

27 November 2018

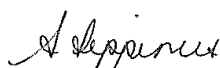
Australian Securities Exchange  
Attention: **Companies Department**

**BY ELECTRONIC LODGEMENT**

Dear Sir / Madam

Please find attached presentation and additional comments to be made today at the Brickworks Limited Annual General Meeting for immediate release to the market.

Yours faithfully  
BRICKWORKS LIMITED



**Susan Leppinus**  
Company Secretary

# BRICKWORKS LIMITED

## 84<sup>th</sup> ANNUAL GENERAL MEETING

*27 November 2018*



**BRICKWORKS**  
LIMITED

### **CHAIRMAN:**

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 84th 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.

### **Opening:**

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) Only those who are registered with an electronic handheld device or those who hold an ORANGE card are entitled to ask questions at today's meeting.
- (iii) Would you please ensure that all mobile phones are turned off.

**Introduce directors:**

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

- Ms Susan Leppinus, the General Counsel & Company Secretary;
- Mr Lindsay Partridge, the Managing Director;
- Mr Michael Millner, the Deputy Chairman;
- Mr Robert Webster;
- Mrs Deborah Page;
- Mr Brendan Crotty;
- Mr David Gilham; and
- Mr Robert Bakewell, the Chief Financial Officer.

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

# CHAIRMAN'S ADDRESS

*Mr Robert Millner*

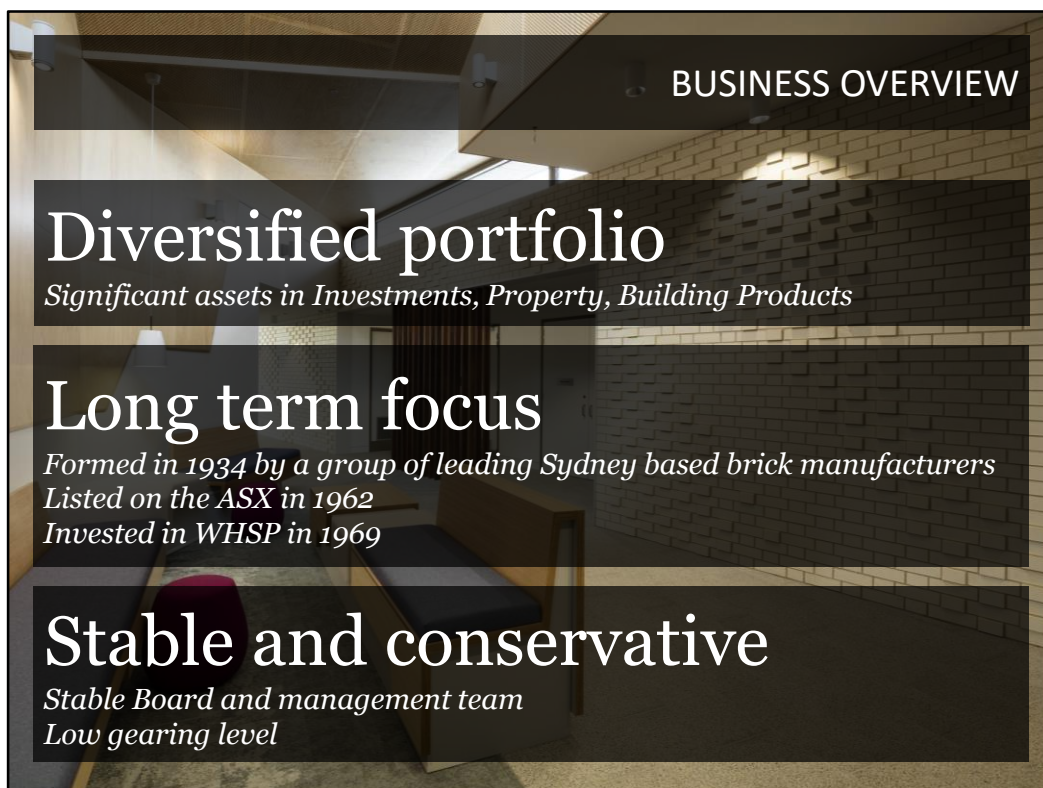


**BRICKWORKS**  
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After I have completed my overview, Lindsay will give the Managing Director's Address, including a review of Investments, Property and Building Products.

Following this, shareholders will have the opportunity to ask questions.

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



Brickworks' has a diversified corporate structure that has provided stability of earnings and steady asset growth over the long term.

There are three main parts to the Brickworks business model, with the company having significant assets in:

- Investments;
- Property; and
- Building Products.

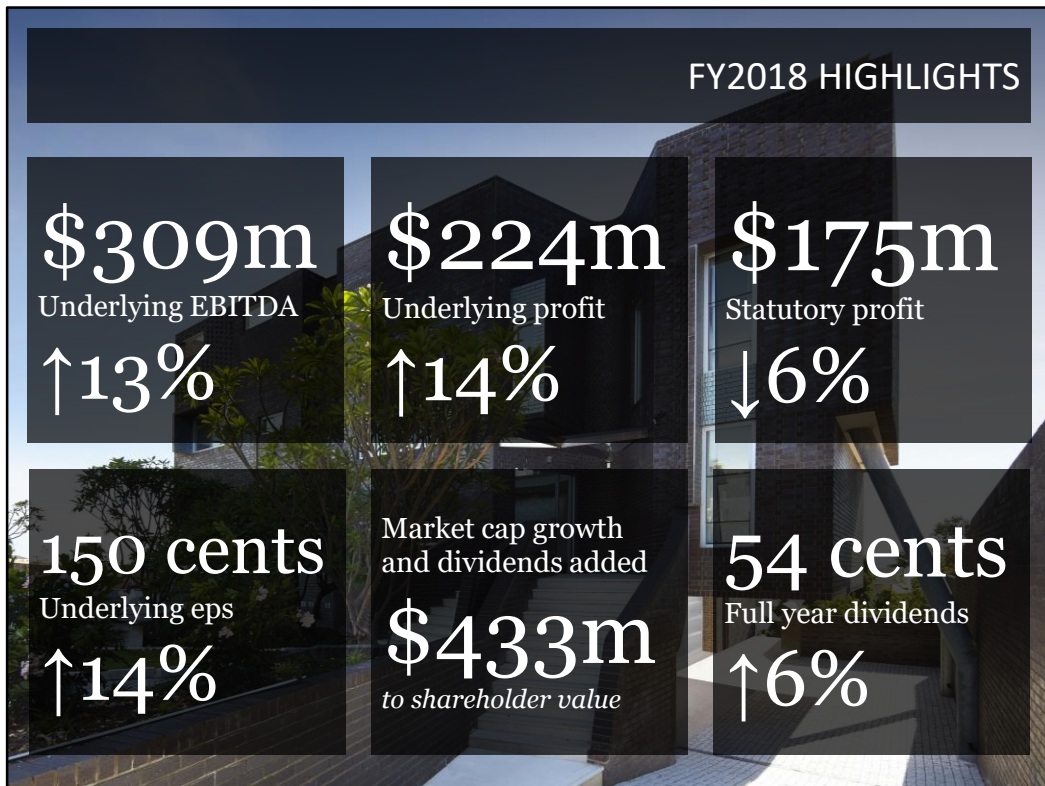
As a diversified business, we are less exposed to market volatility and are well placed to ride out the low points of business cycles.

We take a long-term view of our operations. Brickworks was formed in 1934 by a group of leading Sydney based brick manufacturers and has grown over time to become the largest and most successful brick maker in the country.

Brickworks was listed on the ASX in 1962 and in 1969 made a significant investment in Washington H. Soul Pattinson that remains in place today.

We make investment decisions not for the short term, but across cycles, ensuring we are in the strongest possible position to continue to grow and succeed in the future.

The company is stable and conservative, with a low gearing level, a prudent approach to capital management, and a stable Board and management team.



Financial year 2018 was very successful for Brickworks.

Increased underlying earnings within Building Products, Property and Investments resulted in a total EBITDA of \$309 million for the year.

