

# BRICKWORKS

LIMITED

22 September 2011

Australian Securities Exchange  
Attention: **Companies Department**

**BY ELECTRONIC LODGEMENT**

Dear Sir/Madam,

Please find attached a presentation to be made 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

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**BRICKWORKS LIMITED**

ABN 17 000 028 526

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



22 September 2011

**BRICKWORKS**  
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**OVERVIEW**

**Mr Robert Millner, Chairman**



**BRICKWORKS**  
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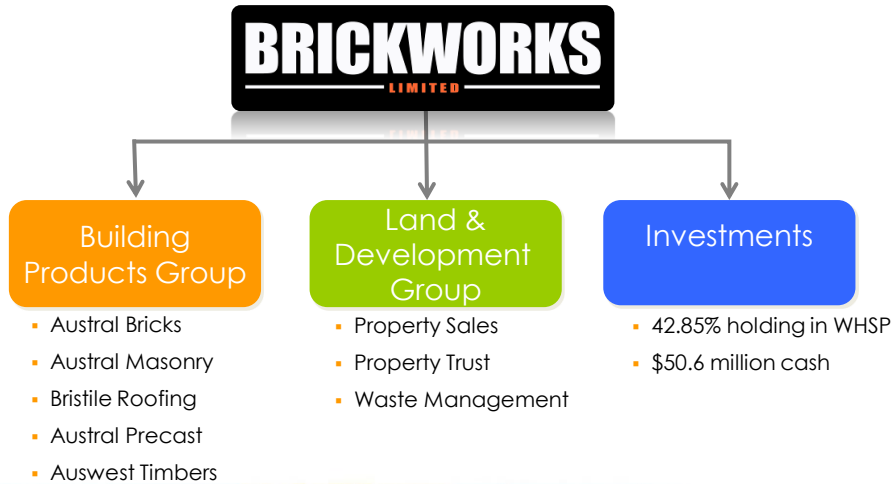


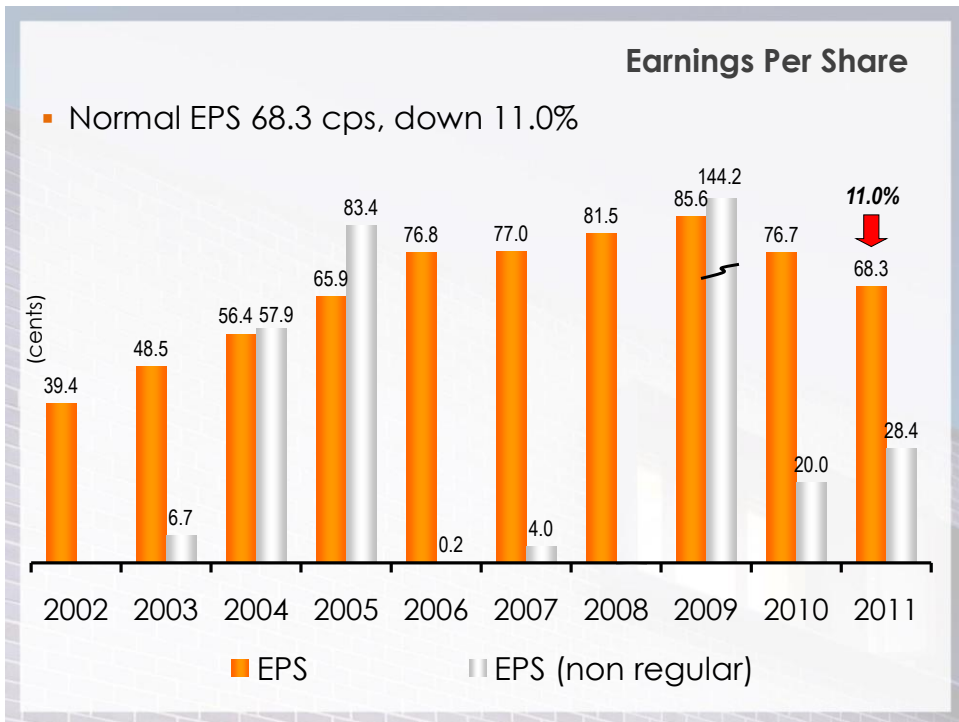
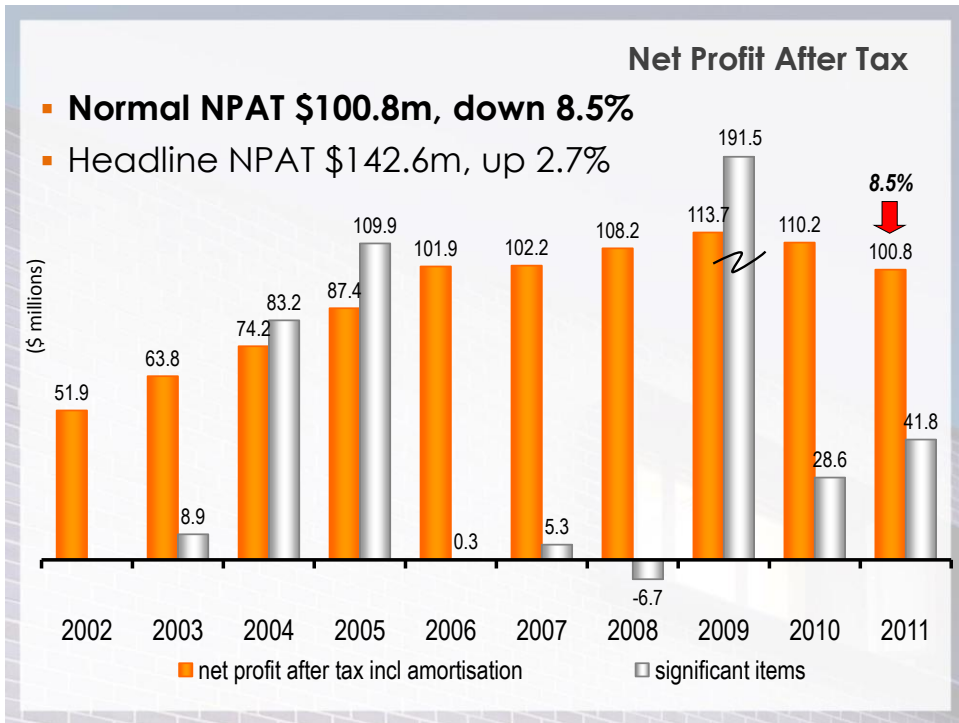
## Presentation Outline

