Washington H. Soul Pattinson and Company Limited

A.B.N. 49 000 002 728

Review of Operations

Half Year Ended 31 January 2010

CONSOLIDATED FINANCIAL PERFORMANCE

The Profit of the Group attributable to Shareholders, **after tax and before non-regular items**, for the half year ended 31 January 2010, was **$97.1 million**, a decrease of 17.4% from $117.5 million for the previous corresponding period. This decrease was mainly attributable to a reduced contribution from New Hope Corporation Limited as a result of lower international coal prices and the stronger Australian dollar.

The Profit of the Group, **after tax and non-regular items**, was **$123.4 million**, compared to $940.0 million for the previous corresponding period. The net profit on non-regular items was $26.3 million compared to $822.5 million, the difference being principally attributable to the Group's profit on the sale of the New Saraji coal project by New Hope in the previous corresponding period.

Comparisons with the corresponding period last year are as follows:-

	2010 **$000**	2009 $000	% Change
Revenue from continuing operations	**405,036**	351,550	+ 15.2%
Profit after tax before non-regular items	**97,069**	117,460	- 17.4%
Profit after tax and non-regular items	**123,412**	939,994	- 86.9%
Share of results from associates	**19,719**	(12,295)	+ 260.4%
Earnings per share	**51.7c**	393.9c	- 86.9%
Interim Dividend	**14c**	13c	+ 7.7%

INTERIM DIVIDEND

Directors have declared an interim dividend of 14 cents per share in respect of the half year ended 31 January 2010, an increase of 7.7% over last year's interim dividend of 13 cents per share. The dividend will be fully franked and payable on 13 May 2010.

The Directors consider the profit before non-regular items to be the underlying profit of the Group. Accordingly, interim and final dividends are recommended and declared based on that profit.

HOLDING COMPANY

The market value of the listed investment portfolio, which includes controlled entities and associates, was $3.9 billion at 31 January 2010, compared to $2.8 billion at 31 January 2009.

Excluding controlled entities and associates, the market value of the listed investment portfolio at 31 January 2010 was $450.8 million, compared to $310.8 million at 31 January 2009.

During the half year $59.0 million was invested in listed equities. The main purchases were Australian Pharmaceutical Industries Limited, CBD Energy Limited and Quickstep Holdings Limited. Purchases of shares in associates totalled $39.0 million.

Dividend and distribution income from the listed investment portfolio, including those from controlled and associated entities, was $413.9 million, up 371.4% on the same period last year. The majority of this increase was due to the increased special dividend of $360.6 million from New Hope (2009: $39.6 million).

Dividend and distribution income from the listed investment portfolio, excluding those from controlled and associated entities, was $8.8 million, down 19.1% on the same period last year. No special dividends were received for the period (2009: $0.5 million).

CONTROLLED ENTITIES

New Hope Corporation Limited (New Hope) – (60.0% held*)

New Hope has reported a net profit after tax and before non-regular items from its coal mining, treasury, investments and port operations of $111.6 million for the half year ended 31 January 2010, a 15.8% decrease from the $132.5 million earned in the corresponding period last year. Despite strong sales the profit result was impacted by lower export prices in Australian dollars and lower interest revenues. The previous corresponding period included non-regular profit after tax on the sale of the New Saraji coal project of $1.7 billion.

The Directors of New Hope have declared an interim dividend of 5 cents per share fully franked, up from 4.75 cents per share last year. The dividend is payable on 5 May 2010 to shareholders registered at 19 April 2010.

<u>Mining Operations</u>

Total saleable coal production from New Hope’s operations in the half year ended 31 January 2010 was 2.8 million tonnes, 15.2% higher than the previous corresponding period. Increased production from the New Acland mine and the ramp up in production from the reactivation of the Jeebropilly mine were the main contributors to the higher production.

Total coal sold in the half year ended 31 January 2010 was 24.3% higher at 2.82 million tonnes, compared with 2.26 million tonnes sold in the previous corresponding period. Coal export volumes rose by 534,000 tonnes (or 31.5%) to 2.23 million tonnes while domestic sales were some 16,000 tonnes lower (or 2.8%) at 585,000 tonnes.

Sales revenues were increased by the sale of some 657,000 tonnes of third party coal in order to meet customer demand in excess of contracted volumes. Costs of sales were also proportionately higher to account for the purchases.

* Percentage of the issued capital of the company held by the Group as at 31 January 2010.