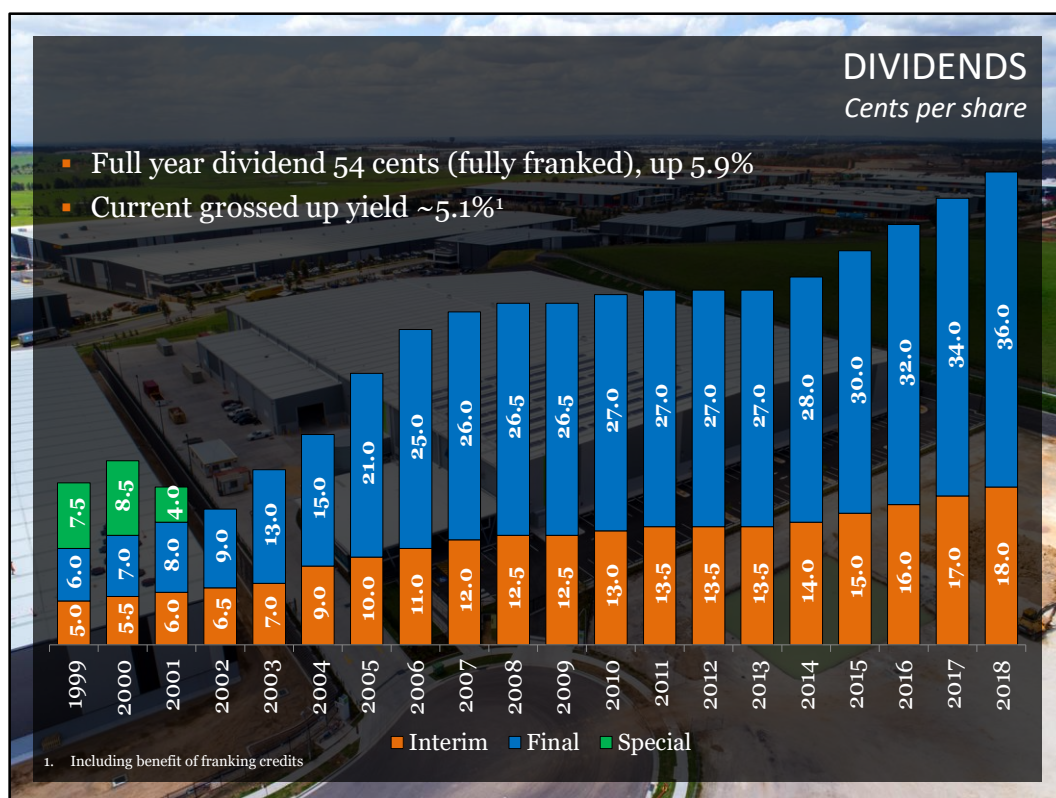
A record underlying profit of \$224 million was achieved, up 14% on the prior year.

This translates to underlying earnings per share of 150 cents.

After including the impact of significant items, statutory NPAT for the period was \$175 million, down 6%.

Total shareholders wealth grew by \$433 million, due to an increase in our share price, and our dividend payments.





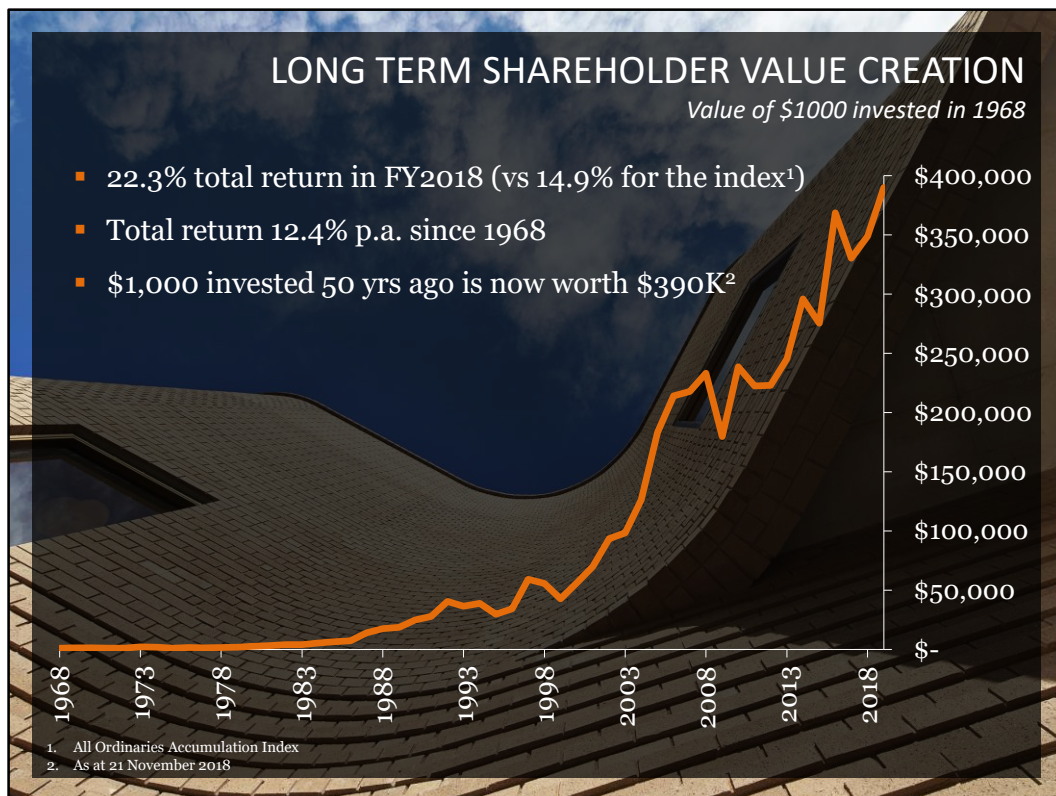
A fully franked final dividend of 36 cents per share is payable to shareholders tomorrow. This takes the full year dividend to 54 cents per share, up 6%.

Based on our current share price, this represents a grossed up dividend yield of around 5.1%, including the benefit of franking credits.

The chart on the screen shows our dividend history going back 20 years. We recognise the importance of dividends to our shareholders and are proud of our strong and stable dividend history.

Brickworks is one of only 9 companies in the ASX All Ordinaries index that have at least maintained the normal dividend every year since the turn of the century.

In fact, since listing on the ASX in 1962, we have only reduced dividends once, in 1975.

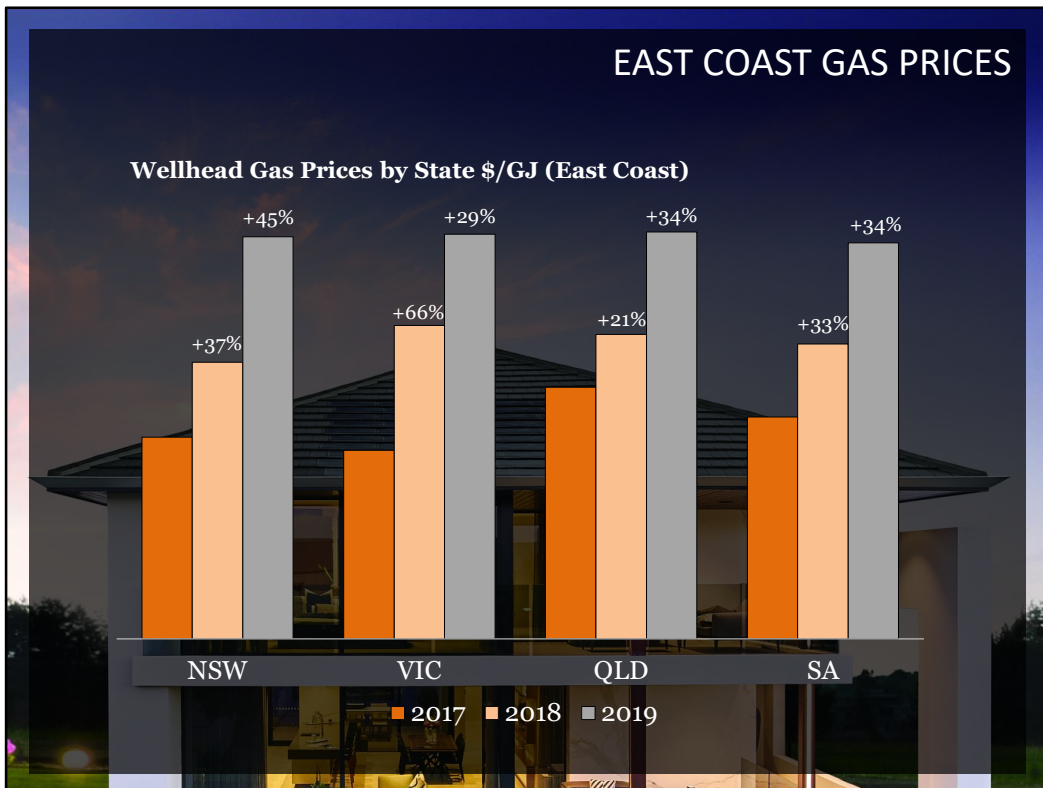


Over the past 50 years Brickworks has delivered average shareholder returns of just over 12% per annum. This means that \$1,000 invested in Brickworks 50 years ago in 1968 would be worth around \$390,000 as at the 21<sup>st</sup> November 2018.

During financial year 2018, the share price increased by 22.3% compared to the All Ordinaries Accumulation Index return of 14.9%.

Having said that, the market continually values Brickworks based on the Building Products outlook and not on Investments and Property, that contribute earnings and asset growth well above Building Products.