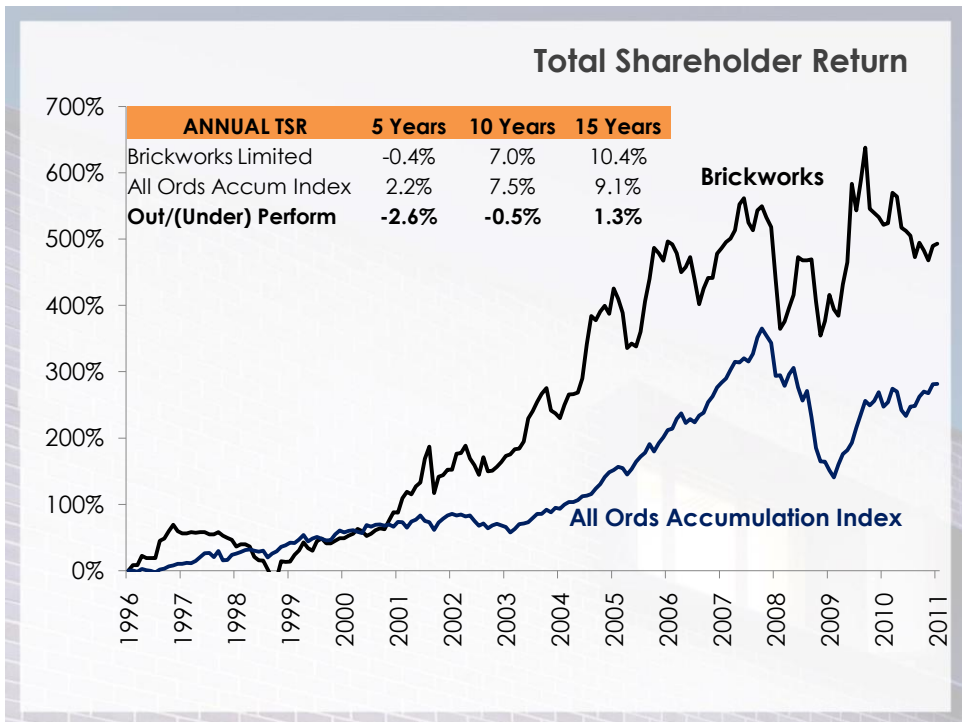
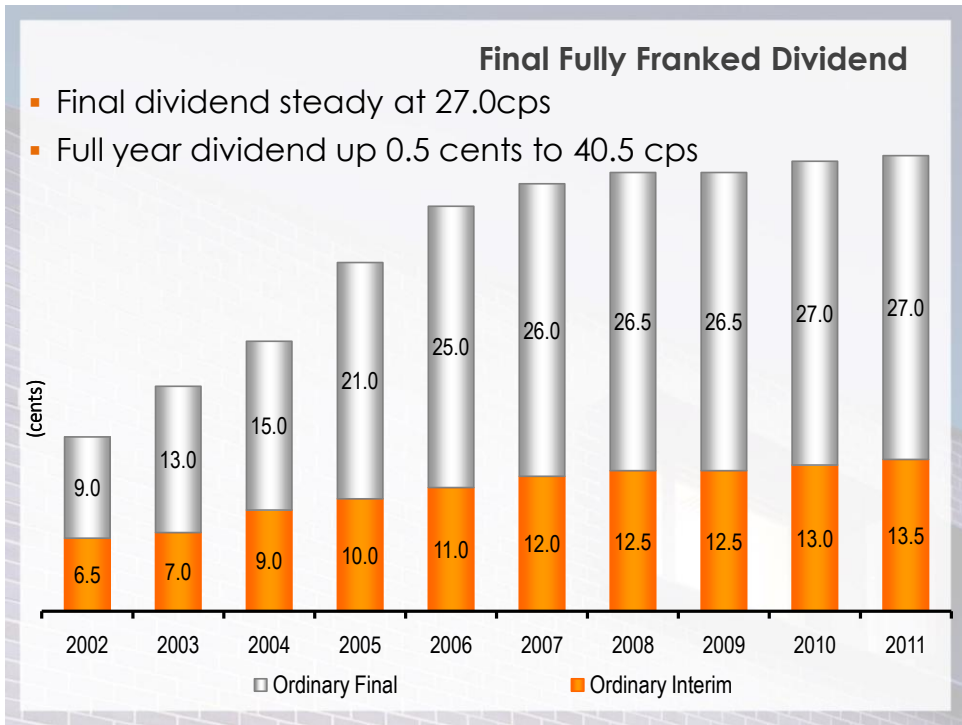
- Overview
- Results in Detail
- Building Products Results
- Building Products Strategy
- Land & Development
- Investments
- Outlook
- Questions



