

BRICKWORKS LIMITED

ANALYST PRESENTATION Full Year Ending July 2007



Robert Millner, Chairman
Lindsay Partridge, Managing Director

27 September 2007

Presentation Outline



Chairman

- Overview of Performance



Managing Director

- Review of Results



Questions

- Questions



Full Year Ending July 2007

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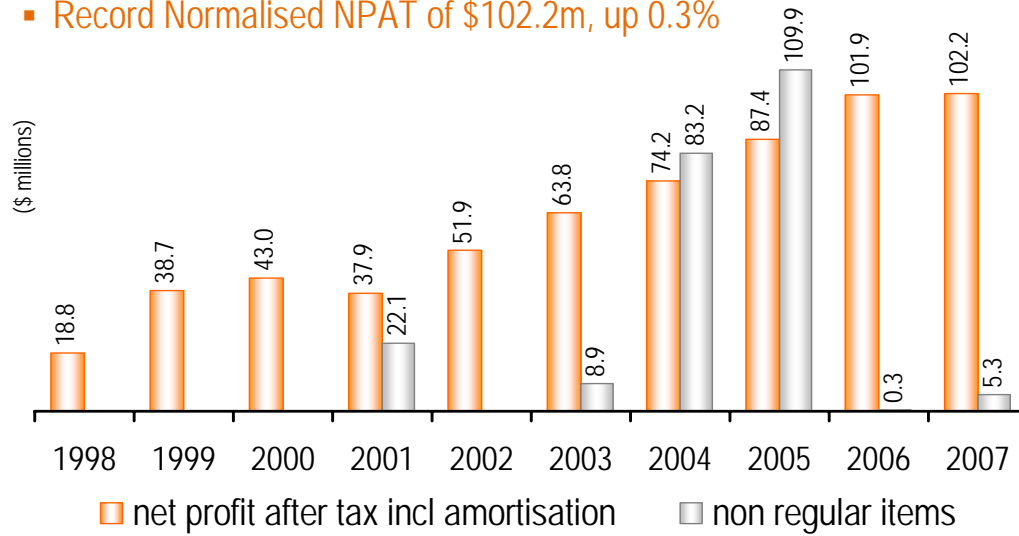
Good Morning Ladies and Gentlemen, welcome to the Brickworks analyst briefing.

Today I will go over our key results and then our Managing Director, Mr. Lindsay Partridge will take you through the results in a little more detail. Mr. Alex Payne, Chief Financial Officer is also here to answer any questions at the conclusion of the presentation.

Net Profit After Tax

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- NPAT of \$107.5m, up 5.2%
- Record Normalised NPAT of \$102.2m, up 0.3%



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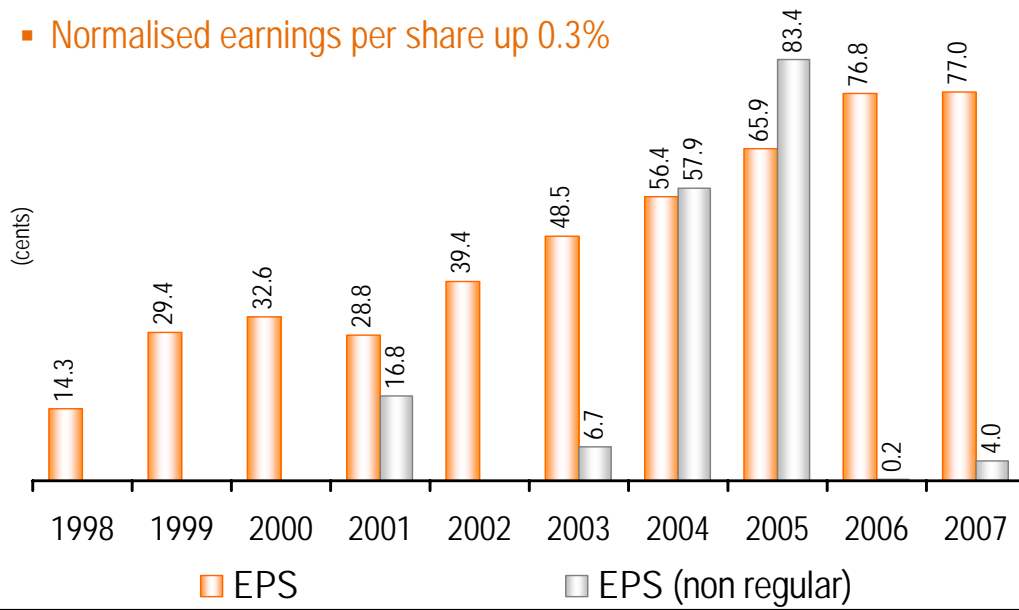
Despite a very tough building products market I am pleased to report a normalised net profit after tax of \$102.2 million, this is an increase of 0.3% on last years record result .

Including non-regular items, NPAT was up 5.2% to \$107.5 million.

