues to maintain substantial committed, undrawn bank facilities and has no material refinancing requirements until August 2011."

Boral will finalise its half year accounts and release these to the market on 11 February 2009.

**For further information please contact**

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