

20 September 2018

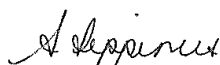
Australian Securities Exchange  
Attention: **Companies Department**

**BY ELECTRONIC LODGEMENT**

Dear Sir / Madam

Please find attached a presentation and additional comments to be presented to analysts today regarding Brickworks Limited's financial results for the year ended 31 July 2018, for immediate release to the market.

Yours faithfully  
BRICKWORKS LIMITED



**Susan Leppinus**  
Company Secretary

# RESULTS

## FOR THE YEAR ENDED JULY 31 2018

*Mr. Lindsay Partridge, Managing Director*



**BRICKWORKS**  
LIMITED

## PRESENTATION OUTLINE

- Overview
- Operational Review
  - Building Products
  - Property
  - Investments
- Financials
- Group Outlook
- Questions

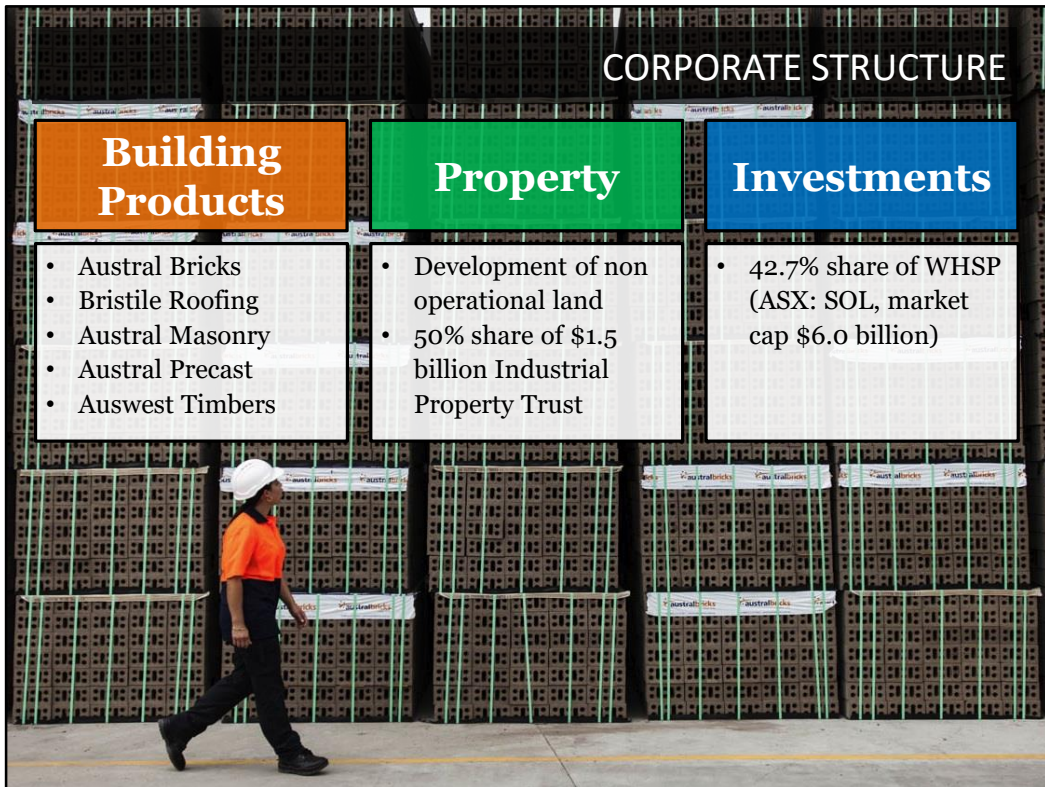


[Picture: Poesia glass bricks]

Good Afternoon Ladies and Gentlemen and welcome to the Brickworks analyst briefing for the year ended 31 July 2018.

Today I will provide an overview of Brickworks results, before providing more detail on the performance of each of our divisions.

Mr. Robert Bakewell, our Chief Financial Officer is also here to answer any questions at the conclusion of the presentation.



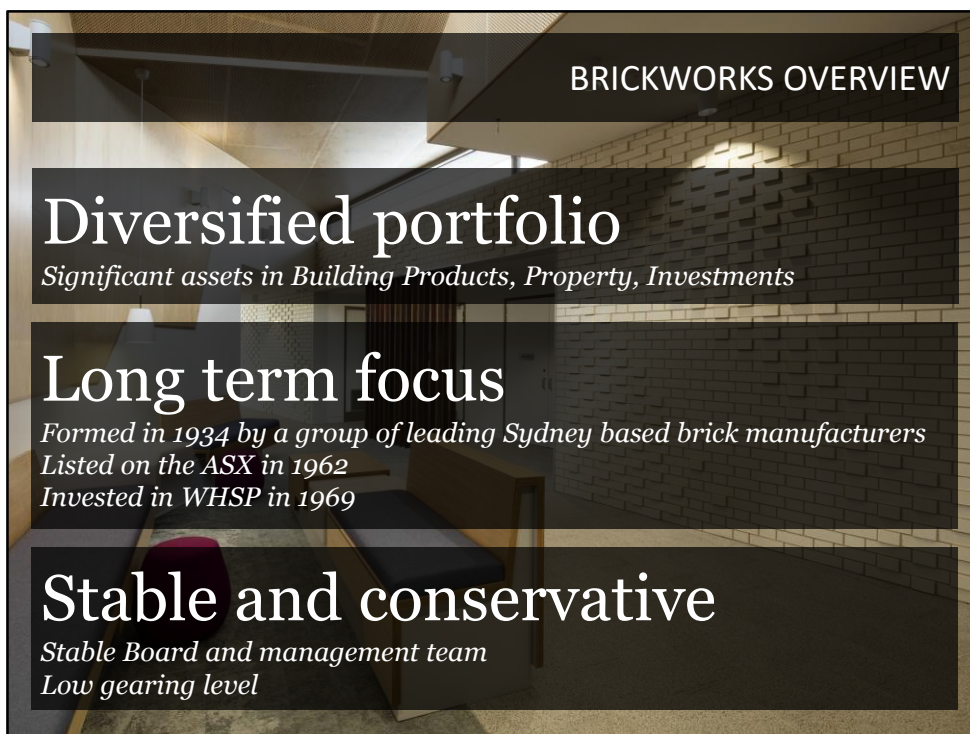
As most of you know, there are three segments within Brickworks:

- Building Products;
- Property; and
- Investments.

Building Products consists of leading brands such as Austral Bricks, Bristle Roofing, Austral Masonry, Austral Precast and Auswest Timbers.

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. At the end of July, total Trust assets were over \$1.5 billion.

Investments consists primarily of a 42.7% interest in Washington H. Soul Pattinson, an ASX200 company with a current market capitalisation of around \$6.0 billion.



Brickworks' diversified corporate structure and strategy is designed to provide stability of earnings and steady asset growth over the long term.