Earnings Per Share



▪ Normalised earnings per share up 0.3%



Full Year Ending July 2007

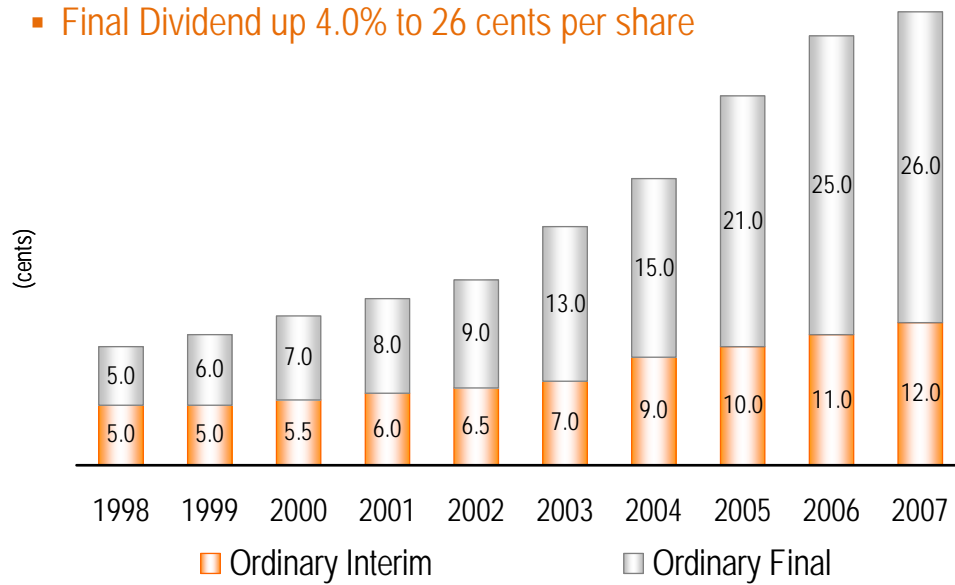
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Naturally enough EPS followed that same trend increasing to 77.0 cents per share, up 0.3% on last year.

Full Year Fully Franked Dividends

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- Final Dividend up 4.0% to 26 cents per share



Full Year Ending July 2007

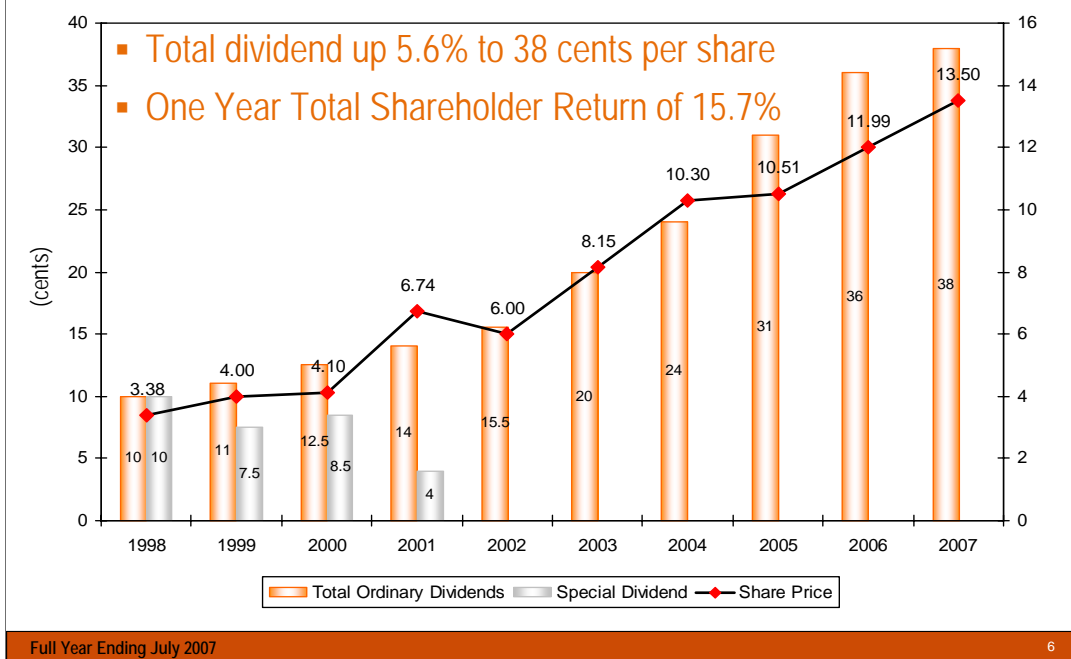
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The Directors have resolved to lift the final dividend to 26 cents, up 4%.

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

Ordinary and Special Dividends

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Increasing ordinary dividends and capital growth have delivered Total Shareholder Return of 15.7% over the past year.

The share price increased to \$13.50 per share from \$11.99 at the beginning of the year.

Since 1998 there has been a four fold increase in the share price.

Divisional Results



Building Products

- EBIT steady at \$65.9m
- Improved safety performance
- Solid performance in WA reduced impact of NSW
- Completion of construction of Wollert, Victorian plant

Land & Development

- EBIT up 9.2% to a record \$60.3m
- First building completed and leased by JV property trust

Associates & Investments

- EBIT up 62.8% to \$46.4m (including non-regular items)

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Building Products profits increased slightly to \$65.9 million in a very tough market.

Land & Development made a substantially higher contribution with EBIT up 9.2% to \$60.3 million.

Total contributions from Associates and Investments were up by 62.8% to \$46.4 million including non-regular items.

Performance



- BKW owns a 42.85% stake in investment house Washington H. Soul Pattinson
- Investments include; coal, pharmaceuticals, telecoms and food
- Value of the BKW stake increased 27.2% or \$216.8m to \$1.014b in 2006/07
- Soul Telecommunications sold NBN Television
- Equity Accounted contribution \$42.7m, up 72.9%
- Dividends received \$43.5m, fully franked (incl special div)

The value of Brickworks investment in WHSP increased by \$216.8 million or 27.2% to \$1.014 billion during the year.

Dividends totaling \$43.5 million were received from WHSP.

Performance



- Equity accounted NPAT increased 10.0% to \$3.1m
- Ordinary dividends increased from 5.0cps to 5.3cps
- NTA increased from \$1.42 to \$1.65 per share (pre tax)
- Market Value increased 35.1% from \$57.8m to \$78.1m
- Portfolio value increased 43.5% to \$423.0m
- Successfully completed a 1 for 5 rights issue during the year

BICL contributed \$3.1 million to the Brickworks result, up 10.0%. Since the end of the year BICL declared a 2.7 cent ordinary dividend bringing total dividends for the year to 5.3 cps.

