

BRICKWORKS

LIMITED

22 September 2011

Australian Securities Exchange
Attention: **Companies Department**

BY ELECTRONIC LODGEMENT

Dear Sir/Madam,

Please find attached a presentation and additional comments to be presented to analysts today regarding Brickworks' financial results for the year ended 31 July 2011, for immediate release to the market.

Yours faithfully,
BRICKWORKS LIMITED



IAIN THOMPSON
COMPANY SECRETARY

BRICKWORKS LIMITED

ABN 17 000 028 526

738 – 780 Wallgrove Road, Horsley Park NSW 2175; PO Box 6550, Wetherill Park NSW 1851

Telephone: 61 2 9830 7800 Fax: 61 2 9620 1328

Internet Address: <http://www.brickworks.com.au> E.Mail Address: info@brickworks.com.au

**RESULTS FOR THE YEAR ENDED
31 JULY 2011**



22 September 2011

BRICKWORKS
LIMITED

OVERVIEW

Mr Robert Millner, Chairman



BRICKWORKS
LIMITED



Presentation Outline

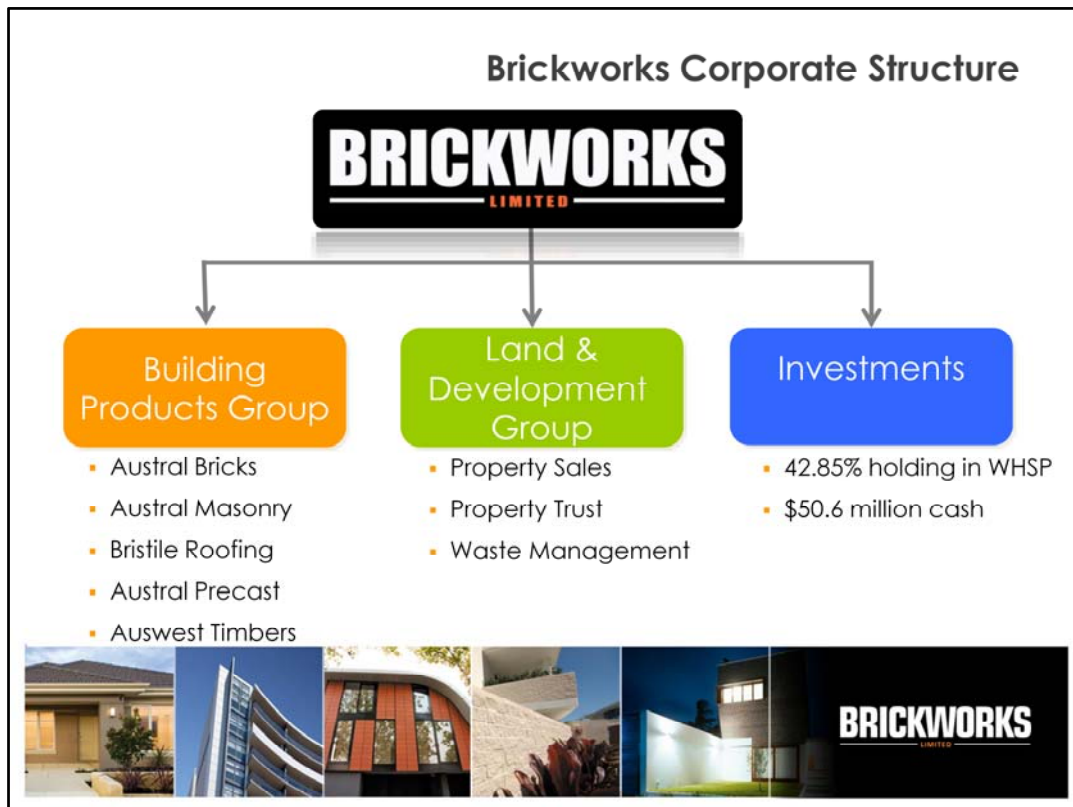
- Overview
- Results in Detail
- Building Products Results
- Building Products Strategy
- Land & Development
- Investments
- Outlook
- Questions

BRICKWORKS
LIMITED

Chairman: Good Afternoon Ladies and Gentlemen and welcome to the Brickworks analyst briefing for the year ended 31 July 2011.

Today I will provide an overview of the Brickworks results and then our Managing Director, Mr. Lindsay Partridge will take you through the results in more detail.

Mr. Alex Payne, our Chief Financial Officer is also here to answer any questions at the conclusion of the presentation.



Brickworks corporate structure has provided diversity and stability of earnings over the long term.

There are three main parts to the Brickworks business model:

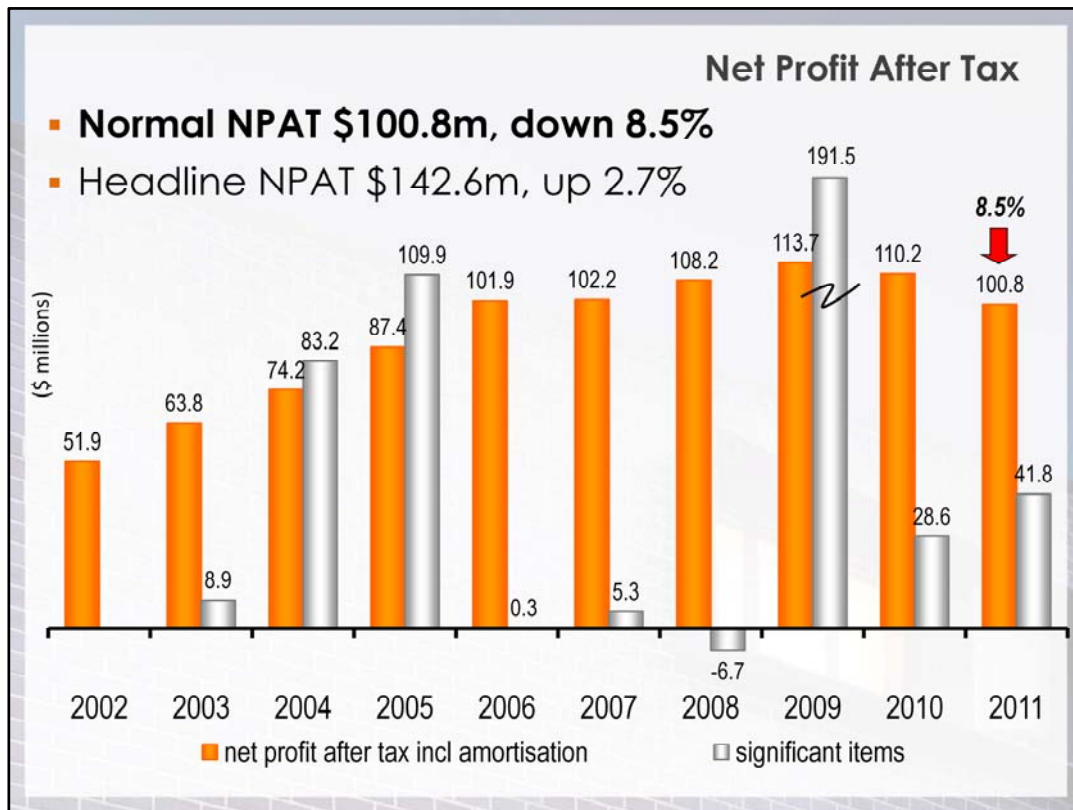
- The Building Products Group,
- Land & Development and
- Investments.

The Building Products Group consists of Austral Bricks™, Austral Masonry™, Bristile Roofing™, Austral Precast™ and Auswest Timbers™.

The Land & Development business exists to maximise the value of surplus land created by the Building Products business.

The 42.85% interest in Washington H. Soul Pattinson provides a stable earnings stream and a superior return.

Brickworks held \$50.6 million cash at the end of the year.

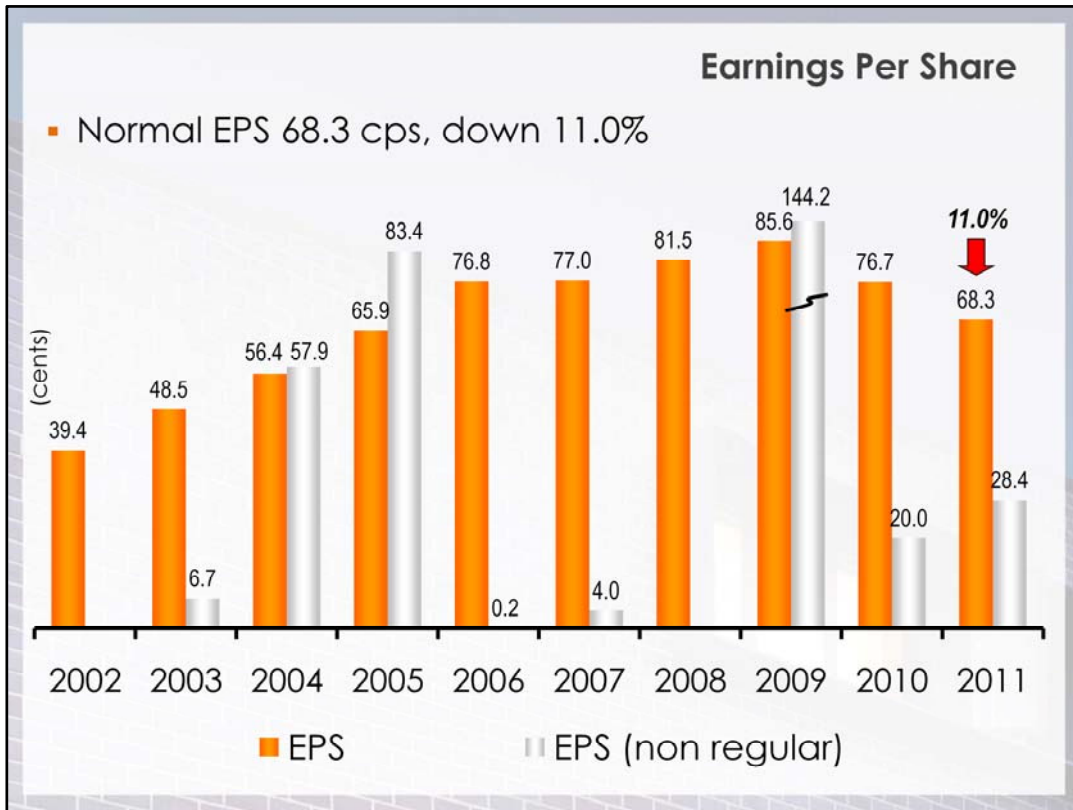


The Normal Net Profit After Tax decreased by 8.5% to \$100.8 million for the year.

This result was achieved in difficult trading conditions, particularly for the Building Products division in the second half.

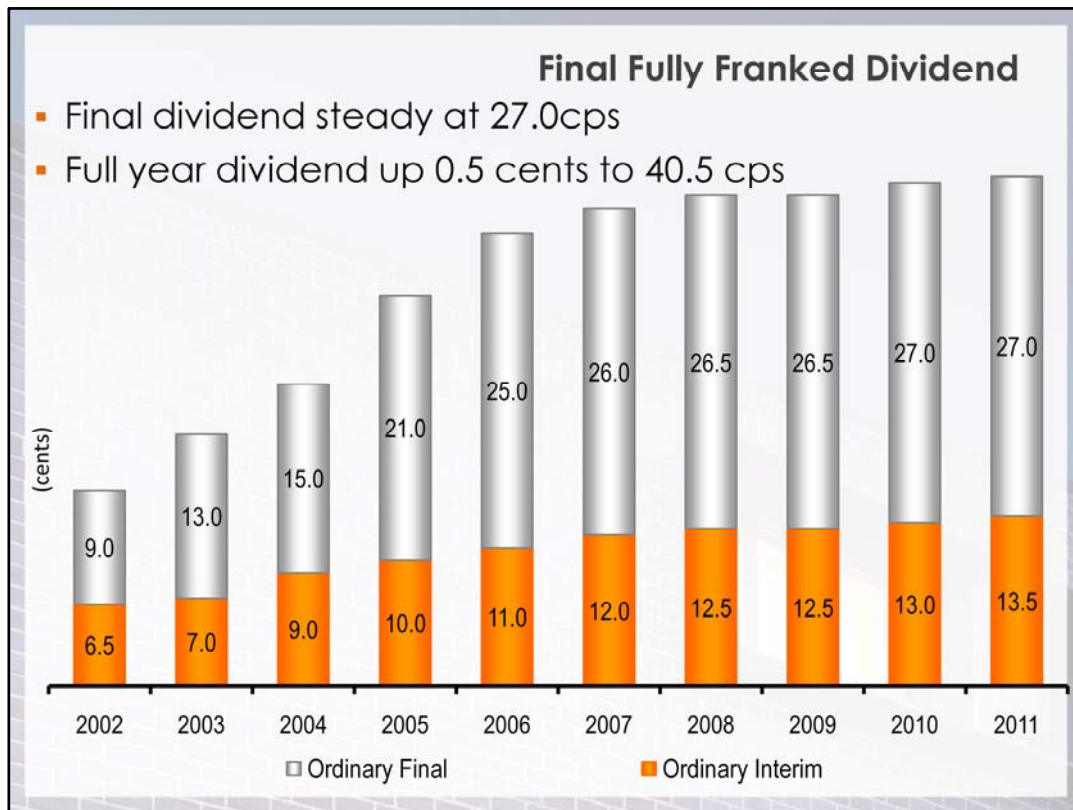
Earnings of Building Products and Investments were impacted by extreme weather events, most notable the flooding in south east Queensland in January.

