

# **BRICKWORKS**

**LIMITED**

25 November 2008

Australian Securities Exchange  
Attention: **Companies Department**

**BY ELECTRONIC LODGEMENT**

Dear Sir/Madam,

Please find attached the presentation to be made at today's Brickworks Ltd Annual General Meeting, 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

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](mailto:info@brickworks.com.au)

# **BRICKWORKS**

LIMITED

74th Annual General Meeting  
25 November 2008

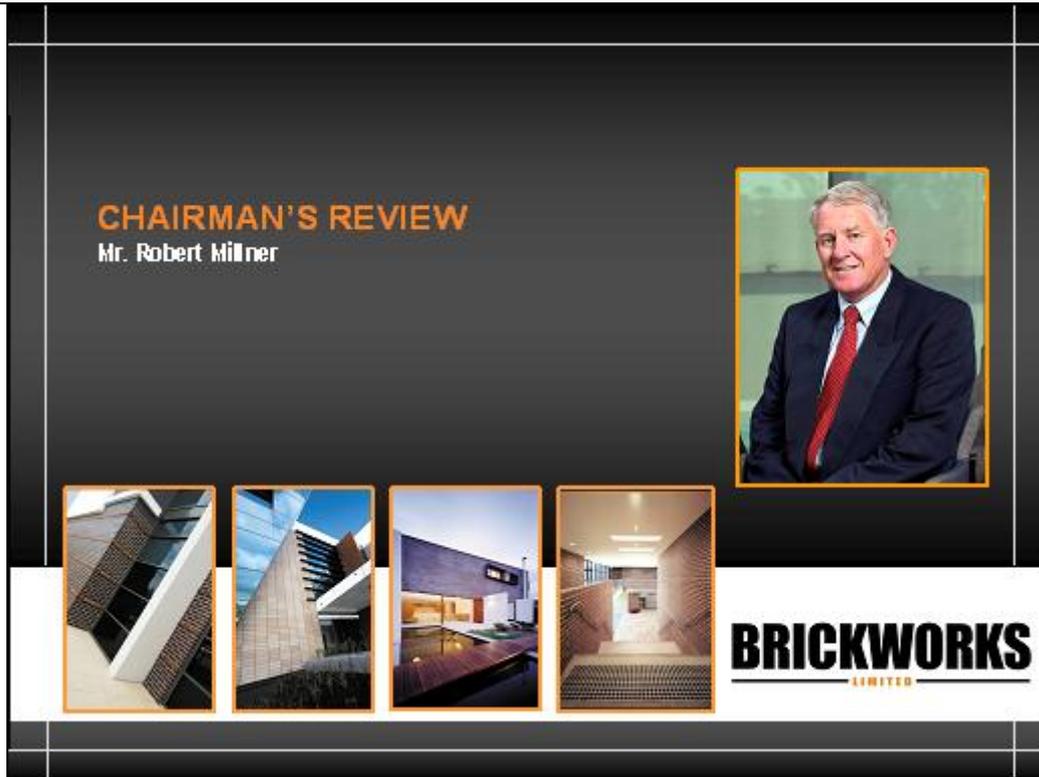
CHAIRMAN'S ADDRESS  
Mr Robert Millner

Slide 1

**BRICKWORKS LTD**  
**74<sup>th</sup> ANNUAL GENERAL MEETING**  
**25 NOVEMBER 2008**



**BRICKWORKS**  
LIMITED



**Present:** Good afternoon ladies and gentlemen, my name is Robert Millner and I am chairman of Brickworks Limited. I would like to welcome all shareholders and visitors to the 74th annual general meeting of Brickworks Limited.

If you have not yet been issued with a voting, non-voting or visitors registration card, please see the representatives of Computershare at the registration desk just outside the function room.

Today's meeting has been convened in accordance with both the Corporations Act and the ASX Listing Rules. The Company Secretary has advised me that there is a quorum present and I therefore declare the meeting open.

**Standing orders:**

The standing orders (rules for discussion) will be as follows:-

- (i) Questions will only be recognised from shareholders and proxies or attorneys of shareholders.
- (ii) One question at a time per shareholder. Please raise your blue or orange admission card and a staff member will provide a microphone. Please identify yourself to the audience.
- (iii) Please be ready to raise your blue admission cards when voting.
- (iv) Would you please ensure that all mobile phones are now turned off?

**Introduce directors:**

Before we go further with the meeting I would like to introduce the gentlemen seated before you:

Mr Michael Millner, the Deputy Chairman;  
Mr Lindsay Partridge, the Managing Director;  
Mr Alan Bentley;  
Mr Brendan Crotty;  
Mr David Gilham;  
Mr Robert Webster;  
Mr Alex Payne, the Chief Financial Officer; and  
Mr Iain Thompson, the Company Secretary.

There have been a couple of changes to the composition of the board over the last six months.

Firstly, we welcome Mr Brendan Crotty, who was appointed to the Brickworks board as a non-executive director on 10 June 2008. Mr Crotty joins the board with more than 30 years experience in Property Development and Management, primarily with Australand Holdings Ltd, including the roles of CEO and Managing Director for that group for 17 years until June 2007. In accordance with the Company's constitution, Brendan will stand for re-election to the Board later in today's meeting.

I would also like to acknowledge Mr Tim Fairfax who is with us today. Mr Fairfax retired from his position as a director of Brickworks Ltd on 25 September 2008 after 11 years of service. On behalf of the company, its staff and shareholders, I would like to sincerely thank Tim for his outstanding service to the company since 1997, and wish him and his family all the best for his retirement.

As announced in June, Mr Alan Bentley will retire from his position as director at the conclusion of today's meeting. Mr Bentley joined Brickworks subsidiary The Austral Brick Company Pty Ltd in 1984 as General Manager, and was subsequently promoted to Chief Executive Officer in 1988, a position he retained until 1999. He has been a director of Brickworks Ltd since his appointment as Managing Director in 1995. Alan, on behalf of the company, its staff and shareholders, thank you for your 24 years of outstanding service to the company, and we wish you and your family all the best for your well earned retirement.

Also here today is a representative of our external auditors, Mr Graham Ezzy of Ernst & Young.

**Notice of meeting:**

I propose that the notice of meeting, mailed to all registered members on 24 October 2008 be taken as read. If anyone has any objection, please raise your hand.

**Agenda**

**BRICKWORKS**  
MULTIPLY

- Chairman's Review
  - Mr. Robert Millner
- Managing Director's Address
  - Mr. Lindsay Partridge
- Questions?
- Resolutions



74<sup>TH</sup> ANNUAL GENERAL MEETING - NOVEMBER 2008

After I have completed my Overview, Mr. Lindsay Partridge will give the Managing Director's Address, after which shareholders will have the opportunity to ask questions.

We will then proceed to the formal part of the meeting.

