

27 March 2014

Australian Securities Exchange

Attention: **Companies Department**

**BY ELECTRONIC LODGEMENT**

Dear Sir/Madam,

Please find attached a presentation to be made to analysts today regarding Brickworks' financial results for the half year ended 31 January 2014, for immediate release to the market.

Yours faithfully,

BRICKWORKS LIMITED



IAIN THOMPSON

COMPANY SECRETARY

RESULTS FOR THE HALF YEAR ENDED  
31 JANUARY 2014



27 March 2014

**BRICKWORKS**  
LIMITED

OVERVIEW

Mr Robert Millner, Chairman



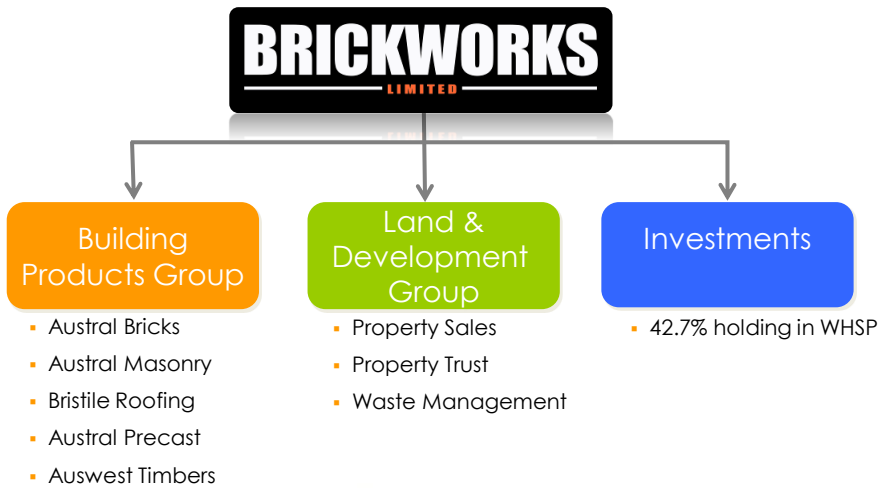
**BRICKWORKS**  
LIMITED

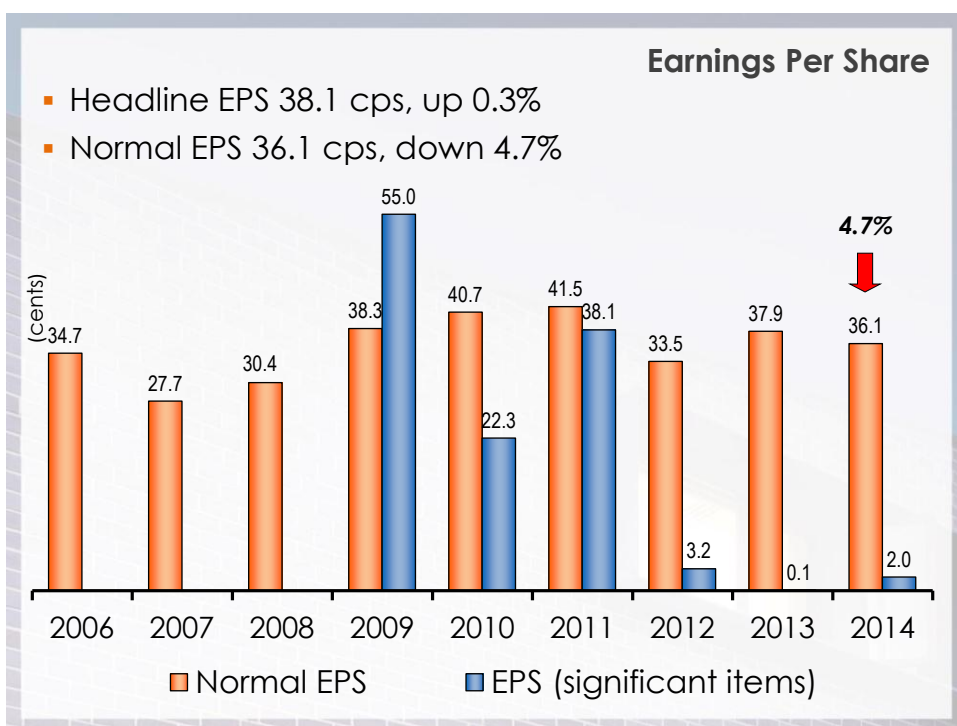
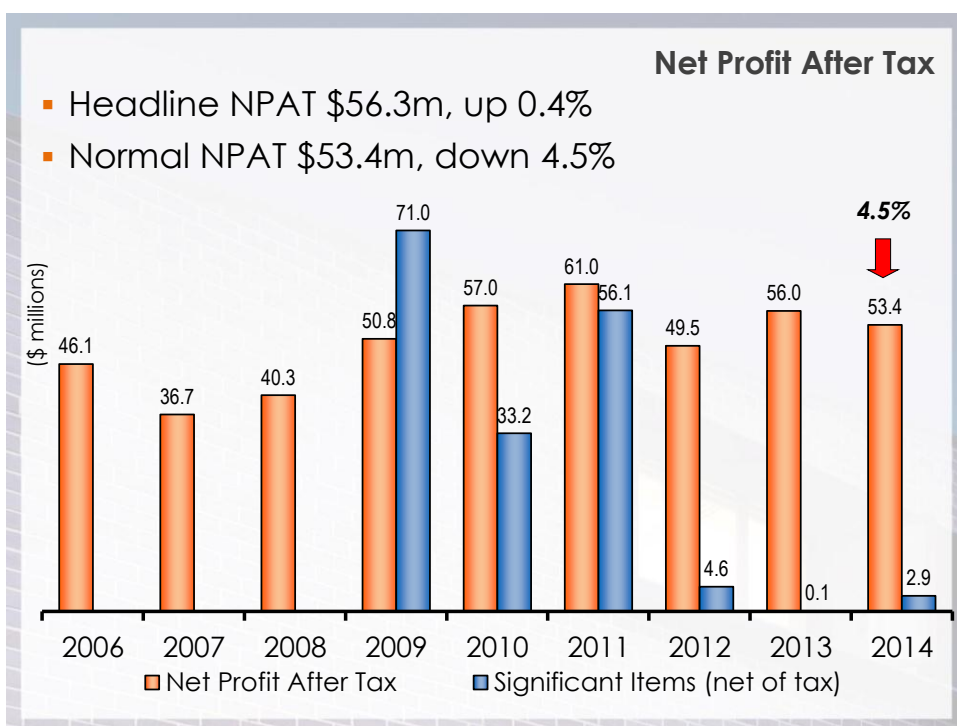


