



REVIEW OF RESULTS

JULY 2006

BRICKWORKS LIMITED

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“BRICKWORKS LANDS RECORD \$102 MILLION PROFIT”

\$ MILLIONS	AIFRS July 05 13 mths *	AIFRS July 06 12 mths
NORMALISED NPAT	87.4	101.9
REVENUE		
Total	565.3	532.1
Building Products	519.1	483.1
Property & Waste	45.3	48.2
Building Products EBITDA	116.1	92.0
EBITA		
Building Products	87.1	65.5
Land and Development	26.6	55.2
Investments	0.8	1.2
Associates	47.6	32.1
Other & H.O.	(4.2)	(4.8)
Total EBITA	157.9	149.2
Amortisation	(2.8)	-
Total Borrowing Cost (incl PAVERS)	(31.4)	(25.4)
TAX	(36.3)	(21.9)
NPAT (Normal)	87.4	101.9
Non-regular adjustments (Post-tax)		
WHSP (Non regular items)	92.0 [†]	(3.3)
Rehabilitation / Asset write off	(36.5)	(2.1)
Tax Adjustments	-	5.7
NPAT (incl. non-regular items)	142.9[†]	102.2
PER SHARE (cents)		
Normalised Earnings per share	65.9	76.8
Total Earnings per share	108.5	77.0
Final Ordinary Dividends	21.0	25.0
Full Year dividend	31.0	36.0
NTA/Share	\$4.91	\$5.47

* Brickworks' Financial Year was changed to the 12 months ending 31 July resulting in a once off 13 month year in 2004/05. This change was a consequence of the implementation of AIFRS, specifically AASB 128 Investments in Associates.

[†] In 2005 headline NPAT included a non regular after tax profit of \$72.9 million on the disposal of New Hope Corporation's Indonesian operation.

“BRICKWORKS LANDS RECORD \$102 MILLION PROFIT”

Highlights

- Record Normalised NPAT up 16.6% to \$101.9 million
- Building Products EBITA down 18.2% to \$65.5 million (on pcp)
- Land and Development EBITA increased 107.5% to \$55.2 million
- Associates EBITA down 32.6% to \$32.1 million
- Normalised Income Tax Expense down 39.7% to \$21.9 million
- Final dividend up 19.0% to 25 cents fully franked (full year dividend 36 cents)

Overview

Record Normalised Net Profit After Tax in the 12 months to July 2006 of \$101.9 million was up 16.6% compared to \$87.4 million in the 13 months ending July 2005. The main factors contributing to the normalised result were a significant boost in profit from Land and Development offsetting reductions from Building Products.

Lower tax offset reduced Associates contribution which last year included a non regular after tax profit of \$72.9 million on the disposal of New Hope Corporation's Indonesian operation.

Normalised, earnings per share increased to 76.8 cents per share for the 12 months ending July 2006 (normalised EPS were 65.9 cents for the 13 months ending July 2005).

Directors have recommended a 19.0% increase in the final dividend to 25 cents fully franked, taking the full year dividend to 36 cents fully franked, up 16.1% from 31 cents the previous year.

The record date for dividends will be 17 November 2006 with payment being made on 1 December 2006.

Financial Analysis

The Normalised Income Tax Expense of \$21.9 million was down 39.7% on the \$36.3 million for the 13 months to 31 July 2005. This includes a \$5.5 million normalised adjustment caused by the change in the tax cost base of Washington H. Soul Pattinson. Income tax paid for the year was \$19.8 million.

Free cash flow before capital expenditure and dividends was \$92.5 million down from \$177.4 million last year. Last year's result included substantial cash flow from land transactions that will be recognised as profit in future years.

Interest Bearing Liabilities increased from \$367.6 million at 31 July 2005 to \$375.6 million at 31 July 2006.

Borrowing expenses during the year, including PAVERS dividends, was \$25.4 million, down 19.1% on last year's \$31.4 million.

During the period Ordinary Dividends of \$42.5 million were paid along with Capital Expenditure of \$52.3 million.

Net Debt (including PAVERS) to Capital Employed also continues to improve, finishing the year at 27.0% down from 28.3% at July 2005.

Gearing (debt to equity) decreased from 41.2% at 31 July 2005 to 38.5% at 31 July 2006 including PAVERS.

Interest Cover improved significantly to 6.2 times at 31 July 2006 (4.6 times in 2005) excluding non regular items and the non-cash portion of Equity Accounted profits. Interest includes bank debt interest and the PAVERS dividend.