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

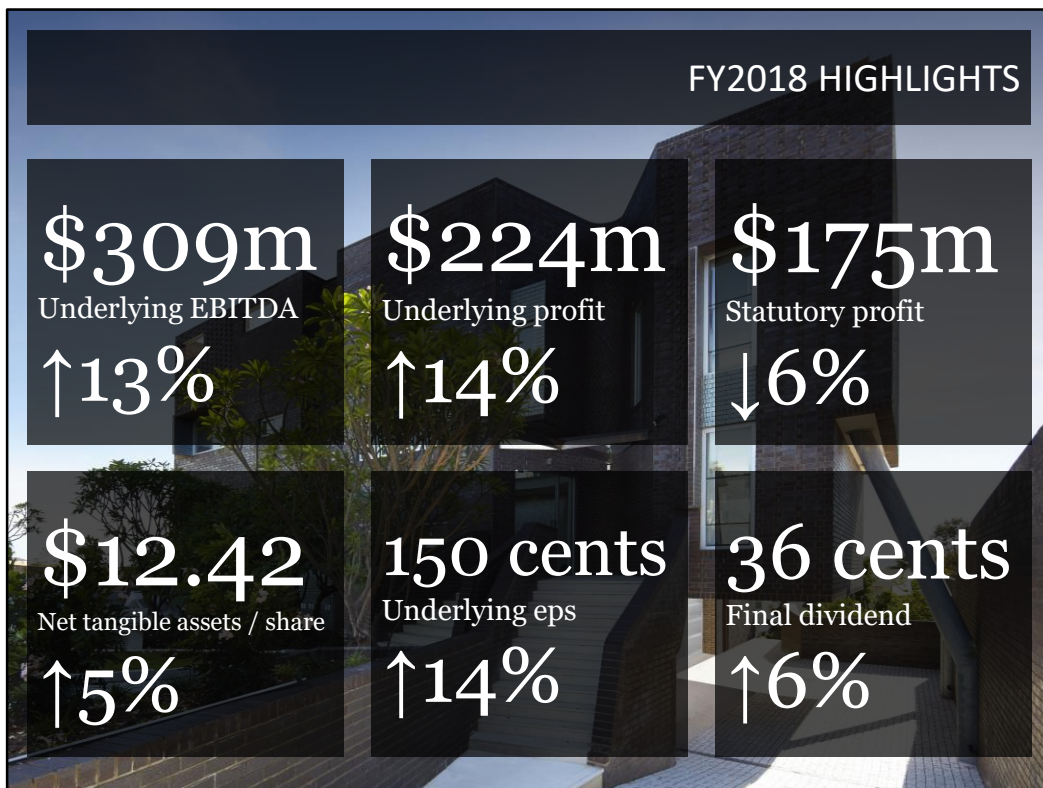
We take a long-term view of our operations. Brickworks was formed in 1934 by a group of leading Sydney based brick manufacturers and has grown over time to become the largest and most successful brick maker in the country.

Brickworks was listed on the ASX in 1962 and in 1969 made the 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 has been very successful for Brickworks.

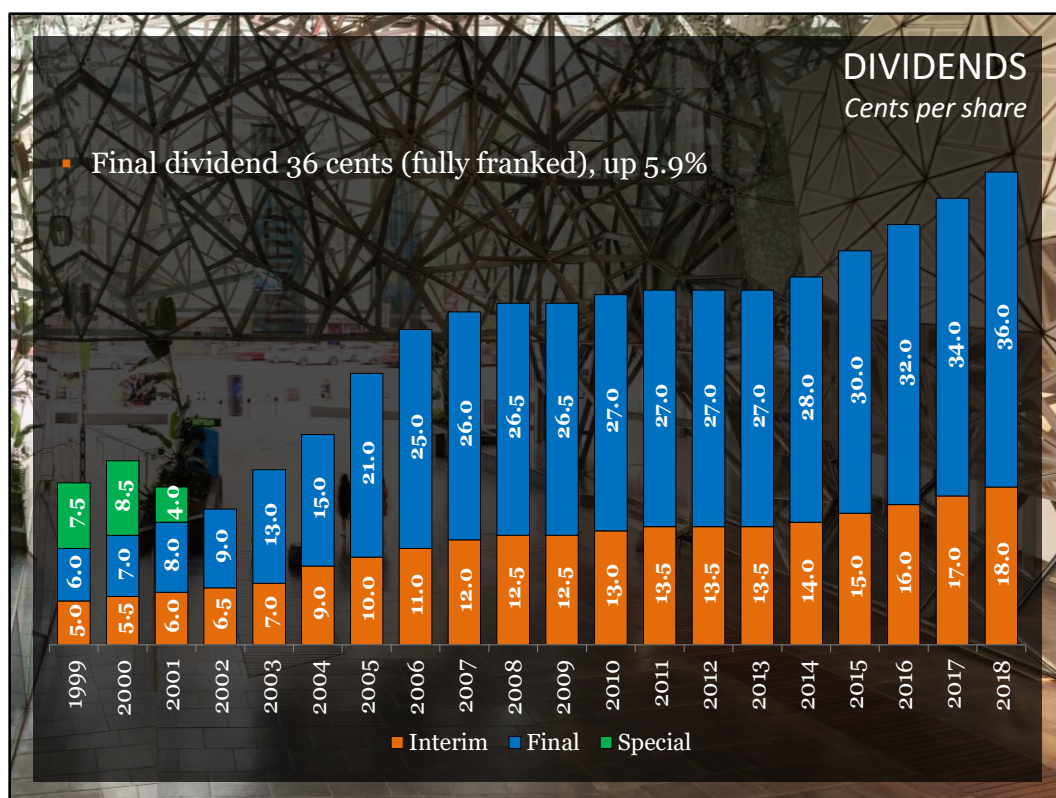
Increased underlying earnings within Building Products, Property and Investments resulted in a total EBITDA of \$309 million for the year.

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

This translates to normal 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 equity was up by \$103 million and now stands at almost \$2.1 billion. Net tangible assets per share was up 5% to \$12.42.



The Directors have declared a fully franked final dividend of 36 cents per share. This brings the full year dividend to 54 cents per share, up 5.9%.

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.

