

BRICKWORKS

LIMITED

27 March 2008

Australian Stock Exchange (Sydney) Limited
Attention: **Companies Department**

BY ELECTRONIC LODGEMENT

Dear Sir/Madam,

Please find attached the Brickworks Ltd Review of Results for the half year ended 31 January 2008, for immediate release to the market.

Yours faithfully,
BRICKWORKS LIMITED



IAIN THOMPSON
COMPANY SECRETARY

BRICKWORKS LIMITED

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REVIEW OF RESULTS

JANUARY 2008

BRICKWORKS LIMITED

REVIEW OF RESULTS JANUARY 2008

BRICKWORKS DELIVERS SOLID INCREASES IN PROFIT AND DIVIDENDS

“Austral Bricks celebrates its Centenary Year”

\$ MILLIONS	Jan 07 6 mths	Jan 08 6 mths	Variance %
REVENUE			
Building Products	249.1	251.5	+1.0%
Land and Development	14.3	30.0	+109.8%
Other	0.4	0.4	0.0%
Total Revenue	263.9	281.9	+6.8%
EBIT			
Building Products	33.2	25.3	-23.8%
Land and Development	13.0	26.3	+102.3%
Investments	14.1	17.1	+21.3%
Other & H.O.	(3.0)	(4.3)	+43.3%
Total EBIT	57.3	64.4	+12.4%
Total Borrowing Cost (incl PAVERS)	(12.9)	(17.2)	+33.3%
Tax Expense	(7.7)	(6.9)	-10.4%
Net Profit after Tax	36.7	40.3	+9.7%
Earnings per share (cents)	27.7	30.4	+9.7%
Final Ordinary Dividend (cents)	12.0	12.5	+4.2%
NTA/Share	\$5.52	\$5.93	+7.4%

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Highlights

- Brickworks NPAT up 9.7% to \$40.3 million
 - Building Products EBIT down 23.8% to \$25.3 million
 - Land and Development EBIT up 102.3% to \$26.3 million
 - Associates and Investments EBIT up 21.3% to \$17.1 million
- Brickworks Property Trust market value up 13.9% to \$104.0 million
- Half Year dividend up 4.2% to 12.5 cents fully franked
- On 25 September 2008 Brickworks main trading company, The Austral Brick Company Pty Ltd will celebrate 100 years in business.

Overview

Despite the environment of increasing interest rates, Brickworks (ASX: BKW) posted a Net Profit After Tax (NPAT) for the half year to 31 January 2008 up 9.7% at \$40.3 million, compared to \$36.7 million for the half year ending 31 January 2007.

The result continues to highlight the benefits of the growing diversification of Brickworks earnings from its three divisions of Building Products, Land and Development and Investments.

Normalised earnings per share (EPS) increased to 30.4 cents per share for the half year ending 31 January 2008, up from 27.7 cents per share for the half year ending 31 January 2007.

Directors have declared an interim dividend of 12.5 cents fully franked, up 4.2% from 12.0 cents the previous half year.

The record date for the interim ordinary dividend will be 28 April 2008 with payment being made on 12 May 2008.

The record date for the PAVERS dividend will be 16 May 2008, with payment being made on 2 June 2008.

Financial Analysis

The total free cash flow before capital expenditure and ordinary dividends was \$51.8 million, up 21.6% from \$42.6 million the previous year. The increase in cash flow is due to improved property receipts. Capital and acquisition expenditure was also down to \$21.9 million for the half year, from \$56.2 million during the previous corresponding period.

During the period significant cash outlays included ordinary dividends of \$34.5 million and PAVERS dividends of \$5.4 million, along with capital expenditure of \$15.9 million and

acquisitions of \$6.0 million. A total of \$35.0 million was received on the partial completion of Eastwood, along with several other property settlements.

Total Interest Bearing Liabilities including PAVERS decreased by \$0.7 million from \$520.2 million at 31 July 2007 to \$519.5 million at 31 January 2008. The PAVERS, with a reset date of 1 December 2008 are now included in current liabilities. The company has the option to reset or redeem the PAVERS and a final decision will be made closer to the reset date.

Borrowing expenses during the year including PAVERS dividends were \$17.2 million, up 33.3% on the \$12.9 million for the previous corresponding half year. This increase was the result of rising interest rates (\$1.3 million) and higher average debt levels (\$3.0 million).

Net Debt (including PAVERS) to Capital Employed was 32.6% at 31 January 2008 compared to 32.0% at 31 July 2007.