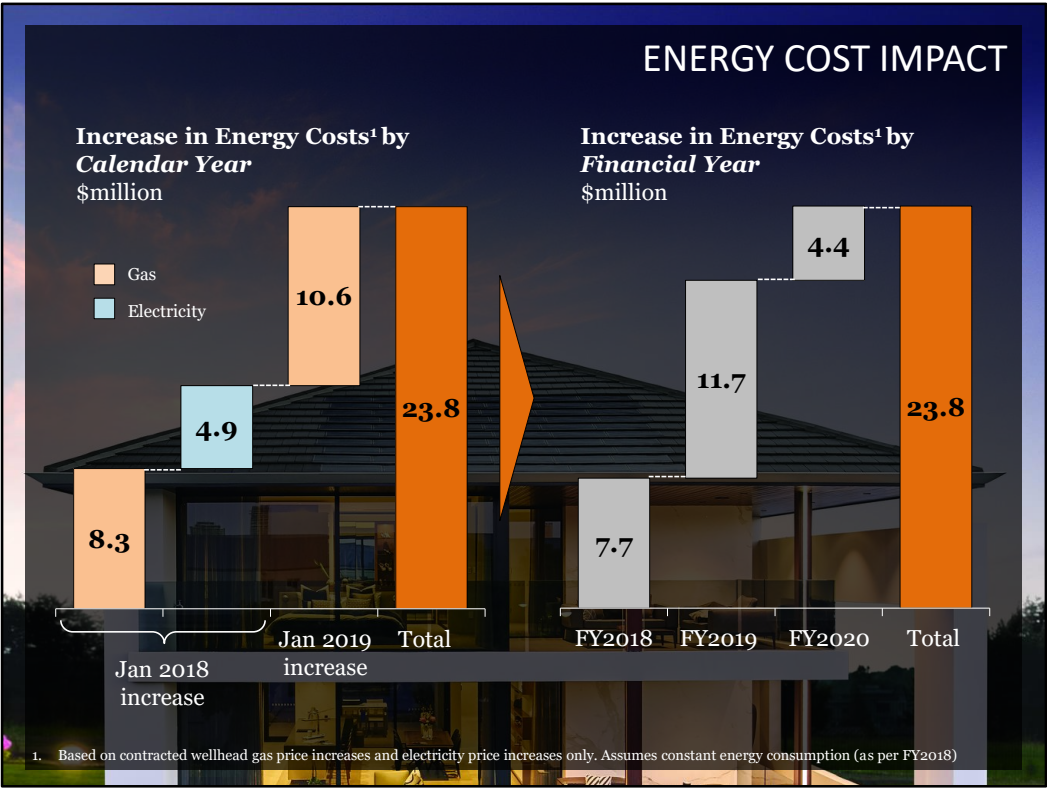


Following repeated warnings from industry for many years, and a lack of any meaningful response from government, the Australian east coast energy supply crunch has now arrived.

Within Austral Bricks, energy represents almost 20% of total manufacturing costs, and therefore any increase in energy prices has a significant impact on margins.

The chart on screen shows the dramatic increase in our contracted wellhead gas prices across the major east coast states.

In January this year, gas prices across the east coast increased by between 21% and 66%, depending on the state. At the same time, electricity prices increased by between 14% and 160%. An additional gas price increase of between 29% and 45% has been contracted, and will take effect in January 2019.



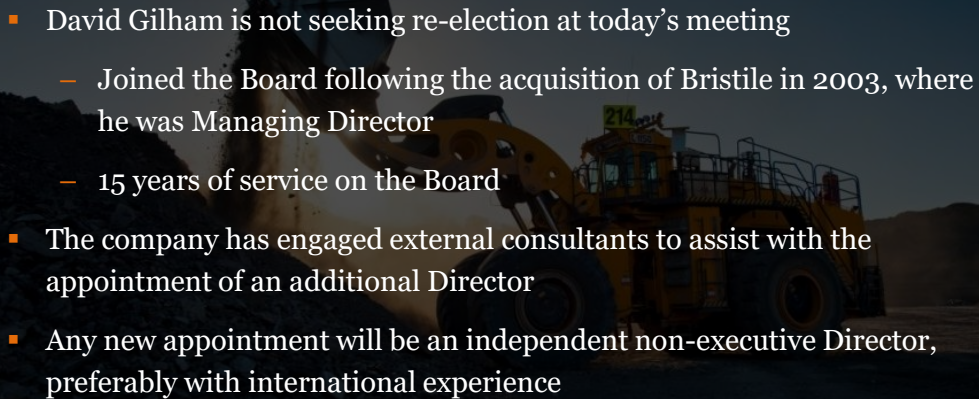
Once all of these price increases take effect, the total annual cost impact is almost \$24 million, assuming constant energy consumption at 2018 levels. Putting this another way, that is one third of last year’s Building Product’s earnings.

Due to the timing of the price increases, this impact is being progressively felt over financial years 2018, 2019 and 2020. As shown the increase in the current financial year, compared to last year, is \$11.7 million.

Our experience is being shared by businesses and households all across Australia, and it is no surprise that increasing energy costs are driving businesses investment and employment offshore.

Brickworks continues to implement initiatives to make savings elsewhere within the business, to offset the impact of higher energy prices.

## BOARD GOVERNANCE

- 
- David Gilham is not seeking re-election at today's meeting
    - Joined the Board following the acquisition of Bristle in 2003, where he was Managing Director
    - 15 years of service on the Board
  - The company has engaged external consultants to assist with the appointment of an additional Director
  - Any new appointment will be an independent non-executive Director, preferably with international experience

The continued strong performance of the company is a credit to our staff. On behalf of the Board, I would like to thank all our staff and our executive management team for their ongoing efforts and commitment.

I would also like to thank my fellow directors and our shareholders for your continued support.

As previously advised to shareholders, David Gilham is not seeking re-election at this Annual General Meeting, and is therefore retiring from the Board today. David was appointed a Director in 2003, following the acquisition of Bristle Limited, where he served as the Managing Director. On behalf of the Board, I would like to thank David for his fifteen years of service as a Director.

As part of our succession plan, the Company has engaged external consultants to assist with the appointment of an additional independent non-executive director, preferably with international experience.

I will now hand over to Lindsay who will provide the Managing Director's address.

## MANAGING DIRECTOR'S ADDRESS

*Mr Lindsay Partridge*



**BRICKWORKS**  
— BUILDING PRODUCTS —

Thank you Chairman. Good afternoon ladies and gentlemen.

It gives me great pleasure to report that Brickworks has delivered another strong financial result in 2018. We have also made significant progress in the implementation of a range of strategic initiatives to position the company for further growth.

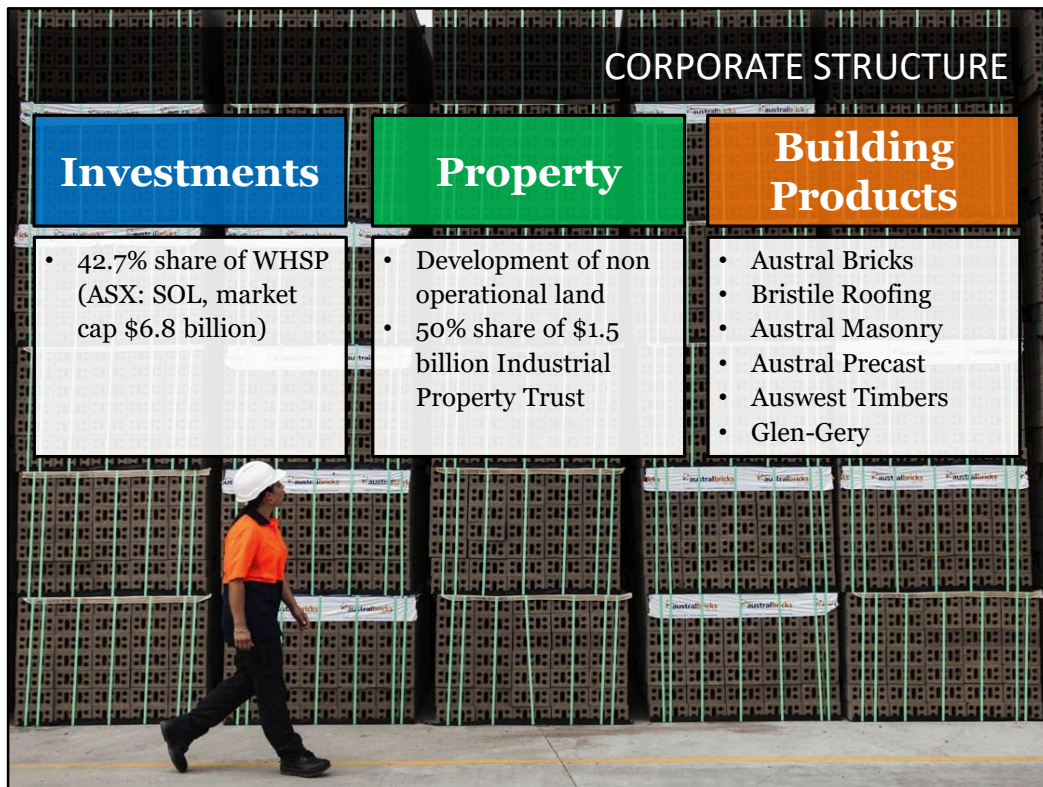


The health and safety of our people is our number one priority, and the Company has made steady progress in reducing the number of workplace injuries over many years.

However, there were 5 Lost Time Injuries during the 2018 financial year, up by one on the prior year. This translated into an increase in the Lost Time Injury Frequency Rate to 1.7, compared to 1.3 in the 2017 financial year. The Total Reportable Injury Frequency Rate increased to 20.4, from 17.1 in the prior year.

Whilst disappointing, the increase in workplace injuries in 2018 follows 4 straight years of decreasing injury rates, and has re-enforced the company’s commitment to rolling out best practice safety standards across all operations, and seeking new ways of improving safety further.





As the Chairman mentioned, Brickworks has a diversified portfolio of businesses.

Investments consists primarily of a 42.7% interest in Washington H. Soul Pattinson, an ASX200 company with a current market capitalisation of around \$6.8 billion.