The New Acland mine remains as the Company's major production source with some 2.2 million tonnes produced during the half year, a 7.3% increase over the previous corresponding period. Expansion of the New Acland mine to the production rate of 4.8 million tonnes per annum was completed during the half year, ahead of time and on budget.

The balance of New Hope's coal production of 600,000 tonnes in the half year ended 31 January 2010 came from the West Moreton region; an increase of 58.3% over the previous corresponding period.

Port Operations

New Hope's 100% owned port facility, Queensland Bulk Handling (QBH), continued to operate effectively, with 3.3 million tonnes loaded through the facility during the half year ended 31 January 2010, 16.2% higher than the previous corresponding period. The QBH facility continues to operate essentially demurrage free.

Coal stockpile and handling capacity expansion is continuing on schedule and on budget. At full capacity in late (calendar year) 2010, the port will be capable of handling up to 10 million tonnes per annum subject to rail performance and shipping schedules.

Exploration

New Hope's exploration strategy continues to be directed toward evaluating open cut and underground coking coal resources in Central Queensland, open cut thermal coal in South East Queensland and evaluating coals as potential sources of gasification and liquefaction.

Coal to Synfuels

New Hope is continuing its research and development coal-to-liquids project activity.

Arrow Energy Limited

As at 31 January 2010 New Hope held 122.6 million shares at a total cost of $119.3 million equivalent to 16.7% of the company. Arrow Energy's share price on 31 January 2010 was $3.93 valuing the New Hope investment at $481.8 million, representing an unrealised gain before tax of $362.5 million.

Since the end of the period, a company jointly owned by Royal Dutch Shell and PetroChina has issued a proposal to acquire shares in Arrow Energy for $4.70 cash per share, plus a share in a new entity comprised of Arrow Energy's international business. In the absence of a superior proposal, New Hope supports the proposed transactions and intends to vote in favour of the Demerger Scheme and Acquisition Scheme for all the shares it owns or controls.

Outlook

Planning is underway to take advantage of a new mining lease at the New Acland mine, which if granted in late 2010 or early 2011, will enable production capacity to be incrementally increased up to 10 million tonnes per annum, subject to market conditions, rail and port capacity.

* Percentage of the issued capital of the company held by the Group as at 31 January 2010.

Jeebropilly will continue at a nominal production capacity of 900,000 tonnes per annum during the second half of 2010, with continued New Oakleigh nominal production of 230,000 tonnes per annum during the same period.

The QBH port expansion, which will provide a total site capacity of up to 10 million tonnes per annum, is on schedule and within budget, with completion due in late (calendar year) 2010.

Interest income from cash on deposit will continue to provide short term profit, although at reduced levels following the payment of the special dividend and tax on the New Saraji sale, partially offset by interest rates increasing from the low levels of 2009.

New Hope retains its previously advised production guidance for 2010 of 5.5 to 6.0 million tonnes, subject to finalisation of coal sale contract negotiations with major Asian customers over coming months and achievement of sufficient rail capacity.

As a result of WHSP's 60.0% holding in the issued capital of the company, New Hope contributed a net profit of $67.4 million to the Group (2009: $1.1 billion).

Pitt Capital Partners Limited (PCP) – (78.3% held*)

PCP is a corporate advisory firm specialising in mergers and acquisitions, strategic advice, equity capital markets, private equity, restructuring and debt advisory work.

In last year's half year result, PCP recorded the proceeds from advisory work undertaken on behalf of New Hope Corporation Limited in relation to the sale of their New Saraji project to the BHP Billiton Mitsubishi Alliance. As a transaction of this size was not repeated during the half year ended 31 January 2010 it is difficult to make a comparison from one period to the next. The first half result was also impacted by a number of non-recurring restructuring costs.

The Directors of PCP declared an interim dividend of 1.25 cents per share fully franked which was paid on 12 March 2010.

As a result of WHSP's 78.3% interest in the issued capital of the company, PCP contributed a net loss of $0.1 million to the Group (2009: $11.5 million profit).

ASSOCIATED ENTITIES

Australian Pharmaceutical Industries Limited (API) – (24.6% held*)

For the year ended 31 August 2009 API reported total revenue of $3.5 billion and a full year net profit after tax of $18.6 million.

Compared to API's last full 12 month period which ended 31 August 2008, total revenue increased by 9.6%, earning per share by 22% to 7.2 cents and reported net profit after tax by 22.3%. Revenue from the pharmacy wholesaling division was $2.8 billion, up 11.3% and the retail division reported sales of $690 million, up 1.5%.