Gearing (debt to equity) increased to 49.2% at 31 January 2008 from 48.5% at 31 July 2007 including PAVERS. Brickworks debt in the completed Property Trusts was \$58.9 million, bringing Brickworks total gearing to 54.8% at 31 January 2008.

Total shareholders equity reduced during the period by \$17.1 million due to a decline in the carrying value of the Equity Accounted Investments in WHSP and BICL, being \$29.9 million and \$6.1 million respectively. The decline was due to the reduction in the value of the share market investments of these companies and had no profit impact to Brickworks, as previous increases were made directly to the asset revaluation reserve in the balance sheet.

Working capital, excluding land held for resale, decreased slightly to \$144.0 million at 31 January 2008, compared to \$147.1 million at 31 July 2007.

Total Building Products inventory levels increased by \$3.5 million to \$142.4 million. Since 31 July 2007 finished goods inventory increased by \$5.2 million. Raw materials and work in progress reduced by \$1.7 million.

The tax expense has decreased \$0.8 million to \$6.9 million for the half year ended 31 January 2008 and is the result of tax adjustments in Accounting for Associates.

Brickworks Building Products

Market conditions*

Market conditions were steady through the period with total national dwelling commencements in the six months to 31 December 2007 at 77,937. This is an increase of 3.5% on the commencements for the six months ended 30 June 2007. The annual dwelling construction is running at approximately 153,000, still well down on the estimated underlying demand of 175,000 commencements. Low affordability caused mainly by increased interest rates and government taxes and charges, continues to depress construction of new dwellings.

While the national housing starts are steady, the results by state vary considerably, impacting on the Brickworks results. Brickworks' profit yield per commencement depends on our market share, manufacturing costs and selling prices in that state. Higher yielding states including

* Commencements data sourced from ABS Cat. 8750.0 Dwelling Unit Commencements, Australia, Preliminary, December 2007

Western Australia and New South Wales declined during the half, while lower yielding states, in particular Queensland, have increased.

In **New South Wales** there were just 14,435 dwellings commenced during the six months to 31 December 2007, down a further 2.9% on six months to 30 June 2007. The recession in the New South Wales housing market continued with a decline for the fourth year in succession. The housing market remains some 49% below the peak in 2000.

In **Queensland** more prosperous conditions lead to a 6.3% increase in commencements for the half year to 31 December 2007 to 22,226 dwellings.

Western Australian commencements declined from peak levels but remain at historically high levels. Commencements were down by 8.8% to 10,846 dwellings.

Victorian commencements were up 14.2% to 21,252 dwellings, again further reflecting the underlying strength of demand in that state.

South Australian commencements were up 2.8% on the prior six months to 5,799 dwellings, with good trading conditions currently prevailing. **Tasmanian** commencements were up by 9.7% to 1,510 dwellings during the six months to 31 December 2007.

Results in detail

Half Year Ending January 2008		2007	2008	Change %
Revenue	\$mill	249.1	251.5	+1.0%
EBITDA	\$mill	46.0	40.2	-12.6%
EBIT	\$mill	33.2	25.3	-23.8%
Capital Expenditure	\$mill	21.0	14.4	-31.4%
EBITDA margin		18.5%	16.0%	-13.5%
EBIT margin		13.3%	10.1%	-24.1%
Employees		1,466	1,476	+0.7%
Safety (LTIFR)		5.9	6.0	+1.7%

Sales for the half year ending 31 January 2008 were up 1.0% to \$251.5 million compared to \$249.1 million in the half year ending 31 January 2007.

EBIT for the half year ending 31 January 2008 was \$25.3 million, down 23.8% on the \$33.2 million in the half year ended 31 January 2007. This was the result of many factors, including lower volumes impacting on unit manufacturing costs

and requiring prolonged production shutdowns, extreme weather conditions impacting the already weak east coast and a gas supply stoppage in Western Australia during January. Building Products' EBIT to sales ratio decreased during the half in line with the lower profit.

The resources boom continues to put pressure on the company with regards to labour costs and the retention and recruitment of skilled staff. Overall employee levels remained steady during the half with reduced numbers in New South Wales offset by the expansion of operations in the roofing division. The number of contractors employed was reduced as capital projects were completed and plants closed. There were 1,476 employees at 31 January 2008, nine added through acquisitions.

The company's extensive capital expenditure and maintenance program continued during the period. The program continues to deliver many benefits including improved product quality, production efficiency, safety and environmental performance improvements.

Capital expenditure totalled \$14.4 million in the half year ended 31 January 2008. During January 2008 practical completion of the new brick plant at Wollert, Victoria was achieved with the plant performing at a higher output than its design capacity. Other major projects completed during the half included packaging plants in Bowral, New South Wales and Longford, Tasmania and a new raw material grinding plant in Rochedale, Queensland.