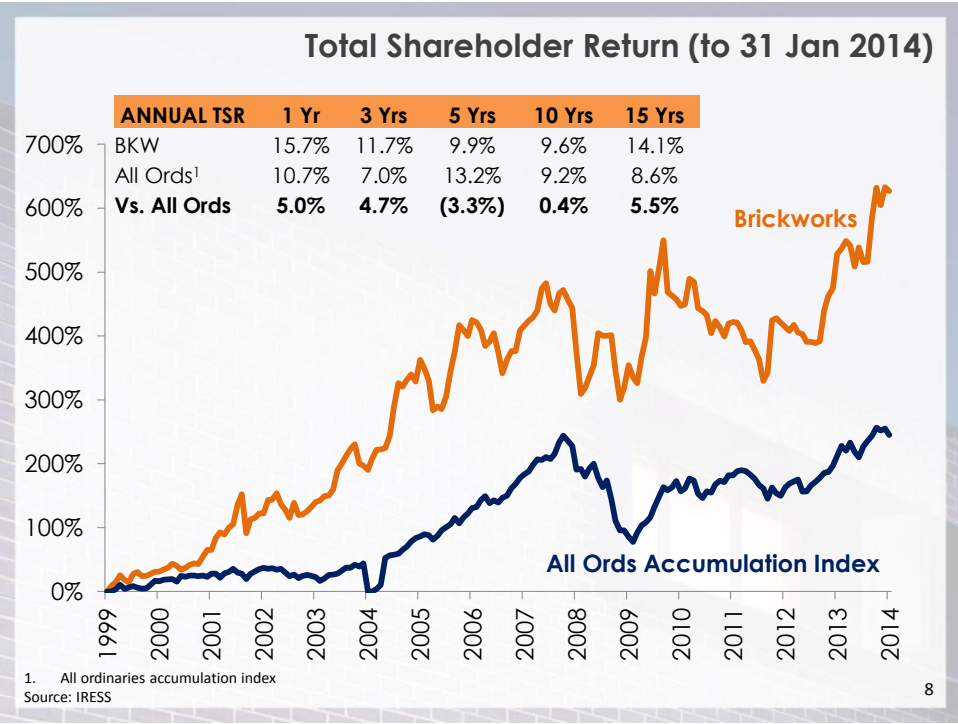
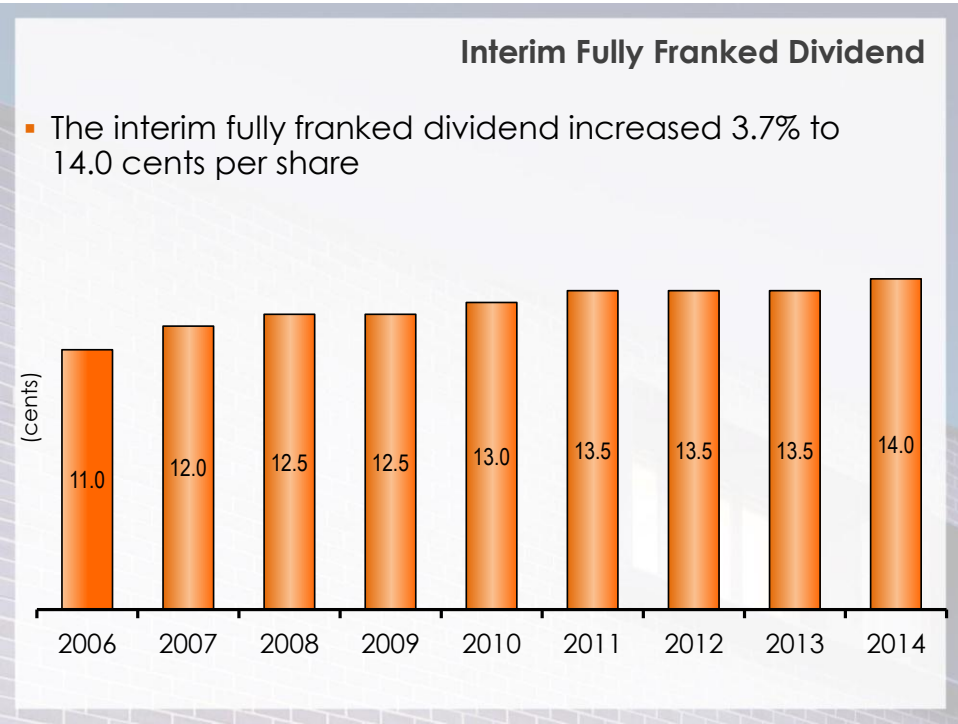
## Presentation Outline