**Celebrating 100 Years** **BRICKWORKS**  
EST. 1908



- The Austral Brick Co Pty Ltd was established on 25 September 1908
- 'The Brickmasters' by Ron Ringer

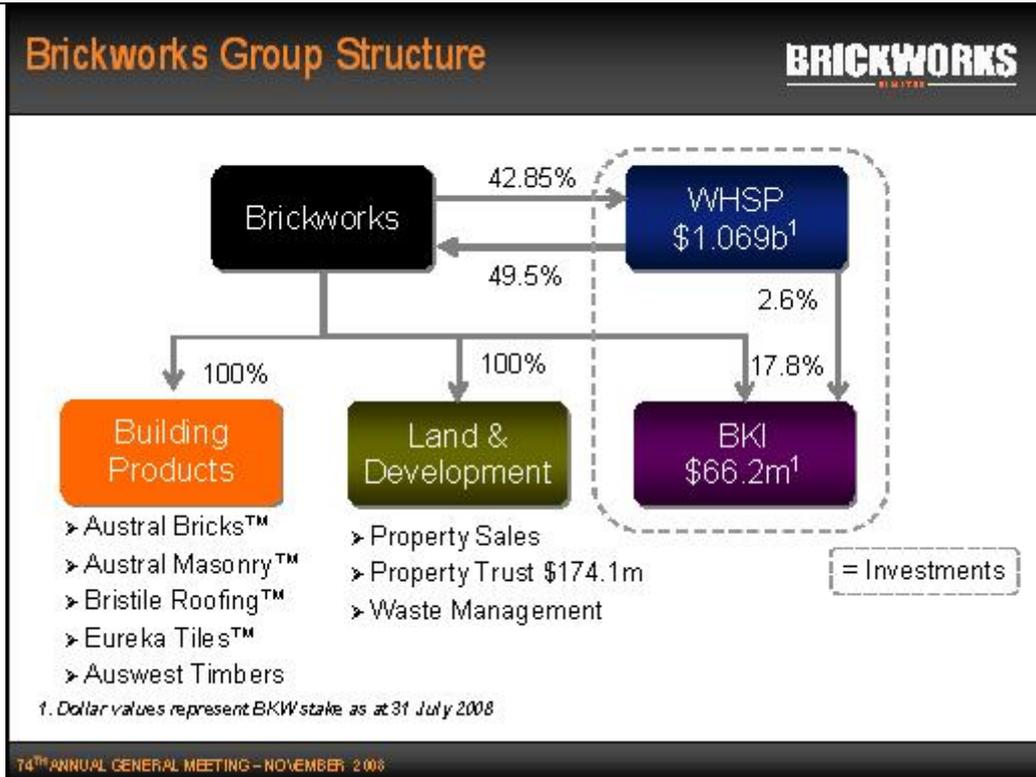


74<sup>TH</sup> ANNUAL GENERAL MEETING - NOVEMBER 2008

This has been a very special year for Brickworks. The core company in the Brickworks group, The Austral Brick Co Pty Ltd was established on 25 September 1908 and celebrated its 100th birthday on 25th September 2008.

'The Brickmasters' book by Ron Ringer has been launched to capture and celebrate the history of the company along with the history of Brick-making in Australia.

A free copy of the book is available to all of you in attendance today, please collect a copy at the conclusion of today's meeting.



This slide shows the Brickworks Group structure, comprising of Building Products, Land & Development and Investments.

Building Products consists of Austral Bricks™, Austral Masonry™, Bristile Roofing™, Eureka Tiles™ and Auswest Timbers™.

Brickworks is working towards its goal of being 'Australia's Best Building Products Company'. This requires a continual focus on safety, quality and operational excellence at all levels of the organisation, the development of stylish new products and continuing to build on already strong relationships with customers, employees and the community.

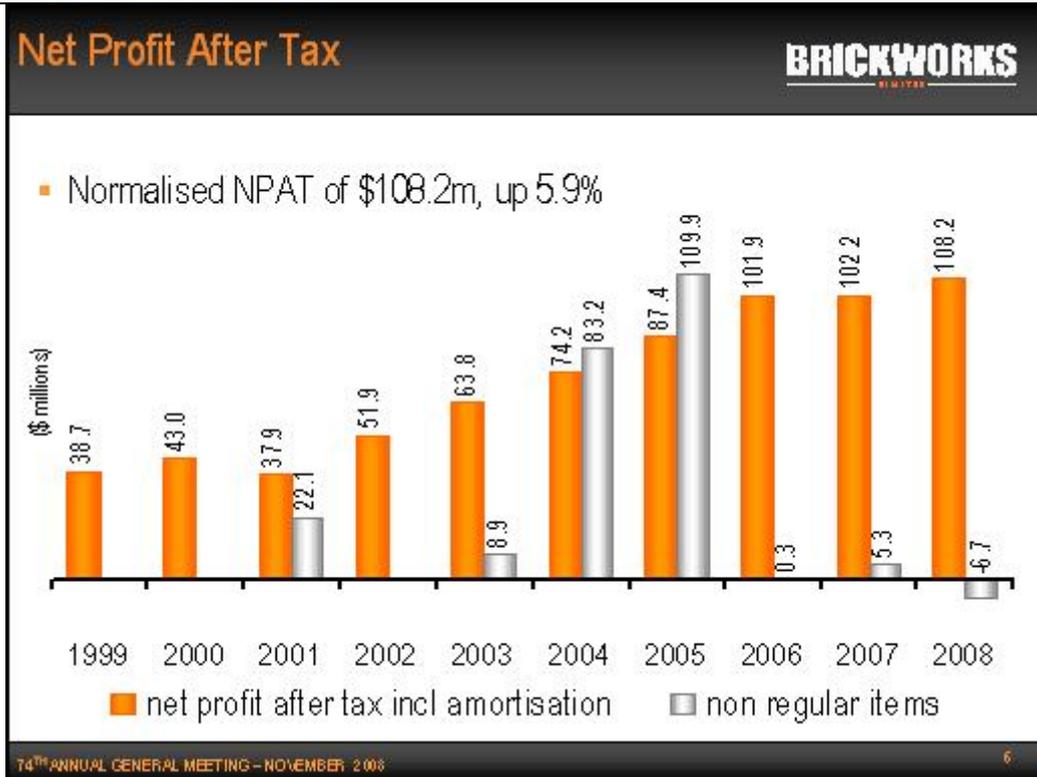
Land and Development consists of Property Sales, the Property Trust and Waste Management and is based on the surplus land from the Building Products operations.

Residential land is sold outright whilst industrial land is sold into the Trust. The Property Trust has already begun to develop into a very good 'counter-cyclical' contributor to earnings and will provide a stable and long term income stream for Brickworks.

The foundation of the Investments arm of Brickworks is its 'Strategic Alliance' with Washington H. Soul Pattinson that stems back some 40 years. During this period the Strategic Alliance with WHSP has provided Brickworks with ownership stability and security to weather some extremely volatile trading conditions in its Building Products business.

Investments consist of the 42.85% interest in Washington H. Soul Pattinson and 17.8% interest in the Brickworks Investment Company.