However headline Net Profit After Tax including significant items increased by 2.7% to \$142.6 million. The majority of the profit from significant items was comprised of the Brickworks \$81.9 million before tax equity accounted share of the profit from New Hope Coal's sales of its stake in Arrow Energy Limited.

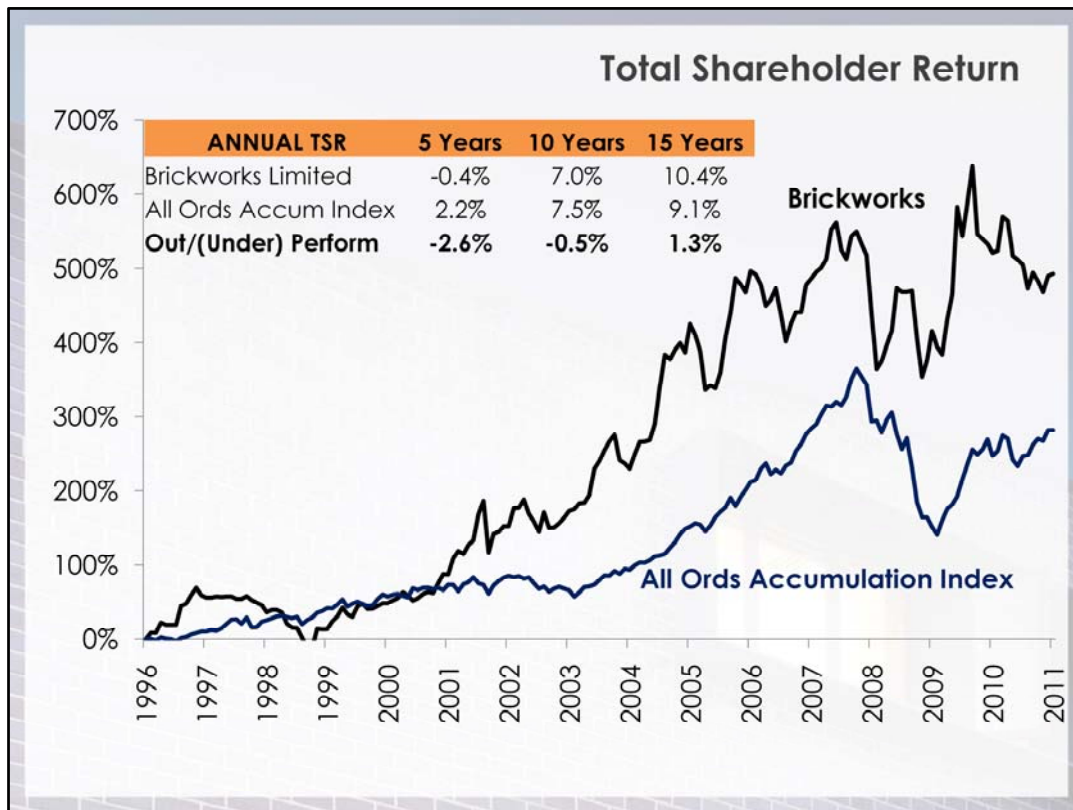


Normal Earnings Per Share decreased by 11.0% to 68.3 cents per share.

Headline Earnings Per Share was steady at 96.7 cents per share.

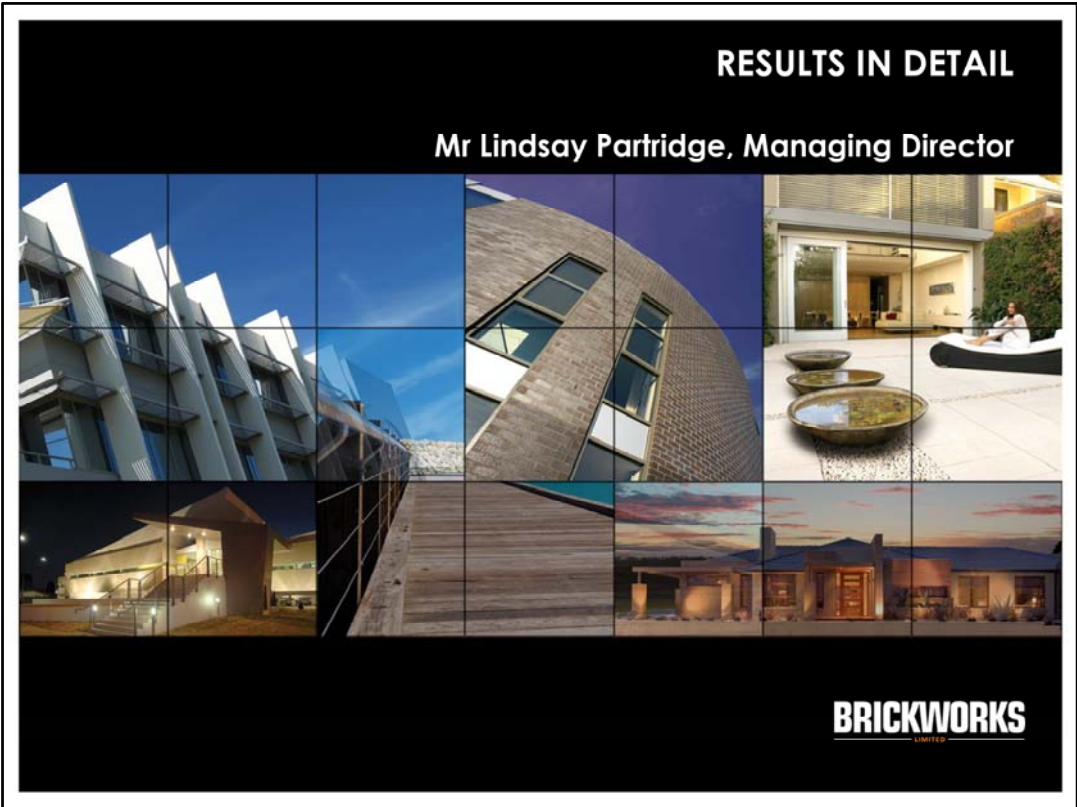


The Directors have resolved to maintain the final fully franked dividend at 27.0 cents per share. This brings the full year dividend to 40.5 cents per share, up 0.5 cents on the prior year.



Brickworks continues to outperform the All Ordinaries Accumulation Index in terms of Total Shareholder Return over the long term with outperformance of the index by 1.3% per annum over 15 years.

Brickworks directors and management are acutely aware of the short term underperformance of the share price. Today we intend to outline the trading business strategy to improve results in these difficult times and present additional information on the true underlying value of the company.



Thank you Chairman. Good afternoon ladies and gentlemen.

Financial Snapshot			
	FY 2010	FY 2011	% Change
Building Products EBIT	\$53.4m	\$42.0m	↓ (21.3)
Land and Development EBIT	\$28.4m	\$29.2m	↑ 2.8
Investments EBIT	\$76.5m	\$67.9m	↓ (11.2)
Total EBIT	\$150.5m	\$132.0m	↓ (12.3)
Borrowing cost	(\$24.5m)	(\$21.2m)	↓ 13.5
Income tax	(\$15.9m)	(\$10.1m)	↓ 36.5
Net profit after tax (normal)	\$110.2m	\$100.8m	↓ (8.5)
Significant items (after tax)	\$28.6m	\$41.8m	↑ 46.0
Net profit after tax and sig. items	\$138.8m	\$142.6m	↑ 2.7

For Building Products the 2011 financial year was characterised by challenging conditions with the conclusion of the government stimulus programs, extreme weather events and a significant drop in detached housing commencements. As a result of this, **Building Products** EBIT declined to \$42.0million. The decline in housing starts across Australia was among the most rapid on record and is reflected by the fact that the Building Products Earnings Before Interest and Tax ('EBIT') in the second half was 38.2% down on the prior corresponding period.

This was partially counteracted by **Land and Development** EBIT, up 2.8% to \$29.2 million, primarily due to an increased contribution from the Property Trust.

Unfortunately the same extreme weather conditions that impacted Building Products also impacted New Hope Coal and the WHSP investment, resulting in **Investment** EBIT being down 11.2% to \$67.9 million.

Brickworks' overall NPAT result of \$100.8 million was also assisted by lower borrowing costs and lower income tax, resulting in a drop of 8.5% on the prior year.

After including the positive contribution of Significant Items the Headline NPAT was up 2.7% to \$142.6million.

Key Financial Indicators			
	FY 2010	FY 2011	% Change
Net tangible assets (NTA) per share	\$9.28	\$9.42	1.5
Shareholder's equity	\$1,650m	\$1,676m	1.6
Shareholder's equity per share	\$11.21	\$11.36	1.4
Return on shareholders equity	8.4%	8.5%	1.2
Cash flow from operations	\$146.5m	\$89.0m	(39.2)
Net debt	\$226.6m	\$249.4m	10.0
Net debt/capital employed	12.1%	13.0%	7.3
Interest cover (normal/annualised)	6.5x	6.4x	(1.5)

Looking at our Key Financial Indicators.

Net Tangible Assets per share increased by 1.5% to \$9.42.

Shareholders Equity increased to \$1.676 billion at the end of the year which represents \$11.36 per share.

Return on Shareholders Equity was up slightly to 8.5%.

Total net **cash flow from operating activities** was \$89.0 million, down from \$146.5 million in the previous year. Reduced proceeds from land held for resale of \$47.1 million accounted for most of this decrease. In addition there was an increase in inventory of \$12.7 million (excluding the inventory of acquired businesses). These amounts were slightly offset by reduced tax payments of \$13.5 million compared with the prior year.

Brickworks successfully negotiated renewal of its **senior bank debt facility** for a further 4 years on favourable terms. This facility is due for maturity in June 2015. The company also has an undrawn working capital facility of \$100 million that provides head room in the current unstable debt markets.

Net debt increased by \$22.7 million to \$249.4 million with net debt to capital employed at 13.0% at the end of the period.

Interest cover was a conservative 6.4 times.

Capital Expenditure		
	FY 2010	FY 2011
S.I.B. plant and equipment	\$15.1m	\$19.1m
Growth capital items	\$8.8m	\$15.7m
Building Products total	\$23.9m	\$34.8m
Depreciation and amortisation	\$25.8m	\$26.6m
Land and Development & rehabilitation	\$1.3m	\$0.9m
Business acquisitions	\$53.1m	\$17.1m

Stay in Business capital expenditure was \$19.1 million, representing 71.8% of depreciation.

Growth capital expenditure was \$15.7 million including upgrades to precast plants in New South Wales and Western Australia and the purchase of land for future Building Products operational sites.

Building Products total capital expenditure increased to \$34.8 million for the year, excluding acquisitions.

Land and Development capital expenditure was \$0.9 million.

Spending on **acquisitions** totaled \$17.1 million for the year, significantly down on the prior year, comprising the Giroto and Gocrete precast businesses and East Coast Masonry in Coffs Harbour.

Significant Items			
\$m	Gross	Tax	Net
WHSP equity accounting – BKW share of significant items, including the sale of Arrow Energy Limited	\$88.7m	(\$26.6m)	\$62.1m
Impairment of Austral Bricks Queensland assets	(\$9.7m)	\$2.9m	(\$6.8m)
Costs associated with the restructure of Austral Bricks Victoria	(\$9.6m)	\$2.9m	(\$6.7m)
Bristle Roofing West Coast – write-off obsolete plant	(\$3.1m)	\$0.9m	(\$2.2m)
Acquisitions, legal and other	(\$6.6m)	\$2.0m	(\$4.6m)
TOTAL	\$59.7m	(\$17.9m)	\$41.8m

The major item relating to **WHSP** was the \$84.4 million before tax equity accounted share of the profit from New Hope Coal's sales of its stake in Arrow Energy Limited reported in the first half.

The significant deterioration in market conditions led to an impairment charge of \$9.7 million (before tax) being taken against the assets of **Austral Bricks Queensland**, with the write-off of the Riverview plant, in preparation for sale or transfer into the Trust. The Riverview plant was bought in 1999 for \$14.1 million and to date has delivered a contribution of \$37.7 million to the business.

Costs of \$9.6 million were incurred as a result of the restructure of the **Austral Bricks Victoria** business. This included redundancies and the write-off of plant and equipment associated with the closure of plants at Craigieburn and Summerhill.

Obsolete plant at **Bristle Roofing's** Caversham plant in Western Australia with a book value of \$3.1 million was written off during the year, as this equipment is to be replaced to enable the plant refit scheduled to take place this financial year.

Total net significant items after tax was a positive \$41.8 million for the year.



Now looking at the Building Products result in more detail.