- Overview
- Results in Detail
- Building Products Results
- Building Products Outlook
- Land & Development
- Investments
- Perpetual / Carnegie Update
- Group Outlook
- Questions

## Brickworks Corporate Structure









Financial Snapshot				
	HY JAN 2013	HY JAN 2014	% Change	
Building Products EBIT	\$14.0m	\$19.2m	↑	36.7
Land and Development EBIT	\$37.3m	\$36.1m	↓	(3.3)
Investments EBIT	\$28.8m	\$23.7m	↓	(17.8)
<b>Total EBIT</b>	<b>\$76.5m</b>	<b>\$74.3m</b>	↓	<b>(2.8)</b>
<b>Total EBITDA</b>	<b>\$89.3m</b>	<b>\$87.0m</b>	↓	<b>(2.6)</b>
Interest cost	(\$10.5m)	(\$9.9m)	↓	5.1
Mark to market valuation of swaps	\$0.6m	\$1.7m	↑	171.0
Income tax	(\$10.7m)	(\$12.6m)	↑	(18.1)
<b>Net profit after tax (normal)</b>	<b>\$56.0m</b>	<b>\$53.4m</b>	↓	<b>(4.5)</b>
Significant items (after tax)	\$0.1m	\$2.9m	↑	>500
<b>Net profit after tax and sig. items</b>	<b>\$56.1m</b>	<b>\$56.3m</b>	↑	<b>0.4</b>



### Key Financial Indicators

	FY JUL 2013	HY JAN 2014	% Change
Net tangible assets (NTA) per share	\$9.82	\$10.04	↑ 2.2
Shareholders' equity	\$1,720m	\$1,756m	↑ 2.1
Shareholders' equity per share	\$11.64	\$11.86	↑ 1.9
Return on shareholders equity	5.0%	6.4%	↑ 29.5
Cash flow from operations (vs. HY13)	\$26.6m	\$53.8m	↑ 102.2
Net debt	\$319.9m	\$313.9m	↓ (1.9)
Net debt/capital employed	15.7%	15.2%	↓ (3.1)
Interest cover (normal/annualised)	6.6x	6.7x	↑ 1.5

### Capital Expenditure

	HY JAN 2013	HY JAN 2014 <sup>1</sup>
S.I.B. plant and equipment	\$8.1m	\$14.7m
Growth capital items	\$1.4m	\$3.0m
<b>Building Products total</b>	<b>\$9.5m</b>	<b>\$17.7m</b>
Depreciation and amortisation	\$12.8m	\$12.7m
Land and Development & rehabilitation	\$0.2m	\$0.2m
Business acquisitions	-	-

1. Excludes \$5.4 million in capital expenditure covered by insurance, associated with repair work following fire damage in prior periods