Working capital at 31 July 2006 was \$115.0 million compared to \$84.1 million at 31 July 2005. The increases were largely the result of an additional \$24.4 million of land transactions awaiting completion and a \$15.1 million increase in inventory in Building Products (including \$4.0 million of working capital added by acquisitions during the year).

Strategy Overview

Brickworks Limited consists of three core businesses: Building Products, Land and Development and Investments. These businesses have provided consistent earnings and capital growth through diversity of revenue streams.

The Building Products strategy is to maximise margin and subsequently return on funds by vigorous competition in product range and quality while offering superior service. Concurrently every effort is made to reduce costs including prudent capital expenditure. Building Products continues to pursue bolt on acquisitions that meet stringent investment criteria and enhance Building Products performance.

Land and Development maximises the use of property assets that are no longer required for the Building Products business and now consists of three main businesses: Land Sales, Property Trust and Waste Management. Profit is maximised through a timely change to highest and best use.

In order to maximise the long term profit potential of Brickworks' land assets an industrial property trust has been established in conjunction with Macquarie Goodman. Excess land that can be developed into industrial uses will be sold to and then developed by the trust. This will allow Brickworks to benefit from ongoing development profit, rental income and potential capital returns as well as the initial land sale into the trust. Excess land that is suitable for residential uses is to be sold at an appropriate point in its development. Waste management will continue to operate in former clay quarries that can not be immediately reclaimed to be sold as usable land.

Investments ensure that profits from the cyclical Building Products business and the volatile Land and Development business are balanced by consistent earnings. A significant part of that investment portfolio has long been Washington H. Soul Pattinson (WHSP). WHSP offers exposure to a diverse range of sectors including telecommunications and media, pharmaceuticals, mineral resources and investment management.

Building Products

Market conditions*

Starting in 1997, one of the longest national housing booms in recent history was briefly interrupted by the introduction of the GST in 2000 before peaking in December 2003 at 46,497 commencements for the quarter. Since the peak, the market has experienced one of the longest declines on record. Reduced commencements were caused by lower consumer confidence due primarily to higher interest rates and increased petrol prices. In the 12 months to June 2006 commencements fell 4.5% to 150,506. Whilst substantially lower than the previous three years it is still high by historical standards.

Building Products greatest exposure is in NSW where commencements fell 15.2% to 32,036 dwellings and fell 17.1% to 15,524 for single dwellings, the lowest number of single dwellings being commenced since records began. NSW built less single homes than Western Australia, Victoria or Queensland.

Building land remains in chronic short supply throughout Sydney and priced beyond the reach of most first homebuyers. Brickworks, along with the building industry, continues to urge the NSW government to remove the restrictions to supply and the substantial imposts on land for single dwellings.

In sharp contrast to NSW, Western Australian commencements increased 12.3% to 25,595 dwellings. Whilst there is currently considerable work in the construction pipeline, the industry is concerned that a critical land shortage is starting to emerge.

In Queensland overall commencements fell 3.4% to 37,394 dwellings however, the Queensland market is showing encouraging signs of recovery.

Victorian commencements softened 4.7% to 39,103 dwellings while in South Australia commencements were stable at 10,611.

Results

Sales for the year ending July 2006 were up 0.9% at \$483.1 million compared to \$479.0 million in the 12 months ending July 2005. Sales were supported by acquisitions. On a like-for-like basis sales were down 5.7%.

EBITA in the 12 months to July 2006 was \$65.5 million, down 18.2% on the \$80.1 million in the 12 months to July 2005.

Brickworks' focus is to maintain the EBITA to sales ratio and profitability despite the downturn and competitive environment. Building Products achieved an EBIT to sales ratio for the 12 months to July 2006 of 13.6% compared to 16.8% in the previous corresponding period.

EBITDA was \$92.0 million (19.0% to sales) for the 12 months to July 2006. This compared to the \$107.4 million (22.4% to sales) in the 12 months to July 2005.

During the period \$1.6 million was spent on redundancies which led to a reduction in employee numbers of 56. Employee numbers reduced to 1466 prior to the inclusion of the 28 net positions after acquisitions and divestments and now total 1494. The relentless pursuit of the lowest cost

* All commencements data sourced from ABS Cat. 8750.0 Dwelling Unit Commencements, Australia, Preliminary, June 2006

base in the industry is underscored by employee productivity. Revenue of \$324,000 and EBITA of \$45,100 per employee compares favourably to our Australian building products peers.