Building Products Result

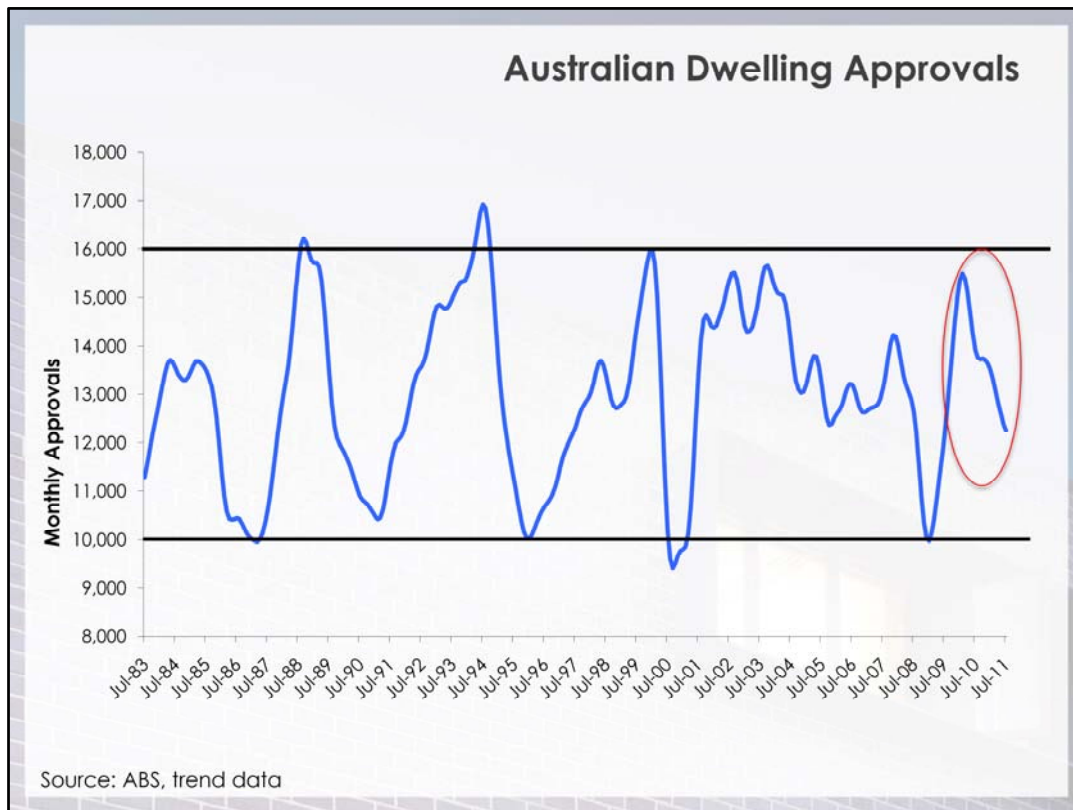
	FY 2010	FY 11	% Change
Sales revenue	\$580.3m	\$604.9m	4.2
Like for Like sales revenue	\$580.3m	\$547.8m	(5.6)
EBITDA	\$79.1m	\$68.6m	(13.3)
Depreciation	\$25.7m	\$26.6m	3.2
EBIT	\$53.4m	\$42.0m	(21.3)
EBITDA to sales	13.6%	11.3%	(2.3)
EBIT to sales	9.2%	6.9%	(2.3)

Revenue for the year ended 31 July 2011 was up 4.2% to \$604.9 million compared to \$580.3 million for the prior year. A strong increase in revenue in the first half was offset by a 5.9% decline in 2nd half revenue to \$298.6 million. On a like for like basis, revenue was down 5.6% for the year.

EBIT was \$42.0 million, down 21.3% on the prior year, due to a weak second half. EBIT in the second half of \$19.5 million was 38.2% below the prior corresponding period.

The reduced EBIT result is entirely attributable to performance of Austral Bricks Queensland and the Western Australian businesses in the face of extremely depressed market activity. Excluding Queensland Bricks and Western Australia, the EBIT result was up 3.4% on the prior year.

The lower **EBIT to Sales Margin** was impacted by higher unit production costs as plant efficiencies were decreased by scheduled shutdowns throughout the year. Extended shutdowns took place at Rochedale and Riverview in Queensland. Margins were also adversely impacted by increased transfers from interstate to meet the demand in Victoria and an increase in electricity costs.



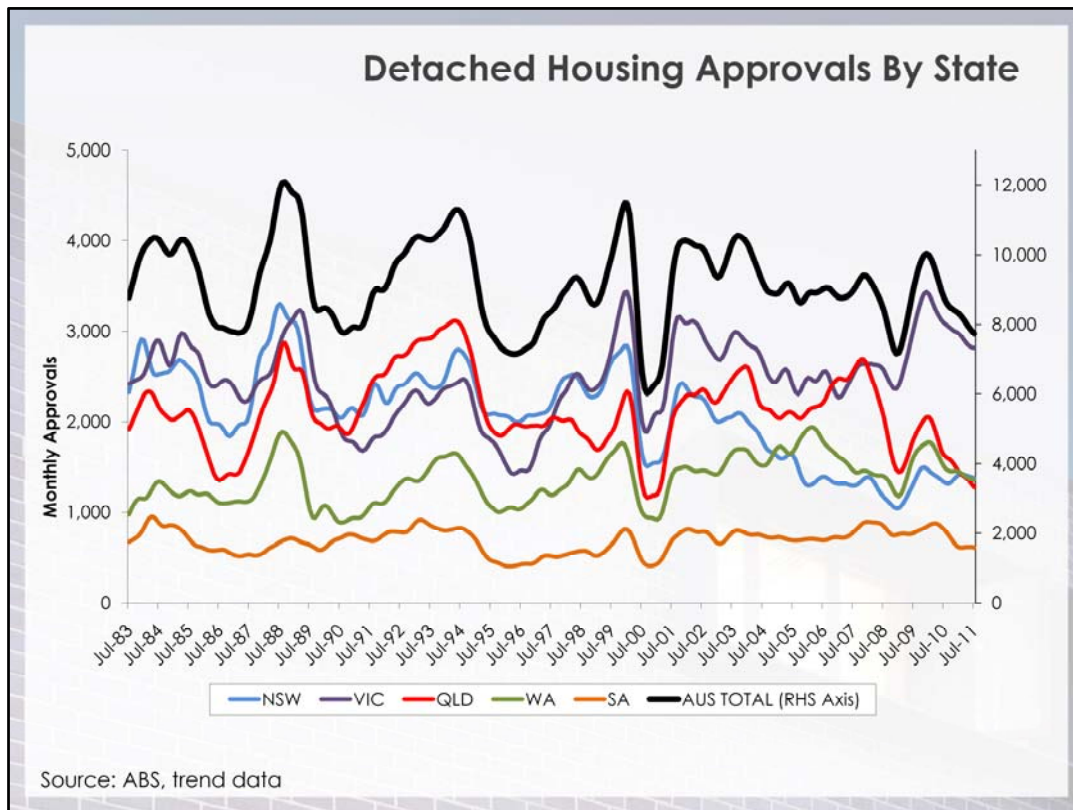
This chart shows the total monthly **Australian Residential Approvals** back to 1983.

During this period there have been a number of distinct cycles. The peaks of these cycles have been at around 16,000 approvals per month and all troughs have been at around 10,000 approvals per month.

Whilst dwelling approvals were down only 5.1% for the year ended 31 July 2011, the shortness of the cycle is clearly evident from this graph.

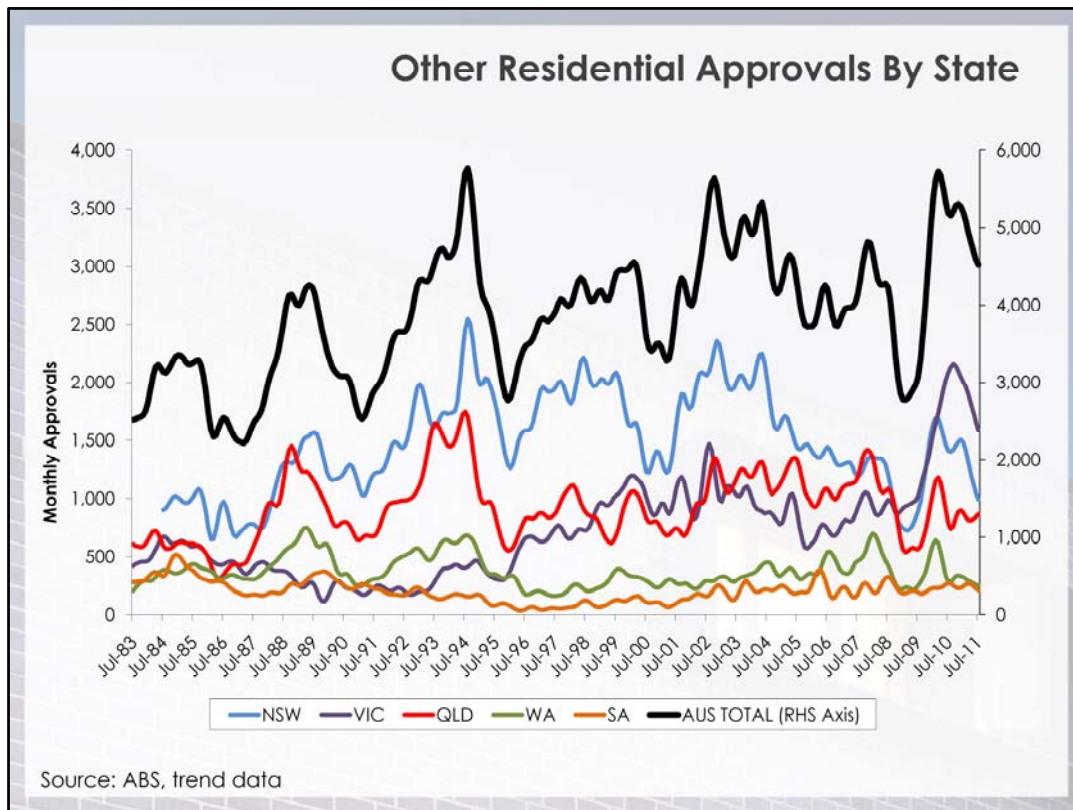
The current downturn may well test the 10,000 per month lows, with only the faint prospect of interest rate reductions likely to prevent a sustained downturn.

The government's stimulus policy has resulted in just a very short term spike in activity.



This chart shows **detached house approvals** only, by state over the same period.

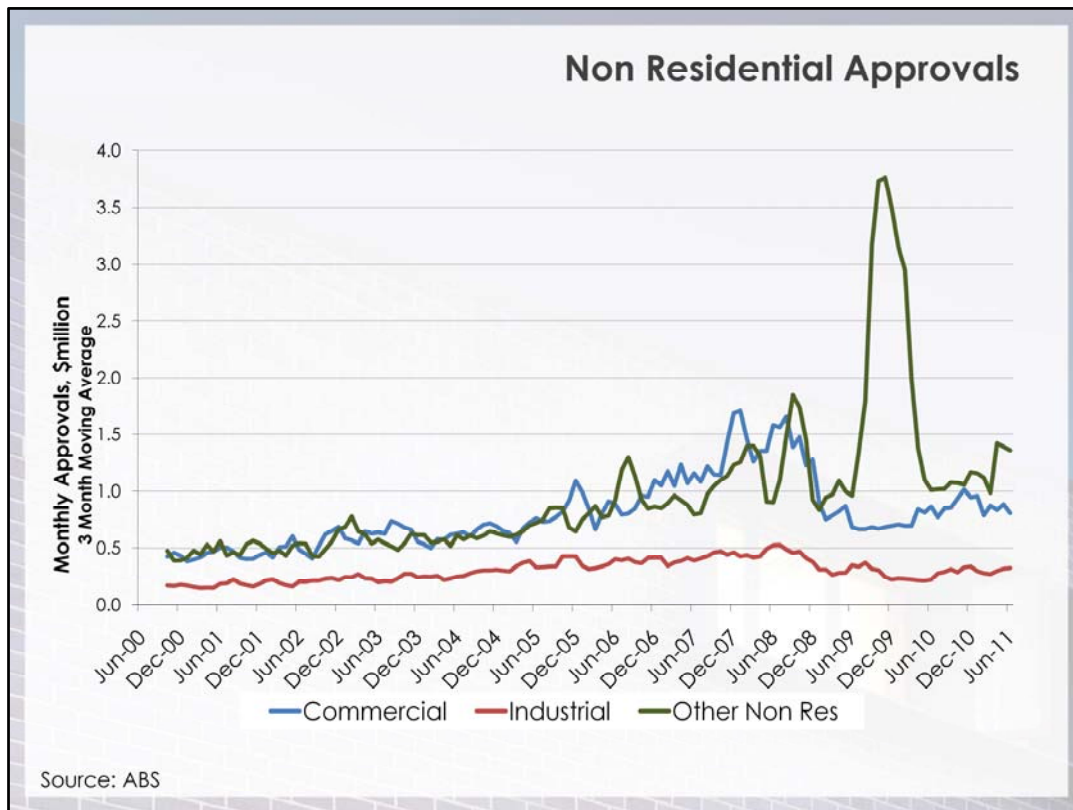
As can be seen, the significant drop in approvals has been evident in Victoria, Queensland, Western Australia and South Australia. Whilst New South Wales has not dropped by the same extent, detached house activity in this state remains at depressed levels compared to historical averages.



This chart shows **other residential approvals** only, by state over the same period.


Brickworks has increased its exposure to the other residential market through its entry into the masonry and precast market.

A significant decline in approvals can be seen in the two largest markets, New South Wales and Victoria over the past 12 months.



The value of approvals in the non residential sector in Australia decreased by 30.9% to \$27.594 billion for the twelve months to 30 June 2011 compared to the previous corresponding period. This decrease is related to the wind down of the BER program, which is evident by the spike in Other non-residential activity in the chart.

Within the non residential sector, **commercial** building approvals increased by 15.0% to \$10.317 billion for the period and **industrial** building approvals increased 17.9% to \$3.629 billion.



