

# BRICKWORKS LIMITED

NSW ANALYST PRESENTATION

7 June 2006



- Lindsay Partridge, Managing Director
- Megan Tamsett, GM Land & Development
- David Fitzharris, Group GM, Sales & Marketing, Austral Bricks
- Doug Willmot, Group GM, Manufacturing, Austral Bricks

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# BRICKWORKS LIMITED

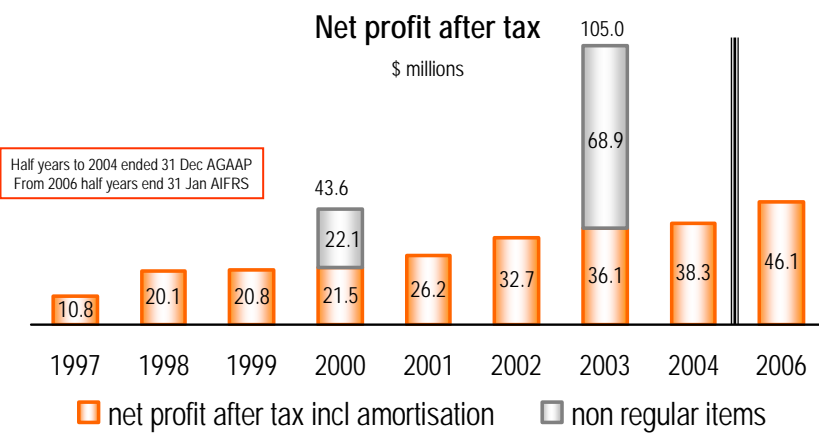
## INTRODUCTION & HALF YEAR REVIEW

Lindsay Partridge  
Managing Director

## Solid Profit Result

BRICKWORKS LIMITED

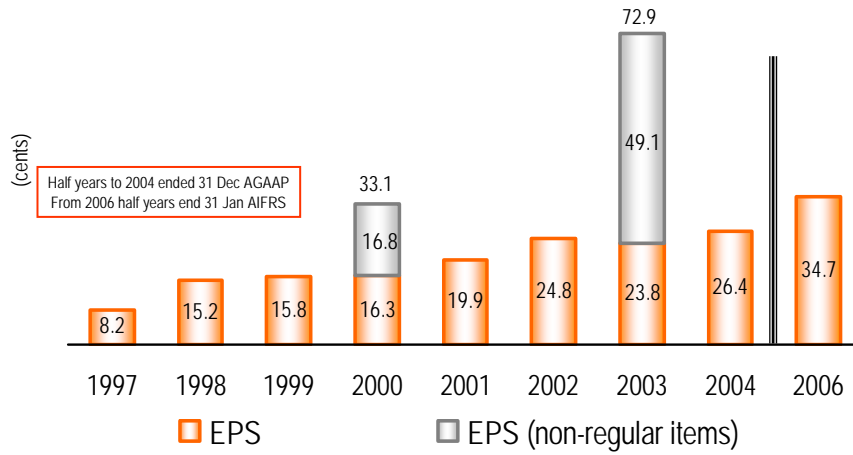
- Record NPAT \$46.1m - 9<sup>th</sup> consecutive increase
- NPAT up 15% on pcp (\$39.9m AIFRS adjusted)



## Earnings Per Share

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- EPS 34.7 cents per share UP 15% compared to 30.3 cents (AIFRS)



