Brickworks Limited
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26 March 2015

Australian Securities Exchange
Attention: **Companies Department**

BY ELECTRONIC LODGEMENT

Dear Sir/Madam,

Please find attached the Brickworks Ltd Review of Results for the half year ended 31 January 2015, for immediate release to the market.

Yours faithfully,

BRICKWORKS LIMITED

IAIN THOMPSON
COMPANY SECRETARY

BRICKWORKS
LIMITED

REVIEW OF RESULTS

1ST HALF ENDED JANUARY 2015

Released: 26th March 2015

BRICKWORKS LIMITED - REVIEW OF RESULTS

1st HALF ENDED JANUARY 2015

RECORD BUILDING PRODUCTS SALES LIFTS NORMAL PROFIT 18%

$ MILLIONS	Jan 15 6 mths	Jan 14 6 mths	Variance %
REVENUE			
Building Products	340.6	296.2	15.0
Land and Development	8.9	29.2	(69.5)
Other	0.2	0.1	100.0
Total	**349.6**	**325.6**	**7.4**
EBIT			
Building Products	26.1	19.2	35.9
Land and Development	38.7	36.1	7.2
Associates & Investments	30.1	23.7	27.0
Other & H.O.	(4.9)	(4.6)	(6.5)
Total EBIT (before significant items)	**90.0**	**74.3**	**21.1**
Total EBITDA (before significant items)	**102.6**	**87.0**	**17.9**
Interest cost	(9.4)	(9.9)	5.1
Mark to market valuation of swaps	(2.9)	1.7	(270.6)
Tax expense	(14.8)	(12.6)	(17.5)
Normalised NPAT	**62.8**	**53.4**	**17.6**
Significant items	(20.6)	2.9	(>500)
NPAT (including significant items)	**42.2**	**56.3**	**(25.0)**
Per share Analysis			
Normal earnings per share (cents)	42.4	36.1	17.5
Basic earnings per share (cents)	28.5	38.1	(25.2)
Interim ordinary dividend (cents)	**15.0**	**14.0**	**7.1**
Share price (31 Jan 15)	12.11	14.18	(14.6)
Net tangible assets (NTA) vs Jul 14	10.41	10.32	0.9
Share price / NTA (times)	1.16	1.37	(15.3)

Total Shareholder Return to 31 Jan 2015 (Index return[1])			
1 year TSR %	-11.8 (11.3)	10 year TSR % p.a.	3.3 (7.5)
5 year TSR % p.a.	3.2 (8.4)	15 year TSR % p.a.	11.2 (8.3)

[1] All Ordinaries Accumulation Index

RECORD BUILDING PRODUCTS SALES LIFTS NORMAL PROFIT 18%

Highlights

- **Brickworks Normal NPAT before significant items up 17.6% to $62.8 million**
  - **Building Products EBIT up 35.9% to $26.1 million**
  - **Land and Development EBIT up 7.2% to $38.7 million**
  - **Investments EBIT up 27.0% to $30.1 million**
- **Headline NPAT including significant items, down 25.0% to $42.2 million**
- **Net debt/capital employed of 14.9%, net debt $314.6 million**
- **Interim dividend of 15.0 cents fully franked, up 7.1%**

Overview[2]

Brickworks' (ASX: BKW) posted a normalised Net Profit After Tax ('**NPAT**') for the half year ended 31 January 2015 of $62.8 million, up 17.6% on the previous corresponding period. After including the impact of significant items, headline NPAT was down 25.0% to $42.2 million, due primarily to non-cash impairment charges in Austral Precast and Auswest Timbers.

On record sales revenue of $340.6 million, **Building Products'** normalised earnings before interest and tax ('EBIT') was $26.1 million, up 35.9% on the previous corresponding period. Earnings across most divisions improved, through a combination of continued sales growth, price increases and the implementation of a range of business improvement initiatives.

Land and Development EBIT was $38.7 million for the first half, driven primarily by a strong revaluation profit in the Joint Venture Industrial Property Trust[3] ('Property Trust').