I would now like to introduce our Managing Director, Mr. Lindsay Partridge who will present Brickworks' results for the Year Ended July 2007.

Managing Director's Review



Full Year Ending July 2007

BUILDING PRODUCTS

Profitable building products businesses also establish land bank. Bolt on acquisitions where appropriate.

LAND AND DEVELOPMENT

Residential land to be sold outright and industrial land to be sold into property trust

INVESTMENTS

High growth investments create stable environment and long term view.



Thank you Chairman. Brickworks unique collection of assets again proved itself with steady earnings in this volatile environment.

Building Products requires long term thinking to accommodate investments in factories with a forty year life. This inevitably establishes a land bank. Bolt on acquisitions, that fit tight investment criteria have served us well in the past and we continue to review opportunities to grow the current business as they arise.

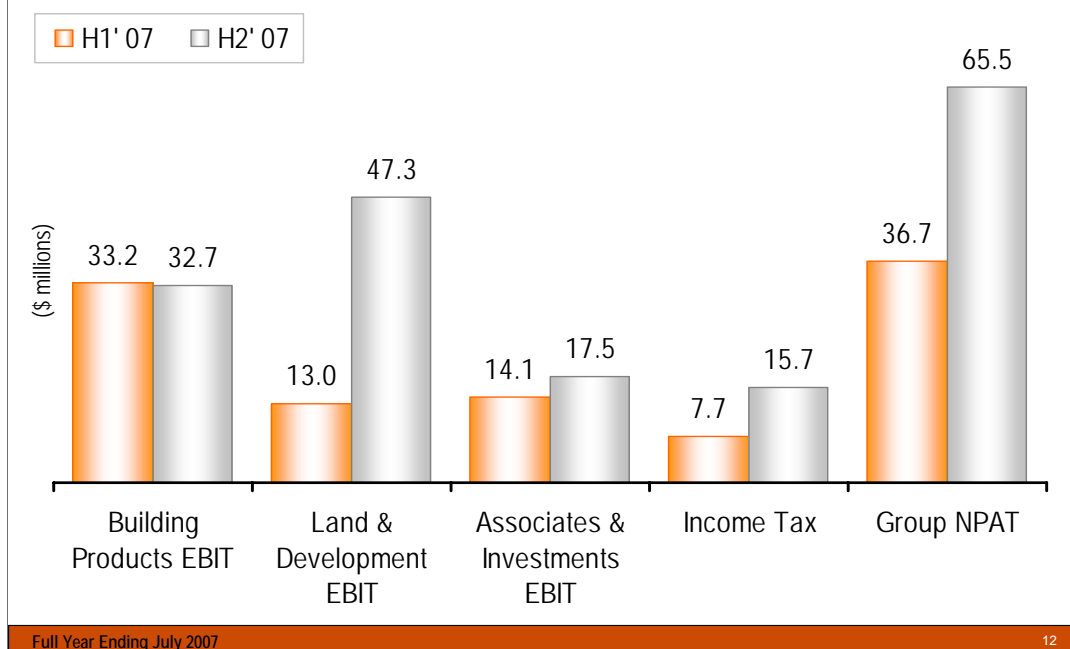
Land & Development is based on the surplus land from the Building Products operations.

Residential land is sold outright whilst industrial land is sold into the Trust. The Property Trust will build a stable and long term income stream.

Investments, along with Land & Development will continue to provide diversity to the fluctuating earnings from the Building Products business.

Normalised half yearly performance

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Most pleasing was the steady performance of Building Products. A very good result when considering the depressed state of the east coast market.

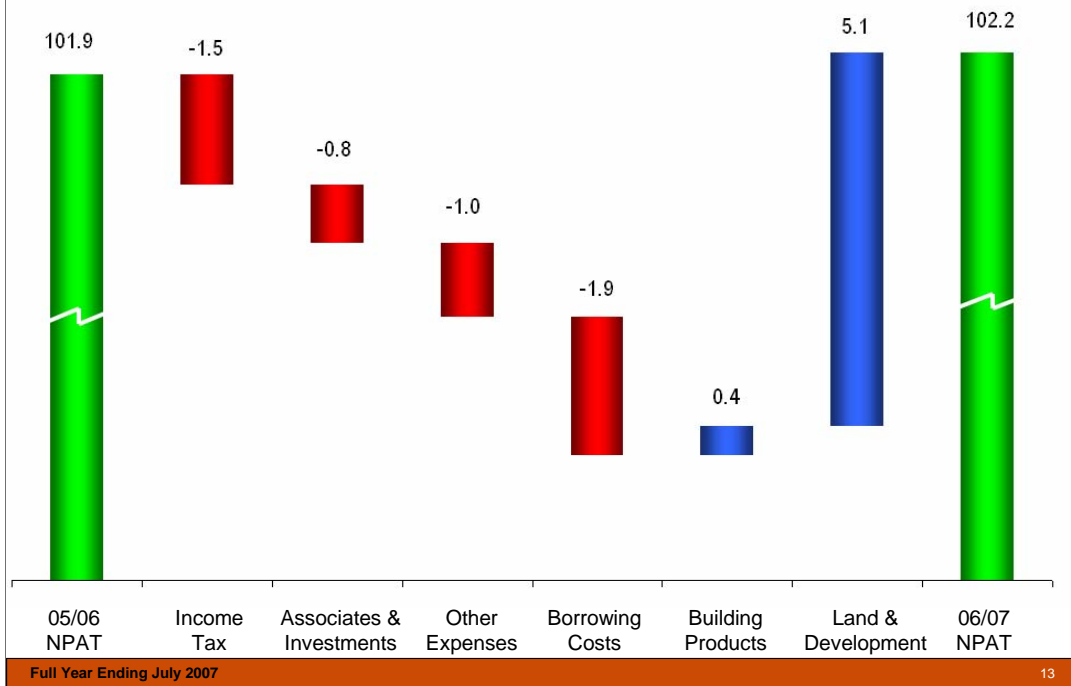
Land & Development profits were up again with a strong performance in the second half resulting in a record performance for the year.