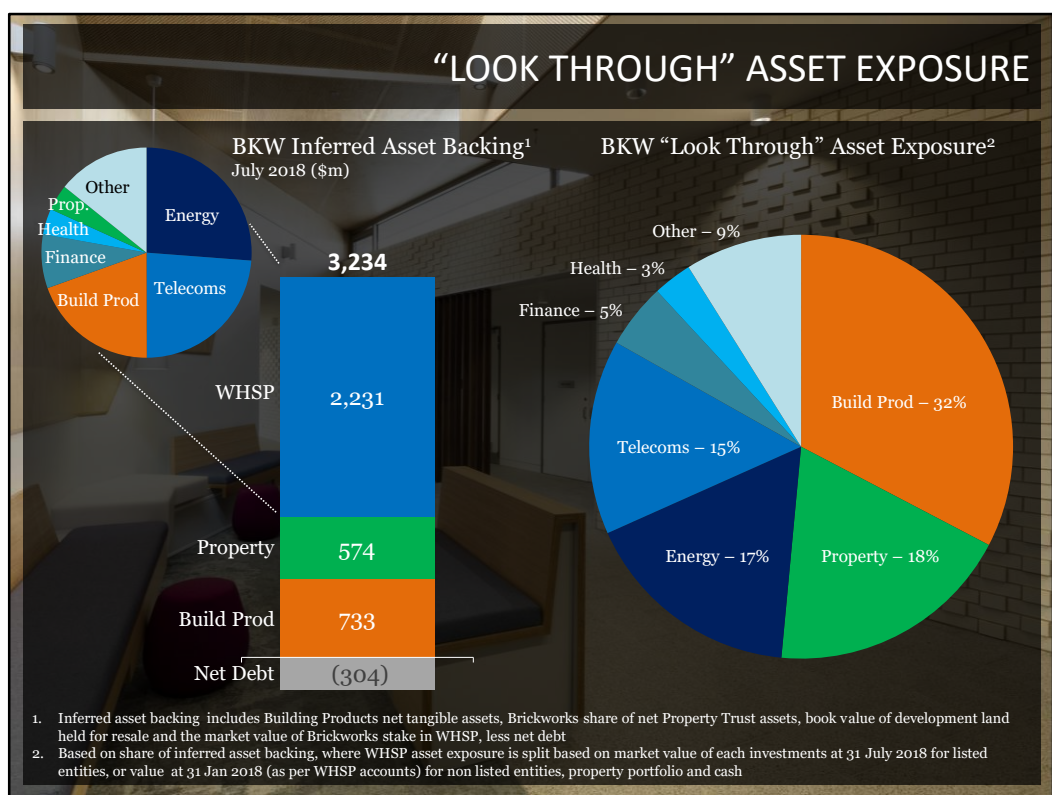


Excellent shareholder returns have been achieved for the year to 31 July, at over 22%. Since the end of the period, the share price has risen a further 10%, compared to the market which has been flat during that time.

Measuring returns to the end of July, longer term performance over ten and fifteen years has trailed the All Ordinaries Accumulation Index by approximately 1% per annum.

If the recent performance following year end is added, returns outperform the Index over most time horizons.





At the end of July:

- Building Products net tangible assets were \$733 million;
- Total net property assets were \$574 million, made up of Brickworks’ share of net Property Trust assets of \$538 million and the book value of land held for development of \$35 million;
- The market value of WHSP shares was \$2.2 billion, based on a share price of \$21.82; and
- Net debt was \$304 million.

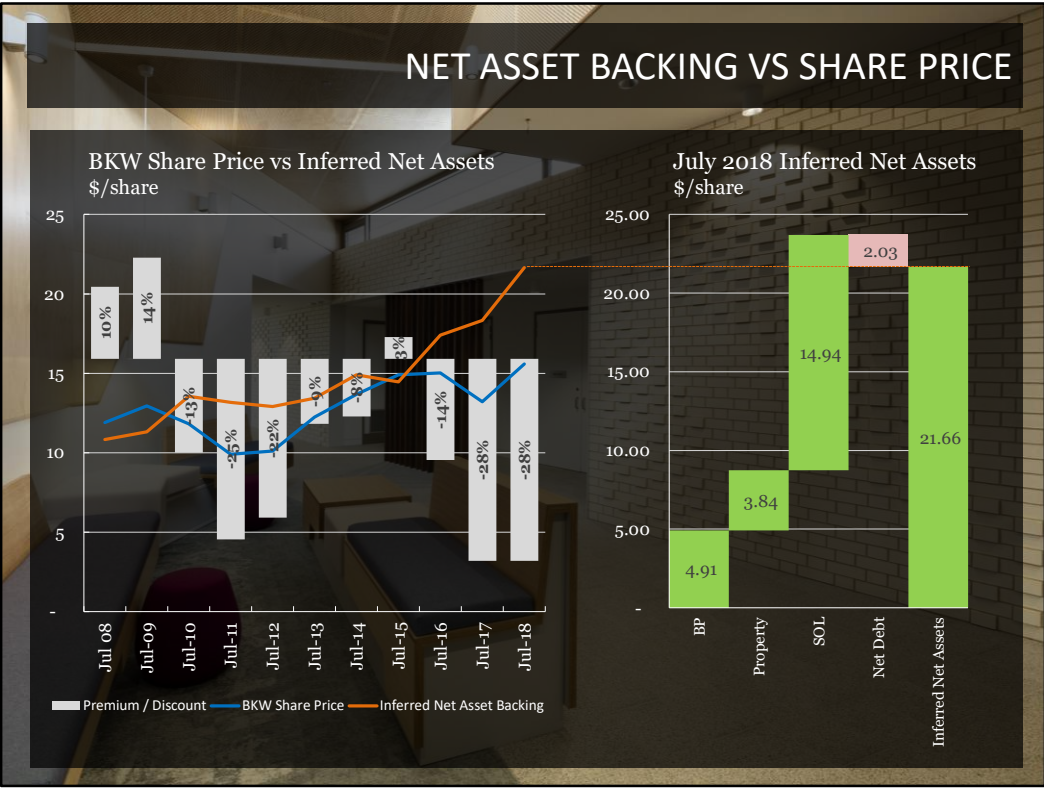
This gives an inferred net asset backing of more than \$3.2 billion.

Since then, Brickworks share of the market value of WHSP has increased by a further \$350 million, as the share price has risen. As such, the total current inferred asset backing of the Company is almost \$3.6 billion.

The WHSP holding consists of a diversified mix of assets in sectors such as energy, telecommunications, finance and healthcare.

As I mentioned earlier, this results in Brickworks having a highly diversified portfolio of assets on a look through basis. The total look through asset exposure of Brickworks is:

- Building Products, making up 32% of asset value;
- Property, 18%;
- Energy, 17%. This primarily relates to WHSP’s holding in New Hope Corporation;
- Telecommunications, 15%. This primarily relates to WHSP’s holding in TPG Telecom;
- Finance, 5%;
- Health, 3%; and
- Other listed and non listed assets, 9%



The orange line on the chart on the left of screen shows the growth in inferred net tangible asset value over the past decade, on a per share basis.

Brickworks has consistently grown net asset value per share over the long term. Since 2008 asset value has increased at a compound rate of over 8% per annum, resulting in the total value doubling during that time.

The company’s share price is well supported by inferred net tangible asset backing, which stood at \$21.66 per share, as at 31 July.

This includes;

- Building Products net tangible assets of \$4.91 per share;
- Brickworks’ share of net Property Trust assets of \$3.60 per share;
- The book value of land held for development of 24 cents per share;
- The market value of WHSP, which equates to \$14.94 per Brickworks share;
- Less net debt of \$2.03 per share.

On a historical basis, the share price discount of 28% at 31 July 2018, is as high as it has been at any time over the past decade.