Building Products consists of leading brands such as Austral Bricks, Bristle Roofing, Austral Masonry, Austral Precast and Auswest Timbers. As we announced on Friday and as I will discuss later, we can now also add Glen-Gery, our newly acquired US brick business, to that list.

The Property business exists to maximise the value of land that is surplus to the Building Products business, and includes a 50% share in an Industrial Property Trust with the Goodman Group.

Our strong financial performance during the year again reinforced the benefit of our diversification strategy which has consistently grown net asset value over the long term and helped to deliver solid returns and stability to our shareholders.

## INVESTMENTS



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LIMITED

Looking now at Investments, the largest part of the Group by asset value.

## INVESTMENT IN WHSP (ASX: SOL)

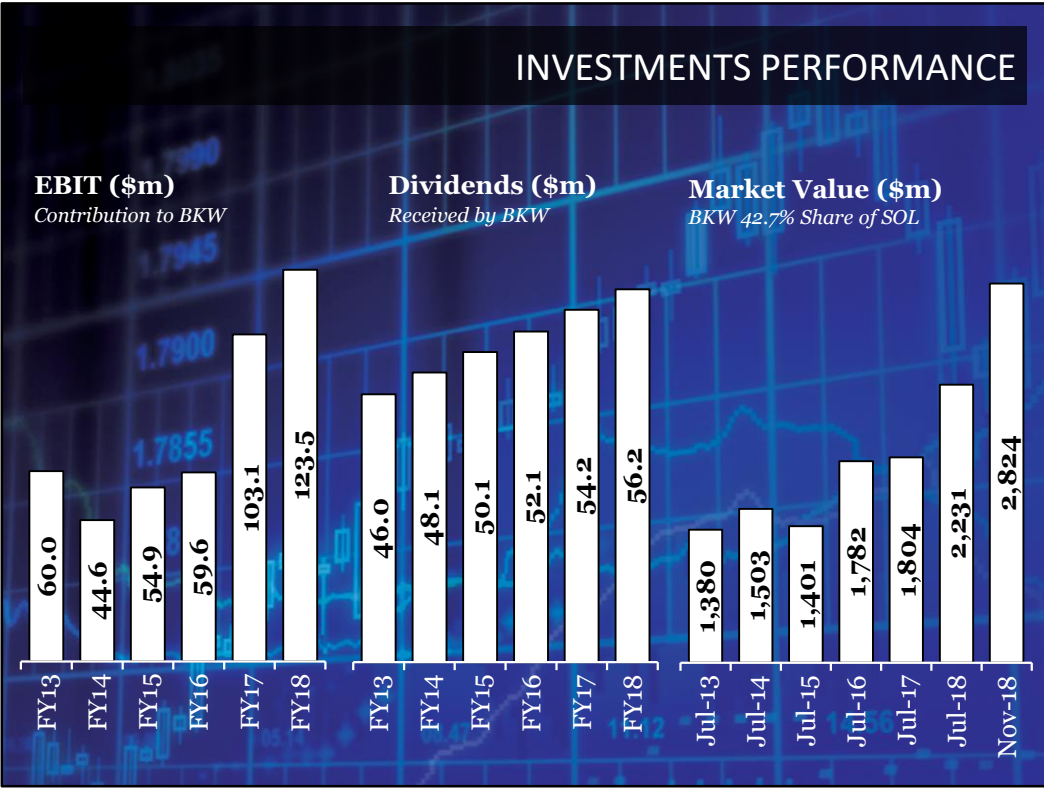
- SOL is a diversified investment house with interests in a wide range of companies such as TPG, New Hope, API and Brickworks
- SOL has a market capitalisation of around \$6.8 billion
- BKW holds a 42.7% stake in SOL
- Held by BKW for almost 50 years



As I mentioned, Investments consists primarily of a 42.7% stake in Washington H Soul Pattinson, a core asset of Brickworks that has brought diversity and reliable earnings to the company for almost 50 years.

WHSP is a diversified investment house with interests in a wide range of companies, including TPG Telecom and New Hope Corporation.

As I said, it has a current market capitalisation around \$6.8 billion.



The underlying EBIT contribution from Investments was \$123 million for 2018, up by 20%.

In addition \$56 million in fully franked dividends were received from WHSP during the year. As shown on the chart, our investment in WHSP has provided a steadily increasing cash flow stream via dividends, and this is of critical strategic importance, allowing the company to make long term investment decisions in spite of cyclical downturns, and also underpinning Brickworks own dividend to our shareholders.

Brickworks 42.7% share of WHSP currently has a market value of around \$2.8 billion. This is up by around \$600 million since the value at 31 July 2018, following recent strong share price growth.



## ACTIVE M&A ACROSS WHSP PORTFOLIO ADDS VALUE

- WHSP investment approach is proven, and capitalises on key strengths:
  - Disciplined
  - Long Term
  - Opportunistic
- Major transactions across WHSP and Group companies continues to add value:
  - TPG merger of equals with Vodafone (subject to approvals)
  - New Hope Corporation acquisition of Bengalla
  - Sale of Pitt St building
- Stable and trusted business partner

WHSP have a proven investment approach, that has delivered strong shareholder returns over the long term.

The company has a track record of disciplined, but opportunistic investment and capital allocation. Significant value has been added through active M&A across WHSP and Group companies. Recent examples include:

- The TPG merger of equals with Vodafone, subject to regulatory approvals;
- New Hope Corporation's acquisition of Bengalla; and
- The sale of the Pitt St head office building.

WHSP is a stable and trusted business partner to Brickworks, and we are confident that WHSP will continue to add value and deliver a growing stream of earnings and dividends over the long term.

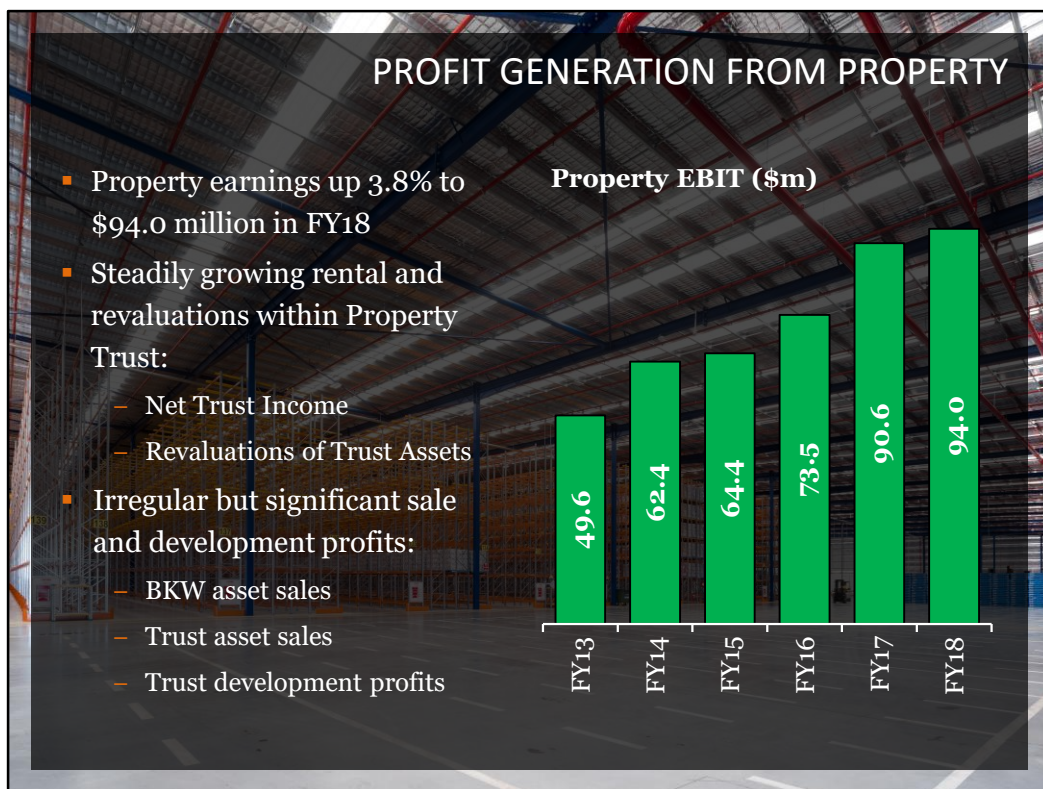


## PROPERTY



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LIMITED

Turning now to Property.

