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Boral In The News
July 2010

BORAL TRIM FROM CONCEPT TO COMMERCIALISATION

Innovation in action

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BUILDING SOMETHING GREAT

Chief Executive
explains

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Roof Tiles
positive
expansion in
the US

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Plasterboard
growth in Asia
and Australia

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1. LAYING THE FOUNDATIONS

Review & respond, creating a strong platform for growth

2. REINFORCING THE CORE

Focus & improve assets where Boral can be market leader

3. INVESTING FOR GROWTH

Expand & invest, through acquisition and innovation worldwide

4. SECTOR BEST PERFORMANCE

Realising sector best performance and market leading returns

BUILDING SOMETHING GREAT

A NEW STRATEGY FOR THE FUTURE

On 6 July I presented the findings of my strategic review and acknowledged the huge amount of effort undertaken by all those involved, and most particularly the employees of Boral. I confirmed we had worked diligently to understand the core components of the Group and confirmed those markets which are most attractive and where we have potential to lead.



MARK SELWAY
Chief Executive

I introduced our group ambition for “building something great” and achieving sector best operational and financial performance.

It was clear to me that Boral would benefit from a “back to basics” review from the “outside in” including the products, sectors and geographies in which we operate. I was struck by the diversity of our portfolio. On the one hand it provided choices but on the other, it extended our reach and blurred our focus.

We have now identified those areas we intend to prioritise for future investment and growth.

By focusing our investment plans on fewer, higher quality opportunities it will help us to concentrate on those areas of major potential.

Our core businesses and geographies will include Cement and Construction Materials in Australia, Plasterboard in Australia and Asia – and bricks, roof tile and masonry both in Australia and the United States. The balance of businesses will be developed appropriately to maximize the potential identified in our review.

Ross Batstone has been appointed Divisional Managing Director with responsibility for the combined Building Products business including Plasterboard, Timber, and Clay & Concrete Products. Nick Clark and Bryan Tisher will continue in their current roles and will be joined by Tony Charnock all reporting to Ross. Murray Read has taken over from John Douglas at Boral Construction Materials. Mike Beardsell will remain at the top of Boral Cement with responsibility for the Australian and Asian assets. Warren Davison will be in charge of CRB with responsibility for scaffolding, windows, panels and our concrete placing businesses. Mike Kane will continue with the development of the United States business with particular focus on developing our positions in Roofing and Cladding.

With clarity on our future priorities, it became necessary to conduct a review of the carrying value of those businesses which did not sit in the “invest for the future category” and the values of those assets which currently underperform the sector. The total value of impairments which were included as exceptions in the year end accounts, will be \$224 million post tax, including a total cash cost of approximately \$34 million.

We then focused our attention on those areas where the Group has potential to leverage our geographic and market positions and where we underperform our peers.

Improvements will be focused on three specific areas which will contribute to Boral “Building Something Great” and delivering sector leading performance. Operational excellence, sales and marketing excellence and an increased ambition for great new products all sit firmly on our priority lists.

To kick off our operational excellence objective, we undertook benchmarking to gain a measure of our current performance, on our largest 90 businesses. We benchmarked ourselves against the ten key areas of Lean and while the scores are pretty low it’s all upside and an integral component in our ambitions for the future. The disparity in current performance gives us the benefit of rapidly transferring existing best practice across the balance of the Group. I have a high level of confidence that the pursuit of this initiative will improve operating performance, reduce working capital and grow our financial returns.

The second area of focus has been in sales and marketing where the Group has significant potential. We again benchmarked our performance, this time against the seven key areas of sales excellence. The results also confirmed that today we have a wide disparity in our sales and marketing performance. As with the operational improvement project, we noted pockets of excellence and opportunities for improvement. A sales and marketing council has been formed and cross selling and leveraging our geographic and market positions has become a top priority.

The third element of the Group’s improvement agenda relates to an increased focus on new product development and innovation. We have already restructured the US research organisation to improve responsiveness and accelerate delivery of new products and have plans to do the same in Australia. Our composite cladding product will be the first to test an accelerated market entry and the board has approved the investment in a new production facility to support this launch.

The final piece in the Group’s ambition relates to growth and our focus on those areas with the best “through-cycle” returns. In Construction Materials we announced we will spend about \$200 million to replace our Emu Plains quarry and add capacity to service future market needs. Our planning identified a shortfall in industry Plasterboard capacity, particularly in

the Southern States of Australia and to support this potential we plan to invest about \$80 million to expand the capacity of our Victorian operation. We also identified the benefits which could be achieved by pulling together our USA Clay and Concrete tile businesses. To facilitate this move, we announced the acquisition of the balance of 50% of MonierLifetile for US\$75 million. While the business is currently in losses, it consists of high quality operations which are capable of producing terrific returns as the market recovers. We have taken the keys of MonierLifetile and Mike Kane and the roofing team are ready to deliver on the synergy potential identified at the time of offer.

I also confirmed that, with the portfolio and the opportunities for growth defined, it was essential that I prepare the balance sheet to fund the Group’s aspirations, and announced a \$490 million capital raising. The investments in MonierLifetile, the new quarry and our Plasterboard operation will require a collective \$370 million and our ambitions in operational excellence will require an increase in “stay in business” capex to about one times depreciation for the next few years. Our improved gearing levels will provide a solid platform when looking at future opportunities for growth.

I am excited about the prospects of our new strategic direction and am encouraged by the energy and enthusiasm of Boral’s employees. The benefits from our efforts will only be evident over time so we need to stay focussed on simplifying and streamlining processes that will lead to margin growth and market leadership.

I am looking forward to continuing to work together and to building something great.





ROLLOUT OF BORAL PRODUCTION SYSTEM UNDER WAY

Following its launch in the USA, all divisions are now actively involved in the introduction of the Boral Production System. Briefing sessions across the globe are introducing staff to 'lean manufacturing' principles and how they will be applied in Boral. Divisional champions have audited nearly 100 sites to conduct baseline lean assessments.