Austral Bricks™

- Earnings decreased due to lower demand, especially in second half
- Sales revenue of \$330 million, down 4.7%
- Despite plant shutdowns in the 2nd half, the rapid decline in demand resulted in some stock build
- Margins under pressure, due to standing charges of closed plants
- New Wollert kiln in Victoria lit on 1st July with balance of construction and commissioning proceeding to plan

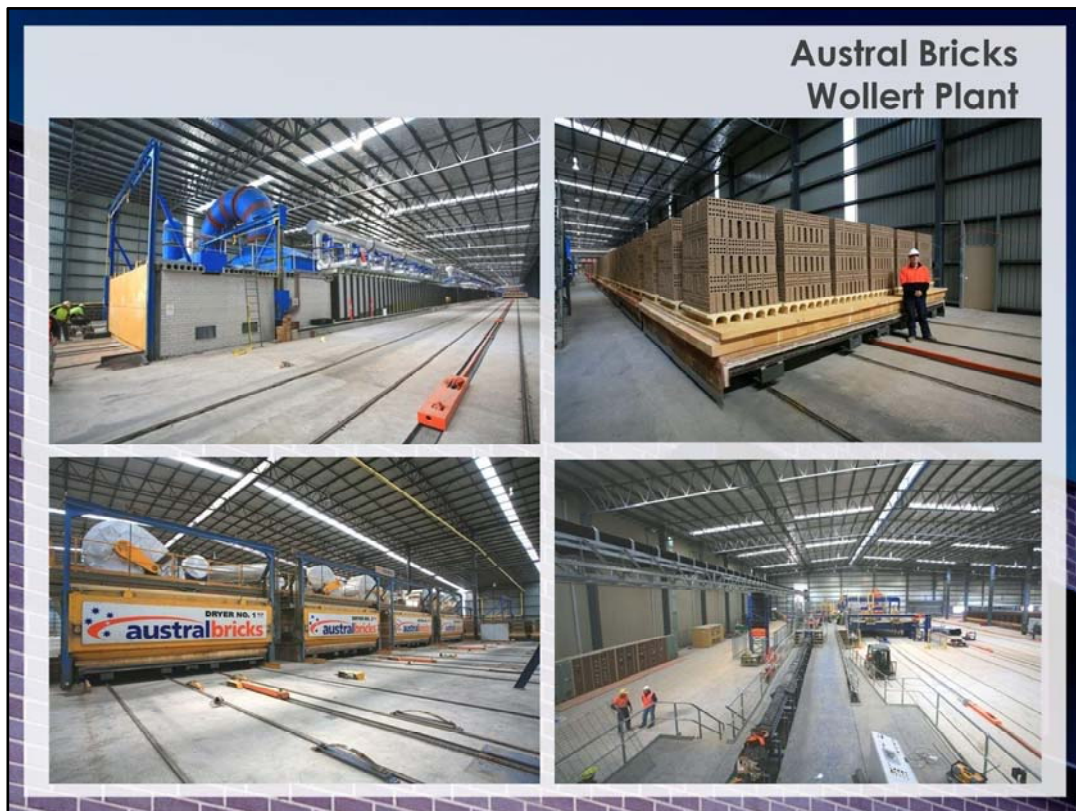
Austral Bricks delivered a decreased profit compared to the prior year, as demand fell in the second half.

Nationally **sales revenue** was down 4.7% to \$330 million.

Plant shutdowns in the 2nd half were required to match production with demand.

Overall **average selling price** increases were less than the production cost increases, putting margins under pressure, due to standing charges of closed plants.

A highlight of the year was the lighting of the New Wollert West kiln in Victoria on 1st July.



Commissioning of the new kiln is proceeding to plan. This project will be completed on time and on budget despite losing 4 months due to poor weather. Full production is planned to commence by November and interstate transfers of product from New South Wales, South Australia and Tasmania to support the local market will continue until that time. The pressed plant will commence production in February 2012.

At a capital cost of \$130 million for the Wollert East and West kilns and a combined nominal capacity of 170 million Standard Brick Equivalents ('SBEs') when complete, the facility was constructed at a cost of \$0.74/SBE of installed capacity, well below the industry average of around \$1.00/SBE. This will provide a significant competitive advantage for the effective life of the plant and guarantee Austral's position in Victoria as the lowest cost and highest quality producer. Production labour was reduced from 170 people including Scoresby to 59 people with the new facilities.

Carbon Tax

- The proposed carbon tax will have a significant impact on Austral Bricks
- Energy reduction projects are focused on:
 - Better factory utilisation
 - Product re-engineering
 - Elimination of products with excessive emissions
- Brickworks has voluntarily reduced carbon emissions by 25% since 2003 – down from 570,000 tonnes of CO₂ to 431,000
- The new Wollert factory will decrease emissions by around 65% compared with the facilities being replaced
- Brickworks intends to pass through cost increases associated with the tax with overall price increases of up to 6% in the first year

Brickworks will continue to pursue significant reductions in energy consumption and has identified future energy reduction projects. Energy reduction projects are focussed on three key themes: better factory utilisation; product re-engineering and; elimination of products with excessive emissions.

Based on NGERs data, Brickworks emitted 431,000 tonnes of CO₂ for the year ended 31 July 2011. This has been voluntarily reduced from 570,000 tonnes in 2002/03. This represents a decrease in total emissions of 25%. When fully operational the new Wollert plant in Victoria will achieve emissions savings of 115,000 tonnes of greenhouse gases compared to Victorian brick emissions prior to Wollert.

It is Brickworks intention to pass on cost increases associated with the Carbon Tax to consumers, subject to legislation. Based on the current emission levels and a carbon tax at \$23 per tonne in its first year, this will result in an overall price increase of up to 6%, but will vary by product.



Bristile Roofing™

- Sales revenue of \$124 million, down 4.2%
- Selling prices up 4.8%
- Production costs up on lower volumes
- Increased earnings on the east coast
- Western Australia result down on prior year due to softening demand, particularly in the 2nd half
- Plant refit in Western Australia planned to commence in 2012 enabling increased quality and lower costs

Total **sales revenue** of \$124million was down 4.2% compared to the prior year.

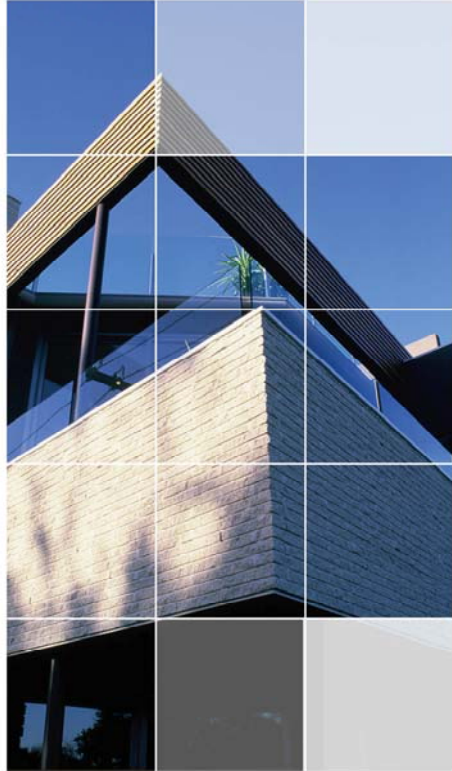
Average selling prices were up 4.8% as first home owner work diminished and the customer mix returned to more historically consistent levels.

Production costs rose on lower manufacturing volumes. Production time was lost at Wacol in Queensland due to the floods in January. The Dandenong plant in Victoria was closed for scheduled maintenance over the Christmas period.

The east coast operation delivered improved earnings.

Despite the difficult conditions in Western Australia, selling prices improved as the high level of first home owner work diminished. Overall the Western Australian result was down on the prior year as lower volumes and increased production costs more than offset the improved pricing outcomes.

A plant re-fit in Western Australia is planned to commence in May 2012, enabling increased quality and reduced production costs that will ensure a strong future for the Western Australian roofing business.



Austral Masonry™

- Sales Revenue up 14.8%, to \$55 million driven by acquisitions in New South Wales
- Average Selling Prices up 2.7%
- Acquired East Coast Masonry at Coffs Harbour, NSW in Feb 11 for \$2.5 million
- Product range expanded with the release of Cornerstone retaining wall system
- Now established as 3rd largest masonry manufacturer nationally

On a like for like basis, **sales revenue** in the Austral Masonry business was down 1.9%. Overall, including a full year of Port Kembla sales and the Coffs Harbour acquisition, sales revenue was up 14.8%, to \$55 million.

Average selling prices were able to be increased 2.7% on the prior period. Significant increases in standard blocks were offset by marginal increases in coloured masonry and landscaping products due to heavy discounting by competitors.

The **acquisition of East Coast Masonry** in Coffs Harbour in the second half for \$2.5 million, further expands the Austral Masonry geographical ,providing an ideal location to service the New South Wales central and mid north coast regions.

The **product range continues to be expanded**, with the release of the Cornerstone retaining wall system in the 2nd half. Over the year the business has significantly expanded it's offering in coloured blocks and new landscaping products.

In 2006 Brickworks owned just one Masonry plant in Dandenong, Victoria. Since that time it has grown rapidly through the acquisition of a number of independent operators and is now established as the 3rd largest masonry manufacturer nationally.



Austral Precast™

- Giroto and Gocrete businesses now fully integrated and rebranded Austral Precast
- Made a positive contribution to earnings for the year
- Sales revenue of \$57 million
- Only national precast company
- Upgrade to Wetherill Park plant in New South Wales progressing well
- Upgrade to Maddington automated plant in Western Australian complete

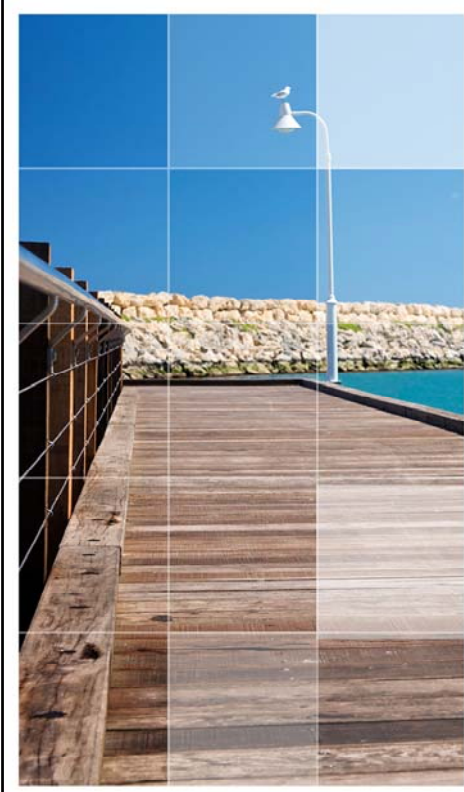
The Giroto and Gocrete businesses are now fully integrated and rebranded Austral Precast following purchase for \$13.8 million plus stock in September 2010.

The combined business provided a positive contribution to earnings for the year, on **revenue** of \$57 million.

Austral Precast is now the only national supplier in the precast concrete walling and flooring panel industry.

Significant **upgrades** to the automated carousel plant at Wetherill Park in New South Wales are well underway and it is anticipated that this facility will be world class by the end of calendar year 2011.

Austral Precast has the only automated precast plant in Western Australia, at Maddington in Perth. A plant upgrade completed during the year added the capability to manufacture walling and flooring products efficiently in the automated plant and will lead to lower production costs. The Western Australian business has developed a promising order book and is well placed for future growth.



Auswest Timbers™

- Improved result despite decline in sales revenue of 6.0% to \$36 million
- Average selling prices up 5.9%
- UK export volume increased despite higher exchange rates
- Pre-finished flooring range introduced to the market with good response

Auswest Timbers™ delivered another improved result, despite **sales revenue** declining by 6.0%, to \$36 million. The increase in average selling prices of 5.9% comfortably offset increases in production costs.

Average selling prices increased as a result of the continued strategy to reposition the business as a provider of value added products.

UK export growth rebounded following a period of decreasing sales on the back of higher exchange rates. The business continues to build new export markets in South East Asia.

Auswest has recently introduced a pre-finished flooring range which has initially achieved excellent market response.



I would now like to take this opportunity to explain the **Building Products strategy** in a little more detail.