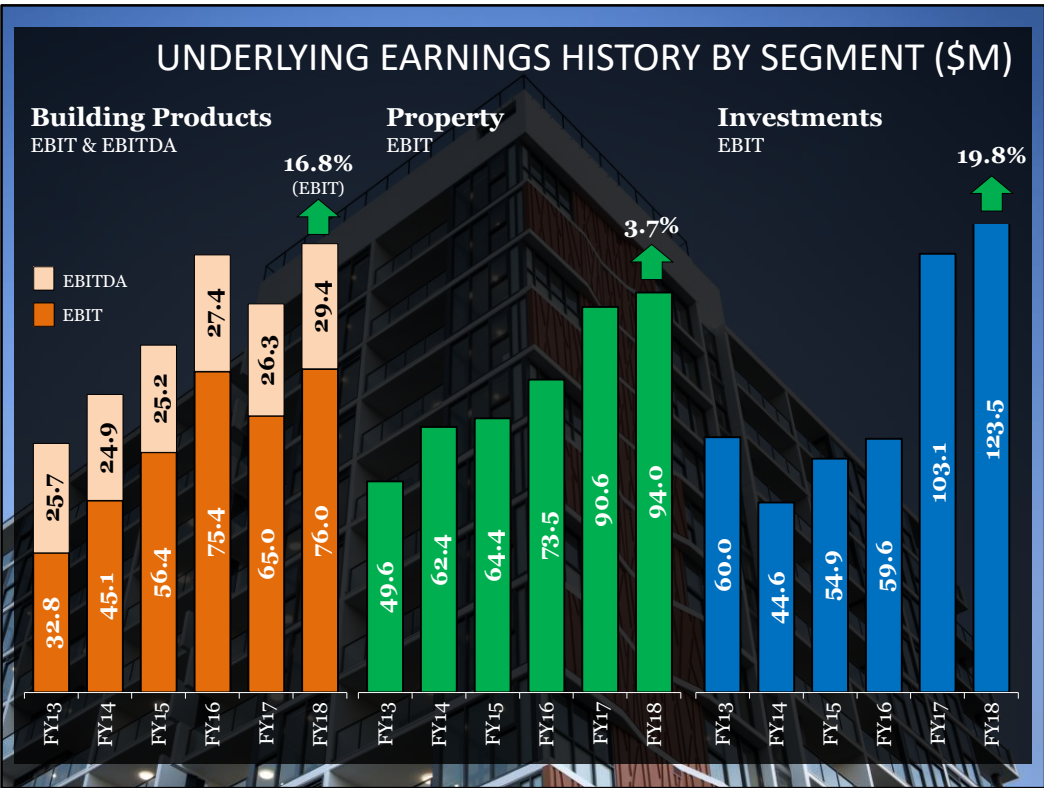
## OPERATIONAL REVIEW



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[Picture: Austral Precast, Salisbury, Queensland]

Now looking at the performance each of our segments more closely.



I will start with an overview of recent earnings history in all three segments, before discussing financial year 2018 performance in more detail.

The charts on screen show the earnings history of Building Products, Property and Investments over the past six years.

During this period, earnings have grown considerably in each of the three segments.

Building Products has steadily improved from a cyclical low point in 2012 when EBITDA was just over \$50 million. The EBITDA recorded in 2018 of \$105 million is more than double that cyclical low.

The Property segment has delivered consistent earnings growth, increasing from \$50 million in 2013 to \$94 million in 2018, as a result of strong development activity and growth within the Property Trust, capitalisation rate compression and land sales.

The contribution from Investments has also increased significantly, from \$45 million in 2014 to \$123 million in 2018. Over the past two years the earnings growth has been particularly strong, with New Hope Corporation earnings significantly higher on the back of an increase in coal prices.

*Operational Review*  
**BUILDING PRODUCTS**




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[Picture: Brickworks Design Studio, Sydney]

Now looking at the performance of each of our divisions more closely, starting with Building Products.



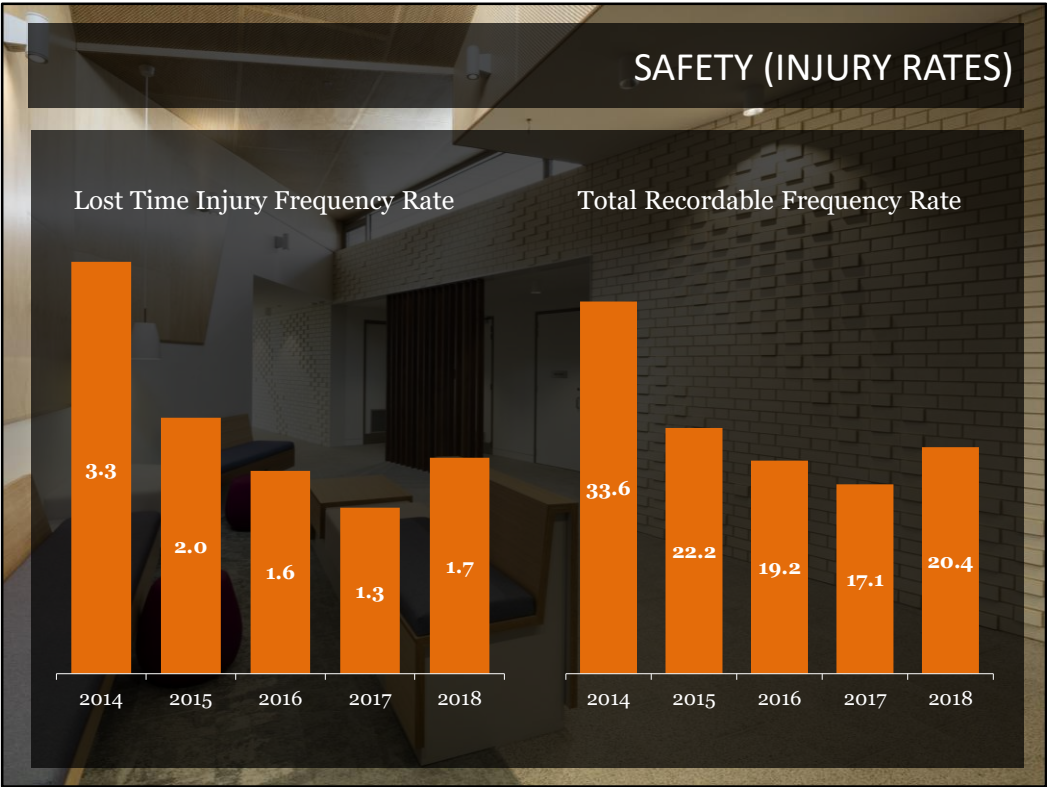
BUILDING PRODUCTS SEGMENT RESULT				
	FY 2017	FY 2018	% Change	
Sales revenue	\$763.3m	<b>\$820.0m</b>	↑	7.4
EBITDA	\$92.9m	<b>\$105.4m</b>	↑	13.4
<b>EBIT</b>	\$65.0m	<b>\$76.0m</b>	↑	16.8
EBITDA to sales	12.2%	<b>12.8%</b>	↑	5.6
EBIT to sales	8.5%	<b>9.3%</b>	↑	8.8
Net Tangible Assets	711.6	<b>733.3</b>	↑	3.0
Return on Net Tangible Assets <sup>1</sup>	12.6%	<b>14.3%</b>	↑	13.9
Full Time Employees	1,511	<b>1,485</b>	↓	(1.7)
Injury Frequency (TRIFR)	17.1	<b>20.4</b>	↑	19.3
Lost Time Injury Rate (LTIFR)	1.3	<b>1.7</b>		30.8
1. Assumes all Brickworks net debt and interest charges are allocated to Building Products				
				

Revenue for the year was up 7% to a record \$820 million.