Brickworks continued to take advantage of the current housing lull on the east coast to complete an ambitious capital expenditure program. The focus of the program within Building Products is cost reduction and improvement in safety and environmental performance. Capital expenditure totalled \$47.5 million in the 12 months to July 2006, compared to depreciation of \$26.5 million.

As a result of substantial capital expenditure and greater management focus the safety performance improved substantially. The key safety measure is Lost Time Injury Frequency Rate (LTIFR) which measures the number of injuries that result in a lost shift per million hours worked. LTIFR improved 29% compared with the previous year.

Exports have suffered in Asia where exchange rates, fuel driven shipping charges (bunker surcharges) and aggressive Asian competitors have all combined to make our products less attractive resulting in lower exports to this region.

Segment Results

Austral Bricks™

Impacted by the large exposure to the New South Wales market, national sales of Austral Bricks™ and pavers for the 12 months to July 2006 dropped 5.6% by volume.

Unit brick prices increased by 0.8% in line with expectations. Managing the lower demand to maintain efficient factories has been difficult. To avoid excessive increases in inventory, substantial reductions in production were achieved by mothballing one kiln at Rochedale in Brisbane and carrying out extensive shutdowns and slowdowns at two of three Horsley Park plants in Sydney and at Summerhill and Craigieburn in Melbourne. Overall, production output was reduced by 6.7%. Combined with cost increases and east coast factory refurbishment costs, unit costs increased 4.4%.

On 1 August 2006 Brickworks completed the \$17.4 million acquisition of GB Masonry. The initial phase of the integration into Austral Bricks™ has been successfully completed. GB Masonry has a capacity of 75,000 tonnes and produces Australia's most sought after range of landscape and block products, including retaining walls. Situated in Gympie, 160 kilometres North of Brisbane the plant operates three production lines and sells products from Cairns to Sydney.

In New Zealand arrangements are being made for the establishment of a distribution centre in Auckland following the acquisition of key distributors on both North and South Islands.

North of Melbourne at Wollert, Austral Bricks™ is building a new brick plant at a cost of \$44.0 million, of which \$21.1 million was spent this year. This plant will replace the aging Scoresby brick plant and free 56 hectares of residential land for sale at Scoresby as well as 19 hectares of industrial land at Hallam. Wollert is on schedule to be completed by February 2007 and is expected to be the lowest cost plant in Australia with design capacity of 85 million standard brick equivalents (SBE).

The capital program for the Austral Bricks™ Riverview plant in Queensland at a cost of \$2.4 million, of which \$1.3 million was spent this year, was completed on time and on budget. The capital program will substantially increase efficiency and allow a small capacity increase.

The Austral Bricks™ plant in Golden Grove, South Australia was upgraded at a cost of \$5.5 million, of which \$3.3 million was spent this year. Whilst capacity will remain the same, the introduction of robotic unloading and loading equipment will greatly reduce the cost of manufacture and enhance production flexibility once fully commissioned in the first quarter of 2006/07.

During the year the Punchbowl facility, which had previously manufactured floor tiles for Eureka Tiles™ was transferred to the Austral Bricks™ business in order to facilitate the full time manufacture of Australia's biggest selling large format clay pavers. This product range will be further enhanced with the recent release of Freedom® series stain resistant pavers.

A major television campaign promoting Austral Bricks™ was launched 2005/06. The "It's a fashion thing™" campaign, featuring Nicky Buckley, has had an immediate impact on brand awareness. Supporting the campaign is a significant revamp of displays. Major new displays have been built or are underway at Malaga (W.A.) Golden Grove (S.A.), Hobart (Tas.), Rochedale (Qld.), Craigieburn (Vic.) and Scoresby (Vic.).

Austral Bricks™, as Australia's largest brick company, contributed significantly to the industry programs and campaigns that are addressing bricklayer shortages, sustainability and environmental issues.

Bristile Roofing™

Sales of Bristile roof tiles for the 12 months to 31 July 2006 declined 4.6% by volume.

The strong increase in EBIT reported in the first half continued through the balance of the year driven by a 4.8% increase in price and significantly lower costs as a result of the previous year's capital program.

In 2005 a major upgrade was undertaken at both Queensland and Victorian manufacturing facilities. These upgrades were completed on budget and on time and continue to drive lower production costs, lower transport costs and higher quality.