In December 2009, API completed a $150 million fully underwritten equity raising in which WHSP took up its pro-rata entitlement, investing $37 million. The proceeds from the equity

* Percentage of the issued capital of the company held by the Group as at 31 January 2010.

raising will be used to reduce debt, allow API to continue to invest in the Priceline retail model and provide flexibility for future growth.

The Directors of API declared a full year ordinary dividend of 2 cents per share fully franked which was paid in December 2009, up from 1 cent per share paid last year.

API is on track to achieve the full year results as provided in their market guidance. API will announce their half year result on 29 April 2010.

As a result of WHSP's 24.6% holding in the issued capital of the company, API contributed a net profit of $2.9 million to the Group (2009: $2.2 million).

Brickworks Limited (Brickworks) – (44.6% held*)

Brickworks' net profit after tax and before non-regular items (normalised NPAT) for the half year ended 31 January 2010 was $57.0 million, an increase of 12.2% from $50.8 million for the previous corresponding period. Brickworks' NPAT after non-regular items for the half year was down 65.5% to $88.2 million. These results include the equity accounted profit contributions from WHSP.

The improved normalised result highlights the benefits of the diversified business model of Brickworks and the stability of earnings derived from the combination of its Building Products, Land and Development and Investment Divisions.

Normalised earnings per share (EPS) were 40.7 cents per share, up 6.4% from 38.3 cents per share for the same period last year notwithstanding a 10.8% increase in the capital base following the successful share purchase plan.

Net Debt decreased by 48.9% to $195.1 million as at 31 January 2010 and Total Interest Bearing Debt ('TIBD') reduced to $300 million. Borrowings were primarily reduced by the $173.6 million net proceeds of the share purchase plan raised in September 2009 and proceeds of $30.4 million from property sales during the period.

The Directors of Brickworks have declared an increased fully franked interim dividend of 13 cents per share for the half year ended 31 January 2010, up 4% from 12.5 cents per share for the previous corresponding period.

<u>Building Products</u>

The Building Products Division's result was higher due to increased volume and higher average selling prices. Building Products EBIT was $21.8 million for the six months to 31 January 2010, up 32.9% from $16.4 million in the prior corresponding period. Revenue for the half year was $263.0 million, up 7.0% from $245.7 million for the same period last year.

Austral Bricks™ overall brick sales volumes were up 1.3% in the six months to 31 January 2010 compared to the six months ended 31 January 2009, while net average selling prices increased by 3.7%.

Austral Masonry™ was able to achieve average selling price increases of 3.0% during the period under review despite the continued weakness of commercial building activity and

* Percentage of the issued capital of the company held by the Group as at 31 January 2010.

aggressive competition in some markets. Sales volumes were up 4.1% compared to the prior corresponding period.

Bristile Roofing™ achieved a significant increase in sales volumes on the east coast, up over 20% compared to the previous corresponding period, due principally to strong market conditions in Victoria. Demand in Victoria has overtaken production capacity, with product currently being shipped from Queensland to maintain supply.

Land and Development

The Land and Development Division recorded an EBIT of $12.3 million for the half year ended 31 January 2010, an increase of 1.7% from $12.1 million for the prior corresponding period.

Property Sales contributed strongly to the result with an EBIT of $8.3 million for the six months to 31 January 2010. The settlement of Stage 2 of the Eastwood site to AV Jennings was completed on 19 January 2010 for $17.5 million.

Significant Items since Balance Sheet Date

Brickworks acquired the assets of Brick & Block Company Pty Ltd from the Receivers and Managers in February 2010 for $13.5 million. The acquisition of the largest independent masonry block manufacturer in New South Wales provides Austral Masonry™ its first production facility in the state. With a market share in excess of 20% Austral Masonry™ is now a significant East Coast business.

The sale of the third and final stage of the Eastwood site in Sydney to AV Jennings was completed on 3 March 2010 for $17.5 million. Total proceeds from the sale of the Eastwood site were $70.0 million including GST.

Brickworks purchased the assets, including land and buildings, of Sasso Precast Concrete (Sasso) in March 2010 for $35.2 million. Sasso manufactures precast floor and wall panels from its state of the art manufacturing facility at Wetherill Park in western Sydney. This acquisition provides a strong platform for growth in the fastest growing segment of the external walling market in Australia.

The Austral Bricks™ factory at Wollert in Victoria has exceeded expectations, leading to the decision in February 2010 to expand the plant. When complete, the expansion will lift the plant's production design capacity of 85 million standard brick equivalents per annum to 170 million. The expanded facility will include a repressed brick line and an upgraded clay grinding plant for a total cost of $65.0 million. The expanded facility will be fully commissioned in 2011 and secures Austral Bricks™ leading presence in the Victorian market with state of the art manufacturing facilities.