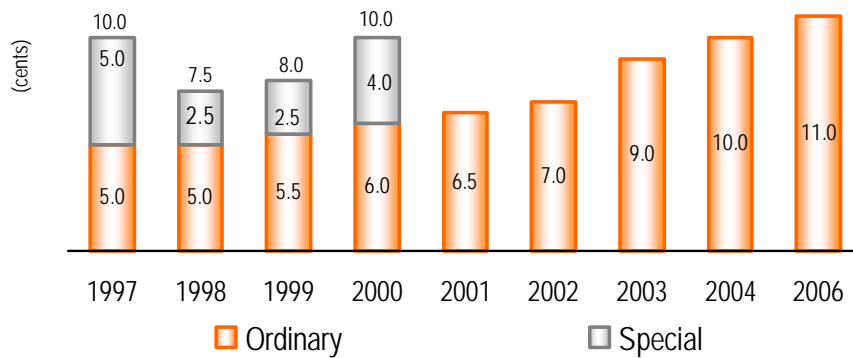
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## Interim Fully Franked Dividends

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- Interim Dividend 11 cents per share up 10% on pcp



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## Diversification working

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\$m		Six months to Jan 06	Six months to Dec 04
Building Products	↓	31.6	48.3
Property	↑	15.5	0.2
Associates	↓	13.5	23.4
Finance Costs	↑	(12.7)	(15.0)
Tax	↑	(0.7)	(14.5)
NPAT	↑	46.1	39.9

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## Finance: retained strong balance sheet

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	Jan 2006	JUL 2005
NTA	\$680.4m	\$647.2m
Shareholder's equity	\$926.8m	\$893.4m
Return on equity (annualised)	9.9%	8.9%
Net debt	\$182.6m	\$189.7m
Net debt/net debt + equity	16.5%	17.5%
Interest cover (excl pavers)	8.6 x	7.6 x
	Jan 2006	Jan 2005
Operating cash flow	\$62.9m	\$45.3m
Finance costs	\$12.7m	\$15.0m

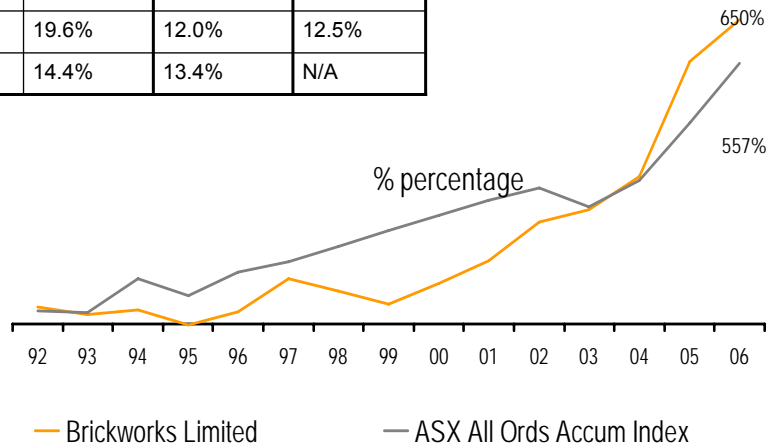
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# Total Shareholder Return

As of 31 January 2006

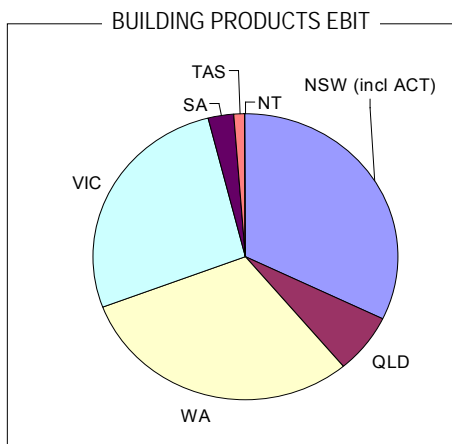
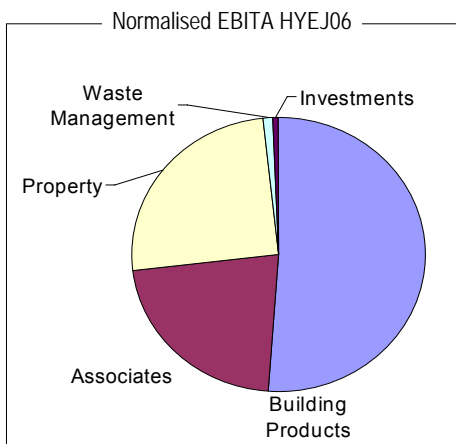
	BKW	ASX Accum	S&P200
5 yrs	26.1%	12.5%	12.5%
10 yrs	19.6%	12.0%	12.5%
15 yrs	14.4%	13.4%	N/A