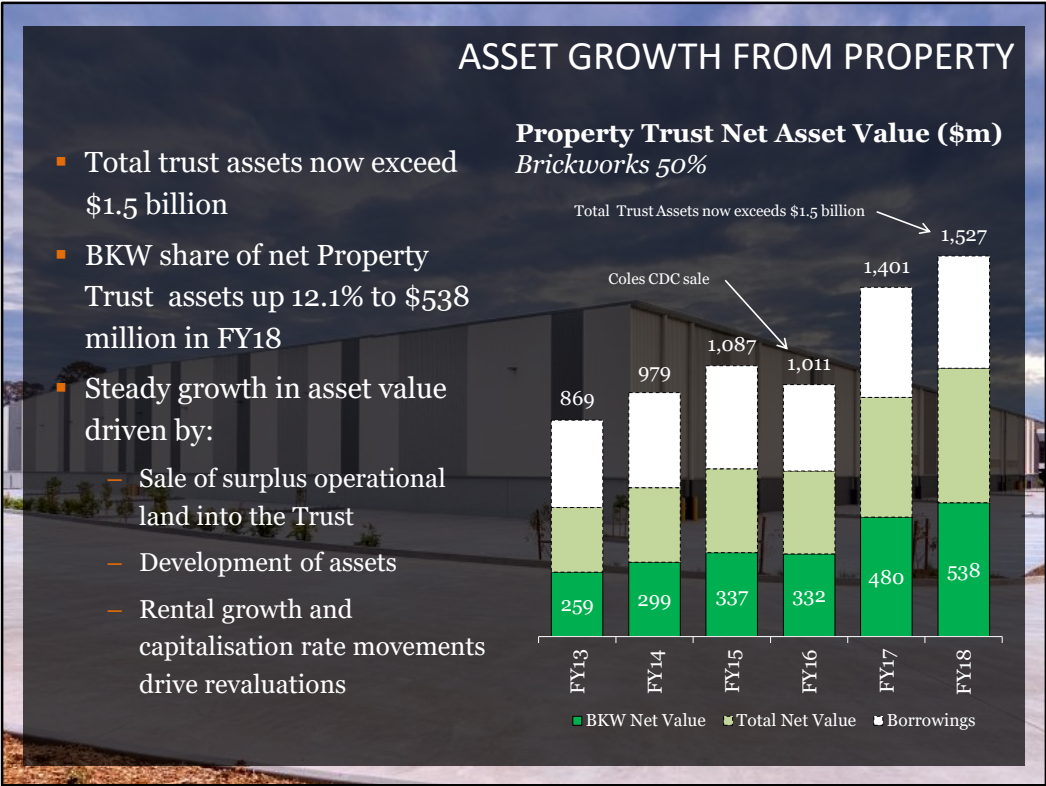


2018 was another incredibly pleasing year, with Property delivering EBIT of \$94 million, up 4% on the prior year.

This represents the sixth consecutive year of earnings growth.

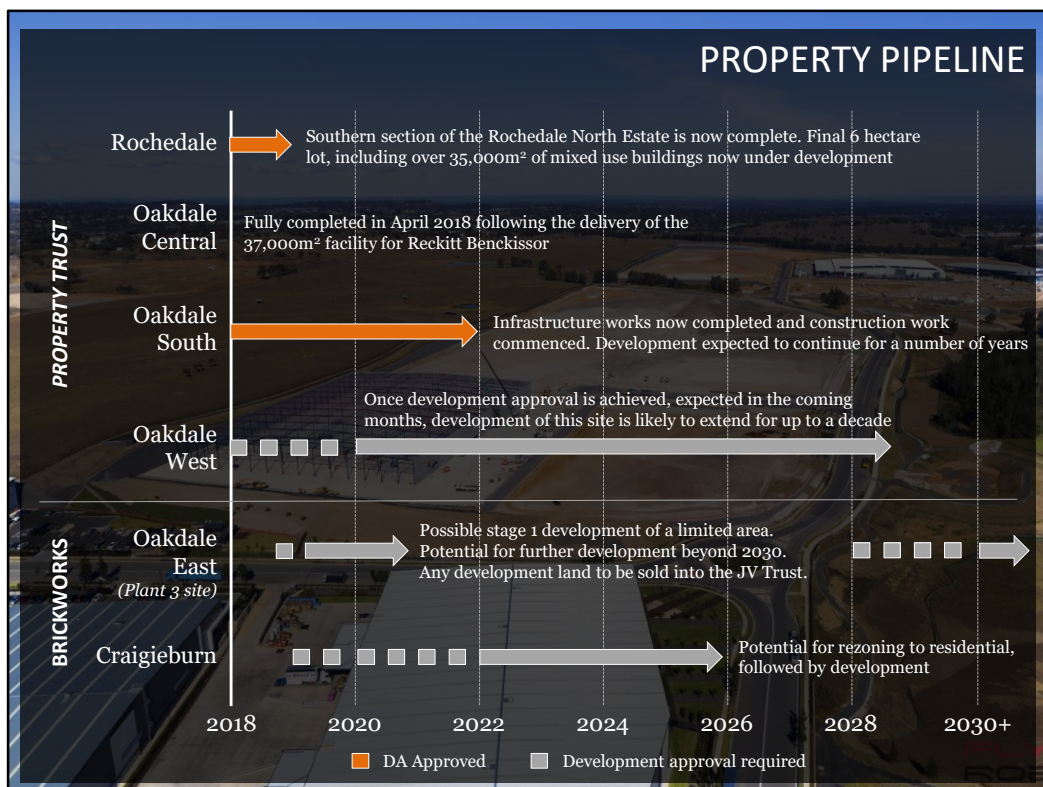
The improved result was due to significantly higher earnings from the Property Trust, following the development of assets at Oakdale Central and Oakdale South in New South Wales, and Rochedale in Queensland.

In May we announced the sale of our Punchbowl site, and this sale was completed in October. With a sale price of \$41 million, and total costs of approximately \$8 million, this transaction will deliver a profit of around \$33 million to Brickworks, to be recorded in financial year 2019.



We are focused on continuing to build asset value in the Property Trust, and have re-invested cash proceeds received from land sales in recent years to support development activity. This has seen total assets within the Trust increase to over \$1.5 billion at the end of July – a significant achievement given its inception just over 10 years ago.

After taking into account debt, Brickworks share of net asset value was \$538 million at the end of the financial year.



Looking ahead, the JV Trust has a strong pipeline of land, which will be developed over the coming years.

With Oakdale Central now completed, the main focus of development is currently Oakdale South.

The sale of Oakdale West into the JV Trust in 2016 has secured development for over 10 years, pending development approvals.

In addition, plans are now in place for the development of 10 hectares of surplus land at the 88 hectare Plant 3 site, known as Oakdale East, subject to approvals. This site has been identified for the development of a mixed use industrial site, to include a new masonry plant, replacing our existing masonry plant at Prospect.

Longer term, further surplus land at this site may also become available for development. Surplus land will be sold into the Trust to facilitate development activity at this site.

The largest site held for development by Brickworks, is at Craigieburn in Victoria. This 330 hectare site has the potential for rezoning to residential, followed by development, in future years.

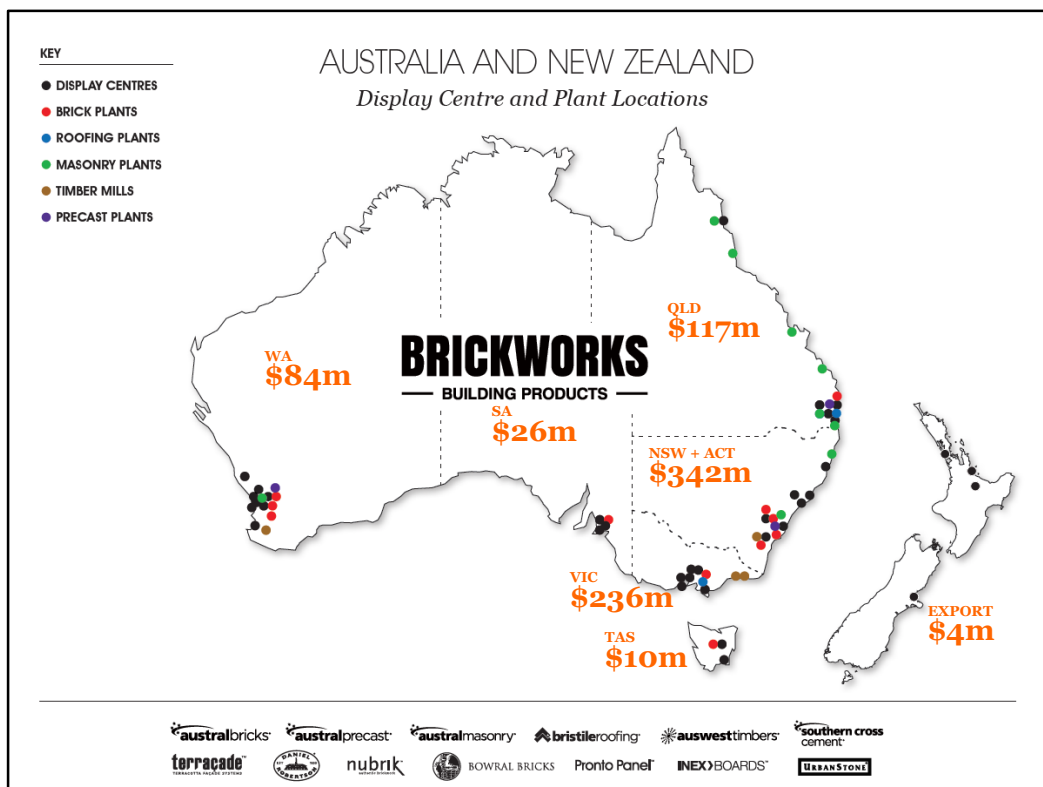
## BUILDING PRODUCTS



**BRICKWORKS**  
LIMITED

Looking now at Building Products.