EBIT was \$76 million, up 17% on the prior year, and EBITDA was \$105 million. In line with the higher earnings, overall unit margins and return on assets 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.

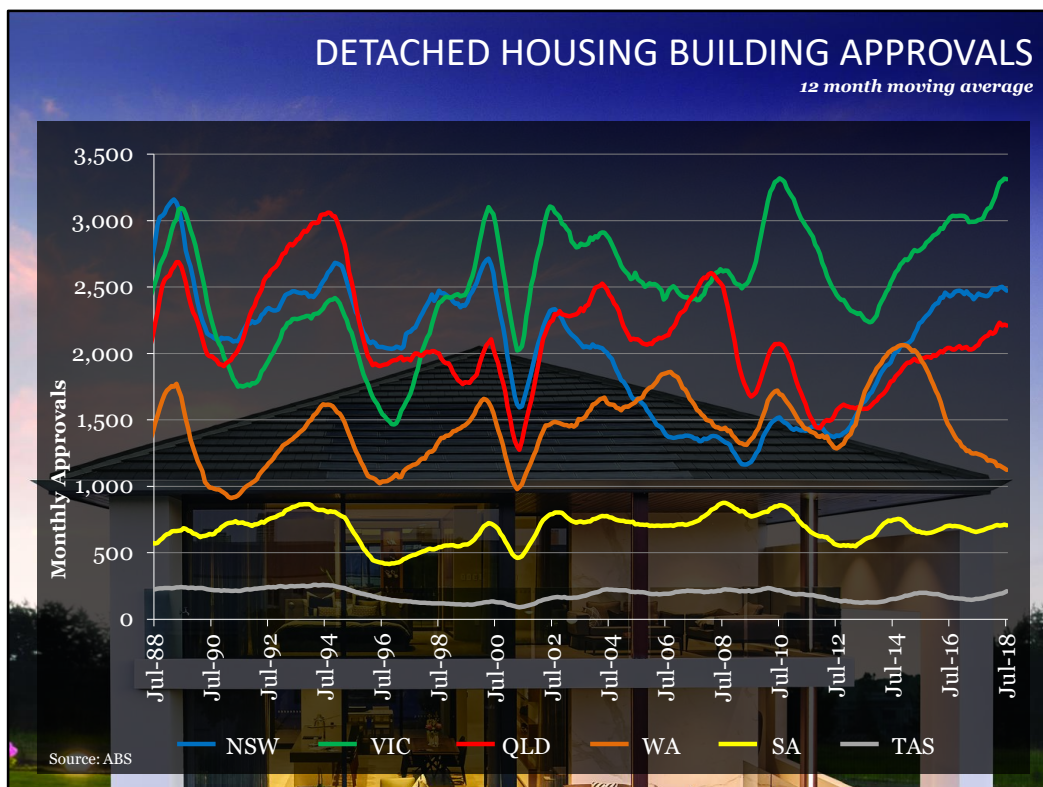
Full time equivalent employees decreased by 26 during the year to 1,485. The decrease is primarily due to the restructuring activities in Western Australia, and the closure of our Precast facility in Victoria. This was partially offset by the addition of 66 employees following the acquisition of UrbanStone.



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 financial 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.



The chart on screen shows detached house building approvals across each state.

This clearly illustrates the different conditions currently faced across the country.

Each of the major east coast states has experienced increased building activity in recent years.

Approvals in Victoria are now in line with the previous peak in 2010.

New South Wales has experienced a prolonged period of growth after a decade of underbuilding. In this state, detached housing approvals have stayed relatively constant at 2,500 approvals per month, for three years.

In Queensland, approvals have also increased over a number of years, albeit at a slower pace. Approvals in this state still sit well below prior peaks.

Approvals in South Australia and Tasmania are also strong.

Meanwhile, on the other side of the country, detached housing approvals in Western Australia are now at their lowest level for over 15 years. However as shown on the chart the rate of decline has slowed and it appears we are now close to the bottom in that state.

## AUSTRAL BRICKS

- 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

[Picture: OP9 House, featuring Bowral50 Chillingham White and La Paloma Gaudi 50mm]

Turning now to the divisional performance.

Austral Bricks delivered a 13% increase in earnings, with sales revenue up 8% to \$447 million.

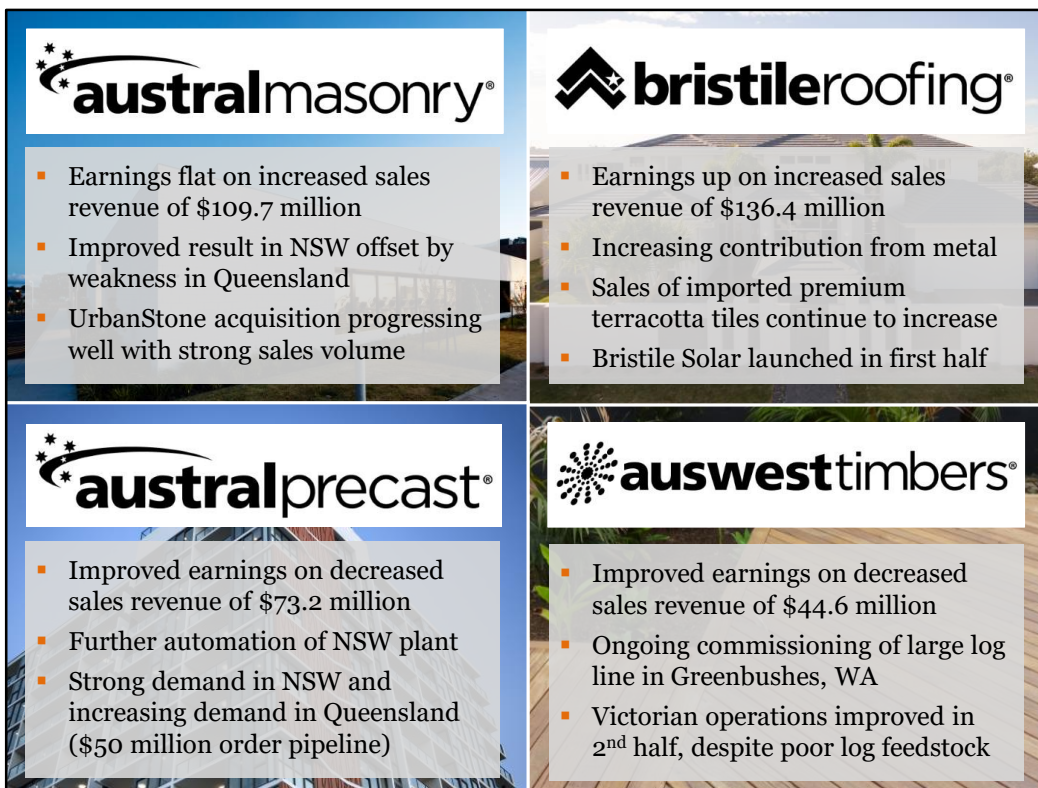
Particularly strong performances were delivered in New South Wales and Victoria and a reduction in losses in Western Australia was achieved following a range of restructuring initiatives.

