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# DIFFICULT MARKET CONDITIONS IMPACT BRICKWORKS' FIRST HALF RESULT, RESTRUCTURING ON TRACK

HALF YEAR	2011	2012	Variance %
Revenue (\$M)	327.7	271.4	(17.2)
EBIT Normalised (\$M)	77.0	65.9	(14.4)
NPAT Normalised (\$M)	61.0	49.5	(18.8)
NPAT Inc. Significant Items (\$M)	117.1	54.1	(53.8)
EPS Normalised (cents)	41.5	33.5	(19.3)
Interim Dividend (cents)	13.5	13.5	0.0

Brickworks (ASX: BKW) today announced **normalised net profit after tax (NPAT)** of \$49.5 million for the half year ended 31 January 2012, down 18.8% when compared to the prior corresponding period of \$61.0 million. After significant items, Brickworks' **headline NPAT** was \$54.1 million, down 53.8% from \$117.1 million recorded in the first half last year.

Brickworks Chairman Mr Robert Millner said: "The latest six months has been difficult, particularly for the Building Products Group, with the convergence of extremely challenging market conditions and significant restructuring activities. However, our diversification strategy meant that stronger earnings from Investments partially offset the reduced earnings from Building Products and Land and Development."

Normal earnings per share were 33.5 cents per share for the half year, down 19.3% from 41.5 cents for the corresponding period last year.

Directors have declared a steady interim dividend of 13.5 cents fully franked, for the half year. The record date for the interim dividend will be 20 April 2012, with payment being made on 15 May 2012.

## **Building Products Group**

The Building Products Group achieved earnings before interest and taxes (EBIT) of \$14.4 million for the half year ended 31 January 2012, down 35.6% compared to \$22.4 million from the previous corresponding period.

As foreshadowed at the company's AGM in November, this result reflects the further deterioration of housing activity during the half, with approvals for the six months to 31 January 2012 down 17.0% on the previous corresponding period. In addition, plant closures and restructuring activities across the Group resulted in a significant increase in per unit manufacturing costs. During the half, operations were consolidated to one site in both the Austral Bricks Queensland and Austral Bricks Victoria divisions, significantly simplifying these operations.

The strong momentum of Austral Precast continued, with earnings and revenue increasing compared to the prior corresponding period. Plant upgrades completed last year in Western Australia have begun to deliver improved results and the installation of a concrete batching plant at Wetherill Park in Sydney has commenced, to enable 24 hour operation of this facility.

The Auswest Timbers division completed the acquisition of Gunns Western Australian Jarrah assets for \$6.0 million in December 2011, delivering substantial synergies to existing operations in this state, and creating a market-leading range of high quality Australian hardwood timber.

## Land and Development

Land and Development recorded an EBIT of \$13.3 million for the half year ended 31 January 2012, down 35.4% from \$20.6 million for the prior corresponding period. This result included earnings from the Property Trust of \$12.8 million, up 132.7%, however there were no land sales during the period.

#### Investments

EBIT from Investments for the half year ended 31 January 2012 was \$41.7 million, an increase of 10.0% on the \$37.9 million for the prior corresponding period. The market value of Brickworks 42.72% share holding in WHSP was \$1.378 billion, up 4.4% or \$56.0 million, from \$1.322 billion at 31 July 2011.

#### Outlook

Brickworks Managing Director Mr Lindsay Partridge, said: "Despite the difficult first half, we are optimistic about the medium term outlook for the business. If history is any guide, the recent reduction in the cash rate by the Reserve Bank of Australia should result in a turnaround in building activity. We believe we are now close to the bottom of the building cycle and anticipate a recovery in housing construction activity in the years ahead."

"In addition, we have seen significant industry rationalisation in recent times, including a reduction of industry brick capacity of around 25% since 2009."

Mr Partridge said the Building Products Group is in a strong position to benefit from the improved market conditions and industry structure. "Capital investments over the past five years place most businesses in a strong competitive position over the medium to long term. In relation to the second half in particular, the Building Products Group will benefit from the internal restructuring activities and inventory controls implemented in the first half. In addition, as the first half includes the traditionally slow months of December and January, earnings typically skew to the second half, all else being equal."

However, despite the anticipated improvement in the second half, full year 2012 Building Products earnings are expected to be down compared with the prior year.

The Land and Development Group will likely rely predominantly on earnings from the Trust in the second half, with no significant land sales expected. An application has been made to rezone a 120 hectare lot at Oakdale West to residential land, from the current industrial zoning.

While earnings from Investments are expected to be higher for the full year, they are unlikely to offset the reduced earnings of the Building Products and Land and Development Groups.

## **Results briefing**

Robert Millner, Chairman and Lindsay Partridge, Managing Director will be presenting the Brickworks results with a Q&A session afterwards <u>today</u> at 12.15pm, for 12.30pm start, at the Brickworks Sydney Design Studio, Ground Floor, 50 Carrington Street.

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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