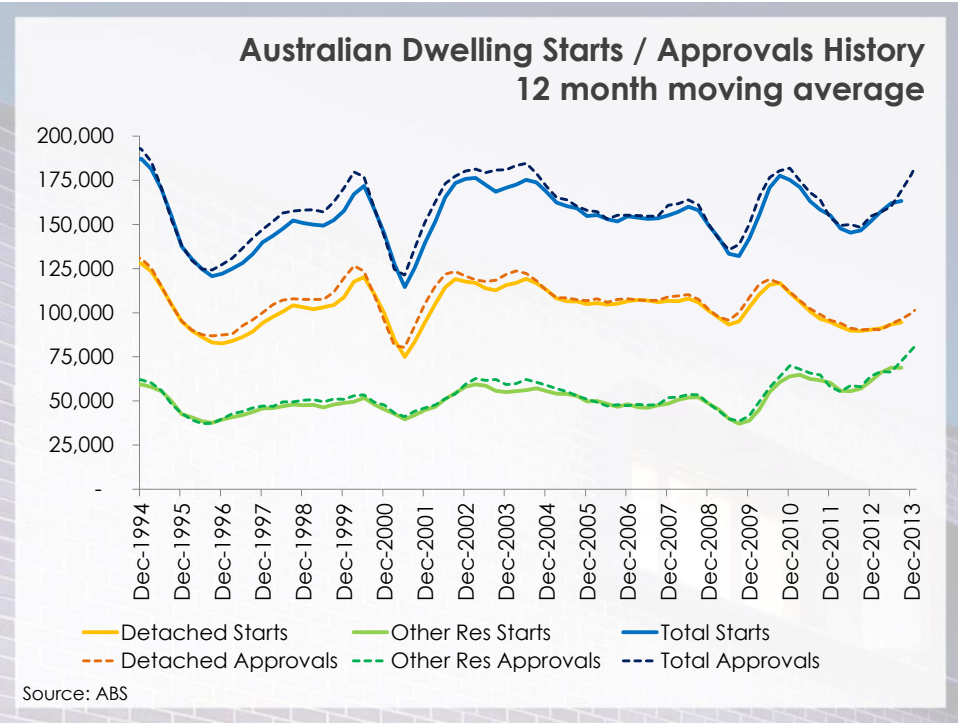
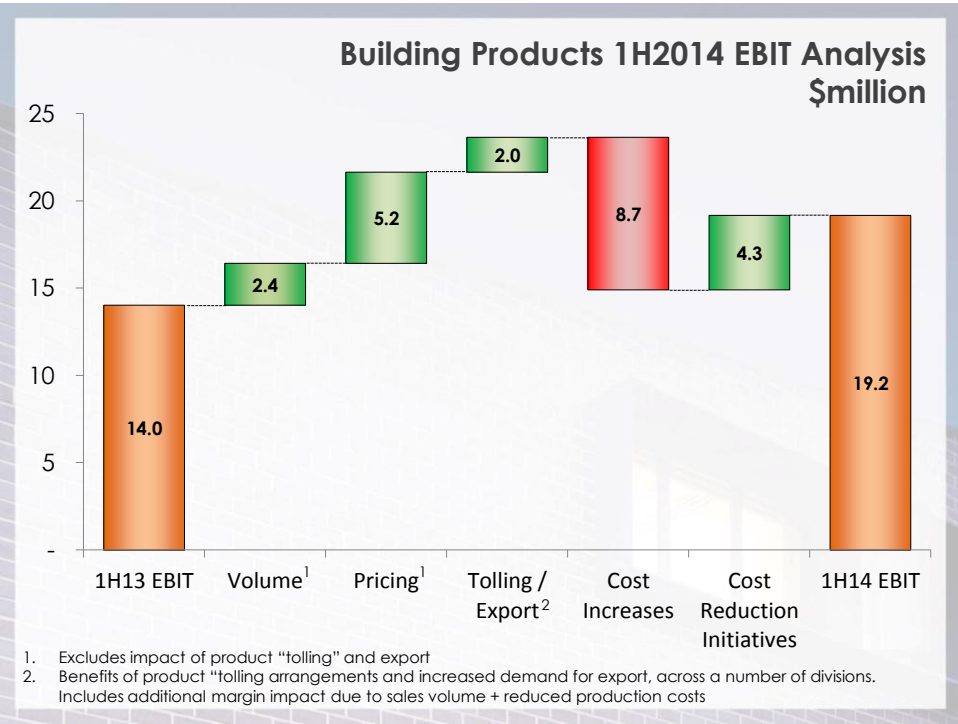