Investment EBIT, including the contribution from Washington H Soul Pattinson ('WHSP'), was up 27.0% to $30.1 million. This was due primarily to increased earnings in TPG Telecom and New Hope Corporation and an improved result from CopperChem.

Normal earnings per share ('**EPS'**) were 42.4 cents, up 17.5% from 36.1 cents for the previous corresponding period.

Directors have declared a fully franked interim **dividend** of 15.0 cents per share for the half year ended 31 January 2015, up 7.1% from 14.0 cents.

[2] Unless otherwise stated all earnings measures exclude significant items
[3] The Joint Venture Industrial Property Trust is a 50/50% partnership between Brickworks and Goodman Industrial Trust

The record date for the interim dividend will be 14 April 2015, with payment on 5 May 2015.

Financial Analysis

Gearing (debt to equity) was 18.6% at 31 January 2015, up slightly from 31 July 2014. Total interest bearing debt increased to $334.0 million and **net debt** was $314.4 million at 31 January 2015, up 3.1% from $305.0 million at 31 July 2014. Net debt to capital employed was 14.9% at the end of the period.

Interest costs were down slightly to $9.4 million for the half. **Total borrowing costs** were $12.3 million, including the loss in mark to market valuation of swaps of $2.9 million. Interest cover was 9.5 times, up from 7.3 times at 31 July 2014.

Working capital, excluding land held for resale, was $168.4 million at 31 January 2015, a decrease of $4.3 million compared to 31 July 2014. During the half **finished goods inventory** reduced by $4.9 million.

Total **cash flow** from operating activities was $67.9 million, up 26.2% from $53.8 million in the previous corresponding period. This includes $6.8 million in proceeds from the sale of the Port Kembla site in New South Wales. Excluding this sale, operating cash flow was up 13.6%, primarily reflecting the higher level of trading and decreased working capital.

Building Products **capital expenditure** decreased marginally to $16.5 million, from $17.7 million in the previous corresponding period. Stay in business capital expenditure was $11.5 million, representing 90.9% of depreciation. Spend on major growth projects totalled $5.0 million and included the first phase of a plant upgrade at the Rochedale brick plant in Queensland and a range of alternative fuels projects.

Spending on Building Products **acquisitions** totalled $5.5 million for the period, comprising a masonry plant in Rockhampton. In addition, land was purchased at the previously leased Austral Masonry site at Yatala in Queensland for $9.1 million.

The normalised **income tax** expense for the period increased to $14.8 million compared to $12.6 million for the previous corresponding period, due to the increased earnings from the combined Building Products and Land and Development Groups.

Net tangible assets (‘NTA’) per share was $10.41 at 31 January 2015, up from $10.32 at 31 July 2014 and total shareholder’s equity was up marginally to $1.797 billion.

Return on equity of normalised earnings for the half was 7.0%, up from 6.1% in the prior corresponding period. Over the longer term, Brickworks diversified corporate structure has provided stability of earnings and enabled prudent investments that have steadily built net asset value and underpinned superior long term shareholder returns.

Significant items decreased NPAT by $20.6 million for the half year, consisting of non-cash asset impairments, costs relating to acquisitions completed during the half, costs associated with the restructuring proposal by Perpetual / Carnegie and significant items relating to WHSP.

The non-cash asset impairments comprised $10.0 million associated with goodwill in Austral Precast and $6.8 million in relation to Auswest Timbers log licenses. The impairment charges recognised reflect a delay and risk in achieving planned operational efficiencies in these businesses.

Significant Items ($m)	**Gross**	**Tax**	**Net**
Impairment of goodwill in Austral Precast	(10.0)	-	(10.0)
Impairment of Auswest Timbers log licenses	(6.8)	-	(6.8)
Costs related to Building Products acquisitions	(1.0)	0.3	(0.7)
Costs relating to Perpetual / Carnegie proposal	(0.8)	0.3	(0.6)
Significant items relating to WHSP	(3.7)	1.1	(2.6)
TOTAL	**(22.3)**	**1.7**	**(20.6)**