These assessments typically take two days per site (less for smaller sites) as the assessors walk the process, talk to operational staff, look at work cells, offices, workshops and yards, and monitor and map the flow of materials and information.

They then score the operation against 10 Lean categories covering:

- Cultural awareness
- Visual management and housekeeping
- Standardised work
- Flexible operations
- Continuous improvement
- Error proofing
- Quick changeover capability
- Total productive maintenance
- Material control
- Level production

These are the critical characteristics of Lean and are needed to support the smooth flow of production with low waste.

"The assessments are a great first step on our lean journey," said Andrea Pidcock GM Planning and Business Development. "They allow us to see where we are starting from and how big the opportunities are for improvement. They identify common problems and issues, and help us to find where 'best practice' is internally, so that we can all learn from our better operations."

At the end of each assessment, feedback is given on the observations of the assessment team and the scores for the site.

"These scores are against a high standard of excellence in lean manufacturing that is very challenging to achieve. So understandably our starting scores tend to be fairly low. It is not the scores but rather the opportunity and the rate of improvement which we look for.

"The first opportunity for improvement at most sites is to create a more visual workplace by simply cleaning up and organising the site, making sure that walkways and traffic flows are clearly marked and safe, and putting simple indicators in place to show that equipment is operating properly and is well maintained.

"Further improvements come from applying a variety of lean tools to identify waste and fix problems in our processes. This typically involves operational staff, process experts and 'strangers' from outside the operation or division coming together in structured workshops to generate improvement ideas. These ideas form the basis of improvement plans for the plant to implement," said Andrea.

Training workshops were conducted in April and May covering three lean tools:

- Poka Yoke (error proofing) at Bringelly Brick Plant,

- Kaizen (continuous improvement) at Prospect masonry plant, and
- Problem Solving at Badgery's Creek.

Each of these sessions lasted several days, during which people from the sites and from other Boral divisions worked together to learn the tools and apply them to the operations of the host site.

"Attendees enjoyed the opportunity to apply practical tools to real problems. These Lean champions will soon commence running events back in their own operations in order to spread the learning," said Andrea.

"Attendees enjoyed the opportunity to apply practical tools to real problems."

ANDREA PIDCOCK

BORAL STRENGTHENS ITS LEADING POSITION IN ROOF TILES IN THE USA

Boral has acquired the remaining 50% of the concrete roof tile business, MonierLifetile, strengthening its leading position in concrete and clay roof tiles in the USA.

MonierLifetile is the market leader in the concrete tile business. The purchase of the remaining 50% interest allows Boral Roofing to strengthen its high end roofing portfolio and pursue its strategy of becoming a significant player in the high end roofing market.

Mark Selway, Boral's Chief Executive, said: "The MonierLifetile acquisition represents excellent value for Boral in a market that has been hit hard by the housing downturn but which we expect will recover

over the next two to three years. The investment in MonierLifetile highlights our commitment to our US business for the long term."

Mike Kane, President of Boral USA, said that as a result of the continued downturn in the US, a comprehensive cost reduction program has already significantly strengthened the underlying business. "However, now that we will have 100% ownership of the business we are well positioned to look at further improvement opportunities. Further, by consolidating our concrete roof tile and clay roof tile businesses, particularly in relation to marketing, distribution and back-office functions, we expect to generate considerable benefits."

MonierLifetile has been crafting premium quality concrete roof tile in the United States since 1962, and it is consistently recognised for its leadership and innovation in its roofing systems. MonierLifetile offers the industry's broadest combination of concrete roof tile colours, profiles and finishes for both new



construction and reroof, plus a broad spectrum of components designed to work together as a completely integrated roofing system.

MonierLifetile has 14 manufacturing operations across the USA and Mexico. "While capacity utilisation in the business is low and market conditions remain challenging, the expansion of Boral's footprint in the USA is an exciting step in our ambitious growth and for the 360 employees in the MonierLifetile business. We are confident of the benefits that will be delivered as the US market recovers," concluded Mike.



A BRIEF HISTORY OF THE MONIERLIFETILE BUSINESS

Boral first entered the US market in 1979 when it acquired 55 per cent of California Tile Inc. It soon turned the business around and bought it outright in 1980. A new tile-making plant in San Antonio, Texas was soon acquired and then a third tile plant in California.

At the time, the concrete roof tile product was relatively new to America where they traditionally used timber shakes or shingles. In states such as California which were bush-fire prone, these represented a safety hazard. Shortly after Boral bought California Tiles, timber shakes were outlawed in all new construction in that state and concrete tiles took a substantial share of the market. Since Boral's acquisition of California Tiles in 1980,

concrete tiles have gone from a five per cent share of the Californian roof tile market to the current 75 per cent share.

Although the concrete roof tile business expanded and grew profitably, by the mid-1990s the industry saw an influx of new capacity and the market was extremely competitive with participants generally operating at low utilisation rates.

In 1997, Boral's concrete roof tile business, LifeTile, was combined with the concrete roof tile operations of Monier (owned by Lafarge) to form the largest concrete roof tile manufacturer and distributor in the United States, MonierLifetile. The new joint venture thrived on the back of reduced costs, minimising duplication and new product development.

In 2007 Lafarge sold a 65% stake in its global roofing business, including its share in MonierLifetile, to a private equity interest, PAI. A year later Lafarge Roofing was renamed Monier and started operations as an independent company and by 2009 financial restructuring of the group resulted in the former senior lenders then becoming the new owners of the Monier Group. In 2010 Boral acquired its remaining 50% share in MonierLifetile from this investment group.

INTRODUCING BORAL TRIM – INNOVATION IN PRACTICE



After four years of research, development and field testing work, Boral is excited to announce a groundbreaking new product technology – Boral Trim – and plans for its first full-scale composite production facility in the US Southeast.