Slide 6



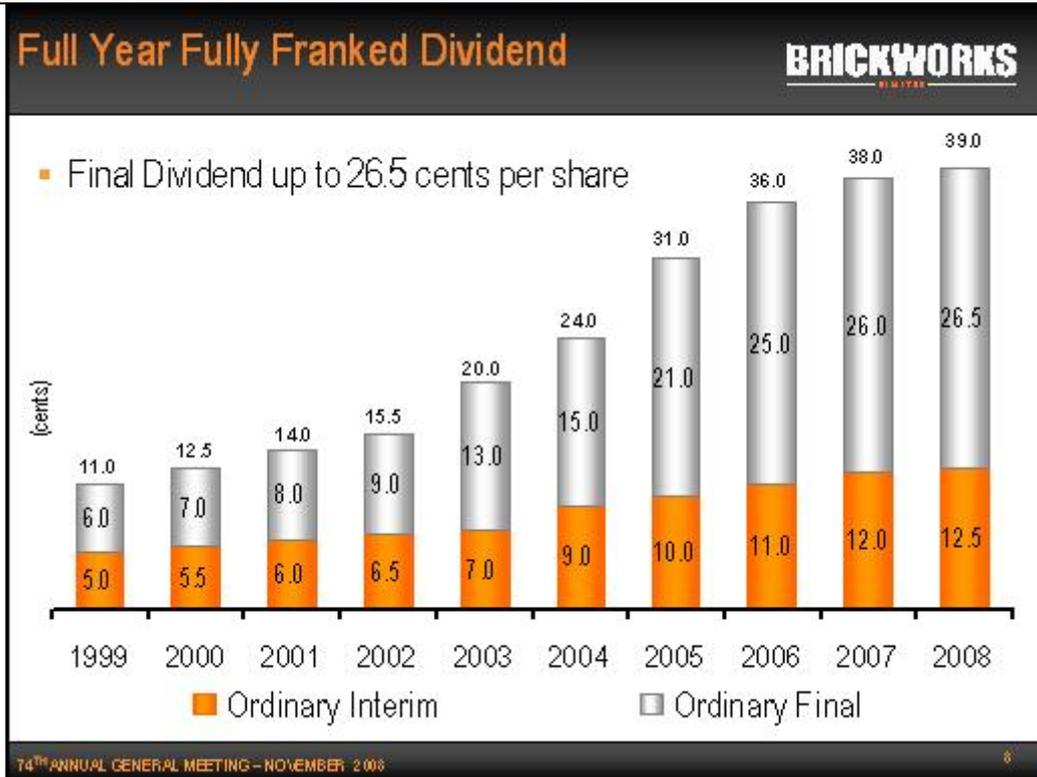
Despite a very tough market I am pleased to report a normalised net profit after tax of \$108.2 million, this is an increase of 5.9% on last years record result.

This year we had non-regular write-offs in the value of some of the associates and subsidiaries of WHSP, totalling \$6.7 million after tax.



Normalised Earnings Per Share followed this trend and was up 5.9% to 81.5 cents per share.

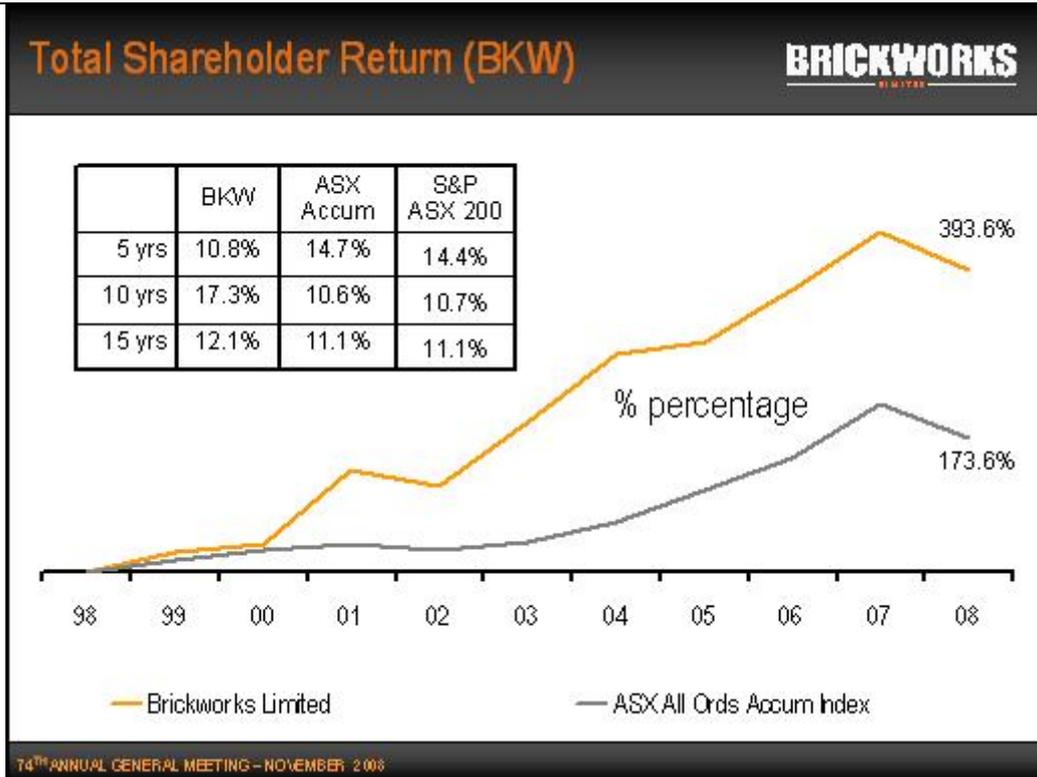
Slide 8



The Directors have recommended lifting the final dividend to 26.5 cents, up 0.5 cents per share bringing the total dividend for the year to 39 cents.

This is the tenth year in a row that the ordinary dividend has increased.

This dividend will be paid on 10 December 2008, with the record date for entitlement being tomorrow 26 November 2008.



While the Brickworks share price has suffered during the past year like most other companies on the Australian Stock Exchange, over the longer term Brickworks has outperformed the ASX Accumulation All Ordinaries Index by 670 basis points per annum over 10 years and 100 basis points per annum over 15 years.

The significant long term outperformance of the broader market is most pleasing for the Board.

I will now hand over to our Managing Director, Mr. Lindsay Partridge who will take you through the results in more detail.

# BRICKWORKS

LIMITED

74th Annual General Meeting

25 November 2008

MANAGING DIRECTOR'S ADDRESS

Mr Lindsay Partridge

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MANAGING DIRECTOR'S ADDRESS  
Mr. Lindsay Partridge

BRICKWORKS  
LIMITED

Thank you Chairman. Good afternoon Ladies and Gentlemen, I would like to join with the Chairman in welcoming you here today.

| <b>Financial Snapshot</b>         |                | <b>BRICKWORKS</b> |               |
|-----------------------------------|----------------|-------------------|---------------|
| <b>Year ended 31 July</b>         | <b>YE 2007</b> | <b>YE 2008</b>    | <b>Change</b> |
| Total Revenue                     | \$558.9m       | \$553.7m          | ↓ (0.9%)      |
| Total EBIT                        | \$152.9m       | \$178.1m          | ↑ 16.5%       |
| Borrowing cost                    | (\$27.3m)      | (\$37.3m)         | ↑ 36.6%       |
| Income tax                        | (\$23.4m)      | (\$32.6m)         | ↑ 39.3%       |
| Net Profit after Tax (Normalised) | \$102.2m       | \$108.2m          | ↑ 5.9%        |
| Non Regular items (after tax)     | \$5.3m         | (\$6.7m)          | ↓ (226.4%)    |
| Net Profit after Tax and non-regs | \$107.5m       | \$101.5m          | ↓ (5.6%)      |

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As the Chairman highlighted during the past year Brickworks like most other companies dealt with some extremely tough trading conditions.