Austral Bricks continues to benefit from a range of initiatives to increase sales of premium, higher margin products. An example of the success of this strategy 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, project architects and developers. Ultimately the project involved the supply of almost 600,000 ultra-premium bricks, with various shapes, sizes and surface finishes.

During the year, upgrade works were completed at the Rochedale plant in Queensland and the Cardup plant in Western Australia. In addition overdue maintenance was carried out at Wollert East in Victoria following over a decade of near continuous operation.

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 a new plant in the Horsley Park precinct, and a new facility to replace the energy intensive Bowral plant.





Looking now at other divisions.


**Austral Masonry** earnings were flat, on sales revenue of \$110 million, up 23% on the prior half. An improved result was delivered in New South Wales, offset by a decline in earnings in Queensland, due primarily to the slowdown in apartment construction in Brisbane. Sales of UrbanStone products have been strong since the acquisition of this business in November 2017.

**Bristile Roofing** earnings increased on the prior half, with sales revenue up 7% to \$136 million. Earnings were higher in New South Wales and Victoria. Bristile Solar was launched during the first half. The Bristile Solar package is offered in conjunction with Bristile tiles and is expected to attract new customers and support increased roof tile sales volume.

**Austral Precast** earnings were higher, despite a decrease in revenue to \$73 million for the year. The decline in revenue was due to the closure of the Victorian facility and the slow down in high rise development in Brisbane, significantly impacting sales in this market. Demand in New South Wales is particularly strong, resulting in a significant increase in earnings in that state. At the end of the financial year the order book was extremely strong, with over \$50 million of work in the pipeline across the country, predominantly in New South Wales and Queensland.

**Auswest Timbers** earnings were also improved, on revenue of \$45 million, down 4%. Improved earnings were recorded in Western Australia, following restructuring activities to improve efficiency. Victorian operations were also higher, despite ongoing challenges with log supply quality.





## ENERGY SECURITY

- 5 year gas supply agreement executed with Santos for east coast operations
- Market competitive, stable and long term pricing
- Supplying up to 15 PJ of natural gas over the term
- Firm gas supply for NSW, VIC, QLD and SA operations, commencing 1 Jan 2020
- Flexibility of supply to accommodate variable brick production
- Advantage of volume flexibility gained from entering into a wholesale agreement

As recently announced to the market, we have executed a new five-year wholesale gas supply agreement with Santos for our New South Wales, Queensland, Victorian and South Australian operations, commencing on 1 January 2020.

At a time of considerable uncertainty within the Australian energy market, we are pleased to secure this flexible and competitive long-term deal, that extends until the end of 2024. This will allow Brickworks to continue its focus on operational excellence, including securing the lowest cost manufacturing position in Australia.

Our transition to the wholesale market will deliver significant advantages, particularly in regard to flexibility of supply, enabling gas supply to accommodate variable brick production.

## BUILDING PRODUCTS OUTLOOK

- Market fundamentals remain supportive for housing:
  - Strong employment, low interest rates, high immigration
  - Housing undersupply still exists
- However, tightening credit conditions are impacting the market
- Strong order book in place in major east coast markets, but current sales are patchy:
  - Weakness in Sydney multi-res market
  - Resilience in detached houses and regional areas
  - Strong demand in SA and TAS
  - WA remains difficult, exacerbated by wet weather
- Energy prices are significantly impacting earnings

Looking at the Building Products outlook. We are currently facing mixed conditions across the country.

Market fundamentals remain supportive for new housing construction, with employment levels healthy, low interest rates and high immigration levels projected to be sustained. External analysis indicates that a housing undersupply still exists in NSW and Victoria.

However, tighter bank lending controls have reduced personal borrowing capacity and this is now causing delays and cancellations of dwelling construction.

As a result, we are currently experiencing patchy sales, despite our strong order book in the major east coast markets. Weakness is evident in businesses exposed to the multi residential market in Sydney. Elsewhere, demand is being supported by the continued resilience of the detached housing market, and strong activity in regional centres such as Newcastle and Wollongong in NSW and Geelong in Victoria.

There are reports of trade shortages in Victoria and South Australia, and in Tasmania housing approvals are at the strongest level for almost a decade.

On the other side of the country in Western Australia, a wet winter period has adversely impacted demand, in an already difficult market. Brick selling prices continue to fall in this state, however we expect margins to be supported by continued manufacturing cost savings, following restructuring initiatives and capital upgrade projects that have been completed.

Meanwhile, despite the positive development in relation to our future gas supply agreement with Santos, current energy costs and contracted price increases to take effect on 1 January 2019, will have a significant adverse impact on Building Products earnings. These cost increases are likely to exceed price increases that can be achieved in the current market and initiatives to reduce costs in the short-term.

## PROPERTY



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Turning now to Property.

## PROPERTY SEGMENT EBIT

\$ millions	FY2017	FY2018	% Change
Net Trust Income	\$18.3m	\$22.0m	↑ 20.2
Revaluation of properties	\$14.3m	\$23.8m	↑ 66.4
Development Profit	\$10.8m	\$28.9m	↑ 167.6
Sale of assets	\$1.0m	\$25.9m	↑ >500
<b>Property Trust</b>	<b>\$44.4m</b>	<b>\$100.6m</b>	↑ 126.6
Land Sales	\$50.3m	(\$3.0m) <sup>1</sup>	↓ N/A
Property Admin <sup>2</sup>	(\$4.1m)	(\$3.6m)	↓ (12.2)
<b>Total<sup>3</sup></b>	<b>\$90.6m</b>	<b>\$94.0m</b>	↑ 3.8

1. Costs associated with the preparation of the Punchbowl site have been included in FY2018, with settlement expected in FY2019
2. Property administration includes the holding costs of surplus land
3. Excluding significant items



Property delivered an EBIT of \$94 million, up 4% on the prior year.

The improved result was due to significantly higher earnings from the Property Trust of \$101 million.