Boral Trim is pioneering an entirely new product category for the ~US\$1.7 billion dollar per year exterior trim market. Designed for a range of construction trim applications including corners, fascia, frieze, batten strips, window and door surrounds, and rake boards, Boral Trim outperforms low-end materials while offering a lower cost alternative to current premium products. With its range of superior features, Boral Trim is well positioned to compete with traditional wood products, as well as the growing market share of man-made alternatives such as engineered wood composites, fiber cement, and PVC trim materials.

Brian Below, General Manager of Boral's new Composites business said: "We have spent four years going from concept to commercialisation and during that time we have worked closely with our customers to develop the product solution that the market needs. Over the last few years we have conducted significant field test work with the product, including multiple full-scale installations across several regions; ranging from the desert climate of the Southwest to the seasonal extremes of the Northeast.

"Feedback from builders, contractors, and installers has confirmed what we set out to create – a product with incredible workability for easy installation and exceptional durability for long term low maintenance. Boral Trim does not require special tools for cutting,

sawing, or working and readily accepts a wide variety of fasteners. Because the product is essentially impervious to moisture it is not susceptible to freeze-thaw issues, it can be used for ground contact applications, and there is no need for installers to prime field cuts. Unlike other products on the market, Boral Trim is dimensionally stable, with minimal expansion or contraction meaning paint will typically last much longer. The product is also resistant to termite and fungal decay, to maintain a superior product over time," said Brian.

Consisting of over 75% recycled or rapidly renewable materials and with significantly lower embodied energy than most competing materials, Boral Trim is set to lead the exterior trim market in sustainability and environmental stewardship. Boral Trim is manufactured using proprietary bio-based polymer chemistry together with Boral's own Celceram® technology, in order to optimise product performance while maximising total sustainable content.

"The technology behind Boral Trim was developed by the US Research and Development group, led by Chief Technology Officer, Dr Russell Hill in our research facility in Texas. In 2007 we built a small-scale pilot plant in that facility to test and refine the manufacturing process and after a four-year journey we are now very excited to move forward with building our first full-scale plant," added Brian.

Boral plans to invest approximately US\$14 million for the first phase of the new plant and should secure the location for the new facility in coming months. Construction should be completed by the beginning of FY2012 with sales commencing thereafter.

Mike Kane, President of Boral USA said "Moving into the exterior trim market is a fantastic growth opportunity for Boral. Trim is ubiquitous, it can be found on nearly every home regardless of cladding or architectural style. And importantly, roughly one-third of the trim market is repair and remodel business so it is not solely tied to the new residential construction cycle. Launching this new business will help to diversify our earnings away from new home construction and is consistent with our overall US growth strategy."

"Boral is extremely well positioned to deliver this low cost, premium performing product to the market. We have spent the time to understand our customers' needs and have involved them in developing this new innovative solution," said Mike.

For more information on Boral Trim, please visit www.boraltrim.com.

Key facts

\$14–15m

Boral plans to invest around US\$14–15 million in the new plant





PEPPERTREE QUARRY WILL GROW BORAL'S AUSTRALIAN CONSTRUCTION MATERIALS

Boral is moving ahead with plans to invest in a new hard rock quarry at Marulan South in New South Wales, known as Peppertree Quarry, along with a new rail terminal at Maldon, in south-west Sydney.

The quarry will replace Boral's Emu Plains quarry which is part of the Penrith Lakes quarries which are coming to the end of their economic life and due to close in approximately 2014.

"It is vital that Boral secures its supply of aggregates to ensure it can provide cost effective construction materials into the future. Peppertree will enable Boral to maintain its leading market positions and strengthen its integrated position in the Sydney market, by providing a competitive and secure supply of high quality material for the next 50 years." said Murray Read, Executive General Manager of Australian Construction Materials.

"This 2 million tonne per annum quarry supported by a 1.5 million tonne per annum aggregates terminal at Maldon will have the capacity to be upgraded to 3.5 million tonne per annum, allowing Boral to time subsequent increments of capacity to match the demand cycle." Murray added.

The choice of an in-pit mobile primary crushing and conveyor system, rather than the traditional use of a fleet of haul trucks to a fixed primary crusher station, will improve productivity, safety and reduce labour, fuel and water consumption. While it is a novel method for Australia this is a common approach in overseas hardrock quarry operations.

Other key features of the project are beneficiation of the crusher dust into a medium coarse manufactured sand using a dry processing option (rather than producing low value by-product and wet processing) and loading of rail wagons via an automated reclaim system (rather than multiple front end loaders). Water used on site will be drawn from a storage dam to be constructed.

The rail terminal facility will be built within the Blue Circle Southern Cement Maldon Cement Works and will provide a rail unloading and stacking system for subsequent despatch by truck to the market or for ex-bin customers to purchase direct.

Over the past year, test mining has progressed well at Peppertree with a test pit blasted and trial crushing of the material quarried undertaken at another Boral site. The potential investment in the Peppertree is approximately A\$200 million over three years subject to necessary approvals.

Key facts

2.0m

The 2.0 million tpa quarry will be supported by an aggregate rail terminal at Maldon.

BORAL STRIVES FOR SALES AND MARKETING EXCELLENCE

Excellence in sales and marketing is one of the strategic building blocks identified in Boral's new strategic direction. It is essential to building a lean and efficient organisation focused on delivering sector best returns.