EBIT from Associates and income tax were both higher in the second half.

Group NPAT was weighted to the second half.

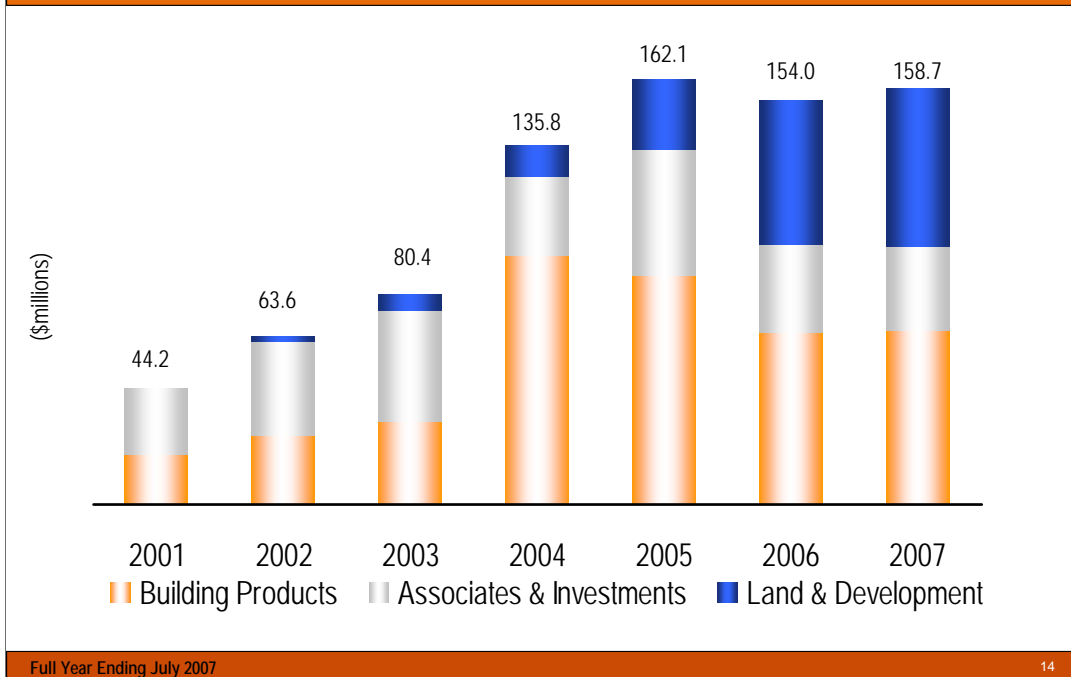
Normalised NPAT Waterfall

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This NPAT waterfall shows how the lower returns from Associates and Investments and increased borrowing costs were offset by a solid Building Products and an increase in Land & Development profit.

Normalised EBIT by segment



EBIT by segment highlights how the business has changed over the past five years and shows the important contribution of Land & Development. This year 42% of our earnings came from Building Products, 38% came from Land & Development and 20% was from Associates and Investments.

	YEJuly06	YEJuly07
NTA	\$715m	\$804m
Shareholder's equity	\$964m	\$1,073m
Return on equity (normalised)	10.6%	10.0%
Free cash flow	\$92m	\$55m
Total interest bearing liabilities	\$376m	\$520m
Net debt/Capital employed	27.2%	32.0%
Gearing (Debt/Equity)	39.0%	48.5%
Interest cover (normalised earnings)	6.3x	5.2x

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While gearing levels increased during the period due to the re-financing of Eastwood, we are still well within our desired debt gearing band and maintain a very strong balance sheet. In the medium term as some large property deals are finalised, debt levels will reduce significantly.

Balance Sheet highlights include:

- NTA up 12.4%
- Shareholders equity up 11.3%
- Free cash flow impacted by property sales into the joint venture trust being non-cash transactions and due to delayed settlements.

	YE July06	YE July07
S.I.B. Plant & Equipment	\$21.8m	\$22.9m
Major Capital Items	\$25.7m	\$25.4m
Land acquisition & development	\$4.8m	\$3.4m
Total	\$52.3m	\$51.7m
Depreciation & Amortisation	\$26.5m	\$26.4m
Safety – LTIFR	10.9	5.9

The solid reinvestment program has continued, with some \$48.3 million invested in the Building Products business.

This included \$25.4 million on major projects, in the main the construction of Wollert.

Pleasingly the LTIFR (Lost Time Injury Frequency Rate – measures the number of lost time injuries per million hours worked) has decreased significantly from 10.9 during 2006 to 5.9 during 2007. Further work is required to ensure that this good performance is consolidated upon.