Net trust income delivered by the Property Trust was \$22 million for 2018, up 20% on the prior year, and revaluation of properties contributed \$24 million.

The key focus during 2018 was the continued development of the Property Trust assets across the country. In April the Oakdale Central estate in New South Wales was completed, and at Rochedale in Queensland, the southern section of the estate is now fully occupied. Development profits associated with completion of assets at these sites totalled \$29 million for the year.

During the second half, infrastructure works were completed at the Oakdale South Estate. This delivered a significant uplift in the value of this property, resulting in a \$26 million profit to Brickworks. The sale also triggered settlement on the sale of 30 hectares of land, resulting in \$100 million in gross receipts to the Property Trust.

In May we announced the sale of our Punchbowl site, via a call option that has now been exercised. During the year, \$3 million in costs were incurred in the preparation of this site for sale, with settlement expected to occur next month.

## INDUSTRIAL PROPERTY TRUST VALUE

\$ millions	FY2017	FY2018	% Change
Leased properties	\$878m	\$1,168m	↑ 33.3
Land to be developed	\$523m	\$360m	↓ (31.3)
<b>Total assets</b>	<b>\$1,401m</b>	<b>\$1,527m</b>	↑ <b>9.0</b>
Borrowings	\$441m	\$451m	↑ 2.3
Net trust assets	\$960m	\$1,076m	↑ 12.2
<b>Brickworks 50% equity value</b>	<b>\$480m</b>	<b>\$538m</b>	↑ <b>12.2</b>
Rental return <sup>1</sup>	7.8%	6.1%	↓ (21.2)
Revaluation return <sup>2</sup>	6.1%	6.6%	↑ 9.1
<b>Total return</b>	<b>13.9%</b>	<b>12.8%</b>	↓ <b>(7.9)</b>
<b>Gearing<sup>3</sup></b>	<b>46.4%</b>	<b>38.6%</b>	↓ <b>(16.8)</b>

1. Based on Net Trust Income, divided by Brickworks share of leased properties less associated borrowings
2. As above, but using revaluation profit
3. Borrowings on leased assets / total leased assets.



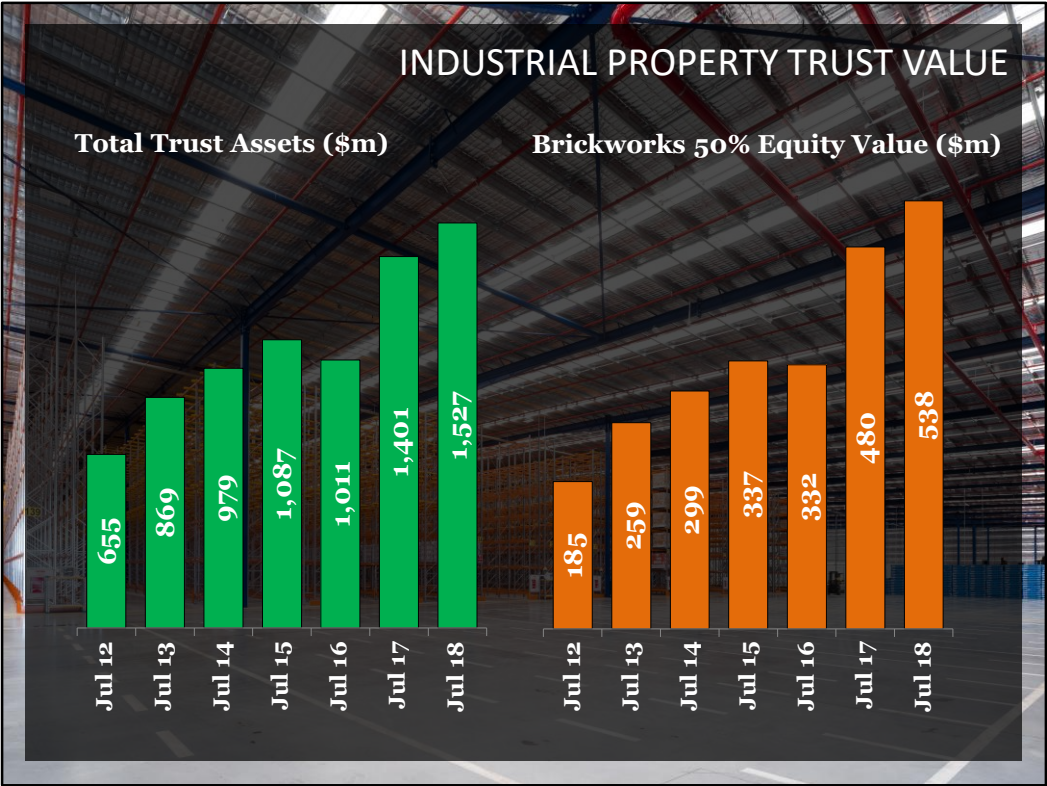
The total value of assets held within the Property Trust at 31 July 2018 was over \$1.5 billion, up by \$126 million during the year. This includes \$1.2 billion in leased properties and a further \$360 million in land to be developed.

Borrowings of \$451 million are held within the Property Trust, giving a total net asset value of \$1.1 billion. Brickworks share of net asset value is \$538 million, up \$58 million from 31 July 2017.

Funds received from property sales have been re-invested to support development activity and reduce gearing within the Trust, which now stands at 39%.

The total return on leased properties, after allocating associated borrowings and interest costs, was 12.8% in 2018, comprised of a 6.1% rental return and a 6.6% revaluation return.





As shown on screen, the value of the Property Trust has increased significantly over the past six years.

During this time, the total assets have increased by \$872 million, and Brickworks 50% equity value has almost tripled.



[Picture: Artistic impression, Oakdale South site]

Turning to the outlook for Property, development activity within the Trust remains strong. The completion of new facilities at Oakdale South and Rochedale will drive growth in rent and asset value over both the short and longer term.

An artist's impression of the Oakdale South site is shown on the screen.

Last year's sale of Oakdale West into the Property Trust provides medium and longer term growth potential. The development application for this site was lodged in late 2017 and has now come off exhibition and is under assessment. Once development approval is achieved, expected in early 2019, development of this site is likely to extend for up to a decade.

As I mentioned, the sale of the Punchbowl property is due to complete 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.

## INVESTMENTS



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I will now go through our Investments result.

## INVESTMENT IN WHSP (ASX: SOL)

- BKW holds a 42.7% stake in SOL
- SOL is a diversified investment house with interests in a wide range of companies such as TPG, New Hope, API and Brickworks
- FY2018 underlying EBIT contribution from Investments of \$123.5 million, up 19.8% (SOL \$122.4 million, up 19.0%)
- \$56.2 million fully franked dividends received by BKW during FY2018
- Market value \$2.231 billion at 31 Jul 18



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.

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

The underlying EBIT from Investments was \$123 million for the year, up by 20%. Of this, the contribution from WHSP was \$122 million, up 19%.

In addition \$56 million in fully franked dividends were received from WHSP during the year.