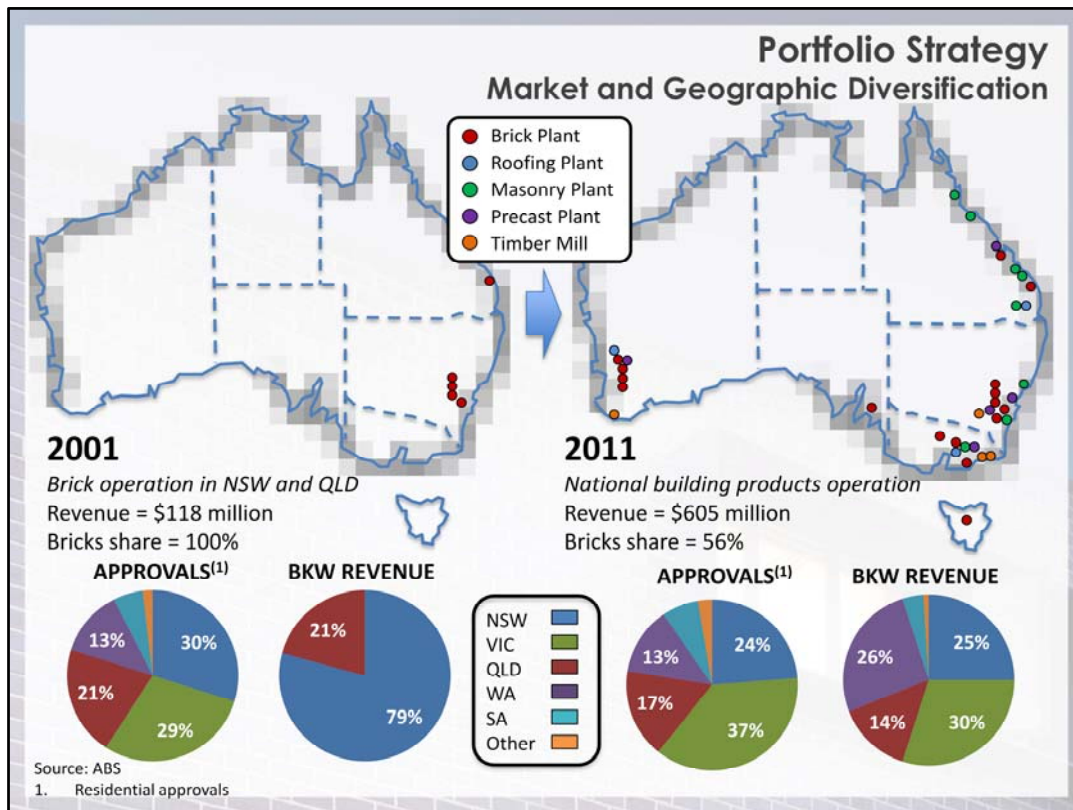
Brickworks’ **portfolio strategy** has been to diversify and grow its Building Products businesses, while maintaining a focus on external walling products. The mature bricks and roofing businesses remain the backbone of the group but are heavily exposed to the residential construction market, and specifically detached housing.

Austral Precast and Austral Masonry provide exposure to the other residential and non residential market, offering a natural hedge to the housing market. Precast is a high growth business that will be a new earnings driver for Building Products.

Brickworks **asset management strategy** aims to ensure security of supply by managing the value chain from “quarry to end-use”. In doing so it is the owner of significant land assets that are continually managed to ensure optimum usage.

Business performance of the Building Products Group is focused on:

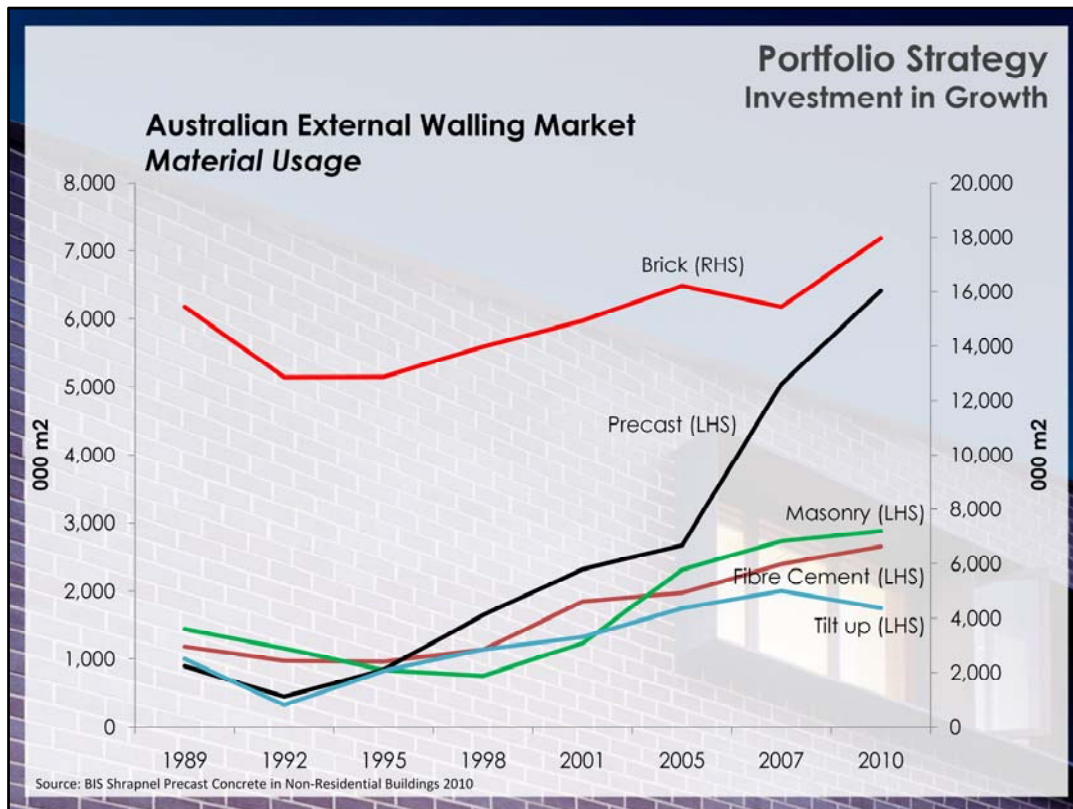
1. Being the easiest company to do business with;
2. Offering the best, most innovative range of products to the market;
3. Focus on operations excellence, in particular occupying the position as lowest cost producer position in all markets; and
4. Align employees with our strategy. This is highlighted by the fact that 53.8% of employees are shareholders.



Brickworks has grown from a 2 state (New South Wales and Queensland) brick manufacturer in 2001 to a **diversified national building products business** today.

In 2001, bricks made up 100% of Building Products revenue whereas today, bricks revenue makes up less than 60% of total revenue.

Brickworks is now **geographically diversified** within Australia with revenue split closely reflecting building activity across the country.



This chart shows the volume of the top 5 products in the total Australian external walling market from 1989 to 2010. Please note bricks (the top line) is against the right hand scale and all others are against the left.

Through its investment in bricks, precast and masonry, Brickworks has exposure to around 75% of the external walling market.

Growth in precast of around 20% per annum since 2001 has outpaced all other products to become a clear second to clay bricks. Precast growth has been driven by a number of factors:

- De-skilling of construction site crews
- Speed and cleanliness of installation
- Savings in interest due to compressed project timelines
- More efficient usage of working capital (more projects in the same time)

Precast is an **attractive market** to Brickworks for reasons such as:

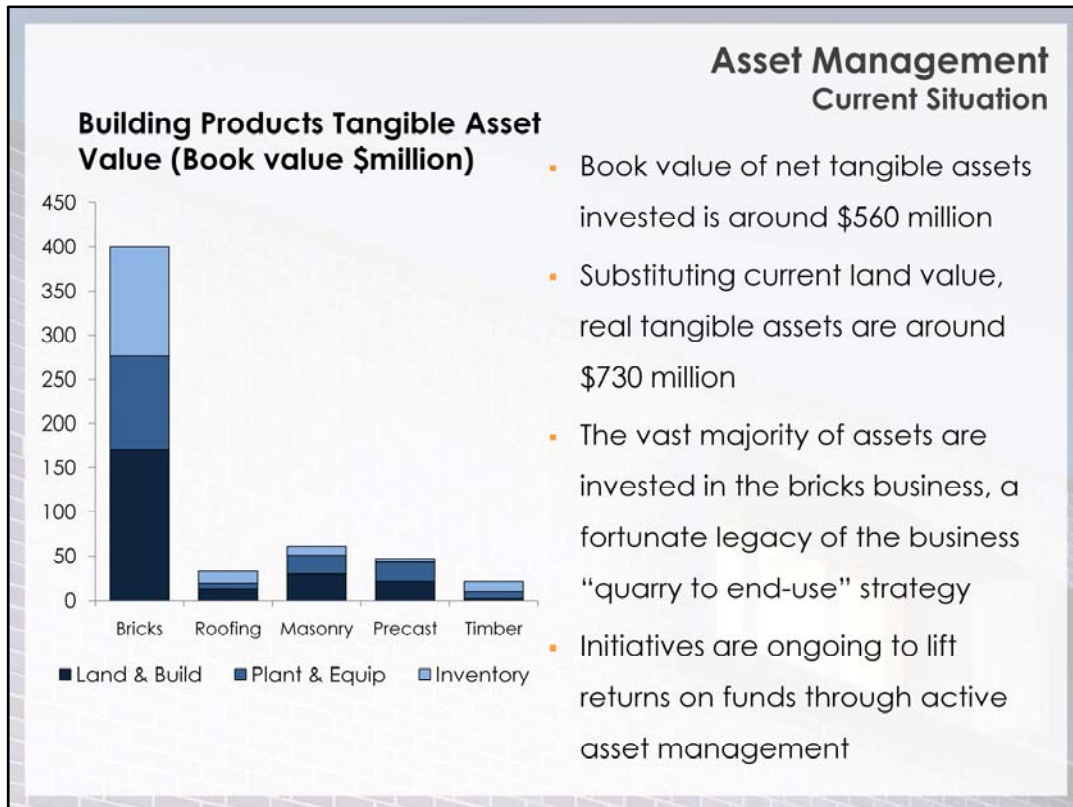
- The fragmented nature of the industry
- The ability to create an economic moat by investing in the latest advanced technology
- High turnover / capital ratio
- Uses the same raw material reserves and supply chain as concrete roof tiles and masonry
- Many existing customers

Asset Management Current Situation							
Division	Land & Building (Book)	Land & Building (Current)	Plant & Equip	Inventory	Goodwill	Assets Invested (Book)	Assets Invested (Current)
Bricks	170	329	107	123	214	614	773
Roofing	13	19	7	13	26	58	64
Masonry	30	30	21	10	29	90	90
Precast	22	22	21	4	10	57	57
Timber	2	2	8	12	8	30	30
Total	237	402	164	162	286	849	1,013

This slide shows the level of investment in the Building Products business, totalling over \$1 billion, with land at current market value.

To lift return on funds we need to not only increase profits but also effectively manage this asset base, including reducing funds employed, where possible.

Land and buildings amounting to \$237 million are held at book. Based on current valuations of \$402 million, land and buildings exceed book value by \$165 million.



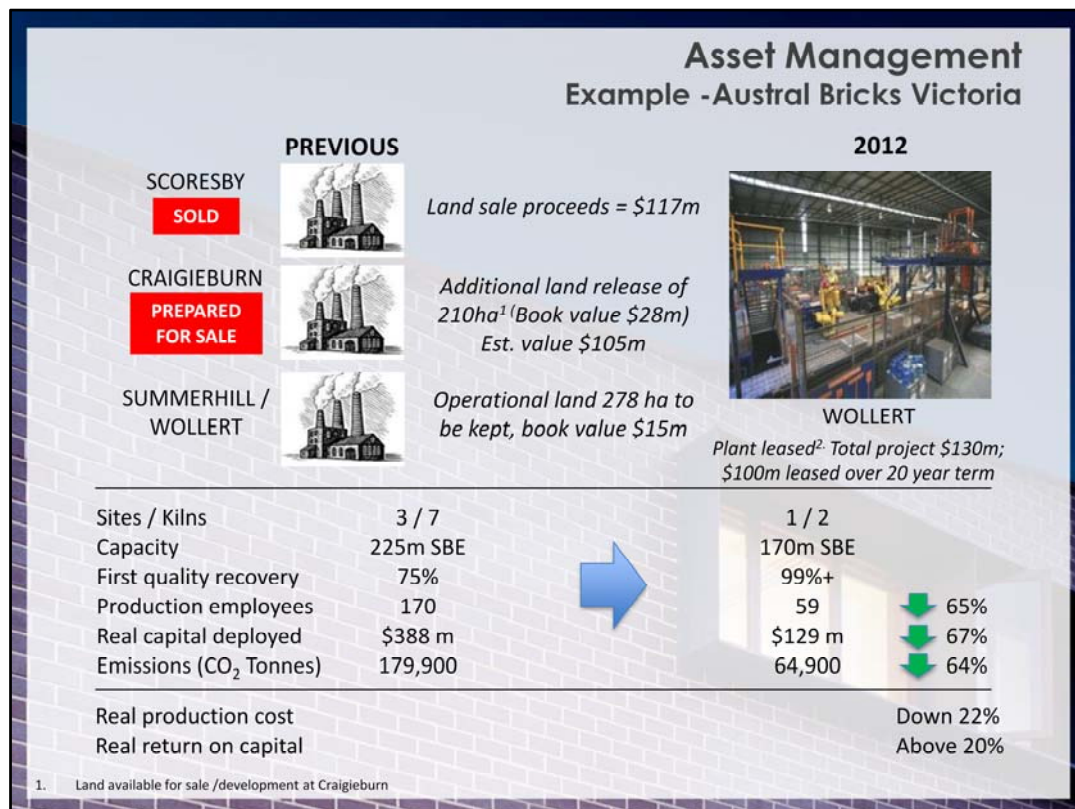
Book value of net tangible assets invested is around \$560 million. Substituting **current land value**, real tangible assets are around \$730 million.

The graph shows clearly that the vast majority of assets are invested in our bricks business, and that a significant portion of bricks assets are tied up in land and buildings.

This is a result of the business strategy of owning the supply chain from “quarry to end-use” that has guaranteed a reliable and low cost supply of raw materials.

Initiatives have been ongoing for many years to lift returns on funds through active asset management.

The restructure of Austral Bricks Victoria provides a pertinent case study on how we are approaching this task.



The restructure of Austral Bricks Victoria is almost complete. The new facility at Wollert not only represents an evolution in brick manufacturing facilities but also a leap forward in environmental performance.