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# Brickworks Snapshot



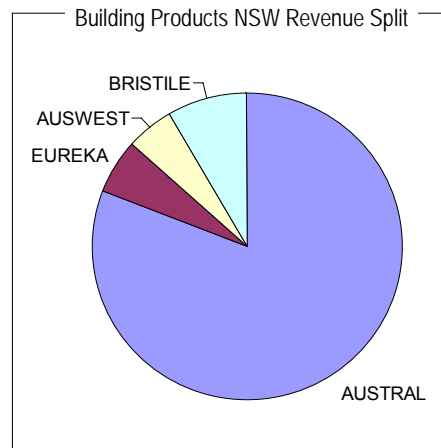
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## Building Products NSW

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- All four Building Products businesses operate in NSW
  - Austral Bricks
  - Auswest Timbers
  - Bristile Roofing
  - Eureka Tiles Australia
- Employ 377 people



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## Growth through bolt-on acquisition

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### Since the Bristile acquisition in 2003

- Timber
  - Acquired remaining  $\frac{2}{3}$  of Auswest Timbers
  - Subsequently acquired remaining 58% of Terra Timbers
  - Acquired Hardwoods Australia
- Bricks now go direct in New Zealand
  - Acquired Christchurch distributor
  - Acquired Tauranga distributor
  - Direct in Auckland by March 2007

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## Medium Term Strategy

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- **Improve performance of Building Products**
  - Increased marketing spend
  - Improved factory performance
  - Leading edge new products
- **Diversify Building Products through bolt on acquisitions**
  - Balance States
  - Product diversification
- **Maximise returns from Land Holdings**
  - Joint Venture Property Trust for commercial properties
  - Selling residential property
  - Maximising use of exhausted quarries

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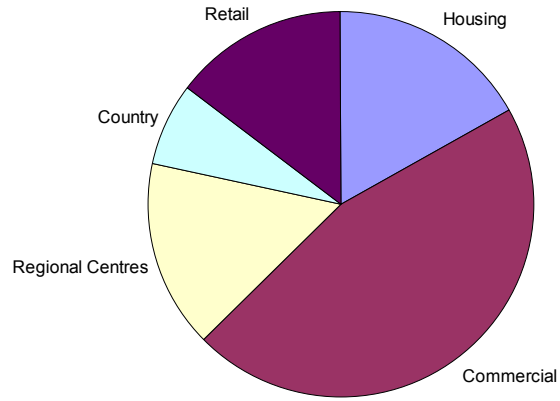
Austral Bricks™ Sales - NSW

David Fitzharris  
Group General Manager  
Sales and Marketing

## Major Segments - NSW

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- Housing
- Commercial
- Regional Centres
- Country
- Retail



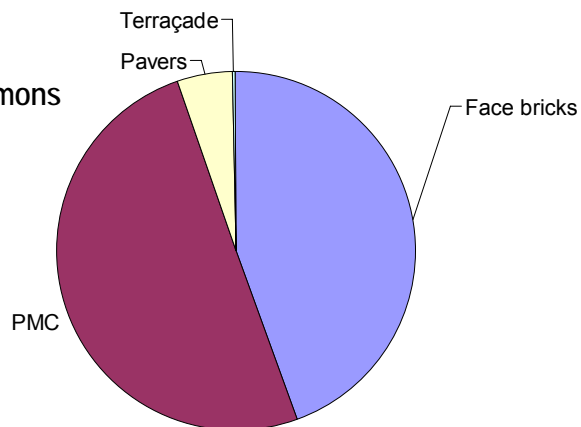
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## Major Products - NSW