The investment in WHSP has created significant value for shareholders over the long term. The market value of Brickworks' holding in WHSP has grown from \$30 million in 1983, when Brickworks last acquired shares, to over \$2.2 billion at the end of July 2018.

As mentioned earlier, since the end of July, the WHSP share price has increased further, and the market value of Brickworks stake now stands at around \$2.6 billion.

WHSP has outperformed the ASX All Ordinaries Accumulation Index by 3.6% p.a. over fifteen years to 31 July 2018, with an average annual shareholder return of 13% during that period.



## FINANCIALS




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[Picture: Brickworks Design Studio, Perth]

Looking now at our financials in more detail.

FINANCIAL OVERVIEW			
	FY2017	FY2018	% Change
<b>Total EBITDA</b>	\$274.1m	<b>\$309.2m</b>	↑ 12.8
Depreciation	\$27.8m	<b>\$29.4m</b>	↑ 5.8
<b>Total EBIT</b>	\$246.3m	<b>\$279.8m</b>	↑ 13.6
Borrowing costs	(\$12.4m)	<b>(\$14.5m)</b>	↑ (16.2)
Underlying income tax	(\$37.4m)	<b>(\$41.6m)</b>	↑ (11.1)
<b>Underlying NPAT</b>	\$196.4m	<b>\$223.7m</b>	↑ 13.9
Significant items (after tax)	(\$10.2m)	<b>(\$48.3m)</b>	
<b>Statutory NPAT</b>	\$186.2m	<b>\$175.4m</b>	↓ 5.8



Total underlying Group EBITDA for the year was \$309 million.


Including depreciation of \$29 million, the Group EBIT was up 14% to \$280 million.

Total borrowing costs were \$15 million and tax was \$42 million, resulting in the underlying net profit after tax of \$224 million, up 14% on the prior year.

Significant items reduced NPAT by \$48million.

Therefore statutory net profit after tax was \$175 million, down 6% compared to the prior year.


SIGNIFICANT ITEMS			
Significant Items	Gross	Tax	Net
Restructuring and commissioning	(\$10.1m)	\$3.0m	(\$7.1m)
Net legal and advisory cost (inc. acquisitions)	(\$3.0m)	\$0.9m	(\$2.1m)
Significant items relating to WHSP	(\$22.3m)	(\$16.9m)	(\$39.2m)
<b>TOTAL</b>	<b>(\$35.3m)</b>	<b>(\$13.0m)</b>	<b>(\$48.3m)</b>



The table on the screen shows the significant items in more detail. In summary, they comprise:

- \$7.1 million in after-tax costs relating to restructuring and commissioning within Building Products. This includes the cost associated with commissioning upgraded plants in Western Australia and Queensland and restructuring activities within Austral Bricks Western Australia and Auswest Timbers;
- Business acquisition costs and other legal and advisory costs of \$2.1 million, after tax;
- A \$22.3 million cost based on Brickworks share of reported WHSP significant items. The largest contributor to this was a \$19.8 million impact associated with New Hope Corporation’s impairment of coal exploration and evaluation assets; and
- A \$16.9 million cost related to deferred taxes on the WHSP holding.

KEY FINANCIAL INDICATORS			
	FY 2017	FY 2018	% Change
Net tangible assets (NTA) per share	\$11.77	<b>\$12.42</b>	↑ 5.5
Shareholders' equity	\$1,968m	<b>\$2,071m</b>	↑ 5.2
Shareholders' equity per share	\$13.20	<b>\$13.87</b>	↑ 5.0
Underlying return on shareholders equity	10.0%	<b>10.8%</b>	↑ 8.2%
Cash flow from operations	\$115.4m	<b>\$170.9m</b>	↑ 48.1
Net debt	\$293.4m	<b>\$303.8m</b>	↑ 3.6
Gearing (net debt / equity)	14.9%	<b>14.7%</b>	↓ 2.3
Interest cover	16.7x	<b>18.0x</b>	↑ 7.2



Looking at a range of key financial indicators.

Net tangible assets per share was up 5% to \$12.42.

Shareholders equity increased by \$103 million to almost \$2.1 billion at the end of the year which represents \$13.87 per share.

Underlying return on shareholders equity increased to 11%.

Total net cash flow from operating activities was up 48% to \$171 million.

Net debt increased to \$304 million with gearing at 15% at the end of the period.

Interest cover increased to a conservative 18 times.

## CASH FLOW RECONCILIATION

\$million	FY2017	FY2018
Statutory net profit after tax	\$186.2m	\$175.4m
Depreciation, amortisation, impairment	\$27.8m	\$29.4m
Share of profits of associates not received as dividend	(\$100.0m)	(\$84.6m)
Non cash profit on land sale	(\$31.3m)	-
Changes in tax provisions	\$40.3m	\$43.2m
Changes in working capital and other non cash items	(\$7.6m)	\$7.5m
<b>Operating cash flow</b>	<b>\$115.4m</b>	<b>\$170.9m</b>
Capital expenditure	(\$61.4m)	(\$43.5m)
<b>Free cash flow</b>	<b>\$54.0m</b>	<b>\$127.4m</b>
Re-investment into Property Trust		(\$37.5m)
Acquisitions and investments	(\$12.6m)	(\$21.8m)
Dividends paid	(\$72.9m)	(\$77.7m)



As mentioned, the total operating cash flow for the year was \$171 million, up \$56 million on the prior year. This increase was primarily the result of increased earnings from Building Products, distributions received from the Property Trust following the settlement of land at Oakdale South, and lower income tax payments.

In addition, financial year 2017 included \$31.3 million in relation to the net non cash profits from land sales at Oakdale West and Malaga.

After capital expenditure of \$44 million, largely spent on upgrades to plant and equipment, free cash flow was \$127 million, more than double the prior year.

During the year, cash proceeds received from Property Trust sales have been re-invested back in to the Property Trust to fund further growth developments. Other growth investments include the acquisition of UrbanStone and the investment in Southern Cross Cement.



## GROUP OUTLOOK



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Turning now to the Group outlook.



## GROUP OUTLOOK

- Residential building activity is likely to decline in major east coast markets, but a strong order book will soften the impact
- Energy prices are significantly impacting earnings
- Another solid earnings contribution from Property is expected in FY2019, but the final outcome will depend on the timing of development activity and transactions, and extent of any revaluations
- The WHSP investment is expected to deliver steadily increasing earnings and dividends over the long term

In summary, looking at the overall outlook for the Group:

- Within Building Products, a strong order book is expected to soften the impact of the expected decline in market activity on the east coast;
- Current energy costs and contracted price increases to take effect on 1 January 2019, will have a significant adverse impact on Building Products earnings;
- In 2019 we expect another solid earnings contribution from Property, but as always, the final outcome will depend on the timing of development activity and transactions, and extent of any revaluations; and
- The WHSP investment is expected to continue to deliver steadily increasing earnings and dividends over the long term.

THANKYOU



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I will now take any questions.

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