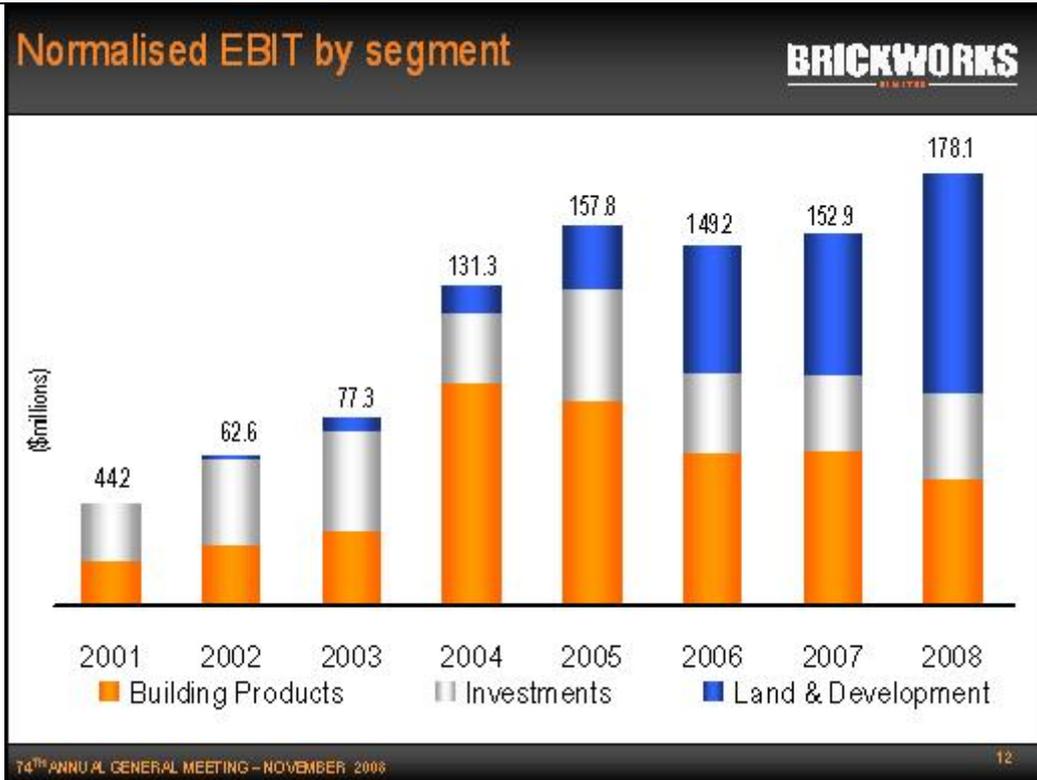
In spite of this, sales revenue decreased only slightly to \$553.7 million.

More importantly total EBIT increased strongly to \$178.1 million.

The higher interest rates and higher average debt levels are driving our borrowing costs.

Tax expense were also higher during the year.

All of this resulted in an improved Normalised Net Profit After Tax at \$108.2 million.



Brickworks' robust and diversified model has again delivered solid earnings growth, despite the shorter term volatility specific to each division.

Difficult trading conditions resulted in Building Products EBIT falling to \$53.6 million.

The Land and Development result more than compensated for this, with EBIT increasing to \$93.7 million.

Total Normalised contributions from Associates and Investments returned to more normal levels at \$36.9 million.

| <b>Strong Platform for Growth</b>    |                   | <b>BRICKWORKS</b> |  |
|--------------------------------------|-------------------|-------------------|--|
|                                      | <b>YE July 07</b> | <b>YE July 08</b> |  |
| Net Tangible Assets (NTA)            | \$804m            | \$842m            |  |
| Shareholder's Equity                 | \$1,073m          | \$1,113m          |  |
| Return on Equity (Normalised)        | 10.0%             | 9.7%              |  |
| Free Cash Flow                       | \$55.0m           | \$98.0m           |  |
| Total Interest Bearing Liabilities   | \$520m            | \$562m            |  |
| Net Debt/Capital Employed            | 32.0%             | 32.0%             |  |
| Interest Cover (Normalised Earnings) | 4.8x              | 4.3x              |  |
| Capital Expenditure                  | \$51.7m           | \$40.7m           |  |
| Safety – LTIFR                       | 5.9               | 6.6               |  |

74<sup>TH</sup> ANNUAL GENERAL MEETING – NOVEMBER 2008

Net Tangible Assets and Shareholders Equity both increased during the year as the carrying value of our investments improved and good growth was achieved in the Property Trust. Return on Equity was slightly down on last year.

Free cash flow increased during the year by 78.2% to \$98.0 million due to higher receipts on property transactions.

Gearing levels were steady during the period, still well within our desired debt gearing band and maintaining a strong balance sheet.

Capital expenditure returned to more normal levels as the Wollert factory in Victoria is now completed. Capital expenditure will reduce further in the coming year.

The increased and on-going focus on safety again delivered pleasing results with a Lost Time Injury Frequency Rate of 6.6 achieved. While this is a pleasing improvement on historical levels, continued focus is required to achieve our goal of no employees being injured while at work.



As the Chairman highlighted, our goal is to be Australia's Best Building Products Company. We believe that in some parts of Australia we have achieved this goal, in other areas we continue to work towards this.

For some time Brickworks Building Products Strategy has been to focus on organic growth, with bolt-on acquisition opportunities sought where these businesses support and grow off the existing business and infrastructure.

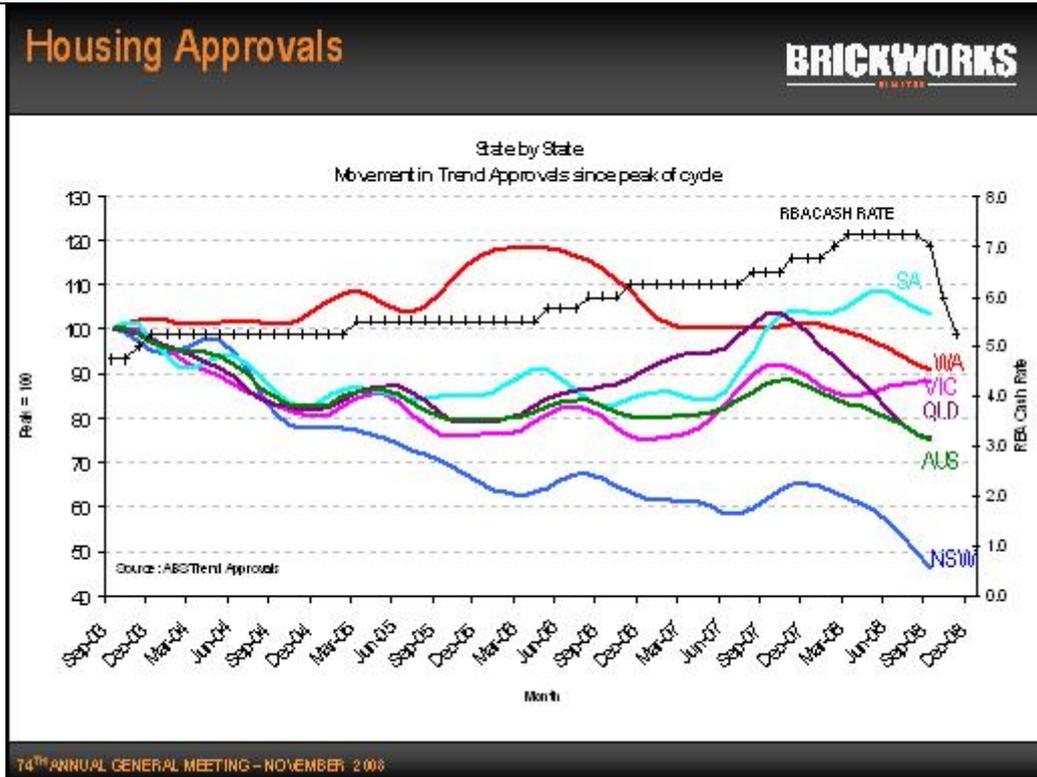
Brickworks stable share registry and Board have enabled a stable management team to build strong, long term relationships with customers, employees, suppliers and the community.