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- Face bricks
- Purpose Made Commons
- Pavers
- Terraçade



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## Austral Bricks – NSW Sales

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- **Display Centres located at:**
  - Horsley Park (Head Office)
  - Punchbowl
  - Newcastle
  - Bowral
  - Albion Park (Illawarra)
  - Tuggerah (Central Coast)
  - Fyshwick (ACT)
- **All offices combine Austral Bricks and Bristle Roofing operations**
- **36 distributors in country regions**
- **59 paver resellers**

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## Sydney's best known display

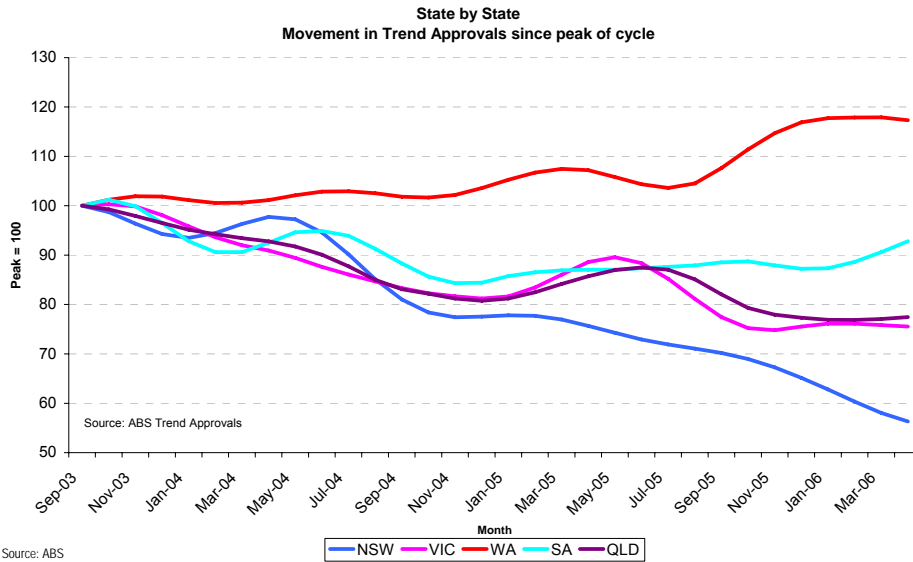
**BRICKWORKS**  
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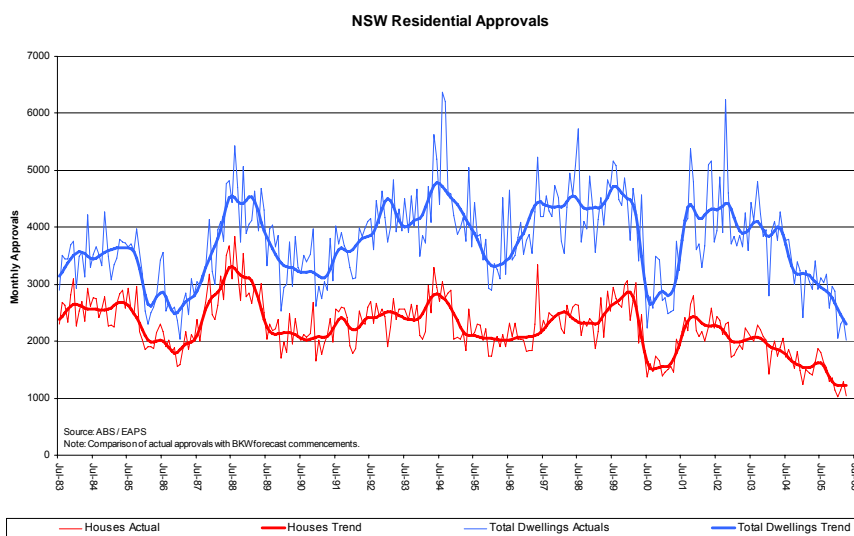
# NSW down 44% from peak