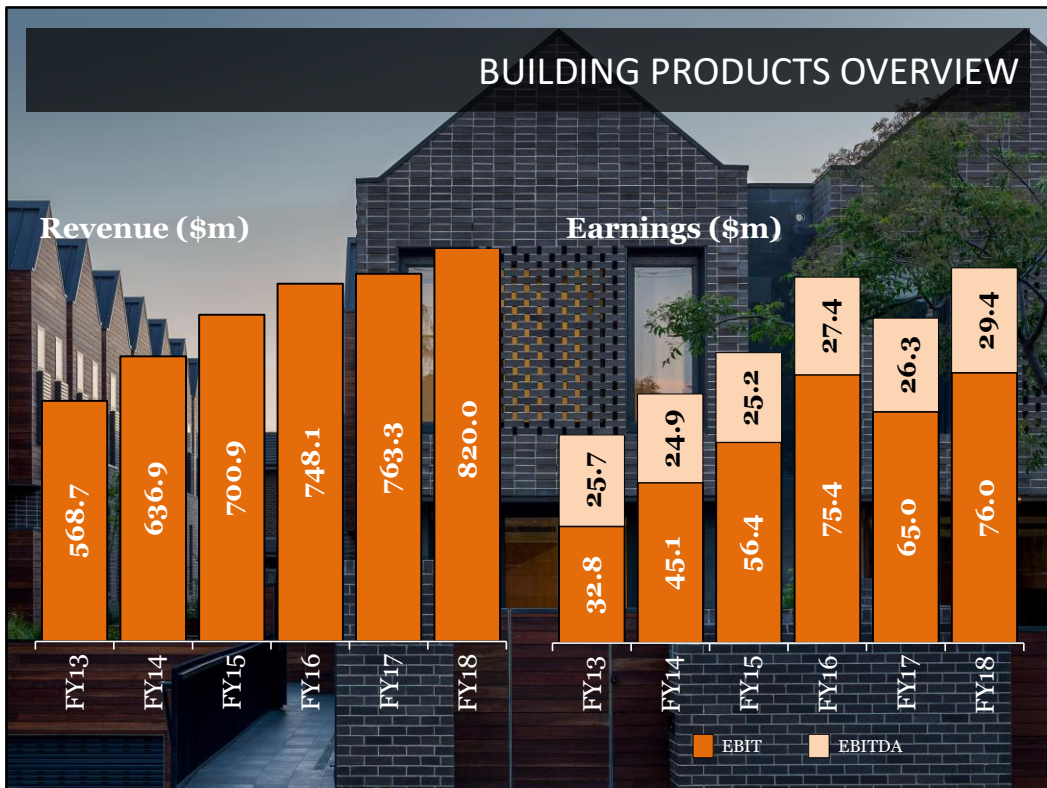


Building Products is a strong national business, with manufacturing plants and display centres located in all states.

In total, Building Products comprises 33 manufacturing plants and more than 27 display centres and design studios across the country. This is complemented by an extensive reseller network that includes over 100 additional displays.

Geographically, our sales revenue is spread approximately in proportion with building activity across the country.

Our broad portfolio of products also provides diversification across market segments, including detached houses, multi-residential developments and non residential building.



In 2018, Building Products revenue increased 7% to a record \$820 million.

EBIT was \$76 million, up 17% on the prior year, and EBITDA was \$105 million. Unit margins and return on assets also increased on the prior year.

The result was characterised by another strong performance from east coast divisions, buoyed by continued robust demand in New South Wales and Victoria. In addition, performance in Western Australia improved, despite the further deterioration in market activity, on the back of a range of restructuring initiatives.

The image features the Australbricks logo at the top left, which includes a stylized starburst graphic and the brand name. To the right of the logo, there are two green upward-pointing arrows, one labeled 'Revenue' and the other 'EBIT'. Below the logo, a list of seven bullet points is displayed on a dark, semi-transparent background. The background of the entire slide is a photograph of a modern, multi-story building with a light-colored brick facade and large glass windows. The building has a contemporary design with a mix of materials and a clean, geometric aesthetic.

- Earnings significantly higher, up 12.8%
- Sales revenue of \$447.3 million, up 8.1%
- Particularly strong performance in New South Wales and Victoria
- WA result much improved following restructuring
- Focus on premium products driving higher margins
- Rochedale upgrade completed
- Next phase of capital upgrades to focus on New South Wales

Looking now at our Building Products divisions, the largest of which is Austral Bricks.

Austral Bricks commenced operations in 1908 and is Australia's largest clay brick manufacturer with significant market positions in every state.

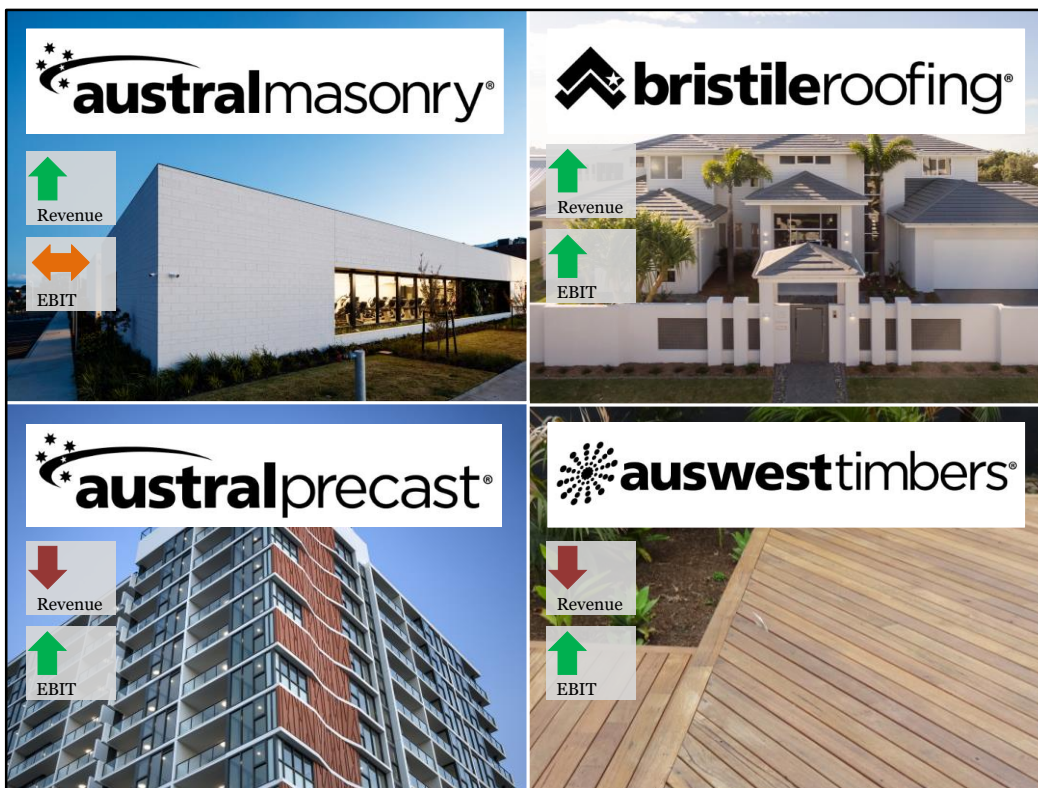
Austral Bricks has 10 plants currently in operation with a combined production capacity of over 700 million bricks per annum. That is enough for around 70,000 homes.

In 2018, Austral Bricks delivered a 13% increase in earnings, with sales revenue up 8% to \$447 million, on the back of a strong performance from the major east coast states.

Austral Bricks continues to benefit from a range of initiatives to increase sales of premium, higher margin products.

During the year, upgrade works were completed at the Rochedale plant in Queensland and the Cardup plant in Western Australia.

The focus for future capital investment has now turned to New South Wales, where there has been limited major capital expenditure for over twenty years. Projects under consideration include the complete refit of Plant 2 at Horsley Park, and a completely new facility at our New Berrima industrial estate, to replace the aging and energy intensive Bowral plant.