Brickworks Building Products

Summary of Housing Commencements – 6 Months to December 2014

Estimated Starts[4]	Detached Houses			Other Res			Total		
	Dec 14	Dec 13	Change	Dec 14	Dec 13	Change	Dec 14	Dec 13	Change
New South Wales[5]	13,663	11,250	**21.4%**	14,698	15,596	**(5.8%)**	28,361	26,846	**5.6%**
Queensland	11,508	10,269	**12.1%**	9,357	7,838	**19.4%**	20,865	18,107	**15.2%**
Victoria	16,031	14,195	**12.9%**	12,834	10,215	**25.6%**	28,865	24,410	**18.3%**
Western Australia	12,398	11,214	**10.6%**	4,119	2,843	**44.9%**	16,517	14,057	**17.5%**
South Australia	3,972	3,912	**1.5%**	1,527	1,364	**12.0%**	5,499	5,276	**4.2%**
Tasmania	993	763	**30.1%**	231	141	**63.8%**	1,224	904	**35.4%**
Total Australia	**59,059**	**52,030**	**13.5%**	**43,677**	**38,733**	**12.8%**	**102,736**	**90,763**	**13.2%**
New Zealand[6]	11,052	10,107	**9.3%**	2,008	1,599	**25.6%**	13,060	11,706	**11.6%**

Total dwelling commencements for Australia were up 13.2% to 102,736 for the six months ended 31 December 2014. This level of residential building activity is the highest on record in Australia, with detached housing activity now two years into a recovery and other residential commencements continuing to record unprecedented growth.

Detached housing commencements increased 13.5% on the prior corresponding period. The growth in detached housing was broad-based, with all states experiencing improved conditions. Following two years of growth, the level of detached house building now exceeds the 25 year average, but remains below recent peaks and some 16% below the record level.

Strong momentum in other residential activity continued, with commencements up a further 12.8% to a new record high of 43,677 for the six months to 31 December 2014. This level of other residential activity is approximately double the levels recorded five years ago. Other residential developments now represent 42.5% of all residential commencements in Australia, up from 30.0% five years ago.

Conditions in **New South Wales** (including ACT) continue to improve, with total residential commencements up 5.6% on the prior corresponding period. Driving growth in this state was detached housing, up a very strong 21.4%, continuing the momentum from the second half of financial year 2014. For the first time in a number of years, the level of other residential commencements decreased, albeit from peak levels in the prior period.

Queensland experienced a strong increase in overall activity, with commencements up 15.2% to 20,865 for the six months to 31 December 2014. Strong growth was recorded in detached houses, up 12.1% and other residential, up 19.4%.

The recovery in **Victoria** gathered momentum, with total commencements for the period up 18.3% to 28,865. Growth was primarily driven by other residential commencements, up 25.6%, although detached housing growth was also strong, up 12.9% over the prior corresponding period. The turnaround in Australia's largest detached housing market is encouraging, and follows three years of declining activity in Victoria.

[4] Original data sourced from ABSCat. 8752.0 Number of Dwelling Unit Commencements by Sector, States & Territories (Sep 14 quarter). December 14 quarter estimate from BIS Shrapnel.
[5] Includes ACT, to align with Brickworks divisional regions
[6] Building Consents data sourced from Statistics New Zealand – Building Consents.

Residential building activity in **Western Australia** has surged to a record of 16,517 commencements for a six month period, up a further 17.5% on the prior corresponding period. In this state, both detached housing and other residential construction is at unprecedented levels. The growth in other residential activity was particularly impressive, up 44.9% on the prior period and is now approximately double historical averages.

Tasmania delivered the greatest uplift in building activity of any state during the period, recording an overall increase of 35.4%. Both detached housing and other residential commencements were up significantly on the prior corresponding period.

Continued growth in **New Zealand** was also recorded, with building consents for the year ended 31 December 2014 increasing by 11.6% compared to the prior corresponding period.

The value of approvals in the **non residential** sector in Australia decreased by 27.2% to $14.049 billion for the six months to 31 December 2014, compared to the previous corresponding period. Within the non residential sector, **Commercial** building approvals decreased by 35.9% to $5.514 billion for the period and **Industrial** building approvals decreased 21.0% to $2.090 billion. The **Educational** sub-sector, an important driver for bricks and masonry demand, was down 31.2% to $1.783 billion.