The strong balance sheet and long term decision focus has enabled us to build and operate technically complicated plants, that are required to be the lowest cost producer in the market and enable us to deliver stylish and high quality products such as Terraçade, Riviera, Elements and Bowral Bricks.

This strategy and focus has driven the steady growth of the Building Products division from a two state brick operation in New South Wales and Queensland some 10 years ago with a turnover of around \$100 million, to now be the largest brick manufacturer in Australia with a

strong presence across the width and breadth of Australia. This is supported with a range of other Building Products including Roof Tiles, Concrete Masonry, Floor Tiles and Timber, providing diversity of earnings and further growth opportunities for the company.

However, our focus will remain on stylish and permanent, predominantly external Building Products and not to diversify into every conceivable building or construction material.



National Building Approvals were steady again during the 2007/08 year with around 156,000 dwellings commenced. This is estimated to be around 30,000 dwellings below underlying demand, with the majority of the shortfall of building in New South Wales.

The graph displays the significant weakening of demand for housing for several states during the current calendar year. Particularly noticeable is the Queensland market, that has been falling at a fast pace since September 2007.

New South Wales has been on a steady decline since 2004 when the Vendor Tax was introduced. This tax single handedly chased investors out of the New South Wales property market, dropping construction by around 25%. The New South Wales market has yet to recover and will not do so until positive action is taken to attract these investors back.

The RBA cash rate is displayed on the hashed line on this chart showing the significant scale of the interest rate decreases totalling 200 basis points during September, October and November 2008.

| Building Products Results |          | BRICKWORKS<br><small>PLIMITED</small> |         |
|---------------------------|----------|---------------------------------------|---------|
| Year ended 31 July        | FY 2007  | FY 2008                               | Change  |
| Sales revenue             | \$516.8m | \$520.0m                              | 0.6%    |
| Building products EBITDA  | \$92.3m  | \$83.9m                               | (9.1%)  |
| Consisting of:            |          |                                       |         |
| ▪ Depreciation            | \$26.4m  | \$30.3m                               | 14.8%   |
| ▪ EBIT                    | \$65.9m  | \$53.6m                               | (18.7%) |
| Building products margin  |          |                                       |         |
| ▪ EBITDA to sales         | 17.9%    | 16.1%                                 |         |
| ▪ EBIT to sales           | 12.8%    | 10.3%                                 |         |

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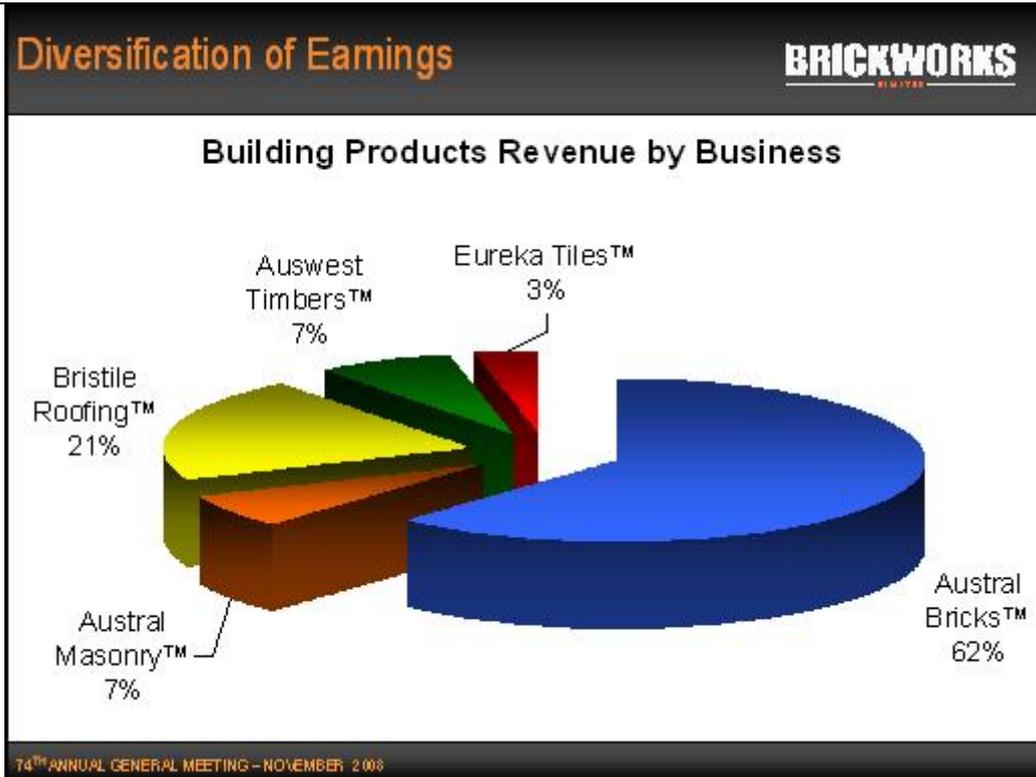
Sales revenue increased by 0.6% to \$520.0 million, despite the lower volumes.

Solid price increases and the growing Austral Masonry™ business offset the lower volumes. On a like for like basis, sales were down 1.3%.

EBITDA decreased 9.1% to \$83.9 million.

Depreciation increased 14.8% with the completion of major capital works.

The EBITDA and EBIT to sales ratios reduced in line with the lower result, however still compare favourably to industry peers.



The diversification of revenue within Building Products continued during the year as the Austral Masonry™ business continued to grow and now represents 7% of group revenue, up from 5% last year.

More than 38% of revenue is now earned outside bricks and this percentage is expected to continue growing.



Austral Bricks™ has a manufacturing capacity in excess of one billion units per annum and as previously mentioned, is the largest manufacturer of bricks and pavers in Australia.

Overall brick sales volumes were down slightly on last year, however this was offset by moderate selling price increases.

Production volumes were also down to control stock volumes. Production costs were higher on the back of these lower volumes but also due to significant cost increases for inputs such as energy, fuel and manganese. The significant capital expenditure program of the past couple of years has helped to somewhat contain costs.

Austral Bricks™ was very proud to win its sixth Horbury Hunt Award with the Mornington Nursing Home project, shown in the picture on the left.

Other stylish new products including the Elements range have also been successfully launched into the market during the year.

**Austral Bricks™ Capital Expenditure** **BRICKWORKS**





**WOLLERT, VICTORIA**

- Commissioning completed, full benefits to flow from FY2009
- Reduced environmental impact
- Highly efficient manufacturing process, located next to clay source
- Labour reduced from 44 to 24

**ROCHEDALE, QLD**      – New Clay Preparation  
**BOWRAL, NSW**            – New Packaging Plant  
**LONGFORD, TAS**        – New Packaging Plant

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At Wollert, in Melbourne’s north, commissioning of the new brick plant was completed during January 2008, with the kiln and dryers being handed over by the French kiln builder - “Ceric”.

This plant has a significantly lower carbon footprint than the plant it replaced at Scoresby. The plant is also water self sufficient and improved employee productivity by in excess of 100%.

Reliable output and reduced manufacturing costs from the new plant will underpin profit growth of the Victorian operation in coming years, with the full benefits to flow from 2009.

At Rochedale in Queensland, commissioning of the new clay preparation area was completed.

New unloading plants were also installed in Bowral, New South Wales and Longford, Tasmania.