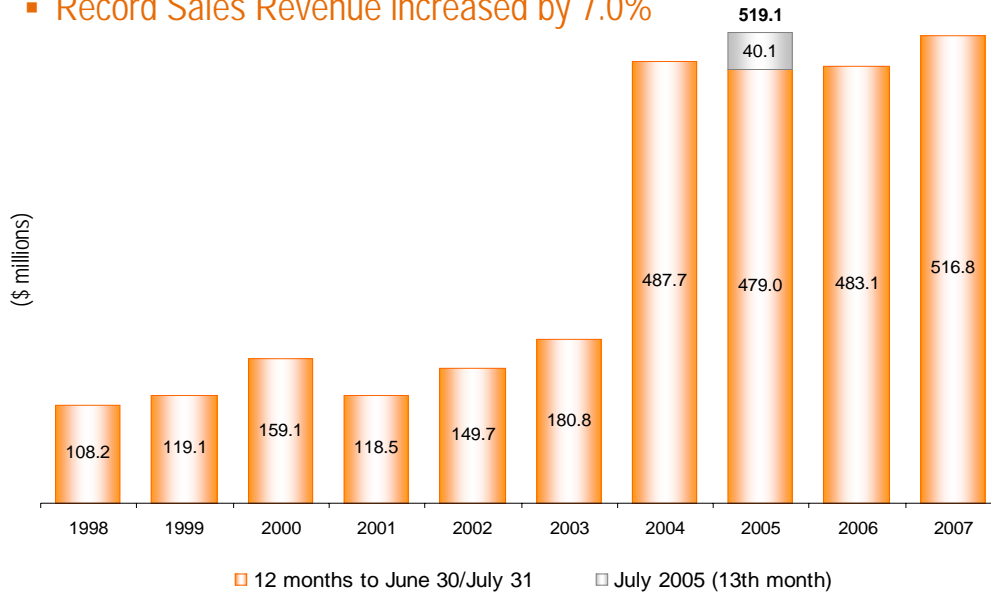
Building Products

Full Year Ending July 2007

Building Products Sales

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- Record Sales Revenue increased by 7.0%



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On a like-for-like basis sales were up 3.2% for the year ending July 2006. However, adding the contribution from acquisitions, sales increased 7.0% to \$516.8 million.

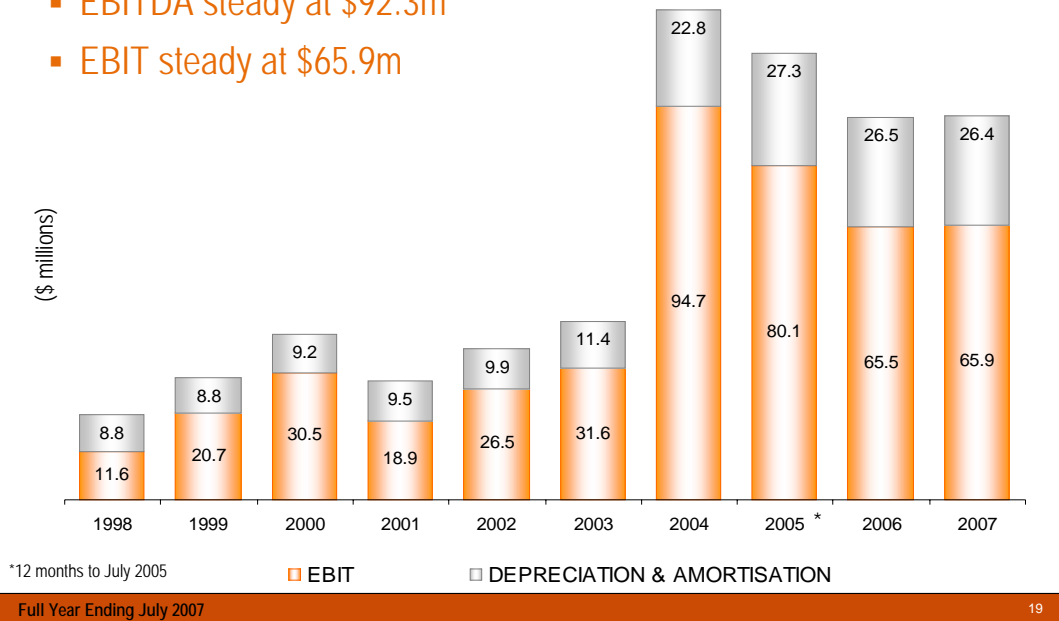
Acquisition contributions included a full year from GB Masonry in Gympie, approximately eight months from Caloundra Block, seven months from Proserpine and two months from Ayr Masonry.

For Building Products to maintain sales over the past four years in light of the New South Wales market shows the strength of our geographic and product diversity as well as the effects of our modest bolt on acquisition growth program.

Building Products EBITDA

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- EBITDA steady at \$92.3m
- EBIT steady at \$65.9m



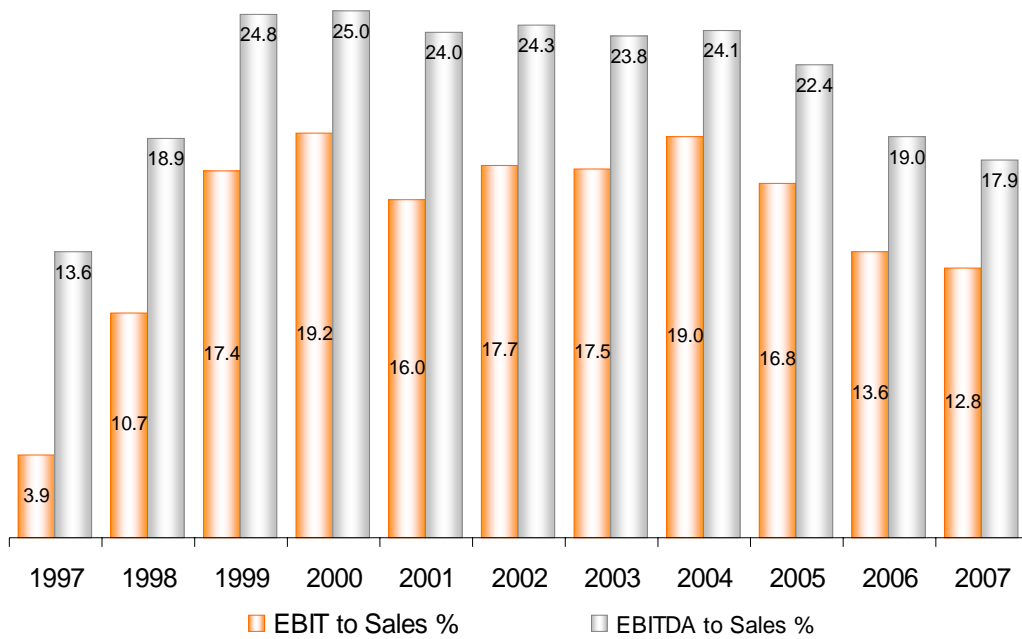
EBITDA was steady during the year and in line with EBIT, still somewhat off peak levels which highlights the bottom line improvement that can be expected when the east coast market recovers.