Two key areas of opportunity to deliver sales and marketing excellence have been identified

- 1) Improving collaboration between sales teams across all business units – to sell more of the company's product range to customers; and
- 2) Building sustainable step-change in performance across seven core capabilities – to increase effectiveness in sales and marketing

The seven core capabilities are:

- **Strategic marketing:** Setting the strategy and defining which groups of customers to serve, determining the competitive positioning, delivering the value proposition and defining the sales and service model to drive sustainable competitive advantage.
- **Customer and product mix:** Improving product and customer mix to better meet customer needs.
- **Pricing:** Capturing the true value created by Boral's products and services versus alternatives.
- **Key account/contract management:** Understanding the needs of the most important accounts – and creating long-term value for both customers and Boral.
- **Sales force effectiveness:** Coordinating and managing the sales force to optimise its performance.
- **Customer-back innovation:** Creating and capturing value from new innovations based on superior insights from our customers and end-users.

- **Channel management:** Optimising the way that Boral reaches and satisfies its customers through use of channels to go to market.

Murray Read who is leading the sales excellence program said:

"We are rolling out a structured sales and marketing program to deliver sustained improvement in capabilities and performance. Every sales and marketing professional across Boral will be involved in this initiative.

"We have established a senior team in Australia to lead and provide direction for the program.

"We are also developing a system for sharing sales opportunities more easily across the product range, which will be rolled out across all business units.

"And finally, a calendar of regular meetings will be put in place. This will enable Boral sales and marketing people to network regionally." added Murray.

Sales & Marketing Leadership Team

- Chair – Mark Selway (Chief Executive)
- Leader – Murray Read (Divisional Managing Director, Boral Construction Materials)
- State Coordination Council Leaders – Greg Thomas (Plasterboard) Qld, Ross Baxter (Clay & Concrete Products) NSW, Steven Caust (Plasterboard) VIC, Charlie Condo (Clay & Concrete Products) SA, and John Simpson (Australian Construction Materials) WA

GM Sales and Marketing – Glenn Simpkin.

INNOVATIVE SOLUTIONS FOR DIY CUSTOMERS

Boral has introduced a new range of masonry pavers into Australia which will enable home owners in Victoria, New South Wales, Queensland and South Australia to create "the perfect summer retreat in their own backyard".

Named Coast, the pavers are said to evoke "weathered sandstone cliffs that line the coast".

Priscila Manio, Marketing Projects Manager of Boral Masonry, said the pavers are an affordable and DIY option.

"We're a nation of beach lovers and these new pavers draw the relaxed feel of the coast into the home. An added benefit is they achieve the look of natural stone in an outdoor space without incurring the astronomical costs," she said.

Nibs to all four edges (which allow for consistent joint widths and prevent the pavers from chipping) ensure that they are easy to install for both landscape contractors and DIY-ers. The wet pressed style of paving with sawn stone finish delivers a clean look ideal for pool surrounds, steps, courtyards, patios, paths and outdoor rooms.





LAFARGE BORAL GYPSUM IN ASIA

– 10 years on it continues to provide excellent growth prospects

Lafarge Boral Gypsum in Asia (LBGA), formed in June 2000, is a joint venture between Lafarge Plâtres International SA of France and Boral. LBGA sells manufactured and acquired plasterboard and related products across more than forty countries, with number 1 or 2 market share positions in most of those countries.

At the time of the Asian Financial Crisis in the late 1990s, both Lafarge and Boral's plasterboard businesses in Asia were losing money. In 2000, at the time of formation, Lafarge and Boral had manufacturing positions in South Korea, China, Malaysia and Indonesia with a total installed capacity of less than 200m² plus distribution businesses in Singapore, Dubai and Philippines. Ten years later, LBGA now has over 400m² of installed capacity including an acquired position in Thailand and greenfields factories in Vietnam and India. It has around 2,000 permanent employees across 18 factories sites and ten other locations.

Murray Read, Executive General Manager of Australian Construction Materials was Boral's Asian Plasterboard General Manager just prior to the formation of the JV. In 2008, he was made an LBGA Board member. After eight years away from Plasterboard in Asia, Murray commented "LBGA has done an impressive job of consolidating its leading market position in Asia through continued cost reduction focus as well as developing a comprehensive product and systems offer. It is very pleasing to see that the JV continues to be successful. The prospects in Asia for plasterboard as a lightweight building product are encouraging and LBGA is very well placed to drive market growth".

Safety in an Asian industrial business is particularly challenging according to LBGA's Regional Health & Safety Manager, Yong-Geon Shin. Our workers often live in hazardous environments and are conditioned to accept risks as normal. Once they enter an LBGA site, their mindset must change. The JV has adopted Lafarge and Boral safety standards as the required safety benchmark and has implemented a range of safety systems. It continues to strive to change behaviours and safety cultures. Whilst our safety statistics are comparable to Boral's other businesses, last year our China business tragically had an avoidable fatality and this has resulted in a renewed programme to combat unsafe behaviours in LBGA."

In October 2008, it was clear that Asia would not be insulated from the GFC. With \$100m in development capital projects in progress, funds borrowed from some of the troubled global banks as well as the prospect of a severe deterioration in profits, LBGA put in place a range of actions.

This included the regional rollout of an education and training program called “Cash is King” involving around 300 of LBGA’s most senior personnel (15% of the total workforce). The two hour training workshops included a comprehensive overview of LBGA’s sources and uses of cash and debt, and break out groups to brainstorm and generate cash saving ideas.

Despite the uncertainty in the early part of the year, due to the swift actions implemented to combat the effects of the GFC, LBGA posted a record earnings year and generated cashflow well above expectations.

The annual strategic plan for the five years to 2015 was presented to the LBGA Board of Directors at its June 2010 meeting. Ross Batstone, Executive General Manager of Boral Plasterboard and Director of LBGA said, “LBGA’s base plan has expected capacity increases in five locations with more included in the upside case. GDP growth prospects as published by the IMF for the next five years across Asia are strong and demand for plasterboard should continue to grow ahead of other building materials. Boral is excited about LBGA’s future and is committed to working with Lafarge on growing the business.”