## Brickworks Corporate Structure







## RESULTS IN DETAIL

Mr Lindsay Partridge, Managing Director



**BRICKWORKS**  
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### 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)
<b>Total EBIT</b>	<b>\$150.5m</b>	<b>\$132.0m</b>	<b>↓ (12.3)</b>
Borrowing cost	(\$24.5m)	(\$21.2m)	↓ 13.5
Income tax	(\$15.9m)	(\$10.1m)	↓ 36.5
<b>Net profit after tax (normal)</b>	<b>\$110.2m</b>	<b>\$100.8m</b>	<b>↓ (8.5)</b>
Significant items (after tax)	\$28.6m	\$41.8m	↑ 46.0
<b>Net profit after tax and sig. items</b>	<b>\$138.8m</b>	<b>\$142.6m</b>	<b>↑ 2.7</b>

### 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)

### Capital Expenditure

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

<b>Significant Items</b>			
<b>\$m</b>	<b>Gross</b>	<b>Tax</b>	<b>Net</b>
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)
<b>TOTAL</b>	<b>\$59.7m</b>	<b>(\$17.9m)</b>	<b>\$41.8m</b>

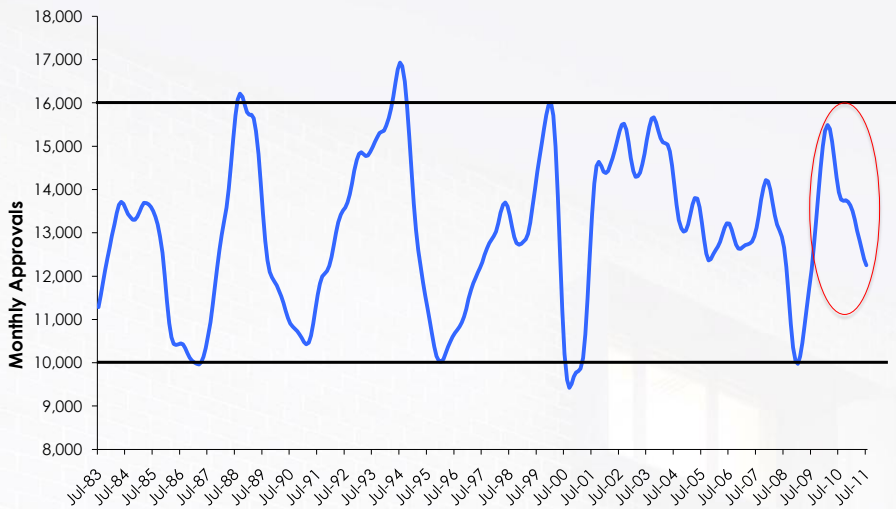




## Building Products Result

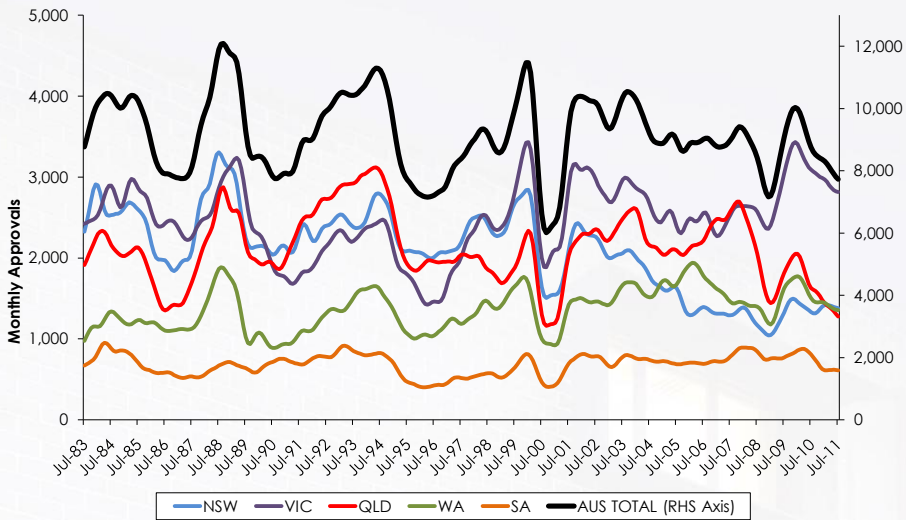
	FY 2010	FY 11	% Change
Sales revenue	\$580.3m	\$604.9m	4.2
<b>Like for Like sales revenue</b>	<b>\$580.3m</b>	<b>\$547.8m</b>	<b>(5.6)</b>
EBITDA	\$79.1m	\$68.6m	(13.3)
Depreciation	\$25.7m	\$26.6m	3.2
<b>EBIT</b>	<b>\$53.4m</b>	<b>\$42.0m</b>	<b>(21.3)</b>
EBITDA to sales	13.6%	11.3%	(2.3)
EBIT to sales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