Brickworks also remains committed to continually improving workplace safety. The substantial investment in safety training and equipment during past years has resulted in dramatically improved safety performance for the group. This on-going commitment has resulted in continued good performance with a Lost Time Injury Frequency Rate¹ of 6.0 recorded for the half.

National marketing expenditure continued during the first half with the company continuing to support the work completed by the industry association 'Think Brick'. An increased understanding in the market of the benefits of brick and roof tiles is required to rebuke misleading perceptions created by competing Building Products manufacturers.

Significant work has also been completed during the half year to better understand the environmental benefits of all Building Products over the life of the product, not just the energy required at the point of manufacture. Testing completed by the University of Newcastle has proven as a scientific fact that using Full Brick or Brick Veneer in building significantly improves thermal comfort levels and reduces heating and cooling costs in comparison to alternate lightweight building materials.

The change in Federal government and subsequent signing of the Kyoto agreement has created uncertainty with regards to the much vaunted carbon emissions scheme. In particular a cap and trade scheme that sets emission targets based on already reduced emission levels or provides a comparative advantage to alternate building materials is of concern to Brickworks. The company is working closely with industry bodies to provide an industry response to the Garnaut investigation and Federal Government in regards to this matter.

Work continues with a focus of reducing overall emissions by the group and towards the company's previously stated goal of water self-sufficiency.

Divisional Results

Austral Bricks™ overall brick sales volumes were down approximately 8.1% compared to the previous corresponding period, while net average selling prices increased by around 2.5%.

Manufacturing volumes were lower by 5.1% as the supply of product from New South Wales to Western Australia ceased. Poor weather conditions impacted heavily on the results, with Sydney recording 71 rain days² during the half compared with a long term average of 48 rain days. Queensland was also impacted by heavy rain during the period, in particular during January. By mid-February 2008 joint state and commonwealth Natural Disaster Relief and Recovery arrangements had been made for approximately 80% of Queensland.

Due to the poor outlook for the market, all NSW plants had prolonged shutdowns from late December 2007 to mid-February 2008, with the decision taken in February 2008 to take two New South Wales brick kilns offline. The two kilns will remain in full operating condition and are available to return to production immediately when required. Regrettably this has resulted in 25 redundancies at a cost of \$1.3 million, to be recorded in the second half. In addition to this, one Queensland kiln remains on standby and one South Australian kiln remains moth-balled. While this one-off shutdown cost in NSW will impact overall profit, unit production costs are expected to stabilise and improve production efficiency as the remaining 20 operating kilns around the group run at full capacity to meet market demand.

¹ Lost Time Injury Frequency Rate (LTIFR) measures the number of lost time injuries per million hours worked

² Rain days being >1mm rain during 24 hour period

During January 2008 the gas supply to West Australian factories was interrupted. After supply did not resume within three days, a decision was taken to conduct an extended maintenance program and complete outstanding capital works. During the half year increased sales of locally manufactured product provided improved selling prices and margins. If not for the impact of the gas supply interruption, the West Australian division would have equalled last year's record result, despite the declining sales volumes and overall market softening.

The commissioning phase of the Wollert plant in Victoria was completed during January 2008. Most pleasing was the new factory's environmental performance in comparison to the Scoresby plant it replaced, with initial tests indicating 39% less fuel usage. The transfer of production from Scoresby to Wollert continued during the half, however this caused some disruption to sales.

Large price rises on a number of inputs including manganese and energy, substantially contributed to manufacturing cost increases that have to date been absorbed by the company.

Austral Masonry™ again expanded with acquisitions totalling \$6.0 million in Queensland. These included Bundaberg Clean Sands and NQ Blox (Silkwood, 100km south of Cairns). The Austral Masonry™ business recorded solid sales growth with a 79.3% growth in volume and a 41.0% growth in profit. If not for the extreme weather conditions experienced at many of the Queensland operations this result would have been higher again.

The performance of the businesses acquired during the previous financial year continues to improve in line with expectations. These businesses have successfully increased Brickworks' exposure to the Queensland market and provide further diversification of earnings for the company.

Bristle Roofing™ again delivered a solid performance ahead of budget, despite the poor market and weather conditions on the East Coast. The continued focus on higher quality product drove the 2.6% increase in selling prices, compared to the same period last year. A planned extended shutdown of the West Australian factory impacted the manufacturing costs and profit of the division. An extra shift was added at the Dandenong, Victoria plant to meet market demand for product.