Building Products' Results in Detail

Half Year Ended January		2015	2014	Change %
Revenue	$mill	340.6	296.2	15.0
EBITDA	$mill	38.8	31.8	22.0
EBIT	$mill	26.1	19.2	35.9
Capital Expenditure[7]	$mill	16.5	17.7	(6.8)
EBITDA margin	%	11.4	10.7	6.5
EBIT margin	%	7.7	6.5	18.5
Capital Employed	$mil	820.7	810.4	1.3
Net Tangible Assets	$mil	568.5	541.3	5.0
Return on Capital Employed	%	6.4	4.7	36.2
Return on Net Tangible Assets	%	9.2	7.1	29.6
FTE Employees[8] (vs. Jul 14)		1,484	1,478	0.4
Safety (TRIFR)[9] (vs. Jul 14)		107.2	161.7	(33.7)
Safety (LTIFR)[10] (vs. Jul 14)		2.8	3.3	(15.2)

Revenue for the half year to 31 January 2015 was up 15.0% to a record $340.6 million. Excluding the impact of acquisitions, like for like revenue was up 14.9%. The first half of 2015 saw a continuation of the broad-based recovery in building materials demand, with sales revenue in all divisions exceeding the previous corresponding period. Particularly strong momentum was recorded in Austral Bricks, Austral Masonry and Auswest Timbers.

EBIT was $26.1 million, up 35.9% on the prior corresponding period, and **EBITDA** was $38.8 million. Improved earnings were achieved on the back of the strong growth in sales volume, a range of business growth initiatives and capital improvement projects completed in prior periods.

Improved volumes delivered a positive EBIT impact of $6.5 million compared to the prior corresponding period, with increases recorded in all divisions. To take advantage of the improved market conditions, advertising and selling expenses increased by $3.1 million, with the company investing heavily in a high fashion branding campaign and the roll out of CBD design studios across all major capitals.

Pricing outcomes were patchy, with a weighted average increase of 2.8% achieved[11], contributing an EBIT uplift of $7.3 million. Strong price increases were achieved by Austral Bricks in all states except Western Australia. Austral Masonry, Bristile Roofing and Auswest Timbers also recorded solid gains, however pricing in Austral Precast decreased on the back of strong competition in New South Wales and Victoria.

The net impact of production cost increases totalled $5.5 million for the half. This includes the adverse effects of one-off plant impacts, primarily associated with an extended shutdown at the Rochedale brick plant in Queensland.

[7] Excludes plant rebuild costs covered by insurance
[8] Includes casual employees
[9] Total Reportable Injury Frequency Rate (TRIFR) measures the total number of reportable injuries per million hours worked
[10] Lost Time Injury Frequency Rate (LTIFR) measures the number of lost time injuries per million hours worked
[11] Excluding product "tolling" arrangements and export volume

Earnings in the first half benefitted from a number of business growth initiatives that delivered a total EBIT uplift of $1.7 million compared to the prior corresponding period. These initiatives primarily relate to resource recovery projects in conjunction with external partners (raw materials and alternative fuels).

Despite the improved earnings in the six months to 31 January 2014, Building Products' Return on Capital Employed ('**ROCE**') of 6.4% remains below internal targets. At the end of the period the Building Products Group held $252.1 million in goodwill and other intangible assets. Goodwill is held on a divisional basis and subject to impairment testing at the end of each accounting period. Therefore the Building Products Group is exposed to potential impairments if any individual division experiences sustained periods of poor returns.

Excluding goodwill and other intangible assets, the normalised Return on Net Tangible Assets ('**RONTA**') was 9.2%, up from 7.1% in the prior corresponding period.

The Building Products Group is focussed on actively managing its' operational land portfolio. In practice this involves the sale of surplus land such as closed factories, and using proceeds to fund the purchase of leased sites.