As a result of WHSP's 44.6% holding in the issued capital of the company, Brickworks contributed a $7.8 million regular profit to the Group (2009: $5.3 million). In addition, WHSP's share of the non-regular write downs was $3.1 million (2009: $25.4 million). These contributions exclude the WHSP profit taken up by Brickworks under the equity accounting method.

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Clover Corporation Limited (Clover) – (28.6% held*)

Clover reported a net profit after tax for the first half ended 31 December 2009 of $1.9 million (2008: $1.6 million), an increase of 18.8%.

Sales of $16.3 million were up 80% on the same period last year due to strong sales reported into Asia.

During the reporting period Clover continued to focus on sales of value added microencapsulated products, particularly in infant formula applications. Clover has also expanded its range of products to support growth for the future via an increased investment in their innovations program aimed at building on the broader potential of the company's patented encapsulation technology.

The half year result was impacted by the loss recorded in Clover's 50:50 joint venture, Future Foods Ingredients Pty. Limited (FFI). FFI contributed an equity accounted loss for the period to Clover of $441,000.

Clover has stated that the outlook for the second half of their financial year was encouraging with continuing strong sales of omega^3 ingredients and an expected improved performance from FFI.

As a result of WHSP's 28.6% holding in the issued capital of the company, Clover contributed a net profit of $0.5 million to the Group (2009: $0.5 million).

Ruralco Holdings Limited (Ruralco) – (23.5% held*)

For the year ended 30 September 2009 Ruralco reported total revenue of $836.7 million a decrease of 5.5% over the prior year. Net profit after tax, attributable to shareholders, was $8.5 million a decrease of 47%. Ruralco has advised that it was adversely affected by the global financial crisis, particularly in its real estate business and by extreme weather conditions in south eastern Australia.

Over the 12 months, net debt was reduced by 54% to $51.2 million through a capital raising of $24.7 million and working capital management. Despite difficult trading conditions strong positive cash flow from operations of $51.2 million was achieved.

A final dividend of 6 cents per share fully franked was paid in January 2010 bringing total dividends for the year to 12 cents per share fully franked.

As a result of WHSP's 23.5% holding in the issued capital of the company, Ruralco contributed a total net profit of $0.5 million to the Group (2009: $1.2 million).

TPG Telecom Limited (TPG) – (28.2% held*)

TPG has reported earnings before interest, tax, depreciation and amortisation (EBITDA) of $77.1 million and a net profit after tax (NPAT) of $27.5 million for the half year ended 31 January 2010.

* Percentage of the issued capital of the company held by the Group as at 31 January 2010.

These results represent a 34% increase on the EBITDA of $57.5 million achieved in the corresponding period last year and a 443% increase on the $5.1 million NPAT achieved for the same period.

Earnings per share for the 6 months of 3.8 cents represent a 443% increase on the 0.7 cents for the 6 months to 31 January 2009.

Broadband subscriber growth has continued strongly, with net additions of 54,000 in the 6 months to 31 January 2010, 48,000 of which were on-net. Total broadband subscribers now exceed 450,000.

TPG's strong cash flow generation has also continued with a net cash inflow from operations before interest, tax, capex and finance lease payments during the half year of $80.4 million.

Following this strong cash flow, TPG's Directors have declared a fully franked interim dividend of 2 cents per share, payable on 27 May 2010, up from 1 cent per share last year.

Pipe Networks Limited (Pipe)

The acquisition of Pipe through a scheme of arrangement became effective on 17 March 2010 after being unanimously supported by Pipe's board and by 94% of Pipe shareholders.

Pipe has a solid and unbroken 5 year history of growing revenue and profits through its main business of providing fibre connectivity in Australian east coast capital cities and recently the provision of international bandwidth through its own cable system. In October 2009 Pipe completed its 6,900 km system linking Sydney to Guam with connection into Papua New Guinea and direct onward arrangements into the key international hubs of USA and Japan. This infrastructure uses the industry's most advanced subsea equipment and provides diversity to the few existing routes from Australia.

TPG has advised that it remains on track to meet its previously published guidance and will release a revised guidance, which includes 4.5 months contribution from Pipe, at a future time.

As a result of WHSP's 28.2% holding in the issued capital of the company, TPG contributed a net profit of $7.9 million to the Group (2009: $1.4 million).

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