Eureka Tiles™ achieved a much improved result on lower sales volumes of 9.8%, combined with 16.3% selling price increases. The increased focus on imported product resulted in higher selling margins. The development of new products and relationships with Asian suppliers continues to provide the Eureka Tiles division with growth opportunities.

Auswest Timbers™ continues to grapple with the issues of constantly reducing log size and quality, caused by various state government policies. While the business has been successfully transitioned to a value-adding timber manufacturer resulting in increased unit selling prices, the markets for such products are still developing. Export of Auswest products remains strong in spite of the high Australian dollar. A strategic review of this division is currently underway to determine its future within the group.

Brickworks Land and Development

During the six months to 31 January 2008 Land and Development produced an EBIT of \$26.3 million. This represents an increase of 102.3% over the EBIT achieved in the half year ended 31 January 2007 of \$13.0 million. For the first time Land and Development profit exceeded the profit of Building Products, highlighting the success the company has had in reducing its reliance on both bricks and the Australian residential housing market.

Property Sales (excluding Waste Management) generated a total profit of \$12.3 million for the six month period.

On 24 September 2007 the Eastwood property was sold to AV Jennings Limited for a total of \$70 million (including GST). A profit of \$4.1 million was realised on settlement of the first stage (of three stages) of this site during October 2007. The remaining stages are expected to settle during year ending 31 July 2009, subject to weather conditions, with a further profit of approximately \$6.0 million to be recorded.

The completion of the Coles Cold Store facility in December 2007 allowed the balance of profit on the sale of this land of \$6.7 million to be realised. Completion of the facility was three months earlier than forecasted.

The remaining profit was contributed by several smaller transactions mainly associated with M7 Business Hub.

On 11 February 2008 the company sold its 56 Hectare Scoresby site to Mirvac Wholesale Residential Development Partnership Trust for \$102.5 million, excluding GST. While sale agreements have been executed, no profit on the sale was recorded during the half. The first stage (8.4 hectares) will settle during the current half, the second stage (13.4 hectares) is expected to settle during July 2008, dependant on the progress of site works and the third stage (34.4 hectares) will settle during the year ending 31 July 2009. A total profit of approximately \$50 million is expected to be recorded on the sale.

The **Property Trust** generated a total profit of \$13.5 million from development profit and trust income during the six month period.

These profits included the completion of the Coles Cold Store facility, which resulted in a development profit of \$4.6 million and a revaluation profit to market value of \$6.8 million (representing Brickworks half share). The Toll facility was also re-valued in the six month period resulting in a \$1.5 million revaluation profit. The remaining \$0.6 million profit represented the maiden distribution profit from the Trust as distributions commenced on both the Toll and Coles Cold Store facilities.

Other trust activities during the half included securing a further pre-commitment in the Interlink Distribution Park from Linfox for a 36,000m2 facility. This estate is now 85% committed. Pre-commitments in the M7 Hub estate during the half included ITT Flygt and Chemson Pacific. This estate is now 60% committed. Weather permitting there should be several completions in the coming six months, including the Woolworths and Kimberly Clark facilities.

The Property Trust investments are included in Equity Accounted Investments on the Balance Sheet. The carrying value of these properties as at 31 January 2008 was \$75.8 million. The current market value of the Brickworks' share of those properties was \$104.0 million, up 13.9% on the market value at July 2007.

During the six month period 141.6 hectares of land was acquired by the group and a total of 1.9 hectares were sold.

Waste Management at the Horsley Park, NSW and Bowral, NSW waste facilities contributed \$1.2 million to profit in the half year to 31 January 2008.

Brickworks Investments

Through its investments, Brickworks has a substantial exposure to the Australian equity markets. Over the longer term, these Investments have provided Brickworks with very solid returns. While the recent volatility in the equity markets have impacted the short term valuation of the assets, any increases or decreases in the value of investments are not booked to profit unless realised.

Washington H. Soul Pattinson Limited (“WHSP”)

ASX Code: SOL

The equity contribution of WHSP, including non-regular items, to 31 January 2008 was \$14.2 million compared to \$12.3 million in the same period last year.

During the six months to 31 January 2008 the market value of Brickworks’ 42.85% share of WHSP decreased by \$198.4 million (19.8%) to \$803.7 million. Fully franked dividends of \$17.4 million (\$31.7 million last year) were received.

At 31 January 2008 WHSP held significant investments in Brickworks, New Hope Coal, SP Telemedia, API, Clover, Pitt Capital Partners and Souls Private Equity. In addition to these cornerstone investments, WHSP maintains a substantial investment in a broad portfolio of entities listed on the Australian Stock Exchange.