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# Unusual NSW cycle

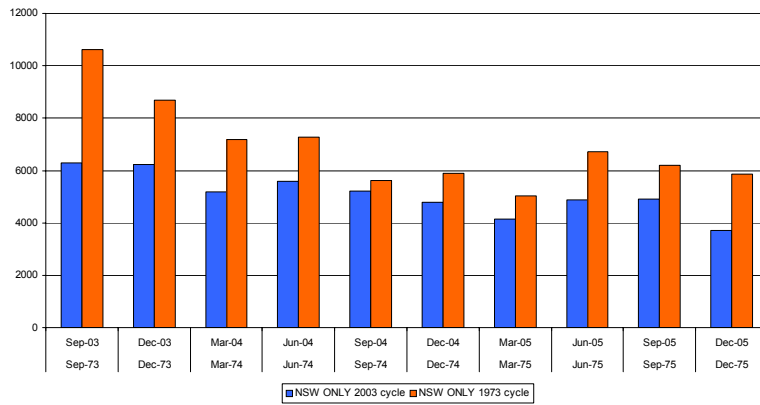


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## Worst in post war period – esp. in housing

NSW ONLY 1973 & 2003 CYCLES  
SINGLE DWELLINGS ONLY ACTUAL APPROVALS  
Source: ABS



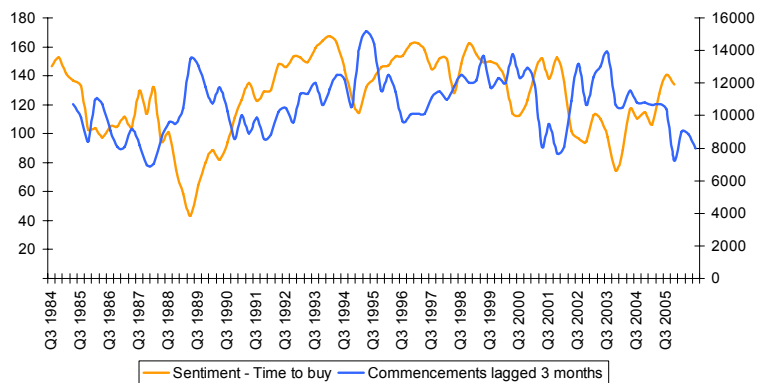
Source: ABS

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## Confidence returning in NSW

NSW commencements vs sentiment  
(time to buy)



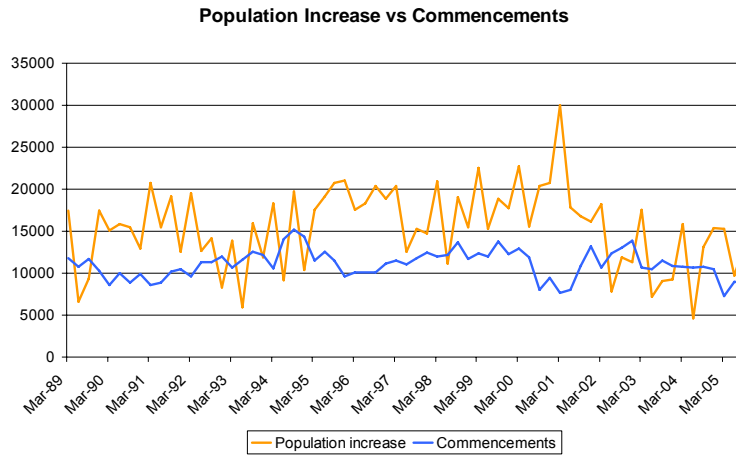
Source: ABS & Melbourne Institute

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## Population growing again in NSW

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**Recorded ZERO population growth in June 2004**

Source: ABS  
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## The NSW Market