## Australian Dwelling Approvals



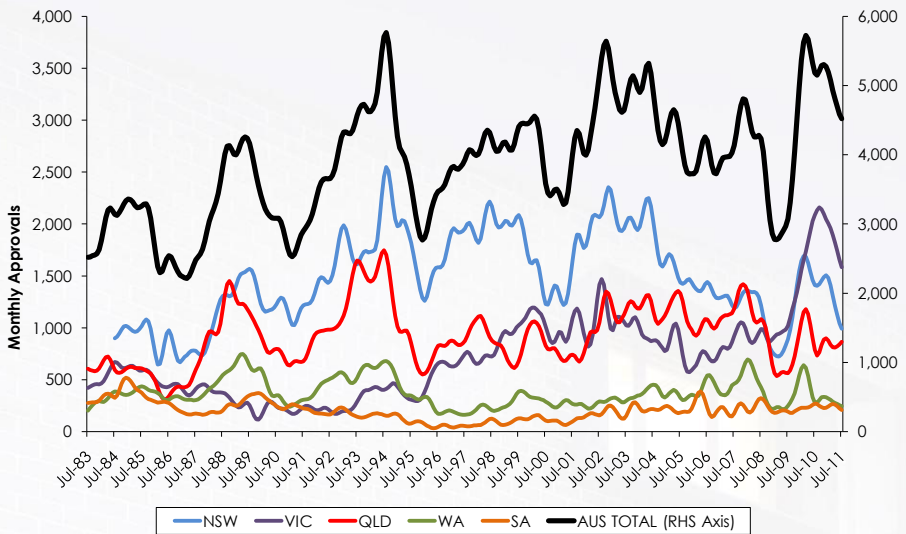
Source: ABS, trend data

### Detached Housing Approvals By State

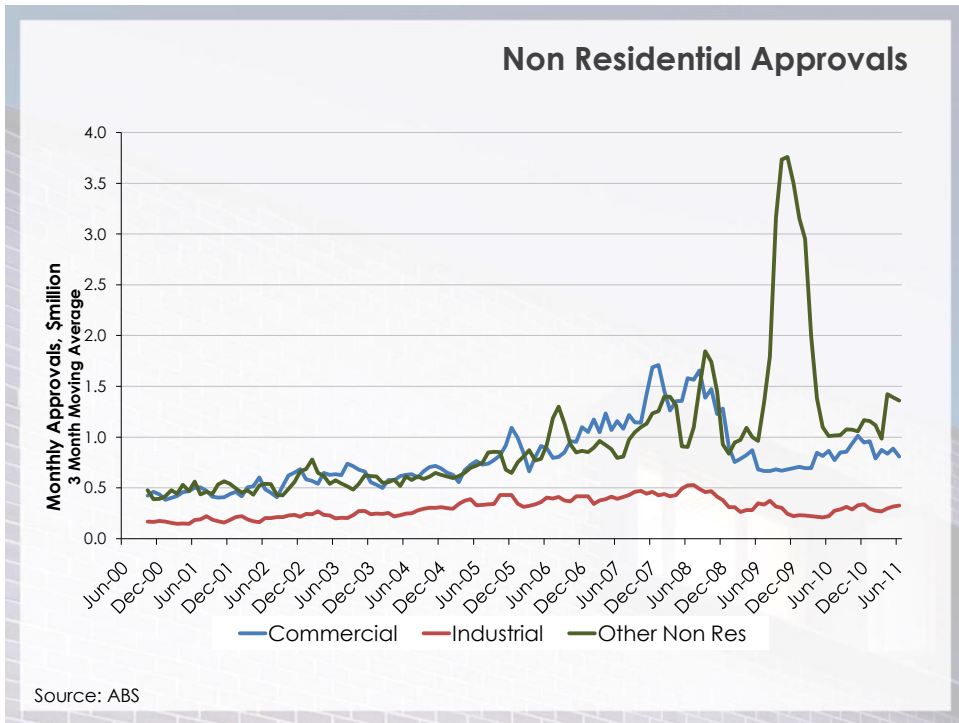


Source: ABS, trend data

### Other Residential Approvals By State



Source: ABS, trend data



### 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 2<sup>nd</sup> 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 1<sup>st</sup> July with balance of construction and commissioning proceeding to plan