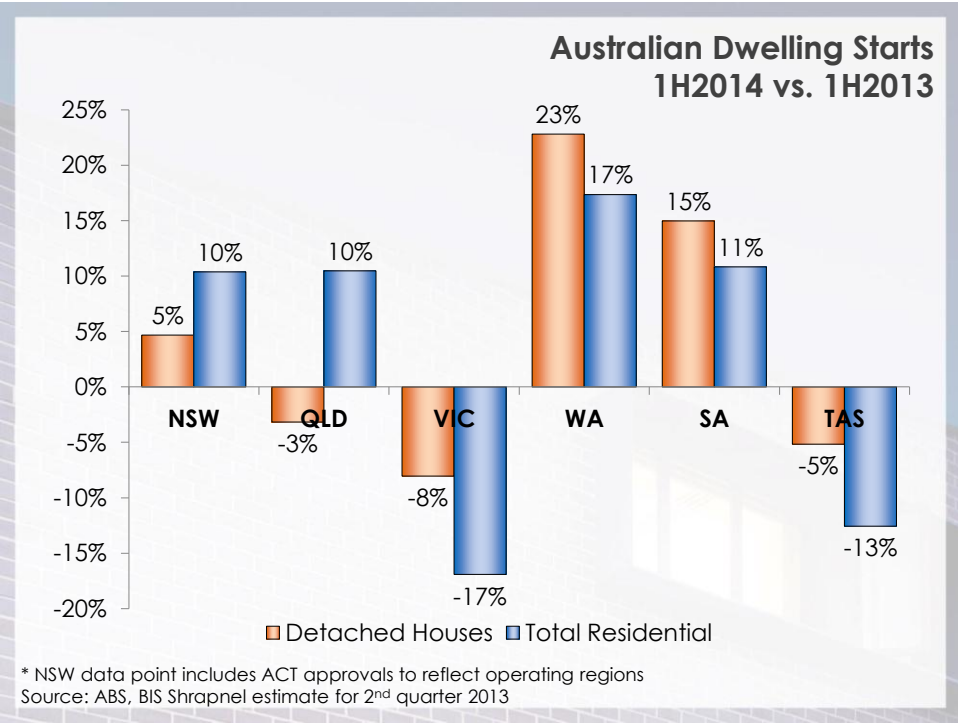
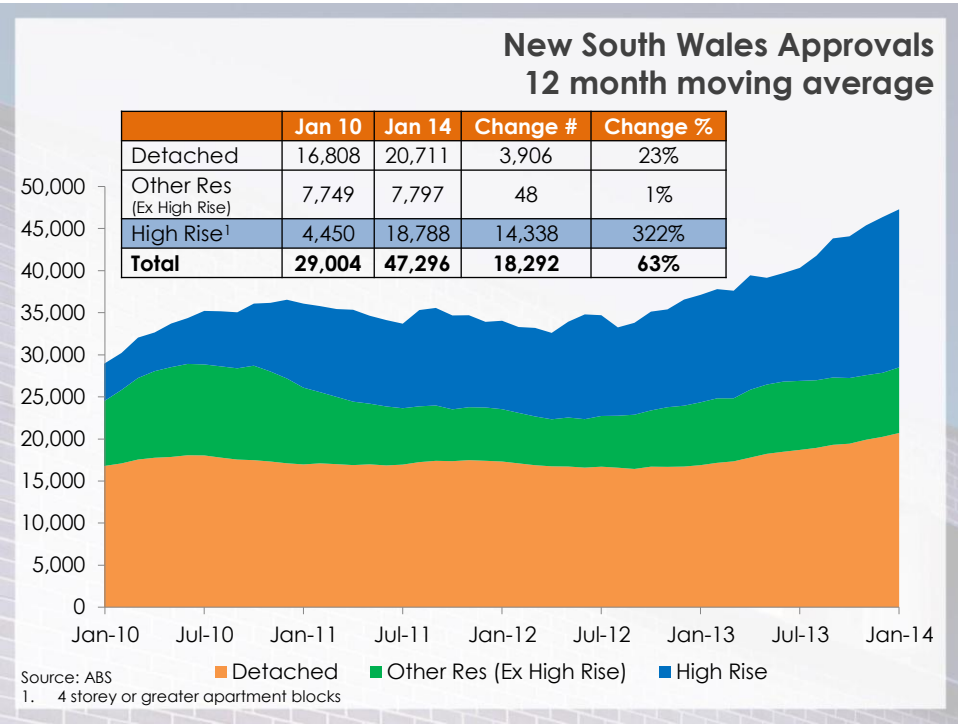
## BUILDING PRODUCTS RESULTS

### Building Products Result

	HY JAN 2013	HY JAN 2014	% Change
Sales revenue	\$278.7m	\$296.2m	↑ 6.3
EBITDA	\$26.9m	\$31.8m	↑ 18.5
Depreciation	\$12.8m	\$12.7m	↓ (1.4)
<b>EBIT</b>	<b>\$14.0m</b>	<b>\$19.2m</b>	<b>↑ 36.7</b>
EBITDA to sales	9.6%	10.7%	↑ 11.5
<b>EBIT to sales</b>	<b>5.0%</b>	<b>6.5%</b>	<b>↑ 28.6</b>
FTE employees (vs Jul 13)	1,434.8	1,433.0	(0.1)
<b>Lost time injury frequency rate</b>	<b>3.1</b>	<b>1.5</b>	<b>↓ (50.6)</b>