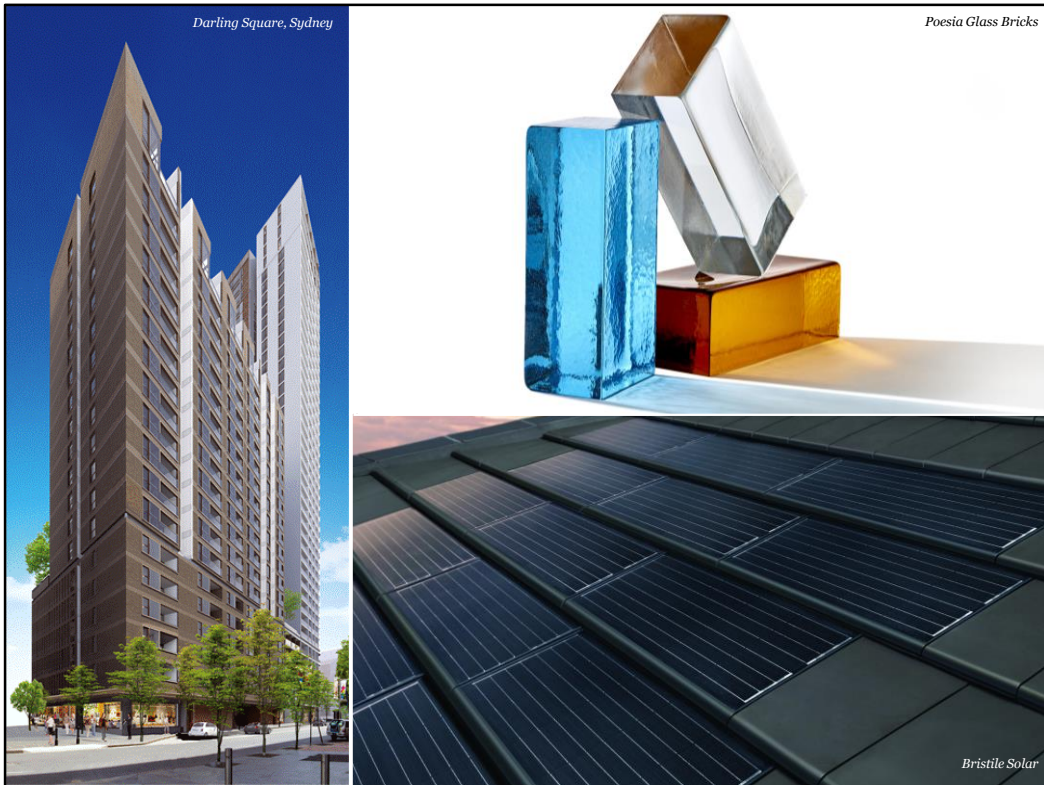
Over the past 15 years, Brickworks has diversified its portfolio by establishing leading positions in a range of other building products, including Austral Masonry, Bristile Roofing, Austral Precast and Auswest Timbers. Our products are all proven, trusted and well established in the market, and provide important diversification to Brickworks.

Combined, these businesses generated revenue of \$364 million in financial year 2018.

Earnings in Bristile Roofing, Austral Precast and Auswest Timbers were all higher in financial year 2018, whilst earnings in Austral Masonry were relatively steady.

As I mentioned a moment ago, plans have been developed and approvals are being sought, for construction of a new 200,000+ tonnes Masonry plant to replace the existing site at Prospect, which needs to be vacated by the end of 2020.





We have delivered a number of exciting projects and launched a range of new products during the year.

A few examples are shown on screen.

On the left is the Darling Square project in Sydney. Construction of this mixed use high rise development in 2018 was the culmination of over 2 years of design and product development collaboration between Austral Bricks, Tzannes architects and builder Lend Lease. Ultimately the project involved the supply of almost 600,000 ultra-premium bricks, with various shapes, sizes and surface finishes.

Bristle Solar was launched during the first half of 2018, and our integrated solar tile is shown on the bottom right of the screen. The Bristle Solar package is offered in conjunction with Bristle tiles and Sonnen batteries, and is expected to attract new customers and support increased roof tile sales volume.

We also launched the ultra premium range of Poesia glass bricks during the year. Demand for this product is very strong, with a number of projects planned for the current financial year.



## ACQUISITION OF GLEN-GERY



*The Sutton, New York, NY*

**BRICKWORKS**  
BUILDING PRODUCTS

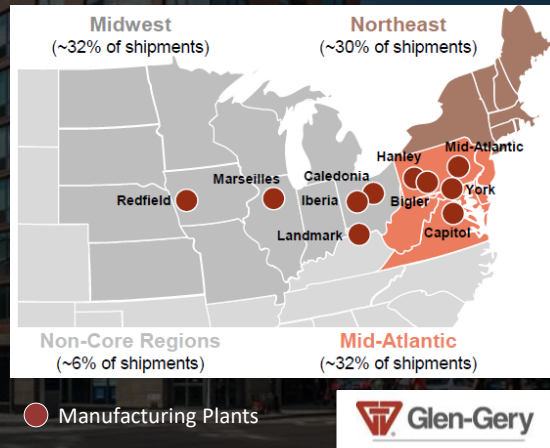
 **Glen-Gery**

As you may be aware, on Friday we completed the acquisition of Glen-Gery, for AU\$151 million, and I'd like to take a moment to explain a bit more about the company and our strategic rationale.

## OVERVIEW OF GLEN-GERY

- Founded in 1890
- 4<sup>th</sup> largest brick manufacturer in the US
- 10 manufacturing plants (9 brick + 1 manufactured stone)
- Leading market position in key north east states
- 655 employees
- For twelve months to August 2018:
  - Circa 230 million US bricks sold
  - Revenue AU\$162 million (US\$118 million)<sup>1</sup>
  - Normalised EBITDA AU\$18 million (US\$13 million)<sup>1</sup>

Map of Glen-Gery Manufacturing Plants



Like Austral Bricks, Glen-Gery is a company with a long and rich history in brick making, dating back to 1890.

Since that time, it has grown to become the fourth largest brick manufacturer in the US, selling around 230 million US bricks per annum.

It is headquartered in Philadelphia, and has the leading market position in the north east region of the United States.

Glen-Gery has 10 manufacturing plants;

- 9 of these are brick plants; and
- The other is a manufactured stone plant.

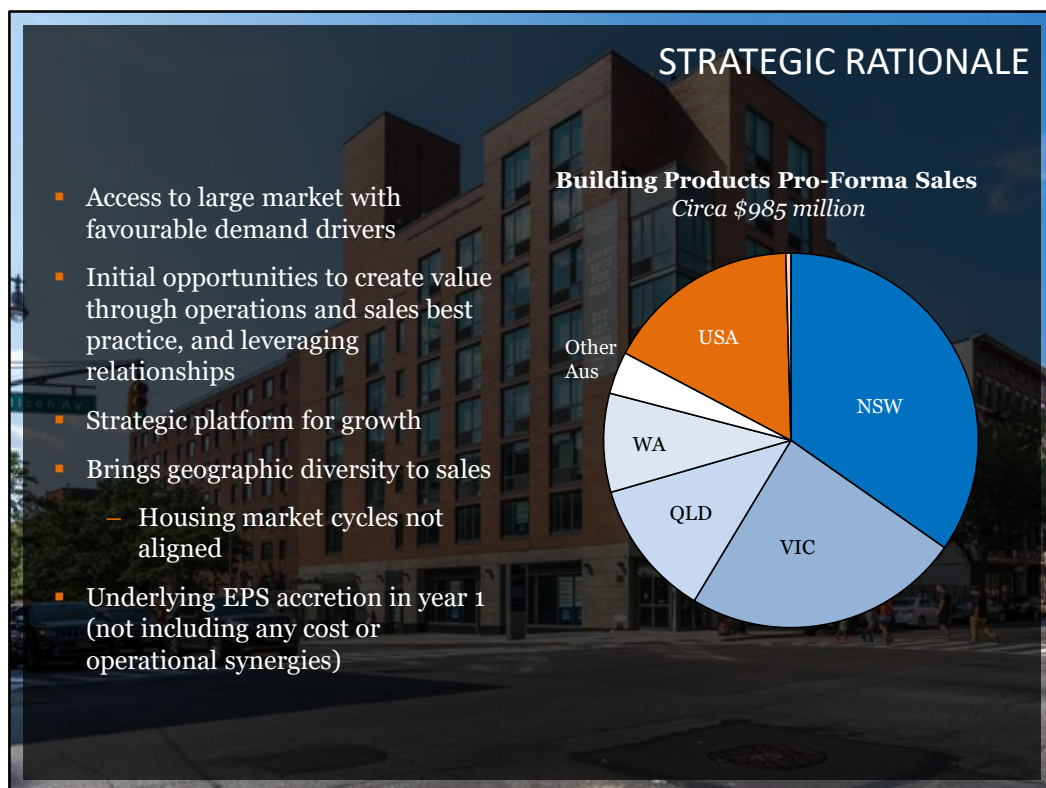
In total, it employs 655 staff, and for the 12 months to August 2018 generated AU\$18 million EBITDA on AU\$162 million revenue.



Glen-Gery offers a full product range and has a diversified end market exposure. It has a strong reputation for premium products, with around 65% of sales to the architectural segment, made up of non-residential, high density residential and paving.

A number of projects, showing Glen-Gery products in these market segments, are shown on screen:

- The top left photo shows the Apple store in Brooklyn, New York;
- The next photo down shows the Madison Avenue Apartments, also in New York;
- At the bottom is the Google corporate office in Ann Arbor, Michigan; and
- The photo on the right shows the Residence Inn, located in Baltimore, Maryland.