LBGA has recently established a new holding company in Kuala Lumpur Malaysia. This will allow for a more appropriate entity structure to be implemented resulting in lower tax costs and risk as well as enabling funds to flow between countries more effectively. From July to October 2010, LBGA’s Shanghai-based Regional Management Team will relocate to Kuala Lumpur. Make no mistake though, China remains the primary centre of growth for LBGA and the move to Kuala Lumpur will by no means diminish this focus. Kuala Lumpur is also the Regional Hub for our Joint Venture partner, Lafarge.

In March 2010, LBGA opened a second plasterboard line at Saraburi, North of Bangkok in Thailand. The 35m² line, will service the growing domestic Thai market as well as regional export markets.

In February this year, a new greenfields 35m² factory at Baoshan in Shanghai, doubling LBGA’s East China capacity, was commissioned. After only five months, the factory was operating at around two-thirds capacity and should reach full capacity by the middle of 2011.

Commenting on LBGA’s prospects in China, CEO Frederic De Rougemont said: “The China market has more than doubled over the past five years to be in excess of 1 billion m² and is expected to continue to grow at similar rates over the next five years. LBGA has a competitive model in its chosen markets and segments but must continue to find ways to do things better and build factories at a cheaper cost in order to be successful against the local players.

We are extremely positive about our prospects in China and have a number of investment opportunities under active consideration.

At the time of inception of the JV, there was a total of twenty expatriates, all from either Boral or Lafarge. Ten years later, with our considerably expanded operations, there are still twenty expatriates from Boral and Lafarge but an additional sixteen from within the Asia Region itself. LBGA’s VP Human Resources Bob Hindley said, “There continues to be a deep focus on developing local staff to take on JV managerial roles. In January 2010, LBGA promoted a female Thai National, Passana Uthaisangchai, to the position of VP Specialty Products. In July 2010, Jay Lee from Korea was appointed to the position of Country Manager Indonesia. Both are JV Executive Committee members reporting the LBGA CEO. In August 2009, Yeon-Geon Shin, from Korea, was made Regional Health & Safety Manager, reporting to myself. Apart from these senior level appointments, there are staff development programs in place across all countries including a graduate program in Indonesia since 2007.”

Key facts

400m m²

LBGA now has over 400m² of installed capacity



UPGRADING OUR LEADING POSITION IN PLASTERBOARD IN AUSTRALIA

Boral is investing around A\$80 million in its Australian plasterboard business to build a new state-of-the-art manufacturing and distribution facility at its Port Melbourne site in Victoria.

The plasterboard facility on Lorimer St in Port Melbourne has continuously produced plaster-based products since the mid 1960s. Plasterboard production commenced there around 1970 and today it remains strategically located close to gypsum shipping berths and freeway infrastructure.

In fact, freeway infrastructure improvements in and around Melbourne over recent years have reinforced that the site is a premium location from which to produce and distribute plasterboard. This was a key consideration in the decision to invest in the site, together with Boral's need to add capacity to meet future demand and to further reduce costs.

The A\$80 million project includes the following investments:

- A new energy efficient drier incorporated into a refurbished board line which will lift annual capacity by over 40% to around 30 million m²;
- A new gypsum receiving system to take gypsum directly from ships into the site to eliminate truck movements and reduce costs;
- Upgraded plaster production facilities incorporating new recycling plant to process on-site waste;
- New, enlarged and automated jointing compounds facilities; and
- Improvements in site layout to facilitate more efficient product distribution to our customers.

Ross Batstone, Divisional Managing Director of Boral Building Products said: "Our Australian plasterboard

business is well integrated from gypsum supply to plasterboard, cornice, jointing compounds and metal products manufacture through to distribution and Australia's largest residential internal linings installation service.

"The Port Melbourne site is strategically well located but the plasterboard line there has been operating at capacity since 2006 and its operating costs are adversely impacted by an inefficient drier and no effective on-site waste recycling capability. The tight space for finished goods storage also creates challenges and inefficiencies associated with plant scheduling and customer deliveries.

"The project will address these weaknesses to create what we believe will be Australia's lowest unit cash cost plasterboard production facility. It will



also create a better national capacity balance which will lower our overall distribution costs.

"This investment complements our recently constructed 40 million m² plasterboard production and distribution facility at Pinkenba in Brisbane, which is fully servicing customers in the manner intended," added Ross.

The upgrade works at Port Melbourne will be completed in discrete elements so as to minimise disruptions to operations. It is expected that the overall project will be completed before June 2012.



GRADUATION CERTIFICATES FOR PLASTERBOARD TRAINEES

A total of 42 Plasterboard employees recently graduated in Boral's 'Certificate III in Transport & Distribution' and 'Certificate III Manufactured Mineral Products' training programs.

The Manufactured Mineral Products qualification was received by 27 employees from the Camellia production plant and 15 employees from distribution centres in various parts of NSW.

Their training program ran from April 2008 to December 2009. Training 'Champions' Dave Osgerby and Dave Miles worked with training facilitators from J2S to ensure that all the training could be delivered on site and in a technique and time frame that suited the trainees varied learning styles and capabilities.

The feedback from the trainees completing the program was extremely positive. Neil Stark said "The program was great because it opened my eyes to bigger and better things in a job that I have been doing for over ten years. It also gave me a fresh attitude towards training and my day to day work tasks in general."

The course completion certificates were presented to the majority of the employees by Ross Batstone (Executive General Manager) at a lunchtime award ceremony held at Camellia.



Rondo Building Services Pty Ltd, which is 50% owned by Boral and a pioneer in the design and manufacture of suspended ceiling systems, drywall stud partition systems and finishing sections – has recently relocated its national operations facility in Western Sydney.

“In early June we celebrated the official opening of our new Erskine Park facility. The event provided an opportunity to recognise the key stakeholders who have made this all possible; our shareholders, suppliers, employees and customers” said John Wintraaken, Group General Manager at Rondo.