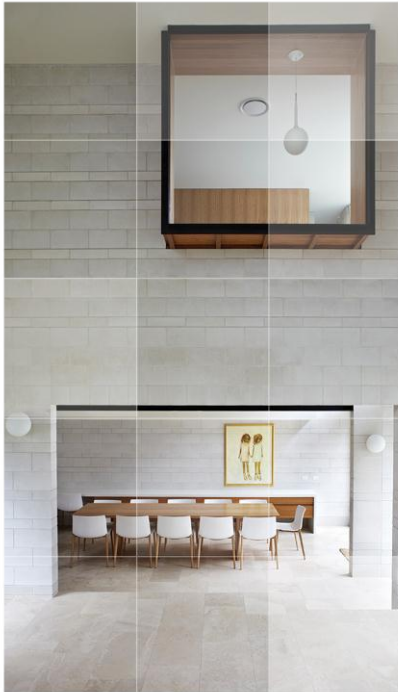






## Austral Bricks™

- Increase in earnings
- Revenue of \$157.5 million, up 15.4%
- Volume uplift driven by product “tolling”, export demand and Western Australia
- Good price increases achieved in most states except WA and Victoria
- Improved production efficiency and cost reduction initiatives
- Finished goods stock levels were reduced across all major markets



## Austral Masonry™

- Outstanding result, with earnings up 91.1% on the prior period
- Sales Revenue up 40.8%, to \$39.1 million
- External rationalisation activities included prior period acquisition and product “tolling” arrangements
- Internal restructuring included overhead cost reductions and consolidation of facilities in NSW
- Average selling prices up 10.3%



## Bristle Roofing™

- Earnings down on the prior period
- Sales revenue of \$48.0 million, down 12.1%
- Improvements in New South Wales and Queensland, offset by declines in Victoria and Western Australia
- Upturn in Western Australia yet to flow through to roof tile demand



## Austral Precast™

- Increase in earnings, despite a 4.3% decrease in sales revenue to \$31.9 million
- Improved earnings in NSW, Queensland and WA offset by a decline in Victoria
- A number of new products launched, including Austral Deck and a range of applied architectural finishes
- A range of cost reduction initiatives are underway



## Auswest Timbers™

- Increase in earnings, with sales revenue up 4.3% to \$21.8 million
- Uplift in domestic sales late in period
- Export sales volume increasing, particularly to China
- Deanmill fully rebuilt and in full operation
- Significant rationalisation of hardwood market in WA
- Negotiations with VicForests over log supply in East Gippsland ongoing



## Building Products Outlook



## Building Products Outlook

- Currently experiencing more broad based recovery in building materials demand
- Austral Bricks sales in March are tracking more than 30% ahead of the prior year
- Price rises implemented in a number of divisions and major capital projects completed
- Alternative fuels projects will largely offset energy price increases
- Building Products is well placed to deliver significantly improved earnings in the 2<sup>nd</sup> half

## LAND & DEVELOPMENT





### Land & Development EBIT

\$ millions	1H JAN 2013	1H JAN 2014	% Change
Property Trust	15.0	17.1	14.0%
Land Sales	23.4	20.4	(12.8%)
Waste	0.4	0.1	(75.0%)
Property Admin <sup>(1)</sup>	(1.6)	(1.5)	6.3%
<b>Total</b>	<b>37.3</b>	<b>36.1</b>	<b>(3.2%)</b>

1. Property administration includes the holding costs of surplus land

### Industrial Property Trust EBIT

\$ millions (BKW share)	1H JAN 2013	1H JAN 2014	% Change
Net Trust Income	5.1	6.1	19.6%
Revaluation of established properties	3.8	7.9	107.9%
Revaluation on completion of new properties	6.1	3.1	(49.2%)
<b>Total</b>	<b>15.0</b>	<b>17.1</b>	<b>14.0%</b>

## Industrial Property Trust Value

(\$ millions)	FY JUL 2013	1H JAN 2014	% Change
Leased properties	607.2	618.4	1.8%
Land to be developed	261.5	295.4	13.0%
<b>Total</b>	<b>868.7</b>	<b>913.8</b>	<b>5.2%</b>
Less borrowings	351.0	343.5	(2.1%)
Net trust assets (100%)	517.7	570.3	10.2%
<b>Brickworks equity (50%)</b>	<b>258.9</b>	<b>285.1</b>	<b>10.2%</b>
Return on Leased Properties (excluding revaluations)	7.0%	8.2% <sup>1</sup>	17.2%
Additional revaluation return <sup>2</sup>	4.2%	5.3%	28.6%
<b>Total Return on Leased Properties</b>	<b>11.2%</b>	<b>13.5%</b>	<b>21.4%</b>