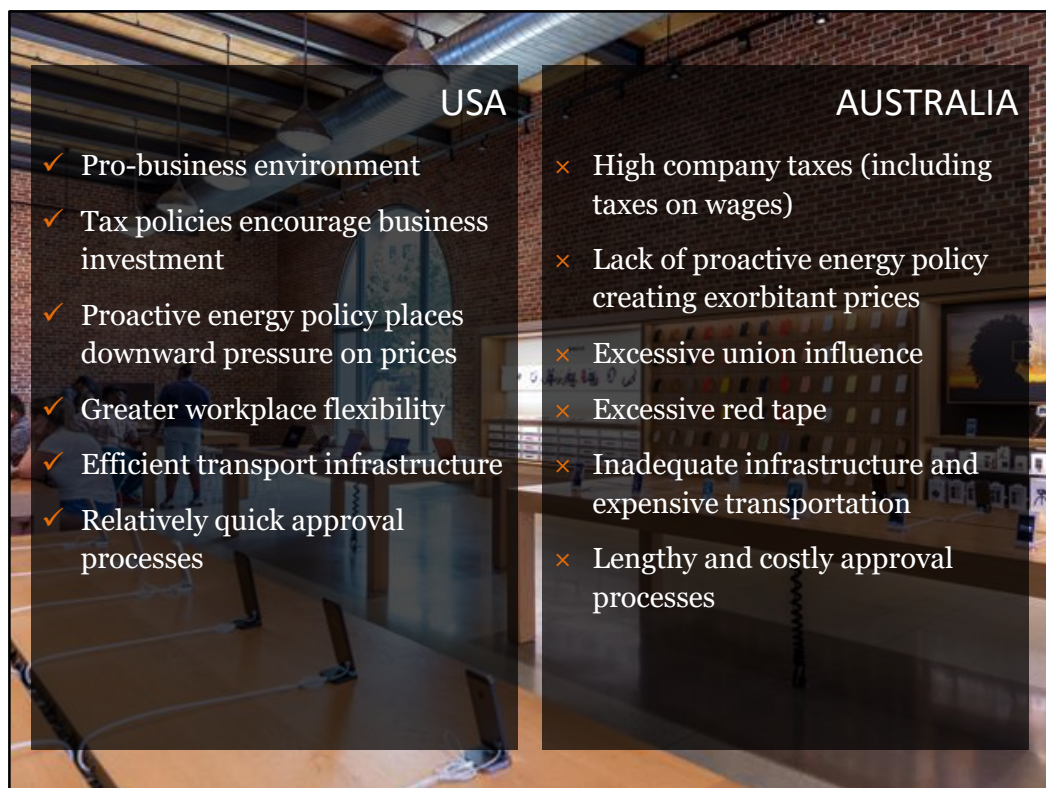
The acquisition is consistent with the Building Products strategy, to deliver growth by investing in affiliated businesses.

Specifically, the acquisition:

- Provides Brickworks with exposure to a large, attractive market, with strong growth drivers. The US brick market is estimated at AU\$2.2 billion in sales revenue per annum, approximately 3 times the size of the Australian market.
- It allows Brickworks to create value through leveraging operational expertise, and sharing best practice across the U.S. and Australia
- It offers Brickworks a strategic platform to pursue long-term growth. The U.S. brick industry is highly fragmented, consisting of around 37 separate brick manufacturers. This compares with only 5 in Australia, where the ability for further market rationalisation is limited.
- It brings geographic diversity to Building Products, with exposure to the US and Australian construction cycles. As shown on screen, Building Products proforma revenue, including Glen-Gery is almost \$1 billion, with geographic exposure across all major Australian states and the U.S.

Brickworks expects to deliver low single digit normalised EPS accretion in the first full year of operation, not including any cost or operational synergies.





The acquisition of Glen-Gery represents a significant milestone in the history of Brickworks, as our first major investment into an overseas market.

We believe the US is an attractive place to invest and grow our business. In fact, the contrast with Australia could not be more stark.

The US has tax policies that are supportive of business, proactive energy policy that is placing downward pressure on prices, efficient transport infrastructure enabling low cost transfer of goods, and a relatively simple approval processes for business investment.

In Australia, on the other hand, we are faced with high taxes and wages (including taxes on wages), a shortage of energy for domestic use resulting in exorbitant prices, excessive union influence that increases the cost of doing business, excessive red tape, and lengthy and costly approval processes for business investment.

We are confident the future is bright for Glen-Gery. We are looking forward to working with the existing team to build on the strong foundations already in place, and further enhance business performance.



## OUTLOOK



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Turning now to the outlook.

## 1<sup>st</sup> QUARTER UPDATE AND FY2019 OUTLOOK

- Investment earnings and asset value expected to grow over the long term
- Property earnings in 1H2019 are expected to be similar to FY2018:
  - Sale of Punchbowl site, completed in October
  - Continued capitalisation rate compression is driving revaluation profits
  - Strong development profits on completed developments at Oakdale South
- Building Products revenue marginally lower in the first quarter:
  - Wet weather in October, particularly in New South Wales
  - Tightening credit availability resulting in project delays
- Building Products earnings materially lower in the first quarter, due to the impact of the lower revenue and:
  - Significantly higher energy prices
  - One-off production issues
- It is anticipated that increased Property earnings and the contribution from Glen-Gery will offset any decline in Building Products earnings in FY2019

As I mentioned earlier, Investment earnings and asset value are expected to continue to grow over the long term.

The Property division has had a great start to the financial year, with first half earnings expected to be similar to full year 2018. This has been driven by continued capitalisation rate compression, the completion of new developments at Oakdale South, and the settlement of the previously announced Punchbowl sale. Following the strong start to the year, Property is well placed to deliver record earnings for the full year.

Meanwhile, Building Products earnings were materially lower in the first quarter, compared to the previous corresponding period. Sales volume is marginally down, impacted by wet weather in October, particularly in New South Wales, and tightening credit availability that resulted in project delays. In addition, manufacturing costs have been hit by higher energy prices and a series of one-off production issues, that are now resolved.

Despite the difficult first quarter, market fundamentals remain supportive for new housing construction, with employment levels healthy, low interest rates and high immigration levels. Demand in Victoria is at unprecedented levels, and with the improved weather in New South Wales, overall brick sales across the country in November are tracking above the prior year.

Overall, the increased earnings from Property and the contribution from Glen-Gery are expected to more than offset a decline in Australian Building Products earnings in 2019.

THANKYOU



**BRICKWORKS**  
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Including more than 600 new employees from Glen-Gery, who I'd like to welcome to our company, we now have over 2,000 staff.

Our people are the key to our success. I am very proud that at Brickworks we have been able to maintain a stable and highly experienced workforce, and I believe this gives us a competitive edge.

I'd like to introduce a number of our executive staff who are here today.

Ms. Megan Kublins	Executive General Manager Land & Development
Mr. David Fitzharris	Group General Manager Sales and Export
Mr. Andrew Nearhos	Group General Manager Concrete Products
Mr. Ross Baxter	General Manager Bristle Roofing
Mr. Daniel Blaser	General Manager Austral Masonry
Mr. Daniel Coutts	General Manager Austral Precast
Mr. Mark Callagher	General Manager Corporate Development
Ms. Catherine Bee	Group People and Performance Manager

Mr. Wally Kluktewicz	Group Corporate Affairs and IR Manager
Ms. Melissa Perrow	General Manager Energy
Mr. Michal Korpai	Group Finance Manager

In addition we have several other staff members, both here today and away, who have made an outstanding contribution to Brickworks over the year.

I would also like to take this opportunity to thank the Board of Directors for their guidance and support during the year.

As the Chairman mentioned earlier, David Gilham is retiring from the Board today, so I would especially like to thank him for his many years of service and his significant contribution to the company.

Finally I'd like to thank all our shareholders, including those in attendance today for your continued support of Brickworks Limited.

I will now hand back to the Chairman for any questions.

## QUESTIONS



**BRICKWORKS**  
LIMITED

### **CHAIRMAN:**

Thankyou Lindsay. Before we open up for the floor for questions, we have received some questions prior to the meeting that I will address. I will read out and answer each of them.

Firstly, shareholder Barry O'Neill has asked the following question.

### **Question:**

We are concerned with the increase in head office expenses, up 53% or 1.33% of revenue to 1.66% now? What is causing this and please advise the steps to be taken to reduce these in future?

### **Answer:**

The increase was driven by a number of factors including:

- An increase in salaries reflecting additional resources in corporate governance capabilities such as legal, tax and risk;
- An increase in short-term and long-term incentive bonuses due to the 95% increase in the underlying Group EBIT over this period;



- An increase in the D&O insurance premiums over the period; and
- An increase in compliance costs.

The company remains focussed on reducing costs across all areas of the business. However, moving into the ASX 200 brings with it additional levels of regulatory scrutiny and compliance costs and the company has moved to ensure we have the requisite skills to meet these requirements. Our remuneration schemes are market competitive as are our D&O insurance premiums.

The next question is from shareholder Colin Dennett.

**Question:**

The widening price differential (compared to historical averages) between SOL & BKW is very curious. It tends to indicate that SOL is overvalued or BKW is undervalued. Would the Chairman please give us his view on this unusual situation?

**Answer:**

- WHSP Group company's have made a number of significant transactions over the past 24 months, that have materially changed their outlook, and this has generated significant value for shareholders of those companies and for WHSP. For example TPG's merger of equals with Vodafone and New Hope Corporations acquisition of Bengalla.
- In addition, Perpetual have sold down shares in SOL, increasing turnover and liquidity. Their sell down in SOL was earlier than their sell down in BKW.
- Brickworks tends to be valued based on the Building Products

outlook, despite the fact that Property and Investments are larger contributors to earnings and asset growth.

- Sentiment within Building Products has been poor for the past 12 months, and this is reflected in the share price performance of companies such as CSR and Fletcher Building
- BKW is trading at a large discount to NAV. BKW is largely considered to be an operating company with an ongoing focus on Australian building and construction cycle. Investors tend to focus on the impact the building cycle has on our business.
- BKW trades at close to average of building products companies.
- Management continues to work hard to explain to the market the long term value derived from the WHSP holding and the value created by our property division.
- Brickworks have recognised the need to increase our focus on Investments and Property in our investor communications.

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