Including acquisitions our EBIT was steady at \$65.9 million, on a like-for-like basis, we were down 5% to \$62.2 million.

Our core earnings were unaffected by the downturn however, we increased national advertising expenditure to counter a threat from alternate materials and is responsible for the reduced like-for-like result. This is an important investment in our future profitability.

Building Products Margin

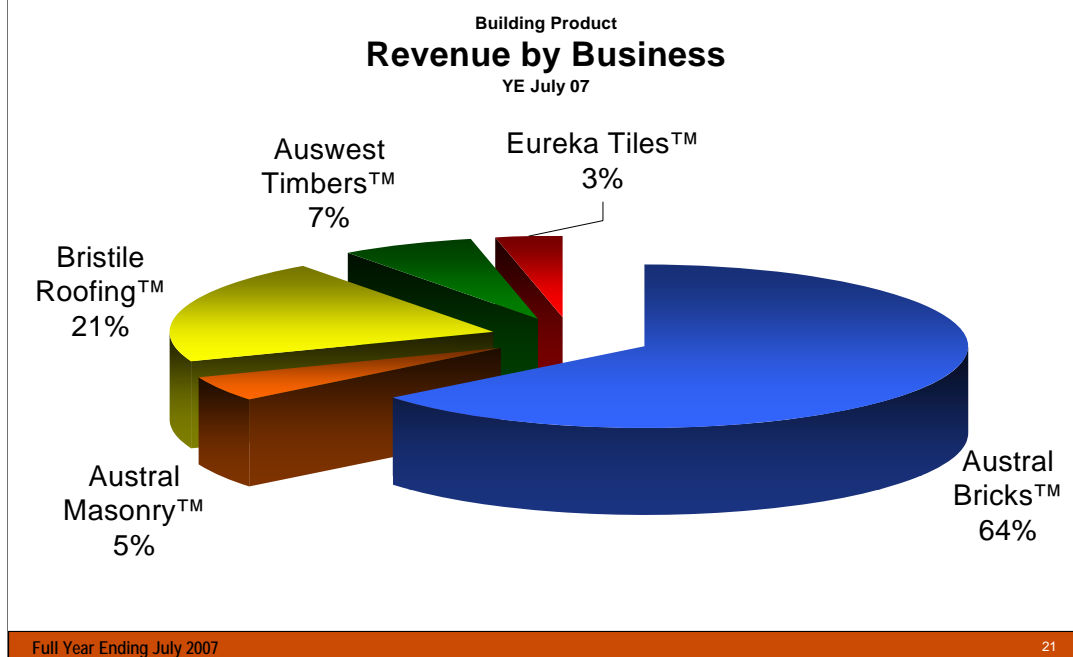
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Naturally EBIT and EBITDA to sales margins have been affected. However still a long way above the last downturn.



It's not that long ago that bricks represented almost 100% of Building Products revenue and profit. In the past five years we have acquired Bristile Limited broadening our product portfolio in roof tiles and masonry.

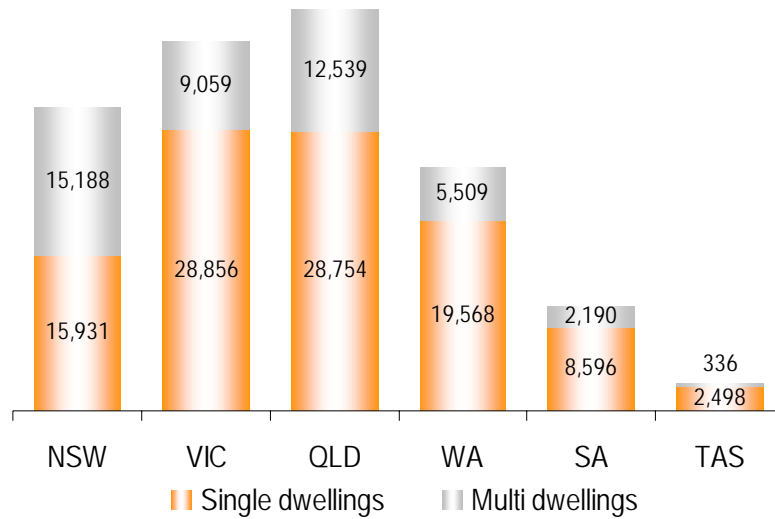
During 2007 we continued to grow the Austral Masonry business with four acquisitions completed.

More than 36% of revenue is now earned outside bricks and this percentage is expected to continue to grow in the future.