## Austral Bricks Wollert Plant



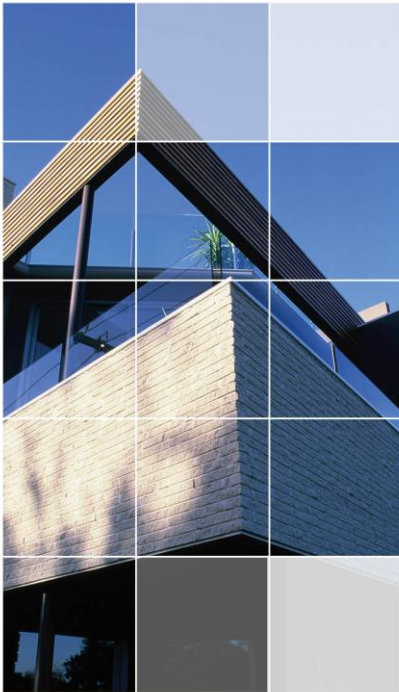
## Carbon Tax

- 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 CO<sub>2</sub> 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



### **Bristle 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 2<sup>nd</sup> half
- Plant refit in Western Australia planned to commence in 2012 enabling increased quality and lower costs



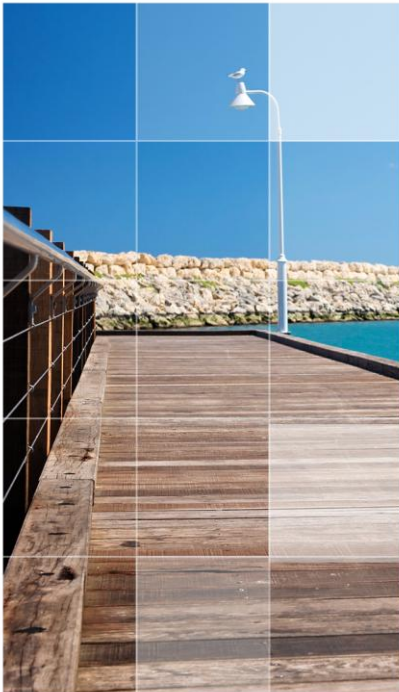
### **Austral Masonry™**

- 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 3<sup>rd</sup> 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



## **Auswest Timbers™**

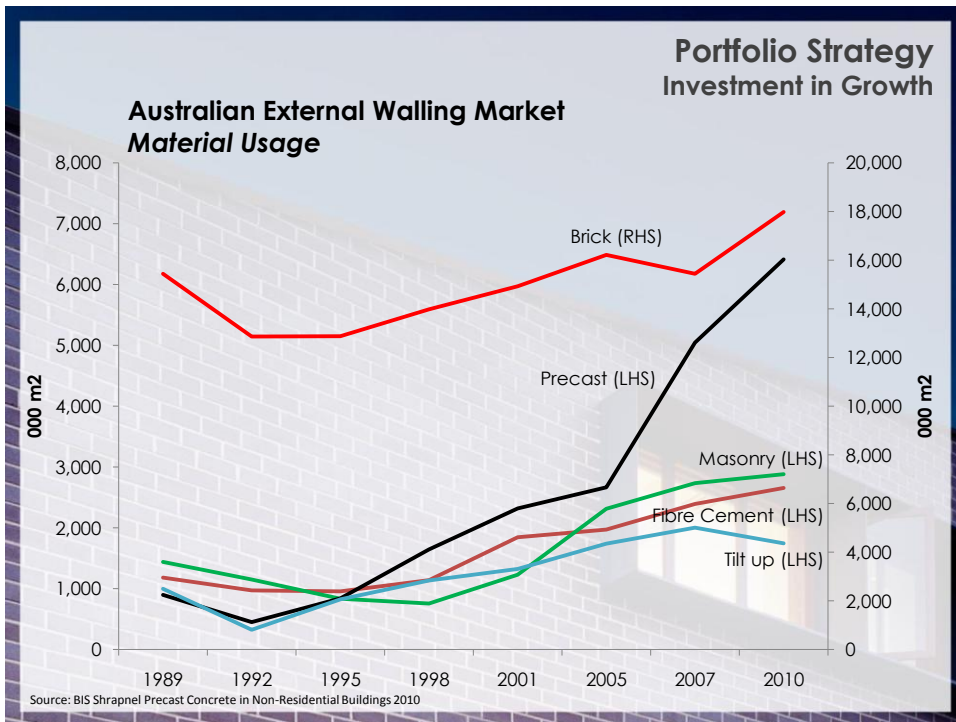
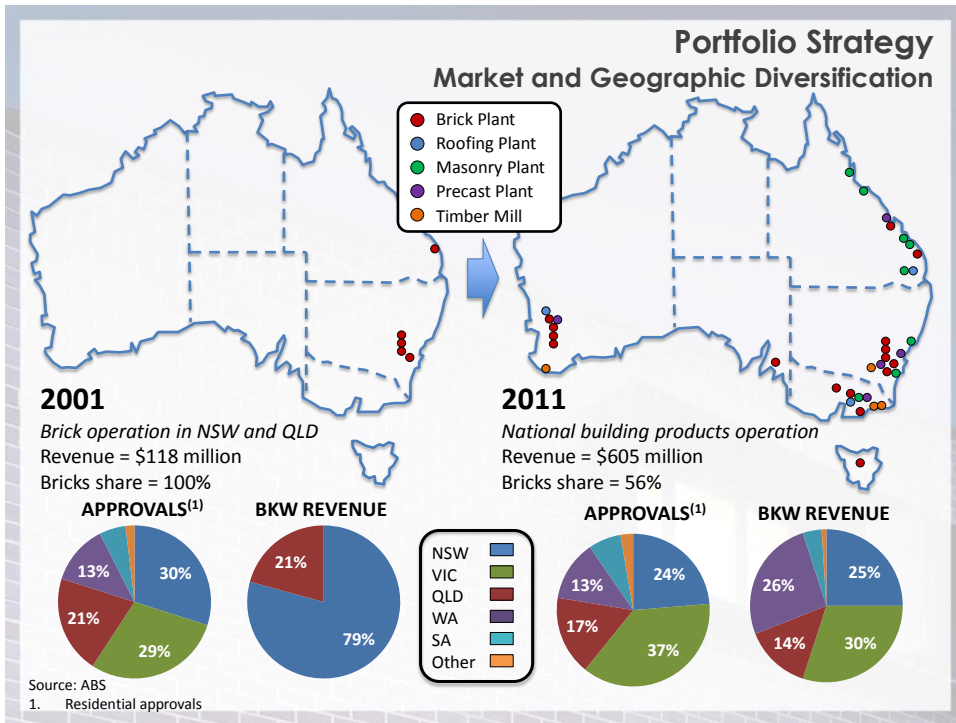
- Improved result despite decline in sales revenue of 6.0% to \$36 million
- Average selling prices up 5.9%
- UK export volume increased despite higher exchange rates
- Pre-finished flooring range introduced to the market with good response