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- **Commencements**
  - Expected to be 16,500 single dwellings FY06 & 17,500 in FY07
  - Expected to be 15,500 multi-residential in FY06 & 15,500 in FY07
  - Forecast to average 41,000 (combined) over the next 5 yrs
  - Expect signs of recovery to begin in early 2007
- **Major builders are getting bigger at the expense of medium sized builders**
- **Owner builders shrinking**
- **Regional growing faster than metro, dragging major builders into all regional centres**
- **Large format pavers continuing to substitute for standard paving**
- **Composite design impacts**
- **Environment & sustainability changing subdivision covenants**

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## Volume & Price - NSW

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- Volume down 18% year on year
- Volume appears to be stabilising
- Prices steady despite downturn
- Regular price increases to targeted segments
- Continually launch new products at higher prices
- Last year's new products included
  - Riviera Freedom®
  - ColourBrick®
  - Terraçade® TL

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## Terraçade® XP at Blacktown

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Composite design using Terraçade® TL

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Composite design using Bowral Bricks™

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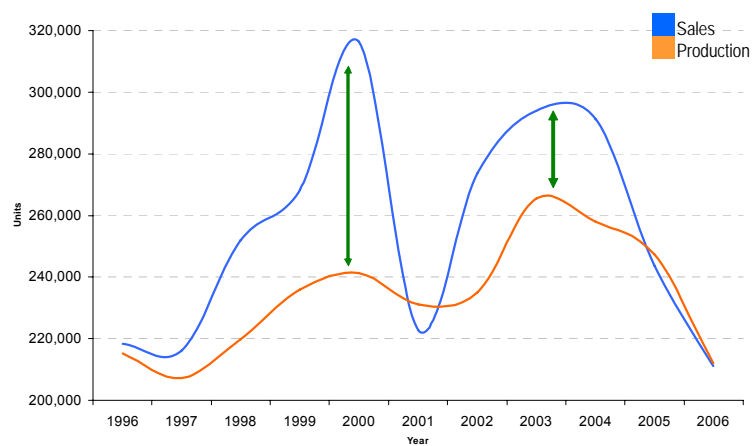
- Significant increase in marketing spend nationally
- Objectives of campaign are:
  - to ensure that Austral Bricks™ brand remains top of mind
  - position bricks as a fashionable choice
- Funds increased locally to support increased national exposure
- “It’s a fashion thing” campaign already running in regional NSW and QLD



## Austral Bricks™ Manufacturing - NSW

Doug Willmot  
Group General Manager  
Manufacturing and Major Projects

## Manufacturing long term strategy



- Insufficient capacity installed in NSW to meet peak demand
- At peak up to 60 million bricks shipped in from QLD

## Current strategy

**BRICKWORKS**  
LIMITED

- **Keep low cost plants and specialty plants at full capacity**
  - Plant #23 is the lowest cost plant in Australia
  - Plant #28 (Bowral) produces high margin pressed bricks
- **Reduce volume at higher cost plants**
  - Plant #21 and #22 are running at 50% capacity
- **All plants are profitable**
- **A 20% increase in the market will see all plants running at capacity**
- **Rapid reduction in volumes has seen stock controlled**
- **Stocks will be built in advance of recovery to ensure customer service**

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## Manufacturing - NSW

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- **Unit cost up due to significantly reduced volumes**
- **Factory employees down from 346 to 313**
- **Preparing for the peak**
  - Maintenance
  - Capital Expenditure
  - Product development
- **Supporting WA with Verticor™**

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## Capital Expenditure - NSW

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- Plant #28 (Bowral) – \$12.5m major refit **COMPLETED**
- Plant 28 (Bowral) \$3.0m Dehacker & environmental upgrade **APPROVED**
- Plants #21 & #22- New Clay Preparation plant } **BUDGETED**
- Refit Plant #21 – with Robotic Automation }
- Plant #23- Kiln car upgrade }
- NSW factories, as in all states, will be in mint condition and well prepared to tackle the next peak