1. Based on annualised 1H2014 net trust income

2. Based on revaluation of established properties only. Not annualised.

## Industrial Property Trust Assets

Tenant / Asset	Location	Asset Value	Revaluation Profit	GLA (m <sup>2</sup> )	Gross Rental p.a.	WALE (yrs)	Cap. Rate
Coles CDC	Eastern Ck	\$141.7m		43,070	\$11.8m	8.6	7.50%
Capicure	Eastern Ck	\$24.7m	\$0.7m	16,809	\$2.3m	2.1	8.00%
Southridge	Eastern Ck	\$35.1m	\$0.5m	24,357	\$2.9m	2.1	8.00%
Linfox	Erskine Park	\$76.4m		51,323	\$5.9m	7.6	7.75%
Ubeeco	Erskine Park	\$16.2m	\$0.2m	10,865	\$1.3m	5.4	8.00%
Kimberly Clark	Erskine Park	\$65.5m	\$2.8m	45,853	\$4.9m	9.6	7.50%
Woolworths	Erskine Park	\$76.0m	\$2.7m	52,888	\$5.8m	9.2	7.50%
Wacol	Wacol, QLD	\$12.9m		10,384	\$1.2m	5.1	8.25%
DHL Transport	Oakdale	\$19.7m	\$1.3m	10,390	\$1.5m	7.2	7.75%
DHL J & J	Oakdale	\$37.0m	\$0.2m	26,161	\$2.9m	7.5	7.75%
Reedy Creek	Eastern Ck	\$35.7m	\$2.4m	22,959	\$2.7m	3.8	7.50%
Jeminex	Erskine Park	\$49.2m	\$3.7m	31,278	\$3.6m	6.7	7.50%
DHL Canon	Oakdale	\$28.3m	\$1.2m	20,170	\$2.2m	4.7	7.75%
<b>Total (Jan 14)</b>		<b>\$618.4m</b>	<b>\$15.7m</b>	<b>366,507</b>	<b>\$49.0m</b>	<b>6.1</b>	
<i>Total (Jul 13)</i>		<i>\$607.2m</i>	<i>\$11.8m</i>	<i>363,098</i>	<i>\$49.8m</i>	<i>6.6</i>	

## Land Holdings

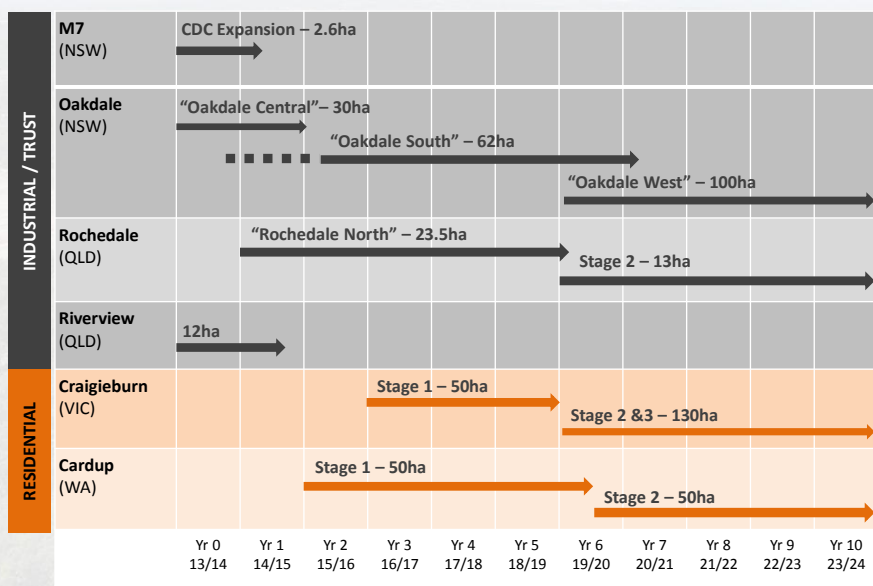
Operational Land <sup>(1)</sup>	Gross Land Area	Book Value	Most Recent Valuation
NSW	465ha	\$52m	\$166m
VIC	524ha	\$22m	\$23m
QLD	661ha	\$19m	\$27m
WA	1,792ha	\$34m	\$117m
SA & TAS	272ha	\$7m	\$13m
<b>Total</b>	<b>3,714ha</b>	<b>\$134m</b>	<b>\$346m</b>

Development Land	Gross Land Area	Development Area	Book Value	Current Value	Potential Value <sup>(2)</sup>
NSW	154ha	97 ha	\$13m	\$18m	\$73m
VIC	332ha	196ha	\$27m	\$27m	\$146m
QLD	49ha	26ha	\$2m	\$14m	\$21m
WA	187ha	90ha	\$5m	\$5m	\$21m
<b>Total</b>	<b>722ha</b>	<b>409ha</b>	<b>\$47m</b>	<b>\$64m</b>	<b>\$261m</b>

- **Changes to operational land - sale of New Chum and Buninyong quarries**
- **Changes to development land - sale of Rochedale North into Trust**

1. In addition to operational land values shown, book value of buildings is \$102 million
2. Potential value assumes future land value if rezoned and rehabilitated but does not include development profit to BKW