Eureka Tiles™

Sales of floor tiles for the 12 months to 31 July 2006 declined 7.3% by volume.

Selling prices increased 1.7% in the face of domestic and import competition.

Strong import and domestic competition requires further adjustment to the business model. This period of transition is difficult but substantial progress has been made with sales of traditional terracotta tiles and tile imports recording strong volume increases. This has resulted in the mix between domestically produced and imported tiles moving towards imported.

On 30 June 2006 the bathroom fittings business was divested. This small activity was proving to be a distraction leading to its divestment in excess of book value.

Auswest Timbers

Sales of timber for the 12 months to 31 July 2006 increase 6.3% by volume.

Selling prices decreased 4.1%.

The hardwood timber industry continues to shift emphasis from low value products such as structural timber towards high value added product such as floor boards and furniture grade timber. Despite some challenges in the current period, signs of a favourable shift in product mix are beginning to emerge.

During the year Auswest acquired the remaining 58% of Terra Timbers, a value added producer in Bairnsdale, Victoria. At the same time the Victorian roof tile industry has been encouraged to move from hardwood battens to pine battens produced in Auswest's dedicated pine batten mill in Canberra. Each of these three initiatives drives Auswest to a sustainable future.

Adding to the sustainable future has been the securing of considerable log licenses for Victoria. The East Gippsland business now has licences and contracts extending eight years to 2014 and combined with Pemberton's 17 year log contract, puts Auswest in a strong position.

Auswest Timbers completed a \$3.2 million value adding facility in Pemberton, WA. The upgraded Pemberton plant will be capable of completing most of its own 'value adding' on site, including the production of flooring products. Wet weather and difficulties obtaining skilled trades in WA's overheated labour market contributed to delays in the project. The project, whilst completed, is now expected to be commissioned in the first half of 2006/07.

Land and Development

The 2005/06 financial year has seen the highest return to date from the Brickworks property realisation program for surplus land holdings. Normalised profit before tax totalled \$55.2 million, an increase of \$28.6 million from 2004/05.

Land and Development now consists of three main businesses: Land Sales, Property Trust and Waste Management.

Capital expenditure of \$4.8 million was required for land purchases, planning and site preparation. In the 2005/06 period 59.9 Ha of land was sold and 120.0 Ha of land was acquired for the Building Products businesses resulting in a net increase in land holdings of 60.1 Ha.

Land Sales

The development of the M7 Business Hub with Macquarie Goodman has continued strongly and underpinned the profit in 2005/06. Profit came largely from land sales in the Eastern Precinct of the M7 Business Hub. The site is valued for its proximity to Sydney's newly created transport hub, the intersection of the M7 and M4 freeways from where most of Sydney is readily accessible.

Completion of major services to the site and internal infrastructure works to the Eastern Precinct of the M7 Business Hub secured sub-division approval of this area in June 2006. This allowed 17 sale contracts already signed on the site to be exchanged. Very few lots now remain unsold for this precinct.

The sale of the Mamre Road site into the newly created Brickworks/Macquarie Goodman property trust also contributed significant profit.

The 2005/06 period saw the Eastwood, NSW site enter an important phase, with the completion of infrastructure and servicing works to the first stage of the residential development near Skenes Avenue. The first six lots were offered to the market in April 2006 and all were under contract by July 2006. Titles for these lots have now been secured which will allow the sales to settle early in the 2006/07 financial year. The first major stage of development, consisting of 20 lots and six terraces, is scheduled to be offered to the market in late 2006 or early 2007.

Work on the redevelopment of the Scoresby, Victoria site has continued over the 2005/06 financial year. Approval to fill the Scoresby site was received from Knox Council in early 2006 and the rezoning application, lodged in October 2005, was put on public exhibition in March 2006. No major objections were made to the rezoning and Council is expected to make a decision on the application by the end of 2006. This will allow the property to be offered to the market for redevelopment in early 2007.

The Bolinda Road site (5Ha) in Melbourne's north is also under consideration for sale as a land fill site.

Property Trust

The future development of the remaining sections of the M7 Business Hub property and several other properties has been secured by the establishment of the property trust, to be owned in equal interests by Brickworks and Macquarie Goodman Wholesale Fund. The Trust will develop and own prime industrial facilities on land already owned by Brickworks.