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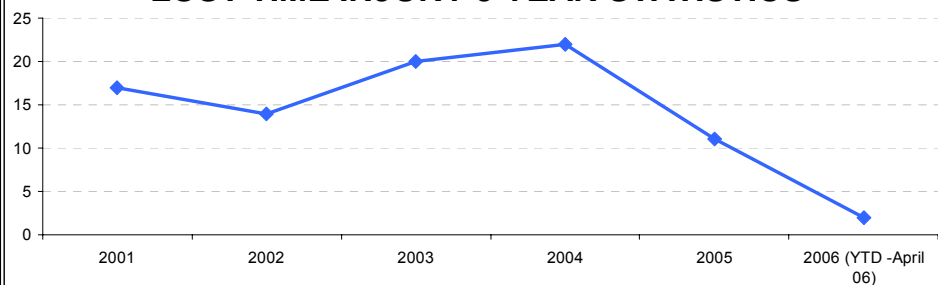
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## Safety & Environment - NSW

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- Obligation to our stakeholders
- Reduce manual handling
- Site upgrades
- Regular Internal and External Audits

### LOST TIME INJURY 5 YEAR STATISTICS



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- All employees currently EBA's (3 years @ 4% p.a.)
- Most factory employees unionised (CFMEU, AMWU, ETU)
- Moving to AWA's
  - Flexibility
  - Incentives
  - Attract and retain the best

Land & Development

Megan Tamsett  
General Manager

## Current Projects

**BRICKWORKS**  
LIMITED

### NSW

- **M7 Business Hub (formerly "The Vineyard")**
  - Sub-division works to Eastern Precinct underway
  - 32 ha of site sold
  - 10ha under contract (retail sale) & 19ha identified for new trust
  - 47ha still to be sold/placed in trust
- **Eastwood**
  - Consists of 256 dwelling lots and 53 units - total area 7.4ha
  - 6 dwelling lots (555m<sup>2</sup>) under contract

### VIC

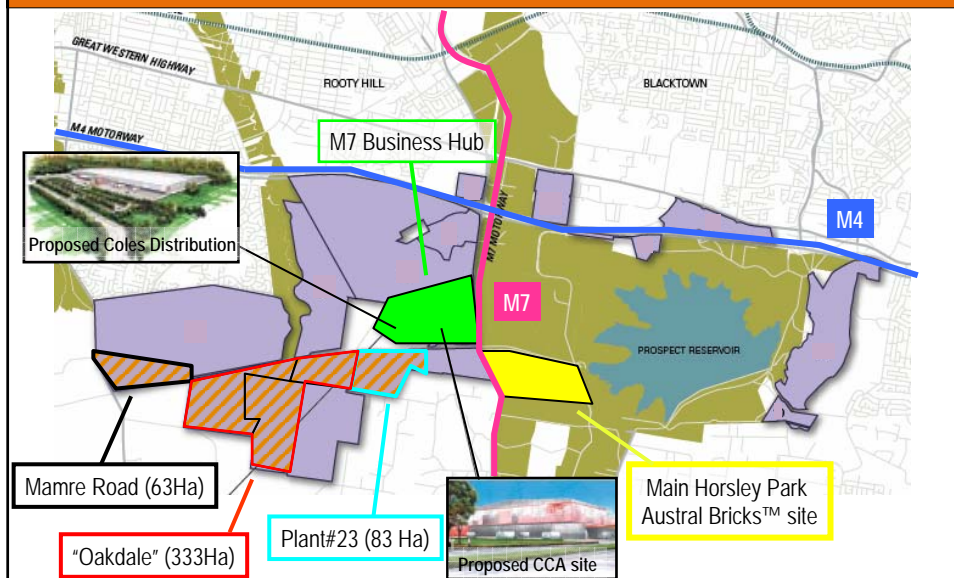
- **Scoresby**
  - Approval to fill site secured
  - Rezoning advertised with no major objections
  - 56 ha site – provide up to 800 lots of varying sizes
- **Hallam**
  - Sub-division approval ready to be lodged
  - 19 ha saleable area