During the period SP Telemedia, a subsidiary of WHSP announced a proposed merger with TPG Group, one of Australia’s leading internet providers. If approved, the merger will occur in April 2008 and it is expected that FY2009 revenues of the merged group will increase to \$607 million and NPAT to \$48 million.

In August 2007 KH Foods announced the sale of its cakes and savouries business to George Weston Foods. Further, during February 2008 KH Foods announced the sale of its Balfours and Betabake businesses to the San Remo group.

The investment in WHSP has a compound annual return for 10 years of 13.4% compared to 12.1% in the ASX All Ordinary Accumulation Index.

Brickworks Investment Company Limited (“BICL”)

ASX Code: BKI

Brickworks’ equity accounted share of the BICL profit was \$2.5 million. At 31 January 2008 Brickworks held 18.0% of the BICL issued share capital.

BICL has reported a Net Profit after Tax of \$13.4 million to 31 December 2007 compared to \$6.5 million in the six months to 31 December 2006, an increase of 105.4%.

A fully franked interim dividend of 3.0 cents per share was declared for the six months compared to 2.6 cents per share in the previous corresponding period, an increase of 15.4%.

The market value of Brickworks’ investment in BICL decreased 10.6% from \$78.1 million to \$69.8 million during the half. The Total Portfolio Value of BICL increased by 10.6% to \$467.7 million during the period, up from \$423.0 million at 30 June 2007.

BICL invests in equities traded on the Australian Stock Market (ASX). As at 31 January 2008, BICL’s five largest investments were National Australia Bank, Commonwealth Bank, BHP

Billiton, New Hope Corporation and Woolworths Limited. The current share market volatility should provide opportunities to invest some of the \$57.6 million cash assets on hand as at 31 January 2008.

These cash assets are largely the result of a share placement of 34 million shares to raise \$49.3 million. This placement was completed in August 2007 at \$1.45 per share.

Net Asset backing per share before tax as at 31 January 2008 has also decreased to \$1.48 per share from \$1.65 per share as at 31 July 2007, a 10.3% reduction.

The BICL share price has decreased from \$1.51 per share at 31 July 2007 to \$1.35 per share at 31 January 2008, a 10.6% decrease.

Outlook

Building Products

The impact on housing commencements from the recent interest rate rises is yet to be seen, however with very tight rental markets and record immigration levels, the pent up levels of demand for housing continues to increase. At some point the fundamental shortage of housing construction must be addressed.

Subject to interest rates, markets in South Australia, Victoria and Queensland are expected to be stronger during the second half, with New South Wales and Western Australia stabilising.

A number of completed capital expenditure projects, including the Wollert factory in Victoria, will assist in reducing manufacturing costs in the second half. The measures already implemented to address the build up of inventory, particularly in NSW has already resulted in a significant stock run-off and it is anticipated that one kiln will be re-started during the next financial year.

Land and Development

The Brickworks Land and Development division is expected to contribute strongly to future profits with a solid pipeline of developments. The Property Trust is now beginning to provide the company with a significant and stable growth engine, complementing the more volatile Building Products business. Distribution profits from leased sites are now flowing through to the bottom line results.

The progress of developments will always be subject to the vagaries of council approvals and prevailing weather conditions. Reliance on one-off asset sales to generate Land and Development profits will reduce over time and will be replaced by Trust returns.

Completion of several projects in both the M7 Business Hub and the Interlink Distribution Park are on schedule to be completed during the second half. This will realise development profits and further grow the annuity income stream from the Property Trust.

On 25 March 2008, a Heads of Agreement was signed with Goodman International for the development of the 333 hectare (gross land area) Oakdale property, at Horsley Park NSW. A development pre-commitment for a new 20,000m² facility for DHL with an estimated on-completion value of \$30.8 million has already been achieved. The development is subject to Development Application approval.

It is anticipated Stage 1 (40 developable hectares) of the 180 developable hectare Oakdale Industrial Estate will be folded into the Joint Venture Trust vehicle during the current period.

The settlement of staged property sales in Scoresby, Victoria and Eastwood, NSW will be dependant on the completion of site preparation and rehabilitation works on both sites. The Eastwood site in particular has been delayed by wet weather in recent months.

Investments

While Investments have been somewhat volatile during the past half year, the long term returns have been in line with expectations. Earnings have actually increased, despite the decrease in value of the investment.

Brickworks has successfully grown its Investment and Property businesses to reduce its dependence on both bricks and the Australian Housing market, with now only approximately 37% of the company's earnings coming from Building Products.

LINDSAY PARTRIDGE
MANAGING DIRECTOR