Some of the highlights of the restructure include:

- A **reduction in operating sites** from 3 to 1, and from 7 kilns to 2;
- A **reduction in capacity** from 225 million bricks per annum to 170 million. This is supported by an **improvement in recoveries** from around 75% to greater than 99% first quality.
- A **reduction in production labour** from 170 employees to 59;
- A **67% reduction in the level of real capital employed** in this business as we released valuable land at Scoresby and moved operations to Wollert. This process will yield \$221 million of cash through the sale of excess land;
- A **64% reduction in carbon dioxide emissions**;

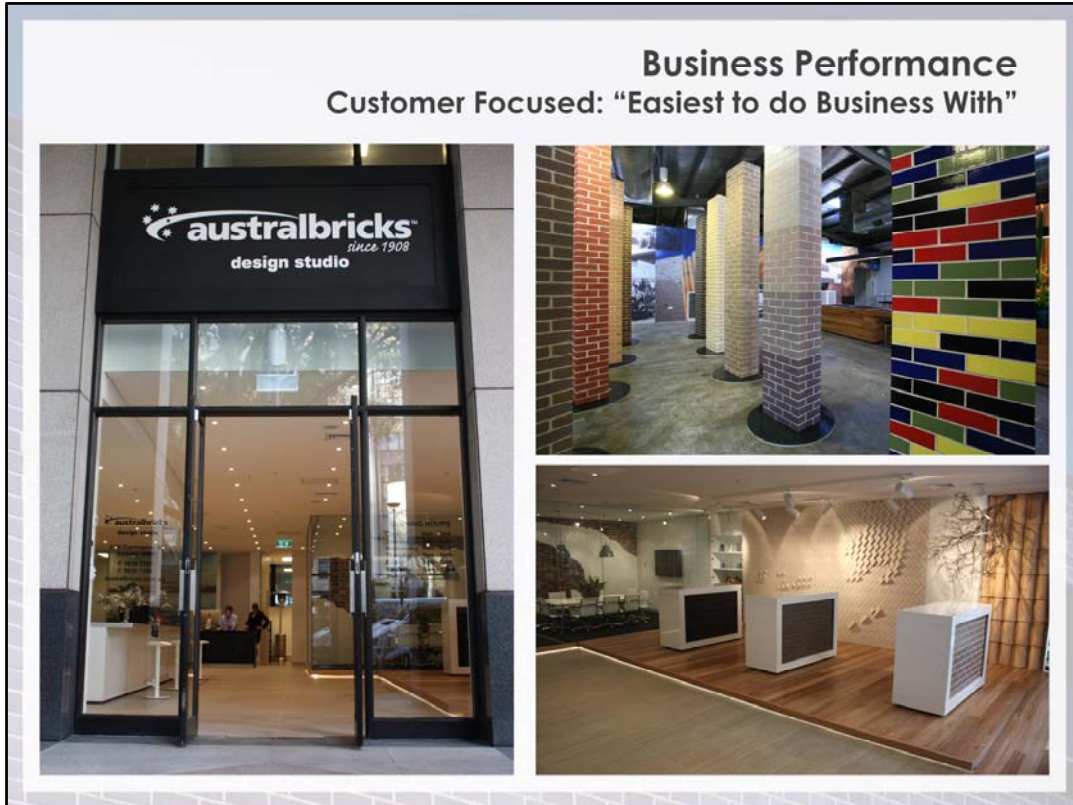
As a result of this restructure the **real production cost** (allowing for the effect of inflation) has decreased by 22%, and the **return on capital employed has increased** to over 20%, well above the business pre-tax WACC of 13.8%.

The lease finance used for this project has a number of benefits as well, including matching the term of the lease with the asset life and moving the asset off the balance sheet.

Austral Bricks Victoria will not require any significant capital expenditure for the next 20 years.

We are currently investigating Queensland and Western Australia assets for similar strategic restructuring.

Business Performance Customer Focused: “Easiest to do Business With”



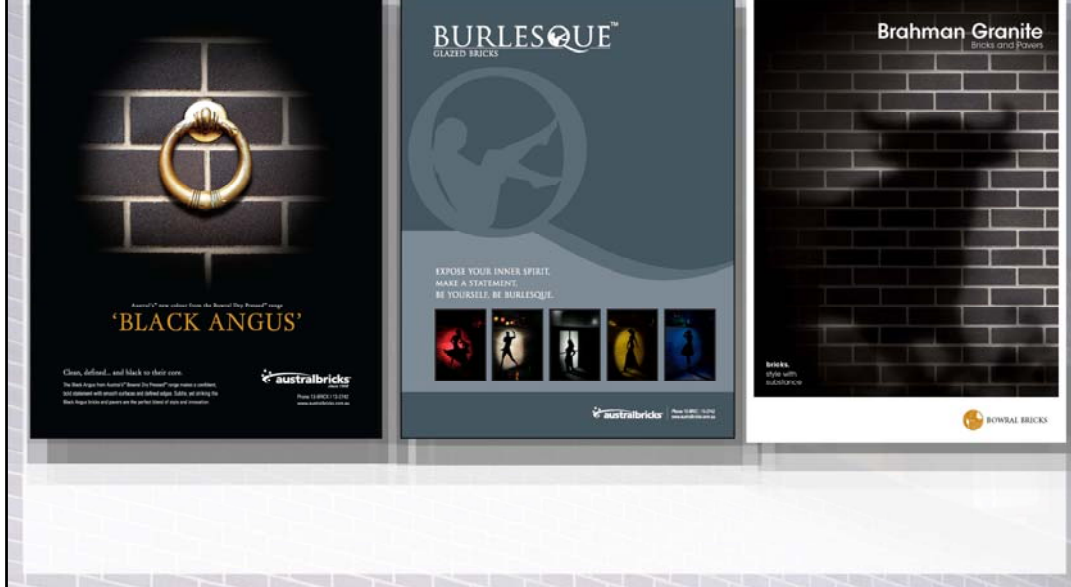
The provision of world class display centres support Brickworks strategy to be the **“easiest to do business with”** and will continue in the coming year.

New Design Studios in Sydney CBD and Richmond in inner city Melbourne were opened during the year. The Sydney studio on Carrington Street is shown in the left hand and bottom right photos. The Richmond studio is shown in the top right photo.

In addition a number of existing displays were upgraded in the last six months including Canberra, Townsville (Queensland), Punchbowl and Illawarra (New South Wales), and Tauranga (New Zealand).

The development of seventeen new and thirteen upgraded design centres during the last 5 years demonstrates our commitment to customer service.

Business Performance Market Leading Products and Services

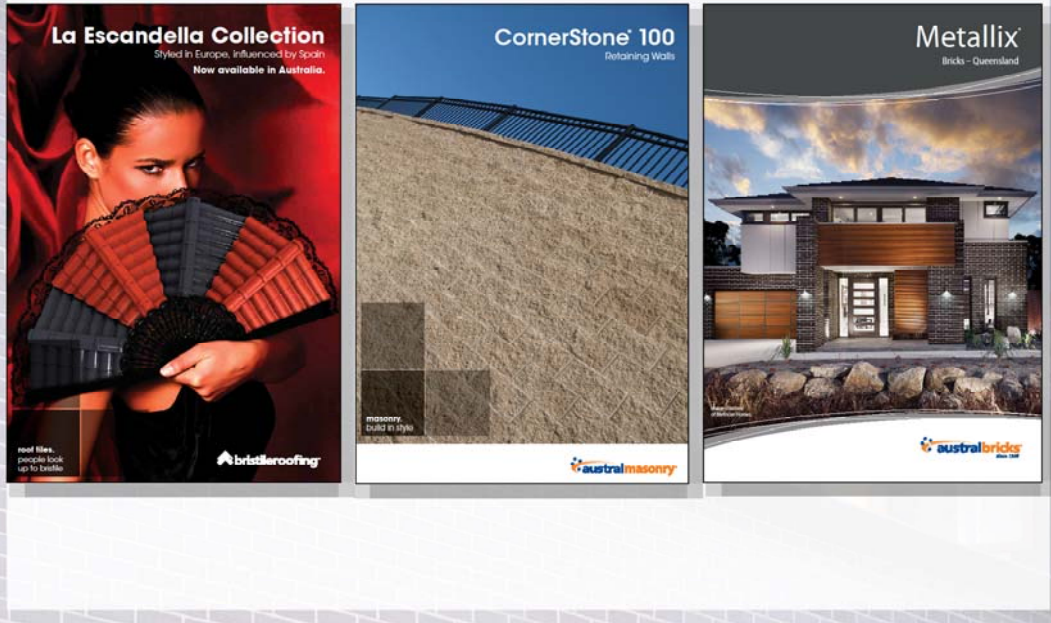


Brickworks has a strong focus on new product development and continues to develop state of the art new products. The development of new and premium products that competitors cannot match, allows Brickworks to attract higher prices and margins. For example, in New South Wales, over 50% of face brick sales last year were products designed and launched within the last five years.

A number of examples are shown on the following slides. These include:

- Black Angus and Brahman Granite, both dry pressed bricks from Bowral
- Burlesque glazed bricks in a range of bright new colours

Business Performance Market Leading Products and Services



Additional examples are:

- The La Escandella terracotta roof tile range from Spain
- Cornerstone retaining wall systems for use in engineered walling
- Metallix semi glazed bricks from Queensland

Example Investments	Year	Status
Victoria Roofing: refit	2004	Complete
Tasmania Bricks: refit	2005	Complete
South Australia Bricks: refit	2006	Complete
Queensland Roofing: refit	2006	Complete
Victoria Bricks: 2 new brickworks	2005-11	Almost Complete
Western Australia Precast: upgrade	2011	Complete
New South Wales Precast: upgrade	2011-12	Underway
Western Australia Roofing: refit	2011-12	Approved 2Q12

Business Performance Operational Excellence

- National operational excellence program underway
- Extensive capital upgrade program nearing completion
- All businesses in strong competitive position
- Future stay in business capital expenditure to remain below depreciation

Through a strong focus on operational excellence, Brickworks objective is to be the **lowest cost producer** in each market it operates in.

A **national operational excellence program** is underway, delivering additional efficiency and safety improvements across all sales and manufacturing operations.

Brickworks has demonstrated a willingness to support its operational excellence program through capital expenditure when required. An extensive 10 year **capital upgrade program** to renew facilities is nearing completion and has enabled Brickworks to secure a strong competitive position, achieving the lowest cost producer position in most markets.

Future expenditure will be “stay in business” capital and remain equal to or less than annual depreciation. Business growth projects however will continue to be undertaken as opportunities arise.

Building Products Outlook

- A high level of taxation on new housing in Australia continues to exacerbate affordability issues
- Given the poor state of the housing market, the timing of the carbon tax impost could not be more inopportune
- Brickworks estimate dwelling commencements to be 141,000 in the coming year
- A move to less restrictive monetary policy may trigger a gradual uplift in demand from the 2nd half of 2012
- Some positive signs around state government initiatives to stimulate growth
- New Zealand outlook improving with the Christchurch rebuild set to commence in FY2012

A high level of taxation on new housing continues to exacerbate **affordability issues**. This, together with the introduction of the carbon tax is likely to result in continued **subdued conditions** in the housing market. Given the softness in some of the lead indicators of residential construction activity and anecdotal evidence from our customers we are expecting dwelling commencements for the 2012 financial year to be approximately 141,000.

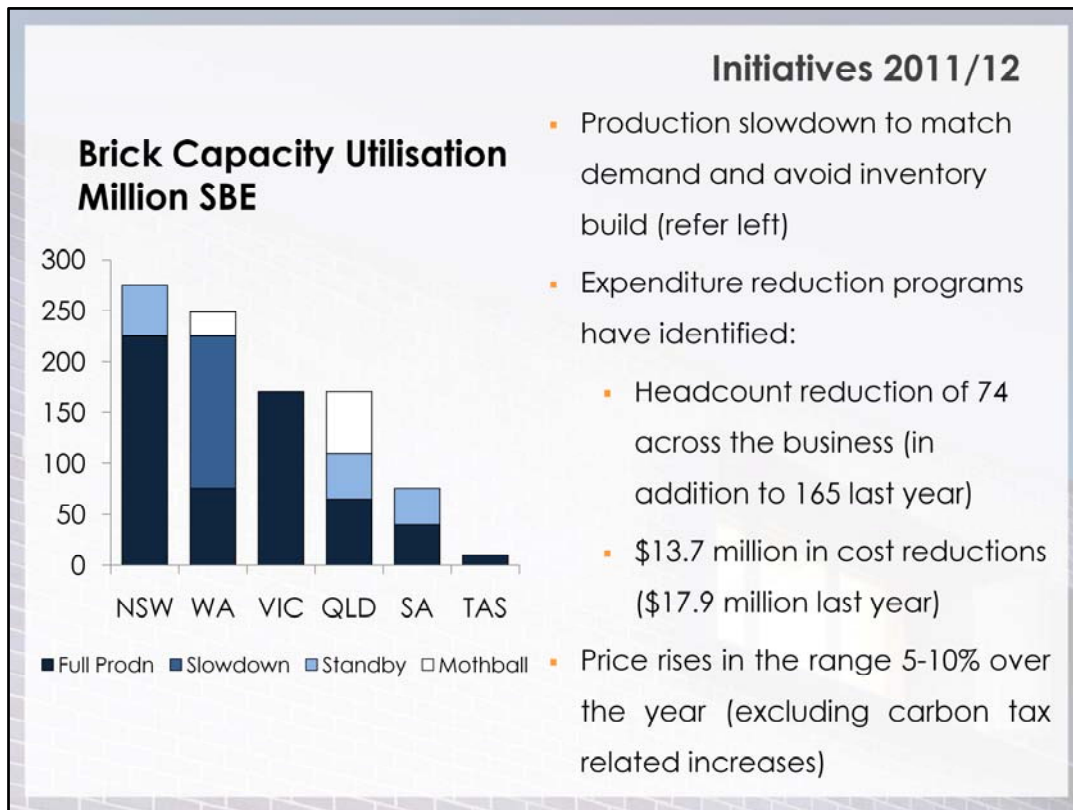
We are hopeful that cuts to interest rates in the near future might stimulate demand for the second half of this year. Without either interest rate cuts or a reduction in taxation on housing, there is unlikely to be an improvement in housing starts.