Dwelling Commencements by State

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Year to June 2007



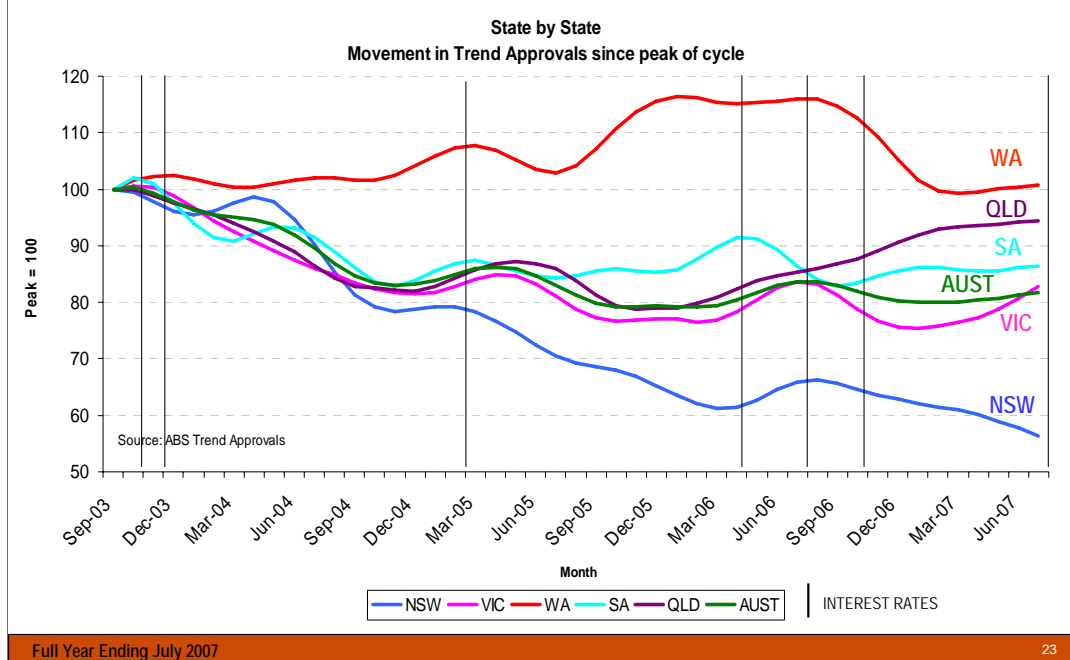
Source: ABS Cat. 8750, June 2007

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A state by state analysis highlights the comparative weakness of New South Wales and the relative imbalance of single and multi-dwelling building activity. New South Wales builds less houses than Victoria, Queensland and Western Australia and less dwellings than Victoria and Queensland.

Housing commencements in New South Wales are now at levels not seen since the 1950's.



Taking a slightly different look at the same issue this chart shows the relative weakness of approvals since the peak in September 2003, however none of the graphs reflect the impact of the latest interest rate rise.

It also shows this is the longest downturn since World War II (the previous one started in September 1988 and ran for 30 months).

Western Australia has come off to a more realistic level. It now remains to be seen how far it falls or whether it stabilises.

Queensland has been stronger and our acquisitions position us well to benefit from further growth, particularly on the Sunshine Coast and North Queensland

Victoria and South Australia have been stable, however still well down on peak levels.

Irrespective of the under supply of housing and a tight rental market, increased interest rates and mortgagee defaults have created pockets of severely depressed house prices in parts of outer Sydney. This has resulted in existing houses being cheaper than new blocks of vacant land. This means vacant land is now only within reach of second and third home buyers and unfortunately sales of vacant land in Sydney are close to non-existent. We see no imminent upturn in New South Wales.

Sales

- Sales volume decreased due to tight East Coast market
- Selling Price increases achieved
- Strong performance in WA offset by a weak result in NSW

Production

- Production volume increased as supply from NSW to WA allowed some factories to operate at capacity
- Scoresby plant decommissioned
- Wollert plant commissioning
- Slow downs at east coast plants
- Unit manufacturing costs stable

Overall bricks sales volumes were down by approximately 2%, with prices increasing by 3%.

National production volumes increased marginally as supply from New South Wales to Western Australia commenced. This allowed our largest New South Wales plant to operate at record capacity.

This combined with the capital expenditure enabled all divisions except WA to maintain or better year on year unit production costs.

The mining boom impacted on WA costs due to trade shortages and wage costs. Nationally unit production costs were up less than 1%.

This was a significant achievement considering the number of mothballed and slowed plants.

WOLLERT, VICTORIA

- New brick plant - construction completed
- Commissioning to be completed during this half year
- Design capacity of 85 million standard brick equivalents, expected to be lowest cost plant in Australia



BOWRAL, NEW SOUTH WALES

- Plant upgrade completed during 2006/07
- In final commissioning stages, will be completed this half year
- Substantial increase in efficiency



GOLDEN GROVE, SOUTH AUSTRALIA

- Plant upgrade completed and commissioned during the year
- Benefits of improved efficiency and production flexibility already visible



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I am very pleased to advise that construction of the Wollert plant in Victoria was completed during the year, with the plant commissioning expected to be completed during this half. It is currently idling at 80% of design capacity. It is expected that Wollert will be the lowest cost and most efficient brick plant in Australia. Wollert represents the future of low emission, low environmental impact brick making plants. It emits a third less carbon dioxide than the plant it replaced and uses no town water for production.

The plant upgrade in Golden Grove, SA was also successfully completed during the year with improved performance already recorded.

The upgrade to the plant in Bowral, NSW was also completed, with final commissioning of the unloading machine to be completed during this half. Along with efficiency benefits, this upgrade removed significant manual handling from the production process at Bowral.

Brickworks is now close to achieving its goal of eliminating all manual handling from the production process at all Brick Plants.

Some capital projects have been delayed due to trade shortages and backlogs at some of our suppliers due to the mining boom.

Premium Masonry



- Acquired GB Masonry 1 August 2006
- Australia's most sought after landscape and block products

Standard Masonry



- Caloundra Blocks acquired 17 November 2006
- Whitsunday Concrete & Block (Proserpine) acquired 8 December 2006
- Ayr Masonry acquired 18 May 2007
- Total capacity 230,000 tonnes per annum

Four acquisitions were completed during the year, with a total investment of \$40.0 million, all Masonry businesses in Queensland.

We are pleased with the progress to date at all of these new sites.

Sales

- Volumes and prices increased during year
- Significant lift in EBIT and margins

Production

- Overall increased cost of manufacture - increased costs in WA plant, decrease at East Coast plants
- Increased product quality resulted from the CAPEX program

Volumes and prices increased during the year.

