

RECORD BUILDING PRODUCTS SALES LIFTS NORMAL PROFIT 18% MORE LAND NEEDED TO SUPPORT HOUSING DEMAND

HALF YEAR	2015	2014	Variance %
Revenue (\$M)	349.6	325.6	7.4
EBIT Normalised (\$M)	90.0	74.3	21.1
NPAT Normalised (\$M)	62.8	53.4	17.6
NPAT Inc. Significant Items (\$M)	42.2	56.3	(25.0)
EPS Normalised (cents)	42.4	36.1	17.5
Interim Dividend (cents)	15.0	14.0	7.1

Brickworks (ASX: BKW) today announced a **normal net profit after tax (NPAT)** of \$62.8 million for the half year ended 31 January 2015, up 17.6% from the prior corresponding period.

The **headline NPAT** was down 25.0% to \$42.2 million. This includes non cash impairment charges of \$10.0 million in Austral Precast and \$6.8 million in Auswest Timbers. The impairment charges recognised reflect a delay and risk in achieving planned operational efficiencies in these businesses.

Directors have declared a fully franked interim **dividend** of 15.0 cents for the half year, up 7.1% on the prior corresponding period. The record date for the interim dividend will be 14 April 2015, with payment being made on 5 May 2015.

Brickworks' Chairman Mr Robert Millner said: "A feature of the result was the increase in earnings across all three of our businesses – Building Products, Land and Development and Investments – which again demonstrates the strength of our diversified corporate structure."

Normal earnings were 42.4 cents per share for the half, up 17.5% from 36.1 cents for the prior year. "Encouragingly, cash flow from operating activities climbed 26.2% to \$67.9 million for the half," Mr Millner said.

Booming Housing Market Outstripping Supply

Sales revenue in the Building Products business hit a record \$340.6 million with earnings before interest, taxes and significant items (EBIT) up 35.9% to \$26.1 million for the half.

The broad-based recovery in building materials demand in the first half saw sales volumes and revenue increasing in all divisions, led by a stellar result from Austral Bricks where earnings were up 47.5% on the higher sales volumes and improved plant efficiencies. Austral Masonry and Bristle Roofing also delivered higher earnings.

Brickworks' Managing Director Mr Lindsay Partridge says that booming market conditions are creating a backlog in demand for new housing of up to a year in some markets because of a lack of available land and a shortage of trades to build new homes.

Referring to the recent UDIA State of the Land Report, Mr Partridge said: "Despite surging demand, Sydney still has the lowest number of lots being released for housing development of all major capitals. This is rapidly pushing up prices and reducing the average lot size".

“There has been good progress in New South Wales to increase the release of land, but more land is required quickly. What we need are cheaper and larger lots that are readily available,” Mr Partridge said.

“At the same time, we are short of certain trades to build new homes. The shortage of bricklayers in particular is now critical, however it is surprising that there is over 200 apprenticeship bricklayer vacancies nationally that the industry is struggling to fill,” Mr Partridge said.

Amidst these supply constraints, Austral Bricks order intake in New South Wales is at the highest level since the lead up to the Olympic Games in 2000, and all available production capacity on the east coast is urgently being brought back online.

Land and Development

Land and Development produced an EBIT of \$38.7 million for the half year ended 31 January 2015, up 7.2% from \$36.1 million in the prior corresponding period. The result was driven by an increased contribution from the Property Trust, due to higher net property income and a strong revaluation profit as a result of compression in capitalisation rates. The total value of the Property Trust assets rose to \$1.044 billion as at 31 January 2015, up 6.7% or \$65.2 million, from 31 July 2014.

Investments

EBIT from Investments for the half year ended 31 January 2015 was \$30.1 million, up 27.0% on the \$23.7 million in the prior corresponding half. The uplift was due primarily to increased earnings in TPG Telecom and New Hope Corporation and an improved result from CopperChem. The market value of Brickworks' 42.72% shareholding in Washington H. Soul Pattinson (WHSP) was \$1.503 billion at 24 March 2015, marginally below the value at 31 July 2014.

Outlook

Mr Partridge said: “The current upturn in housing activity shows no sign of easing, with Austral Bricks orders at record levels and many customers continuing to report that order banks extend for up to a year.

“In response to the strong demand, Austral Bricks will re-commence production at Horsley Park Plant 2 in April, and will prepare the second kiln in South Australia to ensure it is ready for production by mid 2015, if necessary to supply Victoria.”

“The booming demand is resulting in the industry now being restrained by issues such as trade shortages and inadequate supply of titled land in some states. As a result, it is likely that housing construction will soon reach an artificially constrained peak in capacity,” Mr Partridge said.

The continued increase in sales volume and implementation of a range of cost reduction initiatives places the Building Products Group in a strong position to deliver significantly improved earnings in the second half of the financial year, compared to the prior corresponding period.

The 55,000m² Coles CDC facility, with a 20 year lease in place, is currently on the market for sale. If this sale goes ahead, proceeds will be used to reduce debt levels and reduce interest payments, either in the Property Trust or at the Brickworks Group level. The loss in rental income will be partially offset by the development of two new facilities at Eastern Creek totalling 58,090m², with a heads of agreement having been recently signed.

Land and Development earnings for the 2015 financial year are expected to be approximately in line with the prior year, subject to the timing and value of property transactions.

An increase in full year earnings from Investments is anticipated, following the stronger first half.

Results briefing

Chairman Robert Millner and Managing Director Lindsay Partridge will present Brickworks' results at a briefing today at 12.15pm, for a 12.30pm start, at the Brickworks Sydney Design Studio, Ground Floor, 50 Carrington Street.

End

Brickworks Limited was listed on the Australian Securities Exchange in 1962 and has paid a dividend every year since then. It has three Groups - Building Products, Land and Development and Investments. The Building Products Group includes Australia's largest bricks producer Austral Bricks™, Austral Masonry™, Bristile Roofing™, Austral Precast™ and Auswest Timbers™. The Land and Development operation maximises value from surplus land and redundant building products sites. Investments include a 42.72% holding in Washington H. Soul Pattinson & Company.

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