During the half significant progress was made against this objective with the purchases of previously leased masonry sites at Yatala and Cairns[12], both in Queensland. Due to rental savings, both of these land acquisitions are immediately earnings and cash flow positive. In addition, land formerly occupied by our masonry plant at Port Kembla in New South Wales was sold during the half, and an agreement was signed for the sale of land at Riverview[13] in Queensland, the site of a former brick plant. Proceeds from these sales will more than offset the cost of the Yatala and Cairns purchases.

Staff numbers increased by 6 during the half, taking the total number of full time equivalent ('FTE') **employees** to 1,484. This includes the addition of 11 employees as a result of the masonry plant acquisition in Rockhampton, Excluding this impact the number of employees decreased marginally. This reflects Brickworks on-going commitment to maintaining a pro-active approach to workforce sizing to ensure maximum efficiency across all functions of the business.

There were 4 Lost Time **Injuries** ('LTIs') during the half. This translated into a reduction in the Lost Time Injury Frequency Rate ('LTIFR') to 2.8, compared to 3.3 in the 2014 financial year. The Total Reportable Injury Frequency Rate ('TRIFR') decreased to 107.2 from 161.7 in the prior financial year.

Tragically, a fatal accident occurred following the end of the reporting period, when a roofing contractor fell at Plant 2, Horsley Park. All management and staff at Brickworks are deeply saddened by this loss and our thoughts and condolences are extended to the family. Management are working with authorities to assist with the accident investigation.

[12] Completion of the Cairns purchase will occur in April 2015
[13] Completion of the Riverview purchase occurred in February 2015

Divisional Results

Austral Bricks delivered a 47.5% increase in earnings for the six months ended 31 January 2015. Sales revenue was up 17.0% to $184.4 million, driven by a 13.2% uplift in sales volume and an increase in average selling price of 3.8%[14].

Manufacturing costs were up only marginally on the prior corresponding period, on the back of increased volume throughput in most plants and a range of cost reduction initiatives, including the implementation of alternative fuels projects, and prior period plant upgrades.

Finished goods stock levels were reduced by 8.4%, with reductions in all states except Western Australia. As a result of the increased demand across all markets, the flow of bricks between states has increased as production is optimised across the country.

New South Wales recorded a significant increase in earnings, primarily as a result of strong price increases and a range of business improvement initiatives. Strong market conditions also supported growth in sales volume, up 9.9% excluding the impact of tolling arrangements.

Following the successful completion of the iconic Frank Gehry designed Dr Chau Chuk School of Business at the University of Technology Sydney, a continued focus on architectural and specialty bricks has resulted in supply to many multi-residential towers and urban renewal projects. One highlight during the half was the supply of bricks in fifteen specially designed shapes and colours for the Australian Embassy project in Bangkok. In response to the increasing demand for up-market products, the Punchbowl factory has been transitioned from a floor tile and paver plant to a premium bricks manufacturer.

Production costs reduced by 2.4% compared to the previous corresponding period, with increased throughput supported by a range of cost reduction projects, such as the use of landfill gas in Plant 1 and Plant 3 at Horsley Park.

The upgrades to enable the use of landfill gas at Plant 3 also delivered an increased capacity at this facility. Despite this increase and the fact that all plants are now operating at or near their capacity, demand for premium high-end face bricks currently exceeds available supply. As a result, work has commenced on re-commissioning the previously mothballed Plant 2 at Horsley Park. This plant has not been operational since 2007, and once production commences in April, it will provide additional capacity of up to 50 million bricks per annum.

In **Queensland** the Rochedale plant was shutdown for almost 16 weeks to allow the installation of a new setter and the first phase of a kiln and kiln car upgrade program. As a result earnings declined in the first half, with manufacturing costs significantly higher than the prior corresponding period. However, the underlying performance of the business was positive, with local sales volume up by 7.0% and strong selling price increases achieved.

The recent works at Rochedale form part of a staged upgrade program at this plant and included the installation of a new setting machine, a sawdust processing plant and the partial refurbishment of the entire fleet of kiln cars. The final phase of the program, comprising upgrades to the kiln, dryers and dehacker, is planned for the end of the calendar year. This investment will deliver lower production costs, increased capacity and improve product quality, positioning the business to deliver sustainable returns over the long term.