A number of **state governments schemes** have been implemented to provide some impetus to housing construction around the country:

- There are first home owner bonuses in Victoria and South Australia;
- Regional based grants in both New South Wales and Victoria;
- Continuing first home owner assistance in Western Australia;
- A \$10,000 grant for new home purchases under \$600,000 in Queensland; and
- A range of stamp duty and transfer duty exemptions.

On top of this the acceleration of land releases and planning legislation reviews in New South Wales and Victoria are most welcome.

For the first time in a number of years we can report that we are optimistic about market conditions in **New Zealand**. With the exit of a competitor from the market and the Christchurch rebuild set to commence this year the outlook is improving.



With the current downturn in trading conditions management is undertaking a number of initiatives to maintain earnings.

A number of plants will **operate below capacity**, be on standby or mothballed to ensure production is in line with demand and inventory levels are maintained. With an estimated brick production for the year of around 700 million SBE's and a total production capacity of 950 million SBE's, Brickworks will operate at 74% utilisation.

An **expenditure reduction** program was initiated in 2011 and has continued with further savings identified this year. This year, a further \$13.7 million worth of full year savings have been identified, including a workforce rationalisation of 74 employees. Including the prior year, 239 employees, representing approximately 17% of the total workforce, will be laid off.

In order to improve margins **price rises** will be implemented on a rolling basis throughout the year. Most businesses have implemented a price rise in June 2011 with a further rise in the order of 5-10% planned for the current year.



I will now go through our Property results.

Land & Development EBIT			
(\$ millions)	Jul-10	Jul-11	% Change
Property Trust	10.3	12.5	21.4%
Land Sales	17.9	16.3	(8.9%)
Waste	1.7	2.5	47.1%
Property Admin ⁽¹⁾	(1.5)	(2.1)	(40.0%)
Total	28.4	29.2	2.8%

1. Property administration includes the holding costs of surplus land

Land and Development produced a full year profit of \$29.2 million, up 2.8% on the previous year. The two key contributors to Land and Development EBIT are the **Property Trust** and **Land Sales** which I will now work through.

I will then turn to the Land and Development **strategy** and provide details of land assets and upcoming projects.

Property Trust

- Total EBIT of **\$12.5 million**
- Rental Distribution profit \$7.1 million and revaluation profit of \$4.7 million
- Capitalisation rates stable at 7.75 - 8.5%
- Construction of two DHL facilities on Oakdale nearing completion (shown below)
- Construction commenced on expansion of Linfox



The JV Industrial Property Trusts delivered **EBIT** of \$12.5 million for the year, up 21.4% from \$10.3 million in the prior period.

Rental distribution profit was \$7.1 million which was in line with the previous year.

Revaluation profit was \$4.7 million, up from \$2.8 million in the previous year, as a result of stabilising capitalisation rates in the range 7.8-8.5%.

The construction of two new facilities for DHL at the Oakdale estate totaling 36,000 m² are nearing completion and will provide further growth for the Trust in FY2012.

Industrial Property Trust			
(\$ millions)	Jul-10	Jul-11	% Change
Leased properties	435.3	445.8	2.4%
Land to be developed	165.6	165.6	0.0%
Total	600.9	611.4	1.7%
Less borrowings	248.9	243.5	(2.2%)
Net trust assets (100%)	352.0	367.9	4.5%
Brickworks equity (50%)	176.0	184.0	4.5%
Return	10.6%	11.7%	1.1%

The **total value** of the Property Trust Assets rose slightly to \$611.4 million at 31 July 2011. With borrowings of \$243.5 million this gives a total net value of \$367.9 million. Brickworks 50% share of the net asset value is \$184.0 million, up 4.5% on the prior year.

The **return** on the developed properties in the Trust has increased to 11.7% in the year ended July 2011.

Property Trust Assets							
Tenant / Asset	Location	Asset Value	Revaluation Profit FY2011	GLA (m2)	Gross Rental p.a.	WALE (yrs)	Cap Rate (%)
Coles CDC	Eastern Ck	\$139m	\$2.4m	43,070	\$11.1m	11.6	8.0%
Toll	Eastern Ck	\$35.5m	\$1m	16,761	\$2.9m	6.2	8.2%
Capicure	Eastern Ck	\$24m		16,809	\$2.3m	2.1	8.5%
Southridge	Eastern Ck	\$34m	\$1.4m	24,357	\$2.9m	3.3	8.5%
Linfox (incl. exp land)	Erskine Park	\$57.5m	\$0.5m	36,123	\$4.1m ⁽¹⁾	7.2	8.0%
Ubeeco	Erskine Park	\$16.4m		10,865	\$1.3m	8.0	8.0%
Kimberly Clark	Erskine Park	\$59m	\$2.5m	45,853	\$4.6m	12.2	7.8%
Woolworths	Erskine Park	\$70m	\$1.5m	52,888	\$5.4m	12.2	7.8%
Wacol	Wacol, QLD	\$10.4m	\$0.1m	10,384	\$1.1m	7.8	8.5%
Total		\$445.8m	\$9.4m	257,110	\$35.7m	7.8	

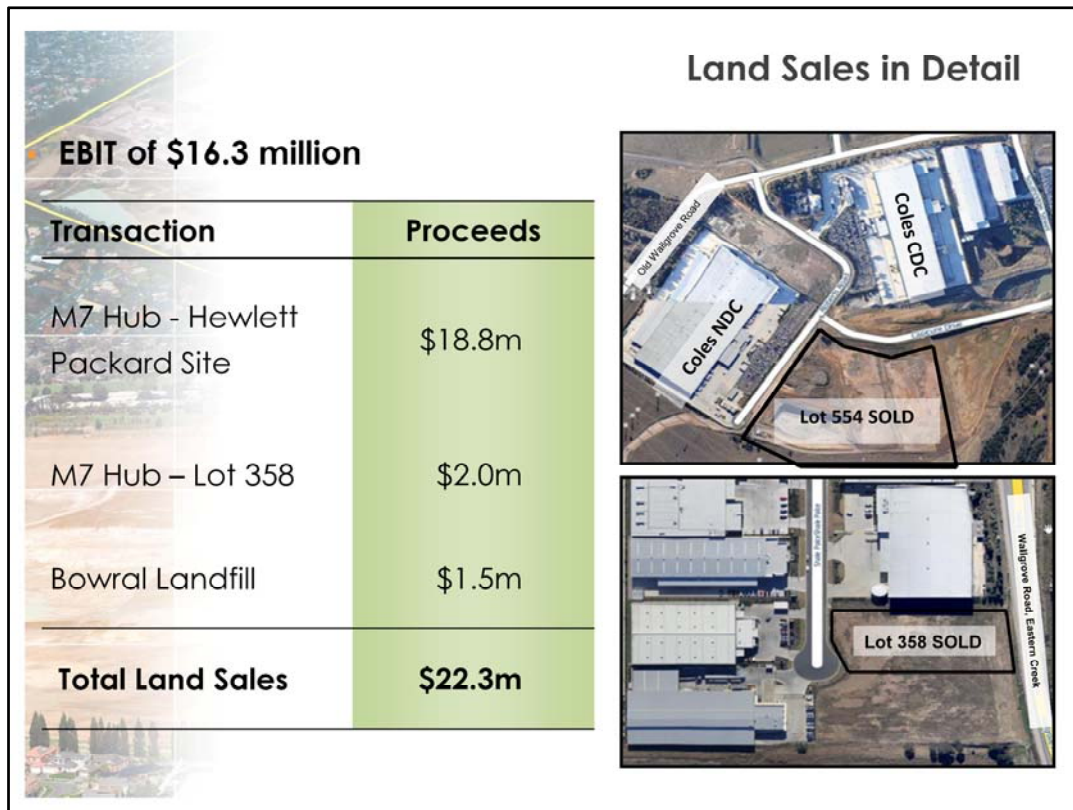
1. Linfox Expansion to provide additional \$1.6m rental pa on completion (not included in above figures)

Details on the leased **property trust assets** are outlined in this table. The total value of leased properties is \$445.8 million, with a gross lettable area in excess of 250,000m².

The entire portfolio consists of A grade stock which is under four years old, with long lease terms and strong tenants. There is no vacancy in the portfolio.

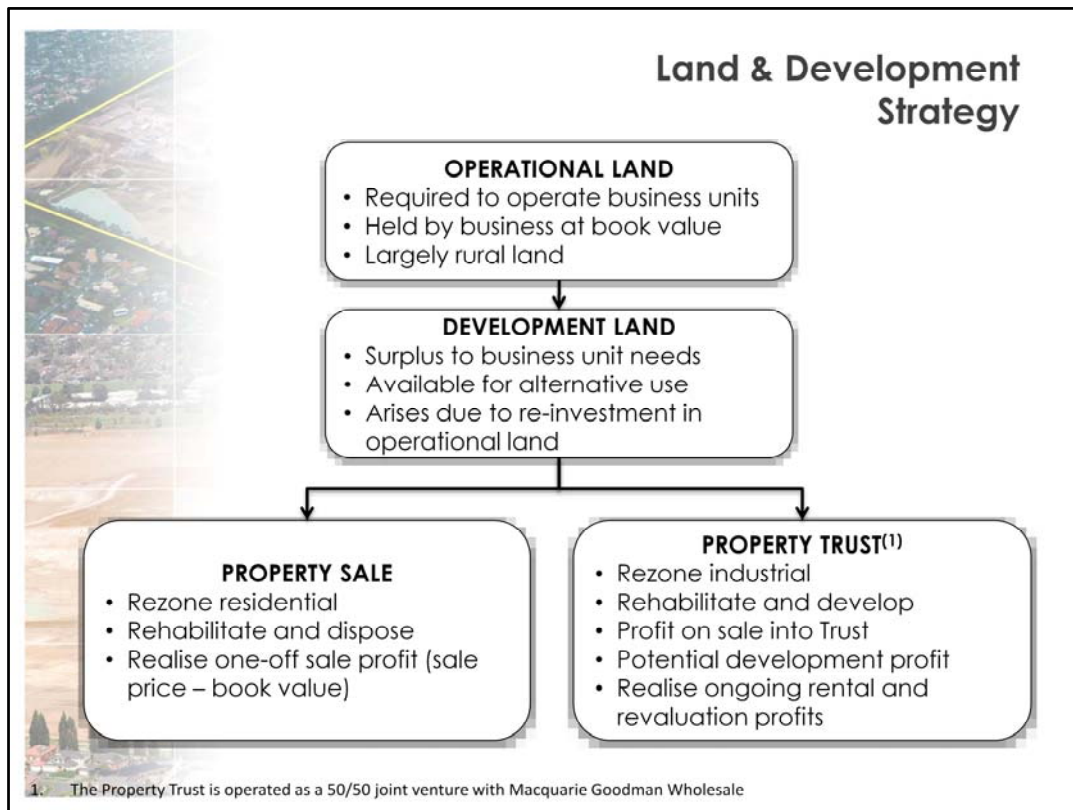
Gross rental return was \$35.7 million last year.

Capitalisation rates are in the range 7.8-8.5%



Property sales contributed total EBIT of \$16.3 million.

Major transactions for the year included the sale of 14.5 hectares of land at the M7 Hub to Hewlett Packard which provided Brickworks \$18.8 million, being half of the total proceeds. This is shown in the top right hand photo. Lot 358, also on the M7 Hub Estate and owned outright by Austral, was sold for \$2.0 million. The main transaction for the last half was the sale of Bowral Landfill for \$1.5 million.



Turning to the Land and Development strategy, the activities of the Group aim to **maximise the use of the legacy assets** from the Building Products business. Operational land that becomes surplus to the business needs is transferred to the Land and Development division where it is assessed for optimum land use.

Where appropriate, land is rezoned residential and sold. Alternatively the land is rezoned industrial and transferred into a Property Trust and developed, creating a stable, growing annuity style income stream.

The income from the Land and Development business, along with the dividends from Investments provides stable cash flow to balance the cyclical nature of building materials.