Special guests at the opening were Margaret and Barbara Cuckson, the daughters of Erik E. Cuckson, who originally established Rondo Zipador Pty Ltd in 1959 at St Marys and became the largest manufacturer of metal zips for the clothing industry.

Other special guests included Mark Selway of Boral and Rob Sindel of CSR, who officially opened the Rondo Erskine Park site by unveiling the plaque that is now displayed at Rondo’s front foyer. Rondo Chairman, Ross Batstone also spoke at the event.

After the formalities, guests were given a tour of the purpose-built national facility and its state-of-the-art manufacturing capabilities, including Rondo’s SLC (Sea Freight Loading Chassis) that has revolutionised its distribution process.

The relocation will allow Rondo to grow its manufacturing capacity by more than 50%, to provide world class distribution capabilities and to grow into adjacent markets, while achieving considerable operational efficiencies not possible at the previous facility.

John Wintraaken explained “with the continuing increases in penetration of light weight construction through both commercial and residential building segments in Australia and the long term growth in overall market activity, our increased capacity will position us well to maximise these opportunities while further improving our offering and service to customers”.

Rondo is a joint venture company of Boral Ltd and CSR Ltd with operations across Australia, New Zealand, Malaysia and India, and with sales representation and distribution channels throughout Asia and the Middle East. Rondo offers significant complementary services and product ranges associated with its core systems that deliver a unique offering to market.

Key facts

50%

Relocation will allow Rondo to grow its manufacturing capacity by more than 50%



NEW MASONRY PLANT

To bring great new products and meet rising demand in 'the West'

Western Australia is the country's largest market for bricks and blocks – and it is getting a brand new masonry plant which will be able to produce a wide range of products far more efficiently than the two plants it will replace.

The new plant is being constructed at Boral Midland Bricks' Middle Swan site at a cost of \$44 million. It will satisfy rising demand for higher quality, lower cost products in a state which is booming on the back of its gas and mining exports. Currently, per head of population, Western Australia has the highest level of brick usage in the world.

Greg Smith, General Manager of Bricks West, said that the plants being replaced are about 40 years old. The new facility will feature 'state of the art' world-class production methods, supplied by Hess, a German manufacturer which is a world-leader in this field. Boral's plant will be the first in Australia equipped with such modern Hess machines.

"We spent about four years researching the equipment that best suited the needs of our market and went through a major tender process to select our chosen supplier.

A team led by engineering manager Nigel Salter and I inspected plants across the globe and interviewed installers and operators of the various types of equipment. It was a very thorough investigation," said Greg.

"When completed, we will be able to increase our production capacity significantly, roughly doubling that of the two older plants combined.

"Also, we will be able to

- reduce non-conforming [less than perfect] products;
- broaden the types of products manufactured, including domestic pavers;
- introduce a wider range of innovative and fashionable colours to the market;
- provide a higher level of safety through reduced manual handling;
- significantly reduce environmental impact – there are no emissions to the atmosphere; and
- minimise energy usage in curing.

"The plant will have an outstanding environmental performance," said Greg.

The new plant will initially operate two shifts, five days a week. However, Greg can foresee the time when the rising demand in Western Australia will require round-the-clock operations to start.

KEY MILESTONES:

- Wet line and batching plant installation completed in late May
- Installation of the Schindler equipment commenced in late May and is progressing to schedule.
- Dry commissioning (batching plant and wet line) also commenced in late May with practical completion expected around September 2010.

BALLARAT'S NEW STATE-OF-THE-ART ASPHALT PLANT

Boral has invested \$6 million in a high capacity, latest technology asphalt plant in the Ballarat area of Victoria to service the western region of the State.

The plant, which features an on-site NATA accredited laboratory for quality control, was officially opened by Victorian Premier John Brumby before about 120 guests.

The Premier congratulated Boral for successfully commissioning the new plant and for making further investments in the high growth Ballarat region.

The plant features a range of best practice quality and environmental controls, including a significant revegetation scheme with about 4,000 new plantings on the site. The plant is fully automated with touch screen computer control, is connected to natural gas and is capable of recycling old asphalt generated from road maintenance work. It is also capable of producing 'Lo Carb' asphalt, an innovation which uses up to 30% less heating energy.

Boral also announced an additional \$28 million of investment in the Ballarat area to build a new 'best technology' crushing plant at its Dunnstown Quarry. Mr Brumby said that Boral's investment "is about Boral moving forward, it's about Ballarat moving forward and it's about Victoria moving forward".

The new quarry plant is planned to be commissioned by mid 2011 and will generate 100 new jobs during its construction.

"The crushing plant at Dunnstown will achieve the highest levels of efficiency and environmental performance while providing quality products and ongoing employment for many years to come", said John Douglas, Executive General Manager of Boral's Construction Materials division.

At the opening ceremony, John Douglas also announced that, in association with its long-term community partner, Conservation Volunteers Australia (CVA), Boral would be working with the Invermay Landcare Group on its native tree revegetation program to create corridors for koalas and other native fauna around the northern fringes of the Ballarat township.

"Boral and CVA have worked together to complete some 200 conservation projects across Australia over the past 22 years. It is particularly rewarding to be working together on another local project in Ballarat, the headquarters of CVA," he said.

Key facts

\$28 m

An additional \$28 million to build a new crushing plant at Dunnstown quarry



CENTRALISED TRANSPORT CREATES MAJOR BENEFITS

After months of searching the globe for best practices in supply chain logistics and researching the most cost-effective methods of sending its building products to their Australian markets – Boral found the answer ‘at home’.

As part of the process, Boral Transport benchmarked its own operations and discovered how well they performed compared with other systems across Australia and overseas.

For many years, Boral Transport has managed the company’s tippers and powder tanker fleet and about 70% of building product distribution. A team led by Andrew Rosengren, General Manager Boral Transport has recently taken up responsibility for coordinating all of the logistics for the Australian building products distribution.