These capital projects have already started to deliver reduced unit costs and improve product quality and presentation.



Austral Masonry™ has grown significantly over the past two years with several acquisitions completed throughout Queensland. During the past year manufacturing operations in Silkwood, Queensland (100 kilometres South of Cairns) and Yatala, Queensland (half way between the Gold Coast and Brisbane) were acquired.

We are now in the situation of having a display centre on the east coast in every major centre as far north as Cairns.

The Austral Masonry™ business recorded solid sales growth with a 55% growth in revenue.

Austral Masonry™ now has a greater than 20% market share of the concrete Masonry market in Queensland. When combined with the Austral Bricks™ Queensland business, we are the market leader in Queensland.



Bristle Roofing™ is one of Australia's major manufacturers and installers of roof tiles with three manufacturing facilities nationally.

Terracotta roof tiles are manufactured in Caversham, Western Australia for the West Australian market and also distributed through our east coast operations.

Concrete roof tiles are manufactured at both Wacol, Queensland and Dandenong in Victoria.

A significant lift in profit was again achieved due to increases in margins based on increased prices, improved product quality, reduced production and distribution costs.

The evolution of this business has been most pleasing.



Eureka Tiles™ is Australia's second largest producer of floor tiles and only producer of ventilated façades. Tile distribution is through a number of company owned warehouse outlets in each capital city with sales largely carried out through numerous tile merchants in each state.

Eureka Tiles™ manufacturing is carried out at Ballarat in Victoria while Terraçade is manufactured at Punchbowl in New South Wales.

Eureka Tiles™ achieved solid growth in profits during the past year largely due to the growth of the tile import business. Strong relationships have been formed with many Asian suppliers that will underpin the future growth of this business.

Another exciting product offering from Eureka Tiles™ is Terraçade – as seen in these pictures of the iconic Royal North Shore Hospital.

This innovative and stylish ventilated façade system has been an outstanding success for Brickworks.



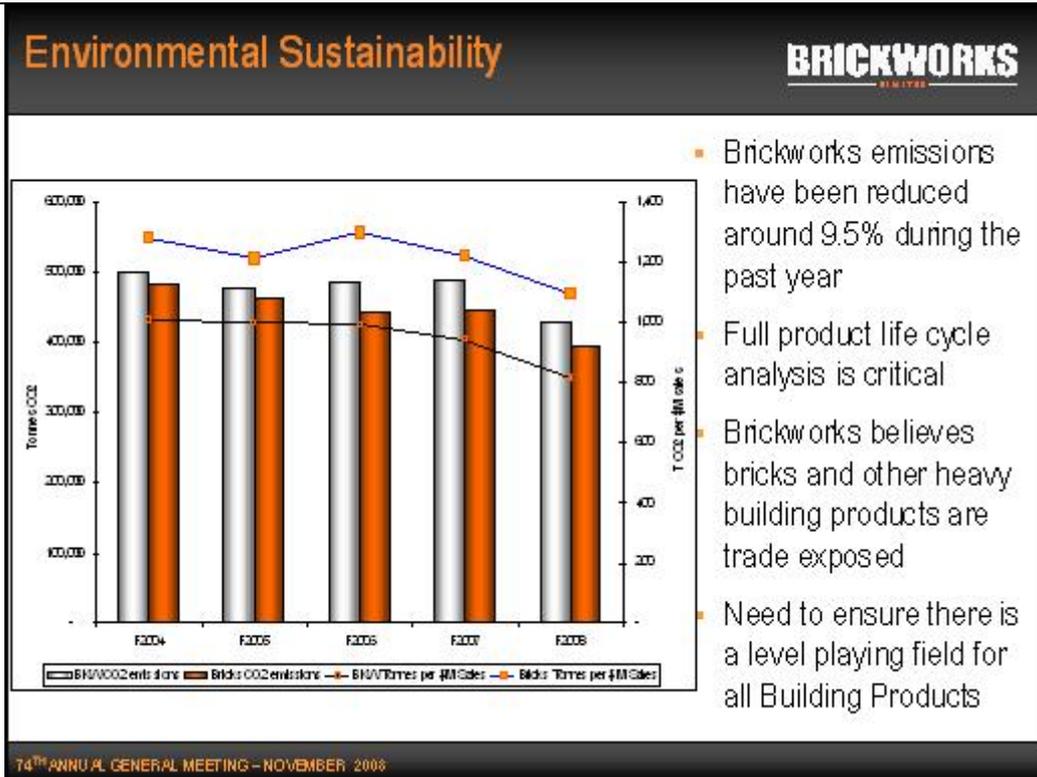
Auswest Timbers™ operates four manufacturing sites.

At Pemberton in Western Australia we have a hardwood sawmill and value adding facility processing both Karri and Marri species. A mixed species hardwood sawmill is located in Orbost and an associated value adding facility is located nearby at Bairnsdale, both in Victoria.

At Fyshwick in the ACT we have a radiata pine batten sawmill, sawing logs from both Government and private plantations.

During the past couple of years, this business has successfully been transitioned from primarily a green timber producer to a dry “value added” timber producer. Two product offerings of Auswest are Wormy Chestnut Flooring and Karri Decking, as shown in these pictures.

Both Orbost and Pemberton are supplied logs sourced and harvested by the respective State Governments.



Brickworks remains committed to improving its fuel efficiency and reducing its carbon emissions. Over the past year carbon emissions have been reduced by around 9.5%.

Brickworks is of the view that Australia should take a long term and risk management approach to climate change policy. Brickworks has four main objections to the proposed Carbon Pollution Reduction Scheme in its current draft form.

The most critical issue in regards to Building Products are the emissions generated over the life of the building, not just at the point of Building Product manufacture. While several competing Building Products result in lower carbon emissions at the time of manufacture in comparison to bricks, over the life of the products the heating and cooling requirements of buildings and homes built in brick are significantly less. So much so, that the payback for building in brick is delivered in around four years. Each year thereafter, the efficiency gained in the brick home results a significant energy saving and therefore carbon saving. This perspective is vital to ensure that long term solutions are put in place, rather than short term reductions with long term consequences.