## Property Pipeline

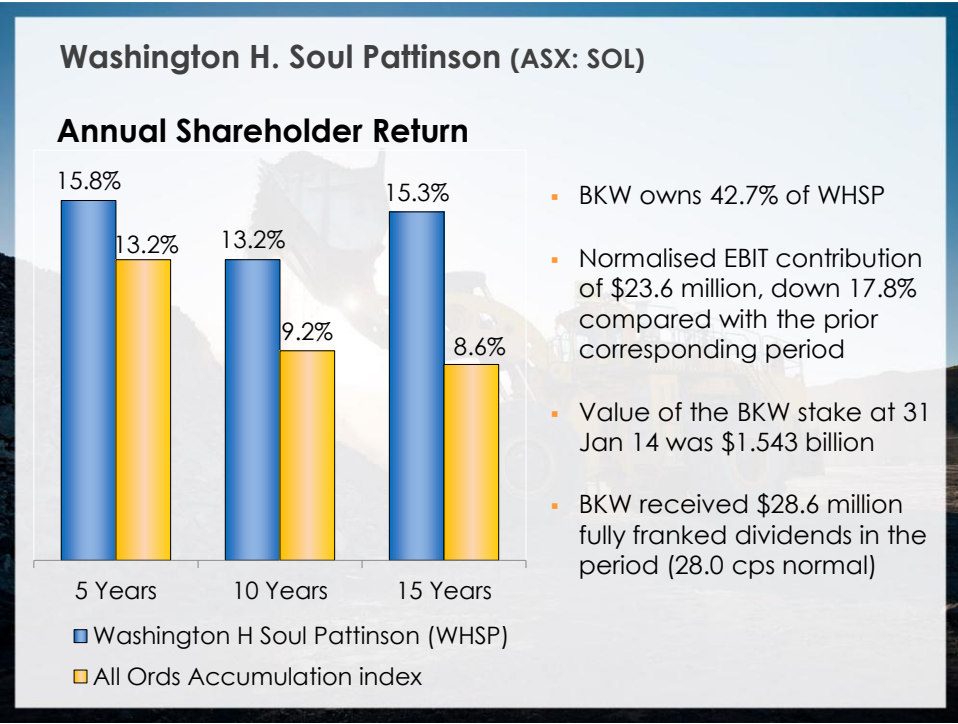


## Land & Development Outlook

- Rental returns from the Property Trust to increase as development work is completed
- Strong revaluation result expected from Coles Cold Store facility in July 2014
- Sale of industrial lots being investigated for Oakdale West
- Rezoning work continuing on Craigieburn in Victoria and Cardup in Western Australia.









## Perpetual / Carnegie Update

## Perpetual / Carnegie Update

- A general meeting to consider Perpetual and Carnegie's proposals is currently scheduled for 5 May 2014
- Brickworks Independent Directors are awaiting further information such as ATO rulings
- The proposal from Perpetual and Carnegie has caused Brickworks to incur \$1.8 million in significant costs during the first half
- The distraction to management and staff is significant, although difficult to quantify





### Brickworks Group Outlook

- Building Products earnings in the 2<sup>nd</sup> half are expected to be significantly higher than the prior corresponding period
- No major land sales in 2<sup>nd</sup> half, however continued growth of the Trust will result in full year earnings similar to the prior year
- Investment earnings difficult to predict in the short term, but should continue to deliver increasing earnings over the long term

# Questions



**BRICKWORKS**  
LIMITED

## Disclaimer

IMPORTANT: The information in this document has been provided to you for information only by Brickworks Limited ("BKW") and is subject to change without notice. Nothing contained in this document constitutes investment, legal, tax or other advice. The information in this does not take into account your investment objectives, financial situation or particular needs. Before making an investment decision, you should consider, with or without the assistance of a professional securities adviser, whether an investment in BKW is appropriate in the light of your particular investment needs, objectives and financial circumstances.

Nothing in this document should be considered a solicitation, offer or invitation to buy, subscribe for or sell any security in any jurisdiction. The distribution of this document outside Australia may be restricted by law. Persons who come into possession of this document who are not in Australia should seek advice on and observe any such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable securities laws.

Neither this document nor any copy hereof may be transmitted in the United States of America ("US") or distributed, directly or indirectly, in the US or to any

US person including (1) any US resident, (2) any partnership or corporation or other entity organised or incorporated under the laws of the US or any state thereof, (3) any trust of which any trustee is a US person, or (4) an agency or branch of a foreign entity located in the US.

By accepting this document you agree to be bound by these limitations. BKW has prepared this document based on information available to it. Although reasonable care has been taken to ensure that the facts stated and opinions given in this document are fair and accurate, the information provided in this document has not been independently verified. Accordingly, no representation or warranty, expressed or implied is made as to the reliability, fairness, accuracy, completeness or correctness of the information and opinions contained in this document. To the fullest extent permitted by law, none of BKW, its related bodies corporate, directors, employees or agents nor any other person accepts any liability for any loss whatsoever arising from any use of this document or its contents, or otherwise arising in connection therewith.