“We have stripped out a great deal of infrastructure and invested in on-board technology. Today, the fleet is centrally managed from a new hi-tech control room that is modelled on the one operated by the NSW RTA to control highways in and around Sydney,” said Andrew.

Boral does not own the flatbed and tautliner trucks it uses, but acts as a consolidator of loads for the various building product businesses, using a pool of about 150 subcontractors to undertake the work.

“This is not just a matter of bringing everything inhouse. The services, including maintenance, are exposed to market forces and they must stack up financially and operationally,” Andrew said.

“We investigated several dozen ways to improve our operations and discovered that Boral’s existing methods were constantly benchmarked to be efficient and competitive.

“We refocused from being a transport company into a logistics company. By coordinating the fleet the most efficient use is made of the trucks. ‘Joining the dots’ so freight is carried at the lowest possible rates.

“Previously, parts of our transport operations were uncompetitive. Trucks were being held past their ‘best DSE’ date and we had depots scattered all over the place. Today, apart from managing all truck operations from a central control point, using the latest technology, we have also

- introduced a disciplined replacement policy;
- eliminated fixed costs by closing depots and selling the land;
- delivered product direct to fewer destinations – reducing handling, preventing damage and cutting paperwork; and
- competitively outsourced about 70% of the maintenance.

“We have gone through a fundamental shift in our supply chain logistics and are proud of our achievements. Today in Australia, we are working to continually improve our contribution to the Company’s competitive position,” Andrew said.

“...we are working to continually improve our contribution to the companies competitive position.”

ANDREW ROSENGREN





BOARD CHANGES AT BORAL

As foreshadowed in an announcement made by the company in July 2009, Dr Ken Moss retired as Chairman of the Board of Boral Limited on 31 May.

Dr Moss had been a Board member of Boral since 1999 and became Chairman of the company in 2000.

Deputy Chairman Dr Bob Every became Chairman on 1 June. He had joined the Boral Board in September 2007 and was appointed Deputy Chairman in November 2009.



Dr Every is the Chairman of Wesfarmers and was, until recently, also the Chairman of Iluka Resources. Other positions previously held by him include Managing Director of Tubemakers of Australia, President of BHP Steel and Managing Director and Chief Executive Officer of OneSteel, a position from which he retired in May 2005.

Acknowledging Ken Moss's contribution to the Board, Bob Every said: "On behalf of the Board of Directors, I thank Ken Moss for the great contribution he has made as Boral's Chairman over the past 10 years."

"He has provided wise counsel during the past decade to his fellow non-executive directors as well as to Boral's executives, and Boral has benefited greatly from his leadership. I wish Ken all the very best for the future."

Just prior to his retirement, Ken Moss announced Dr Eileen Doyle's appointment as a non-executive Director of Boral. She is a Fulbright Scholar and has an Executive MBA from Columbia University Business School.

Dr Doyle has had a distinguished career in the materials and water industries in Australia, including five years in senior operational roles with CSR Limited – including CEO of CSR's Panels Division.

Prior to that, she spent 13 years with BHP in various senior operational, marketing and planning roles and four years with Hunter Water, with responsibilities for planning and policy development.

Dr Doyle is a Board member of the CSIRO and a non-executive Director of OneSteel, GPT Group and Ross Human Directions. She is also on the Board of two non-profit organisations, Hunter Valley Research Foundation (Chairman) and Hunter Founders Forum.

MURRAY READ APPOINTED TO HEAD BCM

Murray Read has been promoted by Mark Selway to the position of Divisional Managing Director, Boral Construction Materials.

He replaced John Douglas, who left Boral in July after nearly 15 years with the group – the last six years as Executive General Manager of ACM.

"I would like to thank John for his significant contribution and his input to the Boral executive team," Mark Selway said.

"Murray has been with Boral for 25 years; previously within the Plasterboard division (both in Australia and Asia) and most recently as the Queensland Regional General Manager for Australian Construction Materials.

"I am very pleased to welcome Murray to Boral's senior executive team. He has excellent market and product capabilities and will be a solid addition to my executive team," he said.



COOPERATION ON CAIRNS REVEGETATION PROJECT

At Kuranda near Cairns, Conservation Volunteers Australia (CVA) and Boral are working together to preserve Australia's natural heritage in conjunction with the Barron River Revegetation Project.

The Barron River catchment, which covers an area of 2100 square metres in the Wet Tropics Region of North Queensland, is unique because of the contrasts in its climate and the diverse range of land uses. Apart from tourism, this World Heritage region is a major sugar and tobacco growing area.

Recently, a team of Boral staff volunteers gathered at a planting site, high up on the range at Kuranda/Myola, for the annual CVA planting day – an event during which they help to revegetate specific areas, learn about flora and fauna in their natural habitat and about the latest planting techniques.

The Boral team planted at Myola last year and were able to compare the growth of the plants from last year's efforts. The Government has recognised this planting site as an area of great significance for remnant flora and rare fauna.

The site is also a wildlife corridor specifically for cassowary and the endangered Myola frog, which is found nowhere else in the world. These frogs breed in the lower reaches of the creek and need both good stands of rainforest and high water quality for survival.

The National Partnership with CVA is Boral's longest standing community partnership working together towards a greener future.

Elke Stapf, Communications Advisor for Boral ACM thanked Boral's management for supporting the event and offering Boral staff a chance to participate in it.

"Thank you to those who help every year to make this planting day a success – especially the Boral volunteers for participating in the Boral Living Green Project and assisting with the planting; also Jim Mildren for supporting the day and assisting with organising the event," Elke said.



ABORIGINAL EMPLOYMENT PROGRAM CREATES TWO-WAY BENEFITS

The program to increase the number of indigenous Australians employed by Boral has delivered good results since it was established five years ago; and has been particularly beneficial to the company.