## Building Products Strategy

**“To be Australia’s Best Building Products Company”**  
*“Iconic brand with superior and sustainable market position, returns, customer satisfaction and employee engagement”*

<p><b>PORTFOLIO STRATEGY</b></p> <ul style="list-style-type: none"> <li>▪ <b>Market Diversification:</b> Reduce exposure to the detached house market</li> <li>▪ <b>Geographic Diversification:</b> balance sales to building activity across Australia</li> <li>▪ <b>Growth:</b> Invest in Precast to be new earnings driver for Building Products</li> </ul>	<p><b>ASSET MANAGEMENT</b></p> <ul style="list-style-type: none"> <li>▪ <b>“Quarry to end-use”</b> ownership of assets</li> <li>▪ <b>Optimal land usage</b> (in conjunction with Property division)</li> <li>▪ <b>Optimal capex solutions</b></li> <li>▪ <b>Lease when advantageous:</b> align financing with asset life</li> </ul>	<p><b>BUSINESS PERFORMANCE</b></p> <ul style="list-style-type: none"> <li>▪ <b>Customer focused:</b> be the “easiest to do business with”</li> <li>▪ <b>Market leading products and services,</b> to attract premium prices</li> <li>▪ <b>Operational excellence</b></li> <li>▪ <b>Align employees with strategy</b></li> </ul>		
<i>Earnings stability</i>	+	<i>Superior manufacturing and property returns</i>	+	<i>High margins</i>
<b>= Superior shareholder performance</b>				

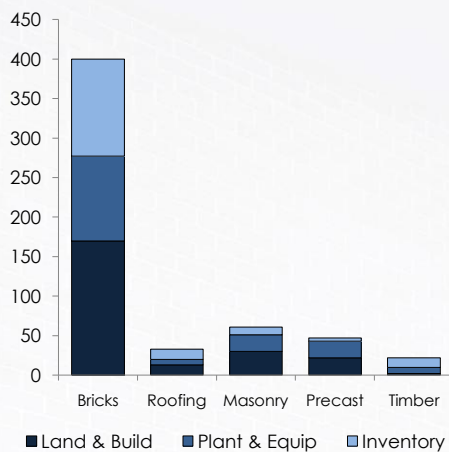




## Asset Management Current Situation

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
<b>Total</b>	<b>237</b>	<b>402</b>	<b>164</b>	<b>162</b>	<b>286</b>	<b>849</b>	<b>1,013</b>

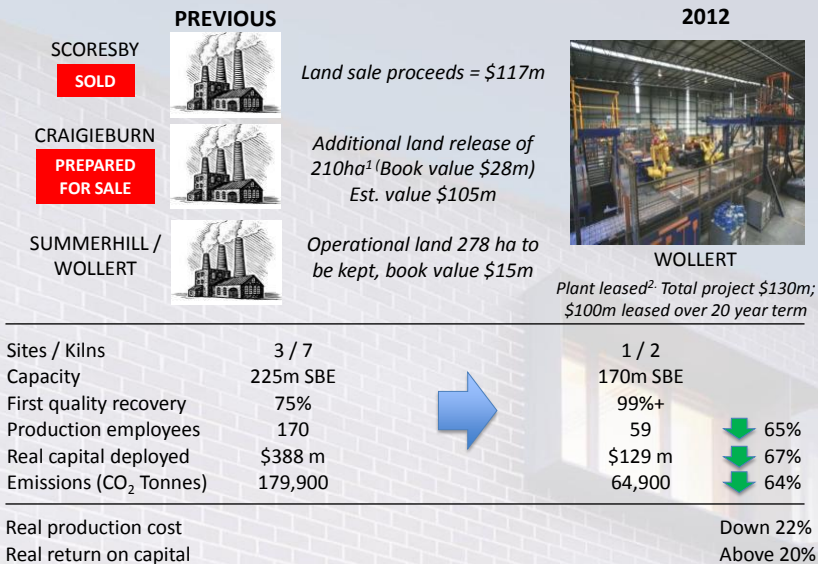
### Building Products Tangible Asset Value (Book value \$million)