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## Recent Opportunities

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## Future Strategy – Industrial

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- Investigations into opportunities to hold properties long term
- Property trust for Industrial / Commercial properties
  - Extract value from:
    - Sale of land
    - Development profit
    - Rental return
    - Capital growth
  - Conservatively geared at about 50-55%
- Considering including properties such as
  - M7 Business Hub, NSW (19 Ha plus up to 47 Ha)
  - Mamre Road, NSW (63 Ha)
  - Hallam, Victoria (19 Ha)
  - Oakdale, NSW (333 Ha)

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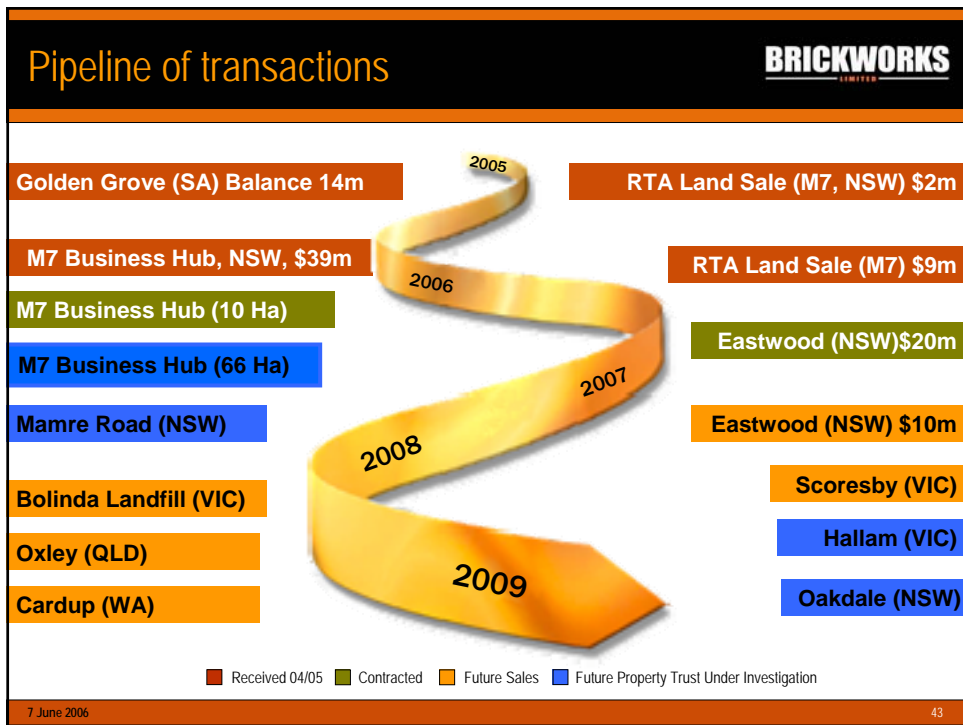
## Future Strategy – Residential

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- Residential land still to be sold
  - Eastwood, NSW (16 Ha)
  - Scoresby, Vic (56 Ha)
  - Oxley, Brisbane (approval secured to fill) (15 Ha)
  - Cardup, WA (commenced investigations) (292 Ha)

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**BRICKWORKS**  
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## SUMMARY & QUESTIONS

Lindsay Partridge  
Managing Director

## SUMMARY

**BRICKWORKS**  
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- **Building Products**
  - NSW difficult
  - Cost reduction
  - No price discounting
  - Leading edge new products
  - Preparing for the next peak
  - Reinvesting in the business will produce lowest cost going forward
- **Property**
  - Long pipeline of transactions
  - Property trust
  - Significant land and clay reserves

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**BRICKWORKS**  
LIMITED

QUESTIONS