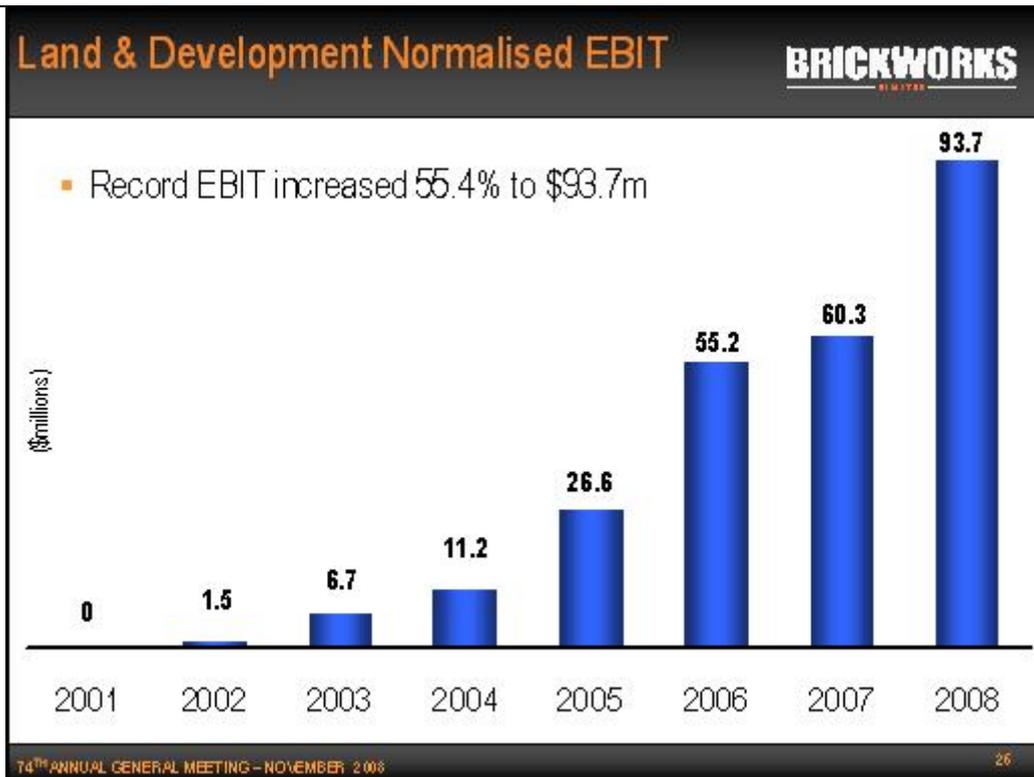
Therefore, we consider it vital that a level playing field is maintained for all Building Products. The proposed scheme is likely to result in market distortions, with bricks potentially at an unfair cost disadvantage compared to other 'higher environmental impact' Building Products.

Secondly, we believe the scheme will impact on company balance sheets and cash flows, reducing their ability to invest in emission reducing technologies. We believe the scheme should be more positive - facilitating and rewarding emissions reduction – rather than penalising for the status quo.

Thirdly, Brickworks are of the firm belief that bricks and other heavy building products are 'trade exposed', despite the current definition offered in the Draft Carbon Pollution Reduction Scheme. Without protection brick and building product manufacture will be transferred overseas to countries that do not adopt a similar scheme to the CPRS.



Now looking at our Land and Development results.



Land and Development has had spectacular growth over the last seven years.

From inception of the division in 2001, the profit contribution of Land and Development has grown every year with the increase continuing in 2008 to \$93.7 million.

2008 has also seen the completion of several projects by the Property Trust, starting the annuity stream of income to Brickworks that will support future profits from the division.

**Land Sales in Detail** **BRICKWORKS**

**Performance**

- Total Profit of \$68.7 million for year

**Major Activities**

- Sale of 1<sup>st</sup> stage of Oakdale into Property Trust
- Settlement of 1<sup>st</sup> stage of Eastwood
- Sale of further land on M7 Business Hub
- Completion of construction of Property Trust assets
- Agreement for the sale of Scoresby site to Mirvac

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Land sales provided the largest portion of the years profit, totalling \$68.7 million.

The result included the following significant transactions:

Stage One of Oakdale into the Joint Venture Property Trust

First stage of Eastwood

A further 4.6 hectares of the M7 Business Hub was also sold into the Joint Venture Property Trust

Completion of various Joint Venture Property Trust assets that I will discuss shortly.

During February 2008 the company signed contracts for the sale of its 56 hectare Scoresby site in Victoria to Mirvac Wholesale Residential Development Partnership Trust for \$102.5 million, excluding GST. Significant site preparation works were undertaken on the Scoresby site during the year. Settlement of Stage One is anticipated to complete during the current half or early in the second half.

## Property Trust in Detail

**BRICKWORKS**

**Performance**

- Market Value \$174.1 million
- Total profit for the year of \$24.7 million
- Rental Distribution profit

**Major Activities**

- Completion of Coles Cold Store in December 2007
- During July 2008, completion of sites for
  - Kimberly Clark
  - Woolworths
  - Linfox

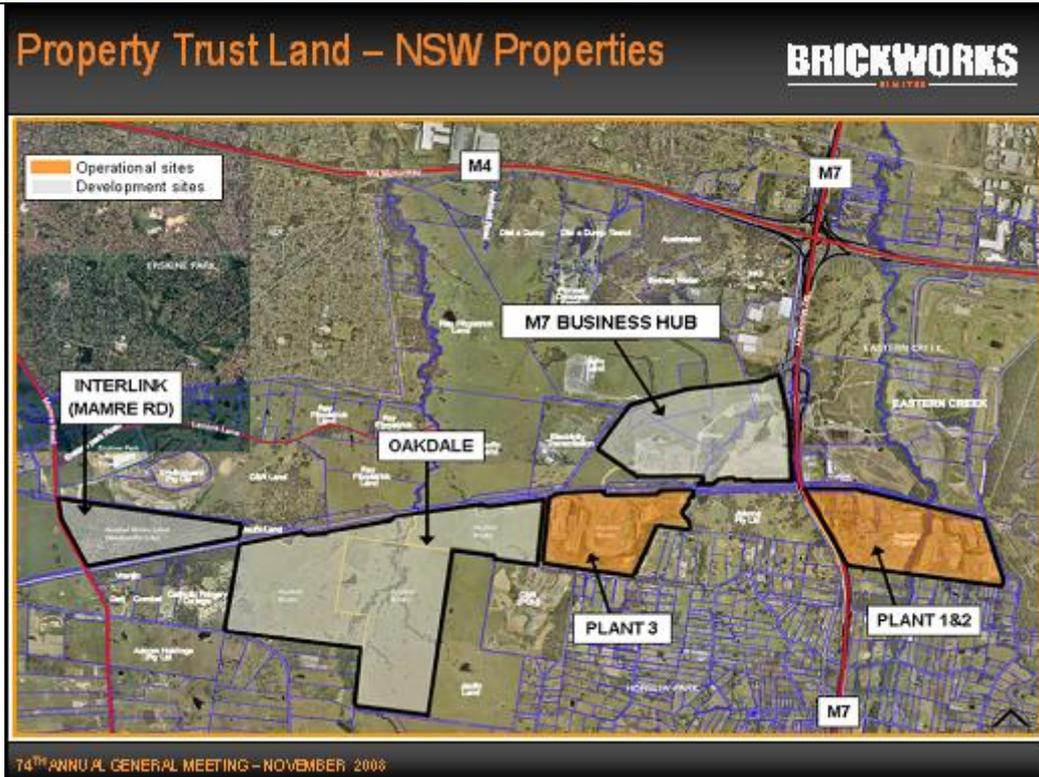
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The market value of the Property Trust increased to \$174.1 million during the period, of which \$38.0 million has yet to be reported to profit. This profit will be reported as the developments reach practical completion.

The Property Trust generated a total profit of \$24.7 million including the following completed sites:

- Coles Cold Store
- Woolworths
- Kimberly Clark and
- Linfox

Completion of these sites also resulted in the commencement of rental distribution profits that will continue and grow as an annuity income in the years to come.



The location and scale of the various properties owned by the company in Western Sydney is shown by this slide, illustrating how the land holdings stretch from the M7 in the east to Mamre Road in the west, and are very well positioned near the M4/M7 Light-horse interchange.

Current operational sites are shaded in orange, while land to be developed by the Property Trust are shaded in grey.



This slide shows the Interlink Distribution site (Mamre Road) as at April 2008.



This slide shows the M7 Business Hub site during early 2008.



This is the current Master Plan for the Oakdale Site.

Oakdale consists of 333 gross hectares and will yield 180 hectares of net developable area.

The Oakdale East section on the plan is a current operating facility of the Building Products business and is not included in the 333 hectares.