The program was initiated by Boral in partnership with the Federal Government's Corporate Leaders Program. Vince Scarcella, Boral's Indigenous Employment Manager, said that the original aim to provide employment opportunities had been extended to include training programs, community involvement and sponsorships.

"Today, our indigenous employment program has progressed in ways we could never have imagined. More than opening job opportunities, it has helped

Boral to achieve its commercial objectives – through the outstanding community relationships that have been established.

"In many areas, we hold quarterly 'summit' meetings with the Aboriginal leaders to maintain relationships and ensure problems are brought into the open and overcome.

Vince said that Boral had brought National Aborigines and Islanders Day activities into several Boral workplaces, exposing employees and their families to Aboriginal art, dance and music. The company had also assisted 30 indigenous children to take part in the Outward Bound Leadership Program and had won praise for its role in the Kempsey Cemetery project.

BORAL AIDS BUSHFIRE-RAVAGED COMMUNITY

It may take a long time before life gets back to 'normal' in the bushfire affected regions of Victoria, but the town of Marysville – one of the hardest hit – at least has its heart being restored.

Boral is playing a role in this being achieved. The company made a donation of \$25,000 in products for construction of the new Marysville Community Hub – initially providing concrete to start the project.

The first stage of this community centre is now close to completion, with its small school already open. More than 30 children were enrolled for its recent Term Two opening.

The school is part of a community hub that also includes a children's centre, playgroup and kindergarten – all under the one roof.

Prior to the reopening of the school, built by Contract Control, the children attended a temporary facility made from portable buildings in a nearby town.



BORAL'S PARTNERSHIP WITH JUVENILE DIABETES FOUNDATION RECOGNISED

Freedom Award presentation

In recognition of the outstanding fundraising efforts of Boral's Queensland employees, James Clampett, Development Manager for the Juvenile Diabetes Research Foundation (JDRF) recently presented the Freedom Award to Boral which was accepted by the Boral Ltd Team in Queensland. The Award was in recognition of the \$458,715 raised by Boral Ltd during the 2009 year across a range of fund raising activities across the whole of the Boral Ltd business. Shane Graham, General Manager Concrete SEQ said: "This award is due to the bottom-up fundraising efforts of a huge number of staff right

across Australia and our international businesses and is a recognition of the community spirit and commitment that Boral people have in the organisation. Boral has received the Freedom Award from 2003-2009 (with the exception of 2006) and our people can be very proud of the achievement."

Fundraising for JDRF is continuing in 2010 with a number of activities completed including the Ride for a Cure, Spin for a Cure and Jelly Baby Month. The annual Walk for a Cure will be coming up later in the year and will continue to provide an opportunity to participate in what has been a uniquely successful partnership.

Spin to Cure Diabetes

Among the many Boral employees Australia-wide who participated in the Spin to Cure Diabetes, Boral Plasterboard entered two teams in the Melbourne Spin. Each member had to 'ride' a stationary bicycle for eight minutes and they competed to achieve a combined 'distance' over 40 minutes. There was friendly, yet intense, inter-division rivalry as well as friendly competition from Blue Circle Southern Cement to see who could rack up the most mileage.

All competitors enjoyed the experience and vowed to return next year to do it all again.

BRANDING TO ACHIEVE OUR “ONE BORAL” STRATEGY

In line with Boral’s new strategic direction of “one Boral”, several of Boral’s second branded businesses are being rebranded to Boral.

Blue Circle Southern Cement becomes Boral Cement

Commencing on 1 August, the Blue Circle Southern Cement business will be known as Boral Cement Limited.

The Blue Circle brand will be retained as a product brand in Boral Cement’s packaged range of products together with the Boral logo. Bulk products will trade under the Boral Cement name.

The intention is to identify the cement business more clearly with the Boral group. Blue Circle has a proud history and has contributed strongly to Boral’s success and to local communities over many years particularly in its role as a major local employer.

Jim Young, National Sales Manager Boral Cement said “The transition from Blue Circle Southern Cement to Boral Cement will be done in a cost-effective way that will see some staged rebranding activities over the coming months.

“Boral is one of the most recognised brands in Australia and is an increasingly recognised global brand. It’s a strong brand that stands for market leadership; value for customers; and, for delivering contemporary, innovative and environmentally responsible product solutions to the building and construction industries. These brand attributes are aligned with our Australian cement business and therefore it makes a lot of sense for us to proudly call ourselves Boral Cement.”

Midland Brick re-branding

Boral has owned Midland Brick for 21 years and during that time has invested significantly in both Midland and Western Australia to ensure that Midland remained the strongest name in the market. It’s now time that Midland is more closely aligned to the Boral brand so that the strength of both brands will help us leverage a greater impact in the market.

Greg Smith, General Manager of Boral Bricks Western Australia, said “With the approaching opening of our new Masonry plant in WA it’s timely to renew the branding for the future and therefore Midland Brick will now be officially known as Boral Bricks Western Australia and will be adopting the Boral logo.

“For our external marketing and advertising we will use the Midland Brick logo in conjunction with the Boral logo, which will identify us to our customers as being firmly in the Boral family but still links the company to our 64 years as WA’s premier brick maker,” said Greg.

Boral Roof Tiles – a new name in the USA

Following the acquisition of the remaining 50% of Boral’s concrete roof tile joint venture, MonierLifetile, Boral is now firmly the largest roof tile manufacturer in the USA. Boral will bring its clay tile business, US Tile, together with MonierLifetile and rename the business unit Boral Roofing.

Al Borm, President of Boral Roofing, said “With the acquisition of the outstanding 50% of MonierLifetile we now have the ability to take to market a complete product line to serve the high end roof sector with a wide range of tile solutions.”

The MonierLifetile and US Tile brands will be initially retained to identify Boral’s concrete range and clay range of roof tiles. The rebranding in the USA will be gradually implemented over coming months.