## Asset Management Current Situation

- Book value of net tangible assets invested is around \$560 million
- Substituting current land value, real tangible assets are around \$730 million
- The vast majority of assets are invested in the bricks business, a fortunate legacy of the business “quarry to end-use” strategy
- Initiatives are ongoing to lift returns on funds through active asset management

## Asset Management Example - Austral Bricks Victoria

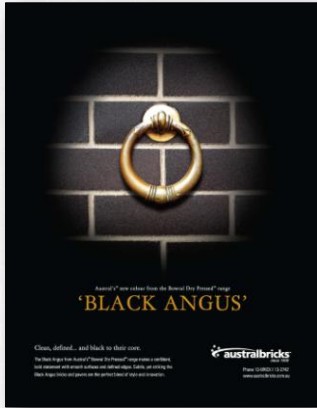


1. Land available for sale / development at Craigieburn

## Business Performance Customer Focused: "Easiest to do Business With"



## Business Performance Market Leading Products and Services



## Business Performance Market Leading Products and Services



## Business Performance Operational Excellence

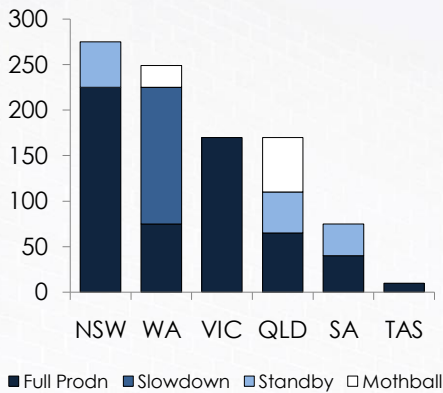
Example Investments	Year	Status
Victoria Roofing: refit	2004	Complete
Tasmania Bricks: refit	2005	Complete
South Australia Bricks: refit	2006	Complete
Queensland Roofing: refit	2006	Complete
Victoria Bricks: 2 new brickworks	2005-11	Almost Complete
Western Australia Precast: upgrade	2011	Complete
New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

- 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

## 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 2<sup>nd</sup> 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

## Brick Capacity Utilisation Million SBE



■ Full Prodn ■ Slowdown ■ Standby □ Mothball

## Initiatives 2011/12

- Production slowdown to match demand and avoid inventory build (refer left)
- Expenditure reduction programs have identified:
  - Headcount reduction of 74 across the business (in addition to 165 last year)
  - \$13.7 million in cost reductions (\$17.9 million last year)
- Price rises in the range 5-10% over the year (excluding carbon tax related increases)



LAND AND DEVELOPMENT

## 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 <sup>(1)</sup>	(1.5)	(2.1)	(40.0%)
<b>Total</b>	<b>28.4</b>	<b>29.2</b>	<b>2.8%</b>

1. Property administration includes the holding costs of surplus land

## 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



## 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%
<b>Total</b>	<b>600.9</b>	<b>611.4</b>	<b>1.7%</b>
Less borrowings	248.9	243.5	(2.2%)
Net trust assets (100%)	352.0	367.9	4.5%
<b>Brickworks equity (50%)</b>	<b>176.0</b>	<b>184.0</b>	<b>4.5%</b>
<b>Return</b>	<b>10.6%</b>	<b>11.7%</b>	<b>1.1%</b>

## 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 <sup>(1)</sup>	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%
<b>Total</b>		<b>\$445.8m</b>	<b>\$9.4m</b>	<b>257,110</b>	<b>\$35.7m</b>	<b>7.8</b>	

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



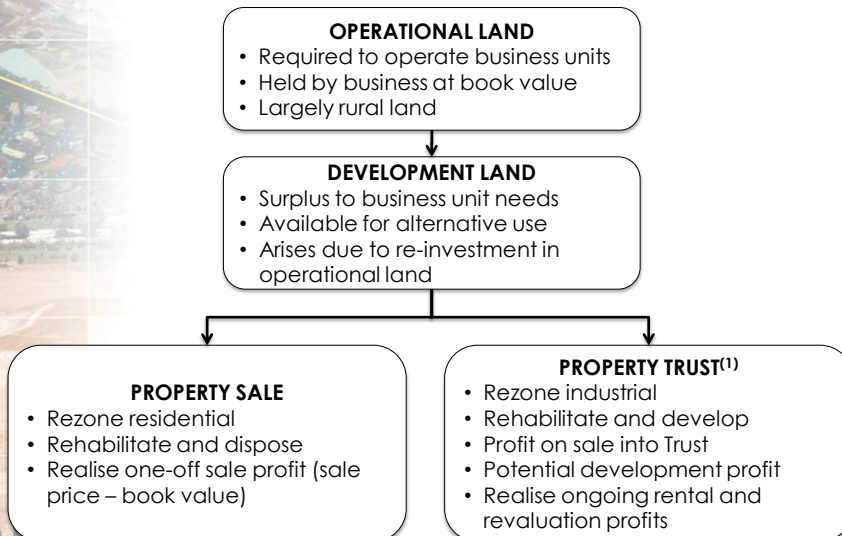
EBIT of \$16.3 million

Transaction	Proceeds
M7 Hub - Hewlett Packard Site	\$18.8m
M7 Hub – Lot 358	\$2.0m
Bowral Landfill	\$1.5m
<b>Total Land Sales</b>	<b>\$22.3m</b>