Land Holdings

Operational Land ⁽¹⁾	Gross Land Area		Book Value		Most Recent Valuation
NSW	465ha		\$52m		\$162m
VIC	567ha		\$22m		\$24m
QLD	763ha		\$20m		\$28m
WA	1,792ha		\$34m		\$79m
SA & TAS	272ha		\$7m		\$7m
Total	3,859ha		\$135m		\$300m

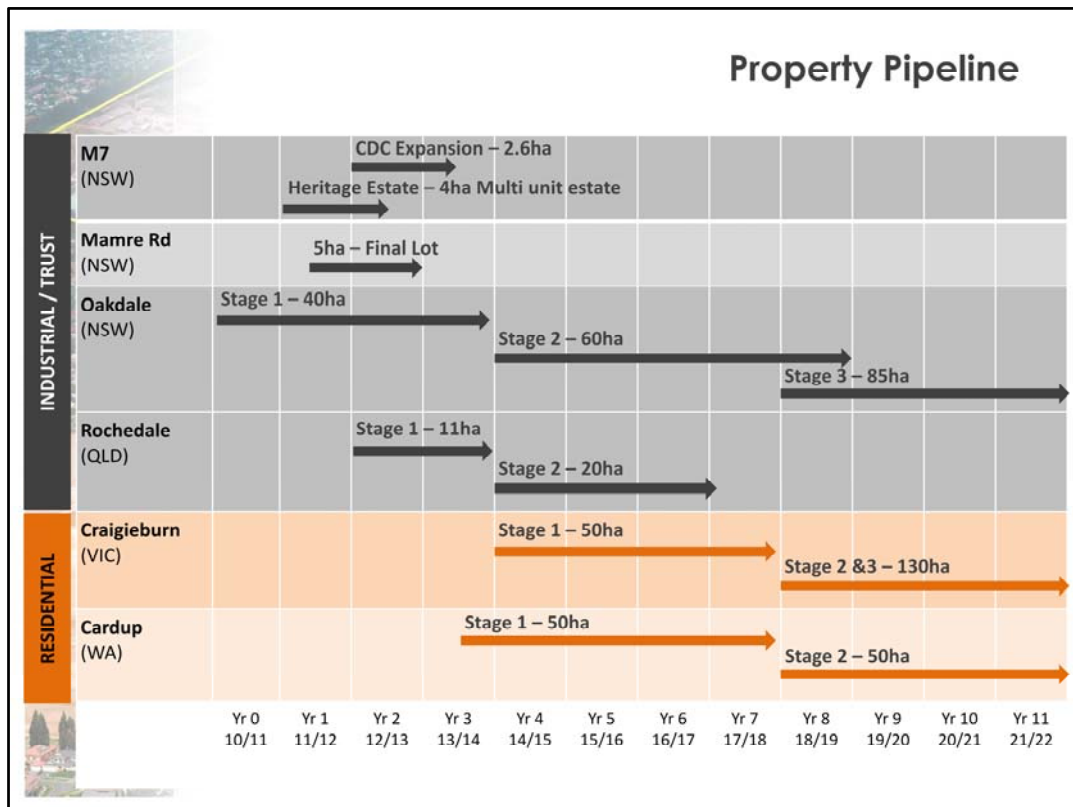
Development Land	Gross Land Area	Development Area	Book Value	Current Value	Potential Value ⁽²⁾
NSW	303ha	185ha	\$26m	\$84m	\$140m
VIC	436ha	300ha	\$29m	\$29m	\$148m
QLD	169ha	130ha	\$4m	\$22m	\$34m
WA	187ha	90ha	\$5m	\$5m	\$21m
SA & TAS	44ha	44ha	\$1m	\$1m	\$1m
Total	1,139ha	749ha	\$65m	\$141m	\$344m

1. In addition to operational land values shown, book value of buildings is \$78 million
2. Potential value assumes future land value if rezoned and rehabilitated but does not include development profit to BKW

Brickworks land holdings total around 5,000hectares, split into operational and development land.

Operational land is currently valued at \$300 million, whilst the **development land** has the potential to be worth at least \$344 million on rezoning and development approval of these properties.

The majority of land held for development is located in Victoria and New South Wales.



These projects will provide a long pipeline of development which is expected to continue well into the future.

In the short term, the development work is focused on the Industrial land to be transferred into the Trust.

In total there are 3 development estates in New South Wales totaling almost 200 hectares, 1 in Queensland at Rochedale totaling around 30 hectares, 1 in Craigieburn, Victoria totaling 180 hectares and 1 in Cardup, Western Australia totaling 100 hectares.



Land & Development Outlook

- Demand for industrial property is improving, albeit from a low base
- The excellent location of Property Trust assets continue to attract tenants
- Rental returns to increase on completion of current DHL and Linfox facilities
- Development of Rochedale in QLD, will be the focus in FY2012
- Rezoning work continuing on Craigieburn in Victoria and Cardup in Western Australia

Demand for new site development work in the **industrial market is improving**, albeit from a very low base, but competition is also stronger as there is more land available.

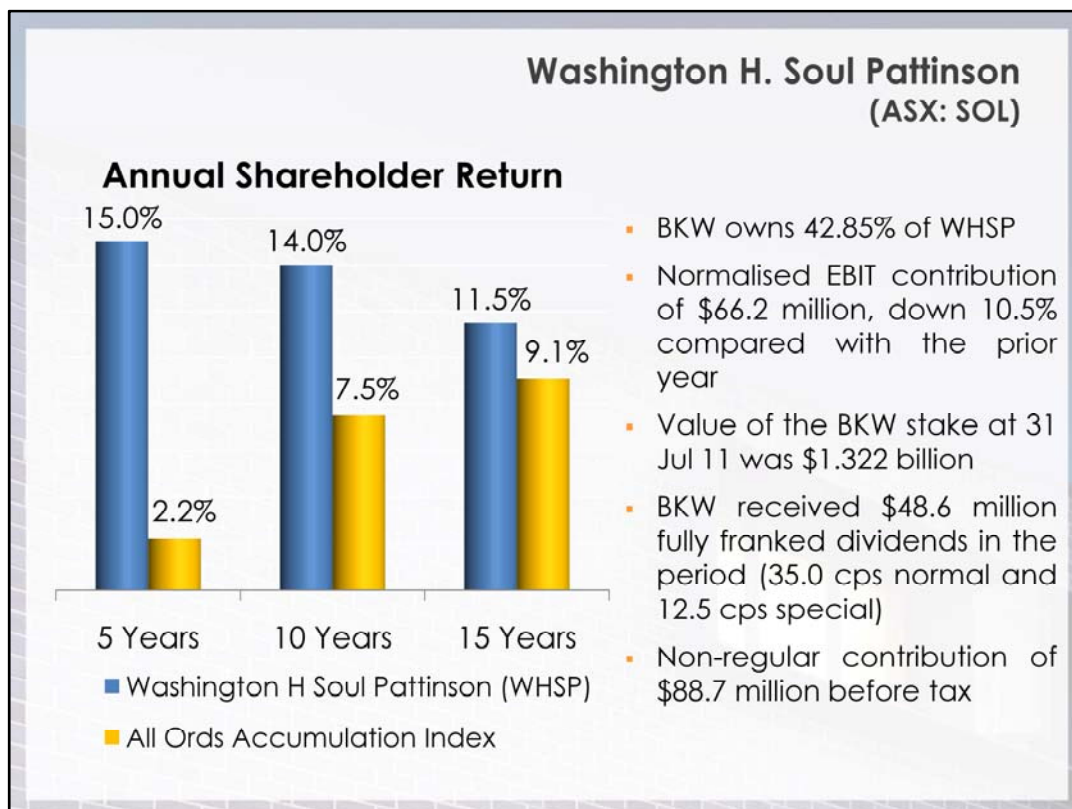
The **strategic location of our properties**, at Eastern Creek in Sydney and Rochedale in Brisbane, continue to attract both tenants and owner occupiers looking to relocate.

Trust returns will increase in the coming year as the two Oakdale DHL facilities and the Linfox extension are completed. Revaluations, as a result of rental increases, are also expected to contribute strongly to profit.

Major projects for 2012 include:

- Finalising the rezoning of Rochedale in Queensland and commencing development, for sale into the Trust
- Continuing on rezoning surplus land at Craigieburn in Victoria and Cardup in WA





Brickworks owns 42.85% of WHSP, a core asset of Brickworks that has brought diversity and reliable earnings to the company. The main investments of WHSP are the holdings in New Hope Corporation, Brickworks, TPG Telecom, API, BKI Investment Company, Clover, Ruralco and Souls Private Equity.

The Normal equity accounted contribution was down 10.5% to \$66.2 million for the year.

The **market value** of Brickworks investment in WHSP was \$1.322 billion at 31 July 2011, based on a share price of \$12.93, steady compared to the market value at 31 July 2010.

Brickworks received **fully franked dividends** totaling \$48.6 million from WHSP during the year including a special dividend of \$12.8 million.

As reported in the first half, a **non-regular contribution** of \$84.4 million before tax was due to the equity accounted share of the profit from New Hope Coal's sale of its stake in Arrow Energy Limited. For the year, there was a total non regular contribution of \$88.7 million from WHSP.

WHSP has delivered **outstanding returns** to its shareholders over both the medium and long term, outperforming the ASX All Ordinaries Accumulation Index by some 11.5% per annum over 15 years.



Turning to the outlook

Brickworks Group Outlook

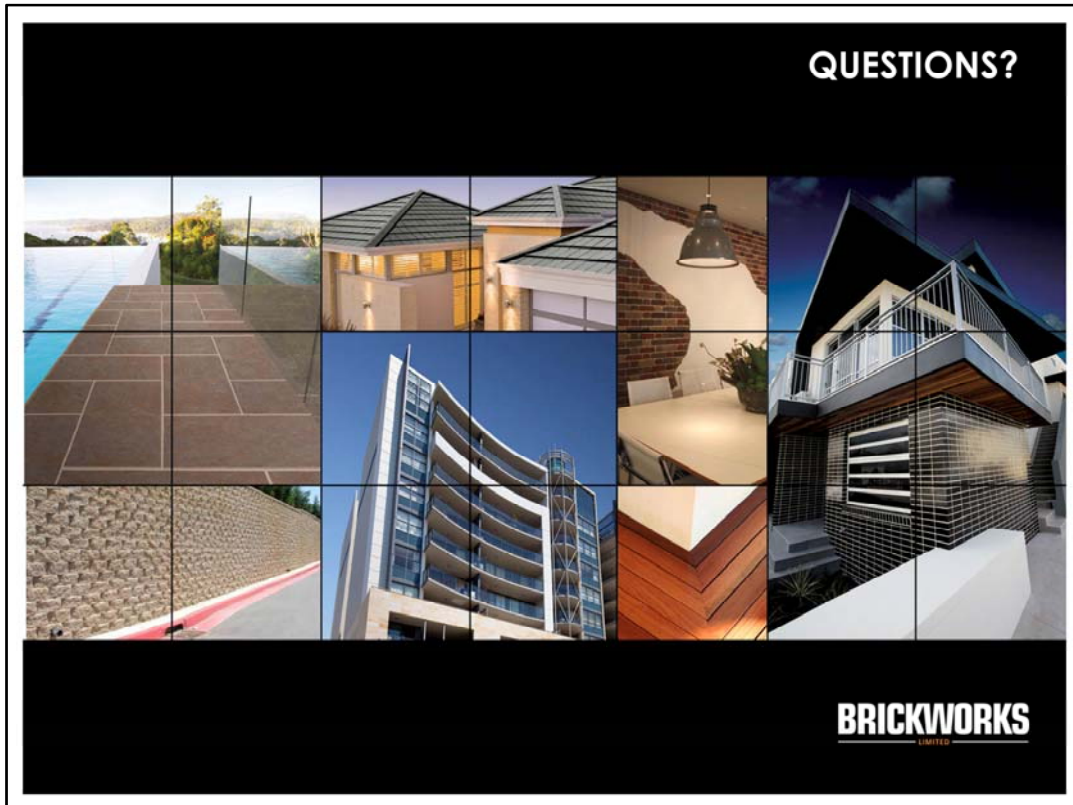
- The forecast decline in housing activity will result in another challenging year for the Building Products Group
- This challenge has been met head on with an aggressive cost reduction program
- Solid contributions are expected from the Land & Development and Investment Groups
- The diversified structure of Brickworks is expected to deliver a strong result

The forecast decline in housing activity for the coming year will result in another challenging year ahead for the Building Products Group.

The challenging conditions have been met head on with an aggressive cost reduction program and we are working hard to position the business to take advantage of whatever the prevailing trading conditions provide.

Solid contributions are expected from both the Land & Development and Investment Groups.

The diversified structure of Brickworks is expected to deliver a strong result.



I will now take any questions?

Disclaimer

IMPORTANT: The information in this document has been provided to you for information only by Brickworks Limited ("BKW") and is subject to change without notice. Nothing contained in this document constitutes investment, legal, tax or other advice. The information in this does not take into account your investment objectives, financial situation or particular needs. Before making an investment decision, you should consider, with or without the assistance of a professional securities adviser, whether an investment in BKW is appropriate in the light of your particular investment needs, objectives and financial circumstances.

Nothing in this document should be considered a solicitation, offer or invitation to buy, subscribe for or sell any security in any jurisdiction. The distribution of this document outside Australia may be restricted by law. Persons who come into possession of this document who are not in Australia should seek advice on and observe any such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable securities laws.

Neither this document nor any copy hereof may be transmitted in the United States of America ("US") or distributed, directly or indirectly, in the US or to any

US person including (1) any US resident, (2) any partnership or corporation or other entity organised or incorporated under the laws of the US or any state thereof, (3) any trust of which any trustee is a US person, or (4) an agency or branch of a foreign entity located in the US.

By accepting this document you agree to be bound by these limitations. BKW has prepared this document based on information available to it. Although reasonable care has been taken to ensure that the facts stated and opinions given in this document are fair and accurate, the information provided in this document has not been independently verified. Accordingly, no representation or warranty, expressed or implied is made as to the reliability, fairness, accuracy, completeness or correctness of the information and opinions contained in this document. To the fullest extent permitted by law, none of BKW, its related bodies corporate, directors, employees or agents nor any other person accepts any liability for any loss whatsoever arising from any use of this document or its contents, or otherwise arising in connection therewith.