This estate will include a regional park larger than Centennial Park and will be developed in three stages.

During the year, Stage One (Oakdale Central) was sold into the Joint Venture Property Trust.



Now looking briefly at our Investments division.

## Washington H. Soul Pattinson (SOL)



Performance

- BKW owns a 42.85% stake in investment house Washington H. Soul Pattinson
- WHSP owns 61.1% of New Hope Corporation
- Normalised contribution of \$32.1 million, up 11.5%
- Fully franked ordinary dividends received \$29.7 million
- Value of the BKW stake at 31 July 2008 was \$1.069 billion



| Year Ended 31 July 2008      | Total Return (p.a.) |          |          |
|------------------------------|---------------------|----------|----------|
|                              | 5 years             | 10 years | 15 years |
| Washington H. Soul Pattinson | 16.2%               | 17.6%    | 15.6%    |
| All Ords Accumulation Index  | 14.7%               | 10.6%    | 11.1%    |
| Outperformance               | 1.5%                | 7.0%     | 4.5%     |

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Brickworks owns 42.85% of WHSP. As mentioned previously by the Chairman, this 'Strategic Alliance' is unique in Australia and brings with it several benefits for both parties. Brickworks has benefited over the years as the Strategic Alliance has not only delivered a stable earnings stream, but also provided Brickworks with a cornerstone investor.

The two main investments of WHSP are the 49% holding of Brickworks, along with 61.1% holding of New Hope Corporation.

The Normalised equity accounted contribution was up 11.5% to \$32.1 million during 2008. Fully franked ordinary dividends totalling \$29.7 million were received from WHSP during the year.

The value of Brickworks investment in WHSP was approximately \$1.069 billion at 31 July 2008, based on a share price of \$10.45.

WHSP has delivered outstanding returns to its shareholders over both the medium and long term, outperforming the ASX Accumulation Index by some 700 basis points per annum over 10 years.



- BKW owns an 17.8% stake in Brickworks Investment Company Limited
- Listed investment company with portfolio value of \$437.6 million
- Value of BKW stake approximately \$66.2 million
- NTA decreased by 11.8% to \$1.46 per share at 31 July 2008
- Fully franked dividends of \$2.9 million received for year

Brickworks Investment Company Limited is a listed investment company with a portfolio value of \$437.6 million.

While the value of Brickworks investment in Brickworks Investment Company Limited decreased by 11.8% to \$66.2 million during the year, it outperformed the S&P ASX200 index that decreased by 19.0% during the same period.

Fully franked dividends totalling \$2.9 million were received from Brickworks Investment Company Limited this financial year.

Brickworks Investments continue to provide diversity to earnings.

## OUTLOOK



**BRICKWORKS**  
LIMITED

**Outlook – Building Products**

**BRICKWORKS**

Building Products

- Overall economic instability continues to impact confidence
- Patchy reports of increased activity from falling interest rates and first home owners grant increase
- Due to the pent up demand for housing - 2009 & 2010 look promising
- Total Australian commencements will likely be between 145,000 and 150,000 in 2008/09, down from 156,000 last year
- Difficult trading conditions in first quarter, sales down 3% like for like

74<sup>TH</sup> ANNUAL GENERAL MEETING – NOVEMBER 2008

The global economic instability continues to impact all industries and we are no exception. That being said, we have long held the view that the housing industry would be among the first to benefit from any downturn in the overall economy.

The recent aggressive interest rate cuts and the federal government increasing the first home owners grant have provided some stimulus for the housing industry, with patchy reports of increased display home traffic and increased sales. This could well be the early stages of a broader recovery, as the pent up demand for housing remains very high due to the fundamental underbuild of the past five years.

However the downward momentum driven by low consumer confidence and a lack of construction finance is likely to ensure that trading conditions deteriorate further, before they improve. Commencements for the 2008/09 year are likely to be between 145,000 to 150,000 homes, down from 156,000 in 2007/08.

During the first quarter of F09 trading has been extremely difficult with like for like sales down 3%. While reasonable prices rises have been achieved in all markets the impact of higher unit

production costs due to the combined effect increasing underlying costs and lower production volumes has resulted in further margin compression.

**Outlook – Land and Development** **BRICKWORKS**

Land & Development

- Scoresby and Eastwood sites to provide strong positive cash flow
- Continued growth of Property Trust
- Growth of annuity (rental) income stream
- Commencement of new Trust projects likely to be delayed
- Cap rate increases may lower revaluations
- Delay in DA for Oakdale Stage 1

74<sup>TH</sup> ANNUAL GENERAL MEETING – NOVEMBER 2008

The outlook for Land and Development remains good with the staged settlement of property sales in Scoresby, Victoria and Eastwood, New South Wales to provide strong cash flow in the balance of the year.

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

However it is unlikely that any new projects will commence during the coming year due to the uncertain global financial climate and our pipeline of work will be reduced. The resultant increase in capitalisation rates for projects is currently limiting the development profit on the proposed projects and may result in some lower revaluations.

We are currently experiencing some delay with the New South Wales State Government in regards to the DA for Stage One of the Oakdale site. This has resulted in our agreement for lease with DHL being terminated by mutual agreement.

**Outlook – Investments and Group** **BRICKWORKS**

**Investments**

- Strong contribution from WHSP due to the New Hope New Saraji transaction for \$2.450 billion cash
- New Hope currently earning significant interest income on cash holdings
- Special dividend to be paid by New Hope of \$600 million in November 2009

**Group**

- Solid diversified model will carry Brickworks Group to solid half year and full year profits

74<sup>TH</sup> ANNUAL GENERAL MEETING – NOVEMBER 2008

The forecast contribution from WHSP will be higher, due to the completed New Hope New Saraji transaction for \$2.450 billion cash. New Hope are currently earning significant interest income on its cash holdings. New Hope has already flagged to the market its intention to pay a special dividend of approximately \$600 million during November 2009. WHSP is set to benefit from this cash payment.

During the coming half WHSP will have a significant result. This will support the Brickworks Group to a solid half year and full year result.

This once again highlights the strength of the diversified strategy and model of Brickworks. In closing I would like to thank all our staff for their contribution to achieving this excellent result. I would also like to take this opportunity to thank my fellow Directors for their valued contribution and support during the year.

We have a number of our staff here today and I would like to introduce them.

Mrs. Megan Kublins Executive General Manager Land & Development

Mr. David Fitzharris Group General Manager Sales and Marketing

Mr. Chris Troman General Manager Corporate Development

Ms. Cathy Inglis      Group Technical Research and Engineering Manager

Thank you for your attendance today and continued support of Brickworks Limited.



I'd like to take this opportunity to warn Brickworks shareholders that they may soon receive an unsolicited offer to purchase shares from "Hassle Free Share Sales Pty Ltd".

Yesterday, Brickworks received a request from this organisation for a copy of the Brickworks Ltd share register. Under the Corporations Act, Brickworks is required to provide this information to HFSS.

HFSS has not indicated its intended use for the information, however they recently targeted shareholders of Washington H. Soul Pattinson with an offer to purchase WHSP shares at \$5.49 per share, less than half of the share price at the time of \$10.90. Shareholders would be aware that the board of Brickworks did not accept this offer on the basis that it grossly undervalues the investment in WHSP.

Accordingly, your Directors urge all shareholders to **take no action** regarding any correspondence you receive from that company. If you have any questions in relation to your shareholding you are encouraged to contact Brickworks or Computershare, the contact telephone numbers can be found in the front of the 2008 Annual Report.

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