The Trust's initial transactions on the M7 Business Hub site include development pre-commitments for a new 49,000 m² Chilled Distribution Facility for Coles Myer and 16,500 m² Logistics/Fleet Facility for Toll Holdings with an estimated on-completion value of \$177.6 million. These transactions are conditional on development approvals, which are expected to be secured in the late 2006. Other land on the M7 Business Hub has also been set aside for development by the Trust in the future.

The Mamre Road, NSW site currently consists of 33 hectares of developable land. Pre-commitment interest in the site has been strong with negotiations well advanced with a number of prominent Australian and international corporations. In total the site should accommodate up to 200,000 m² of new industrial facilities over the next few years with an estimated value of \$265 million.

On 19 September 2006 a Heads of Agreement was signed between Brickworks and the Brickworks/Macquarie Goodman property trust granting a six month exclusive period for the trust to evaluate Brickworks industrial properties. Properties under consideration include Oakdale, NSW (333 Ha), Hallam, Vic. (19 Ha) and a portion of Craigieburn, Vic. (83Ha). The Oakdale property was declared "state significant employment lands" in November 2005.

Waste Management

The Horsley Park and Bowral waste facilities provided royalties totalling \$1.9 million in the 2005/06 financial year. The royalties from the Horsley Park facility, operated by Collex, have continued to be well over the minimum requirement and forecasted amount. An agreement with Collex, which will provide an additional payment for providing airspace earlier than initially contemplated, was signed in April 2006.

Investments

Washington H. Soul Pattinson Limited (WHSP)

ASX Code: SOL

The market value of Brickworks' 42.85% share of WHSP decreased \$183.4 million (18.7%) to \$797.6 million at year end. In the previous year the value increased by \$286.0 million. Fully franked dividends of \$41.9 million (\$32.7 million last year) were also received and included a special dividend of 15 cents per share in November 2005.

The total 12 month normalised equity contribution of WHSP to 31 July 2006 was \$29.5 million (\$176.1 million last year which included a NPAT non-regular contribution from the sale of the New Hope Corporation's Indonesian operation for \$72.9 million and an additional six month period due to the change in reporting period of \$19.2 million).

The investment in WHSP has a 15 year compound annual return of 13.5% compared to 12.2% in the ASX All Ordinary Accumulation Index. The compound annual return for five years is 13.1% compared to 13.1% in the ASX All Ordinary Accumulation Index.

Brickworks Investment Company Limited (BICL)

ASX Code: BKI

BICL has reported a Net Profit After Tax of \$12.8 million to 30 June 2006 compared to \$10.5 million in the 12 months to 30 June 2005.

Brickworks equity accounted share of BICL was \$2.8 million. At 31 July Brickworks held 20.7% of BICL issued share capital.

The fully franked dividend of 2.5 cents per share and an additional 1 cent per share special dividend has been declared bringing the total to 6.0 cents (fully franked) per share for the year compared to 4.3 cents per share last year. This dividend of \$1.5 million was received on 31 August 2006.

The value of Brickworks' investment in BICL increased 14.7% from \$50.4 million to \$57.8 million at 31 July 2006 however the total portfolio value of the BICL increased by 18.7% during the period to \$294.7 million from \$248.3 million.

Net Asset backing per share before tax as at 30 July has also increased to \$1.41 per share from \$1.30 per share, an 8% improvement.

The BICL share price has increased from \$1.17 per share at 31 July 2005 to \$1.34 per share at 31 July 2006.

Outlook

Building Commencements and Building Products

Brickworks estimate that Building commencements will fall a further 7% in 2006/07 to around 140,000.

In Western Australia healthy economic conditions are expected to continue though land availability will be closely monitored. New South Wales is likely to decline throughout the coming year and a recovery seems some time away under the current circumstances. Queensland is anticipated to have similar trading conditions to 2005/06 whilst South Australia and Victoria are predicted to drift downwards slightly.

The Building Products businesses will attempt to maintain price momentum and match production to demand.

Land and Development

Brickworks excess land is in desirable locations and is expected to continue contributing strongly to profit. As always, the timing of sales is difficult to predict due to the vagaries of various approval processes.

The Property Trust expects to continue to develop land already acquired.

Investments

Investments are expected to provide diversity to the income streams from Building Products and Land and Development.

Overall

Brickworks overall financial position continues to strengthen despite weaker building products markets.

LINDSAY PARTRIDGE
MANAGING DIRECTOR