## Land Sales in Detail



## Land & Development Strategy



1. The Property Trust is operated as a 50/50 joint venture with Macquarie Goodman Wholesale



## Land Holdings

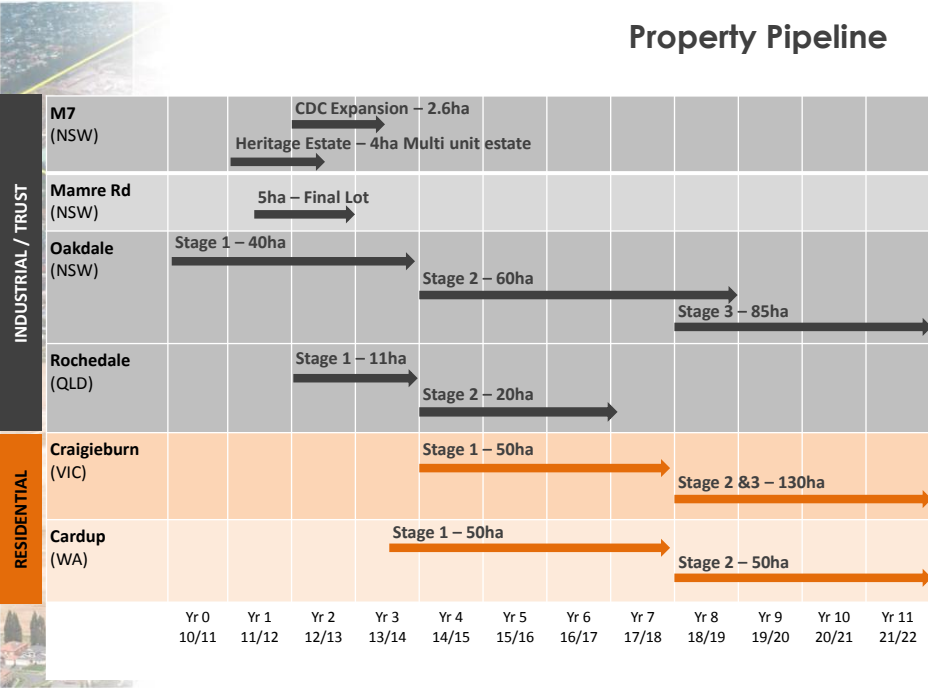
Operational Land <sup>(1)</sup>	Gross Land Area		Book Value		Most Recent Valuation
NSW	465ha		\$52m		\$162m
VIC	567ha		\$22m		\$24m
QLD	763ha		\$20m		\$28m
WA	1,792ha		\$34m		\$79m
SA & TAS	272ha		\$7m		\$7m
<b>Total</b>	<b>3,859ha</b>		<b>\$135m</b>		<b>\$300m</b>

Development Land	Gross Land Area	Development Area	Book Value	Current Value	Potential Value <sup>(2)</sup>
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
<b>Total</b>	<b>1,139ha</b>	<b>749ha</b>	<b>\$65m</b>	<b>\$141m</b>	<b>\$344m</b>

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

## Property Pipeline



## 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



## Washington H. Soul Pattinson (ASX: SOL)

### Annual Shareholder Return



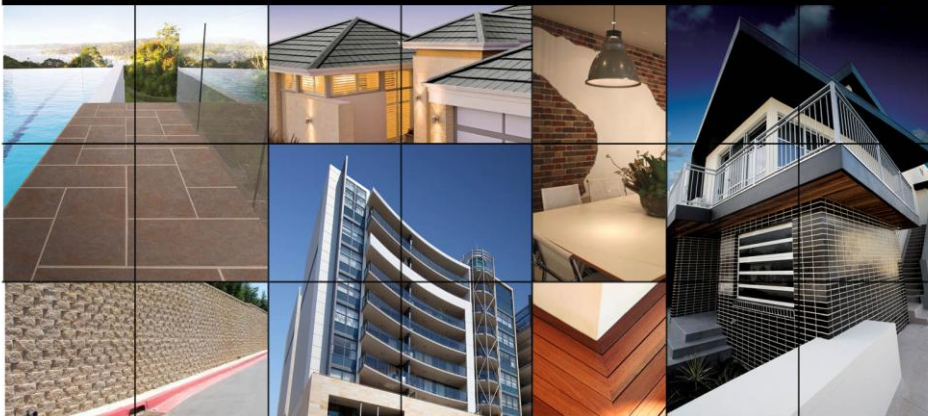
- BKW owns 42.85% of WHSP
- Normalised EBIT contribution of \$66.2 million, down 10.5% compared with the prior year
- Value of the BKW stake at 31 Jul 11 was \$1.322 billion
- BKW received \$48.6 million fully franked dividends in the period (35.0 cps normal and 12.5 cps special)
- Non-regular contribution of \$88.7 million before tax



## 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

QUESTIONS?



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