[14] Excluding the impact of tolling and export volumes

Earnings from **Victoria** were significantly higher than the prior corresponding period on the back of very strong sales volume, up 26.1%. Production volumes were up a comparatively low 15.5%, resulting in a 20.3% reduction in finished goods inventory levels.

The increased production volume, together with a range of operational improvement projects delivered significant efficiency benefits, with unit manufacturing costs down by 8.2%. The recently built Wollert factory is now delivering on its full potential, following the transition to the new facility.

Earnings in **Western Australia** were also much improved, albeit the prior corresponding period was adversely impacted by an extended plant shutdown to upgrade the Bellevue plant. These upgrade works, together with increased throughput, delivered an overall reduction in manufacturing costs.

Despite record levels of building activity in this state, competition for sales volume remains intense. This resulted in some market share losses, despite average selling prices remaining flat compared to the prior corresponding period. Prices in this market remain lower than they were six years ago.

A refit of the Malaga plant will commence in the second half of financial year 2015 to reduce costs at this facility, including upgrades to the kiln and dryer.

Earnings in **South Australia** were up significantly on the prior period, due largely to an increase in local sales volume of 15.3%. Percentage margins were steady, with improved average selling prices being offset by manufacturing costs increases.

Tasmania delivered an outstanding result with earnings more than double the prior corresponding period. This result was achieved primarily due to strong increase in local sales volume, supported by solid price increases.

New Zealand Brick Distributors delivered a decrease in earnings for the period, following a period of strong growth. Although overall market activity in New Zealand remains robust, sales of brick to support the Christchurch rebuild program has slowed due to the limited release of land suited to brick construction. Together with an increase in competition in other areas of the country, this has resulted in a decline in sales volume from the previous record levels.

Austral Masonry delivered another significant increase in earnings, up 26.8% compared to the previous corresponding period. The business is now benefitting from increased scale and improved production efficiencies, with sales revenue up 14.8% to $44.9 million. The improved performance was driven by a sharp recovery in demand in south east Queensland and strong price increases in New South Wales. Total sales volume was up 10.9%, excluding the impact of product tolling arrangements.

In December, Austral Masonry completed the acquisition of the independent manufacturer Capricornia Rockblock, located in Rockhampton in Central Queensland. This plant is a modern facility, commissioned in 2011, and delivers Austral Masonry the leading position in a region where it does not currently have a significant market presence.

Austral Masonry now holds an enviable position, as the leader in both Central and Northern Queensland, areas that traditionally use a relatively high proportion of masonry in residential and commercial construction. The benefit of masonry construction in these areas was again illustrated during the recent cyclone Marcia, with no known failures associated with the use of masonry products.

Bristile Roofing earnings increased compared to the prior corresponding period, with sales revenue up 8.1% to $51.9 million for the half. Higher earnings were driven primarily by improvements in Queensland and Western Australia, and continued strong growth of imported La Escandella terracotta tiles. Earnings growth has also returned in Victoria following a period of declining earnings in that state.

Price increases of 4.9% were achieved, supported by an increased proportion of higher priced commercial volume in Western Australia.

In all markets, Bristile Roofing faces strong competition from alternative roofing materials. This is reflected by the relatively subdued volume growth of 3.5%, well below the rate of increase in detached house building activity.

Austral Precast revenue was up 7.0% to $34.2 million, with sales volume continuing to increase, up 9.5% on the prior corresponding period. New South Wales, Victoria and Western Australia all experienced double digit sales growth. Sales volume in Queensland was down from the record high levels in the prior period, but remains at historically high levels.

Despite the strong sales growth, earnings were lower, with strong competition resulting in lower prices in Victoria and New South Wales. The Victorian market is particularly competitive, resulting in low margins in that state.

A range of cost reduction projects were completed during the year, including the installation of new batching software at the Wetherill Park plant in New South Wales. This follows the installation of a steel mesh plant in the prior period, further enhancing the efficiency of this plant.