There was a significant lift in EBIT margins.

West coast costs increased while the east coast costs decreased.

Sales

- Volumes increased during the year, with prices stable
- Tile imports business grew very strongly - almost a doubling of volume from previous year

Business mix

- Shift from domestically produced to imported tiles now advanced enabling better exploitation of distribution channel
- Eureka Fast Fire production facility in Ballarat decommissioned

Overall Volumes up 4.7% with significant growth of the import business which grew by almost 100% during the year. Overall prices were stable.

The Fast Fire facility in Ballarat was decommissioned during July, a non-recurring write-off of \$3.5 million was recorded, with all products now being substituted with imported products. This substitution will provide a better selling price, margin and reduce working capital.

Sales

- Volumes decreased as business was re-focused from Green Structural Timber to “Value Added” Dry Timber
- Prices increases of 10%

Operations

- Increased production costs due to reduced log quality and a higher percentage of production being “value added”
- This also results in higher Work In Progress stock levels due to the timber drying process
- Upgrade to processing line in Bairnsdale, Victoria completed

The timber business is now well supported by log supply contracts.

During the year significant costs were incurred in transitioning the business from primarily a green timber producer to a dry “value added” timber producer. The full benefits of these higher value products and investment in developing new markets is expected to come through in the coming years.

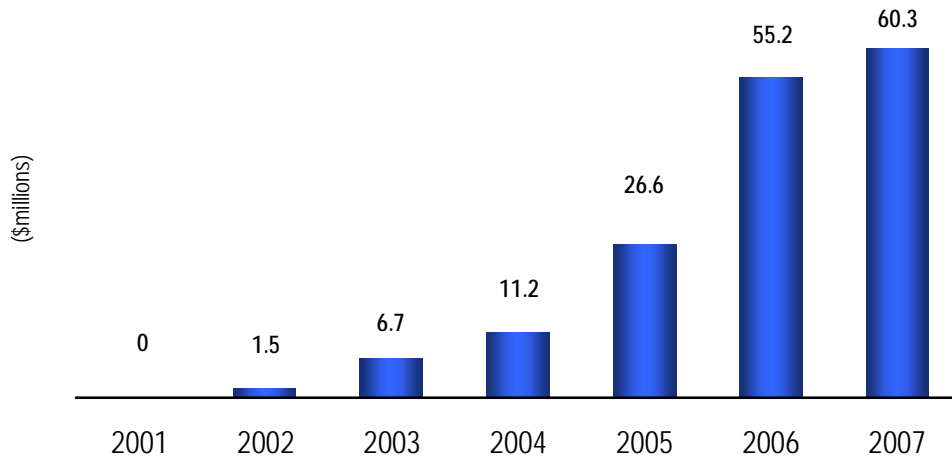
Land & Development

Full Year Ending July 2007

Land & Development Normalised EBIT



- Record EBIT increased 9.2% to \$60.3m



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Land & Development has had a spectacular growth over the last five years. In 2006 Normalised EBIT from Land & Development more than doubled to \$55.2 million. We have again grown this profit during 2007 by 9.2% to \$60.3 million (including waste management). From 2008, significant contributions will commence from the JV Property Trust providing Brickworks with an annuity stream of income.

Land & Development Highlights

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UNIT TRUST

Sales revenue & Major transactions

- M7 Business Hub
- Interlink Distribution Park – additional payment received
- Hallam, Vic, Cranbourne, Vic and Muchea, WA
- Sales into JV Property Trust

Property Trust

- Market value increased to \$91.3m
- \$34.9m unreported profit to date
- Practical Completion of Toll site
- First lease commenced

Waste Management

- Solid lift in performance, EBIT up 10.5% to \$2.1m

In the pipeline

- Coles Cold Storage, Woolworths, Kimberly Clark and others all to be completed during 2007/08
- Construction completion profits from Property Trust
- Sale by Tender process of Scoresby, Vic and Eastwood, NSW

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So, as the previous slide shows, Land & Development was our star performer for the year once again. Straight property sales of land in the M7 Business Hub resulted in profits of \$10.3 million.

Other straight land sales including Hallam, Cranbourne and Muchea contributed a profit of \$16.1 million.

Sale of land to the Property Trust resulted in Profits of \$24.6 million. An additional \$3.9 million profit was received for the Interlink Distribution Park as a result of securing more developable land.

Practical completion was reached in July 2007 for the Toll warehouse facilities in the M7 Business Hub (Sydney). This has resulted in the commencement of the first lease by the Property Trust.

Subsequent to the end of year, a successful tender process has been completed with an accepted offer of \$70 million (including GST) from AV Jennings for the Eastwood property. The company's decision to re-purchase the Eastwood property has been profitable.

Work on the sale of the Scoresby site has commenced with a tender sale process to be completed during the coming year.

Outlook

Full Year Ending July 2007

Building Products

- Brickworks estimate that Australian commencements will be between 148,000 and 150,000 in 2007/08, down from 151,000 last year
- Building Products business will maintain price momentum and will continue to manage inventory

Land & Development

- Continued strong contribution to profit expected in 2007/08
- Commencement of annuity style rental payments from JV Property Trust

Investments

- Improvement in overall performance expected

Australian Housing Commencements are likely to be flat this year around the 148,000 to 150,000 mark. Brickworks estimates underlying demand for homes in Australia is around the 175,000 mark, which leaves a very large gap between current construction and underlying demand. This imbalance will at some point correct, however it is unlikely to do so until the current affordability issues are addressed and interest rates start trending lower.

Brickworks will continue to focus on maintaining price momentum and controlling unit production costs.

Controlling stock levels will have an impact on the profitability of the Building Products business.

We anticipate another strong result from Land & Development and improved return on Brickworks' investment in WHSP and BICL.

Questions?

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