Although precast remains a new business for Brickworks and earnings to date have been below expectations, the potential remains enormous. Historically the business has been driven by the industrial market, currently going through a downturn, however it is being repositioned to focus on the fast growing high rise residential market.

Auswest Timbers earnings decreased, despite an increase in sales revenue, up 25.0% to $27.2 million on record sales of around 31,300m^3 for the half. During the first quarter, earnings in Western Australian were adversely impacted by poor quality Jarrah log feedstock and ongoing operational issues at Deanmill following the extensive rebuild of this facility.

A new management team is now in place and is making strong progress to improve operational performance. During the second quarter, production output increased dramatically, with productivity improvements being wide spread across all sites, including the Deanmill sawmill, now producing at above target levels.

The strength of the New South Wales housing market resulted in increased roof tile batten sales from the Fyshwick sawmill, while the demand for Jarrah and Karri from Western Australia also increased dramatically during the period. The exit of a significant competitor from the Jarrah market now leaves Auswest as the only significant manufacturer of this highly prized timber species. The export market was also strong, supported by a declining Australian dollar and growing demand for Auswest's unique product range.

The log supply agreement in Victoria has been signed by Auswest and VicForests, securing supply for the next two decades. This agreement is awaiting consideration by the Victorian Treasurer in regard to a supply indemnity. If approved it will provide certainty of supply and allow Auswest to make the investments necessary to deliver significant cost reduction and productivity improvements to the Orbost and Bairnsdale facilities in the East Gippsland region.

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 for the previous corresponding period.

Property Sales contributed an EBIT of $0.3 million for the period, in relation to the granting of an easement over operational land. This was down significantly from the $20.4 million in earnings achieved from land sales in the prior corresponding half.

The Property Trust generated an EBIT of $38.6 million, up 125.7% from $17.1 million in the previous corresponding period.

Net property income distributed from the Property Trust was $7.4 million for the half, up from $6.1 million in the half year ended 31 January 2014.

The revaluation profit of stabilised Property Trust assets totalled $26.6 million, up significantly from $7.9 million in the previous corresponding period, due to a compression in capitalisation rates in the last half of 2014. The average capitalisation rate for the Trust is now 7.0%, with the most valuable asset, the Coles Cold Distribution Centre ('CDC') held at 6.25%.

An EBIT of $1.9 million was contributed through a revaluation of 10.6 hectares of land ready for development on the Oakdale Central Estate. In addition, a development profit of $2.7 million was achieved as a result of the completion of the Coles CDC expansion in the last quarter of 2014.

The total value of the Property Trust assets at 31 January 2015 was $1.044 billion, including borrowings of $402.3 million, giving a total net asset value of $641.9 million. Brickworks share of the Property Trust's net asset value was $321.0 million, up $22.3 million from $298.7 million at 31 July 2014. The increase in value during the period was due to property revaluations.

Waste Management contributed a profit of $1.2 million for the half, a considerable improvement on the prior corresponding half that was adversely impacted by a royalty free period.

Property Group administration expenses totalled $1.3 million for the half year to 31 January 2015, down slightly from the prior corresponding period. These expenses include holding costs such as rates and taxes on properties awaiting development.

Investments

The normalised EBIT from total investments was up 27.0% to $30.1 million in the half year ended 31 January 2015.

Washington H. Soul Pattinson Limited ('WHSP')

ASX Code: SOL

Brickworks' investment in WHSP returned a normalised contribution of $29.9 million for the half year ended 31 January 2015, up 26.2% from $23.7 million in the previous corresponding period. This 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% share holding in WHSP was $1.325 billion at 31 January 2015, down $221.9 million from $1.547 billion at 31 July 2014. Since the end of the reporting period, the value has increased by 13.4%, or $177.9 million, to $1.503 billion[15]. This investment continues to provide diversity and stability to earnings, with cash dividends totalling $29.7 million received during the half, up 3.7% on the prior period.

WHSP has delivered outstanding returns over the long term, outperforming the ASX All Ordinaries Accumulation Index by 4.5% p.a. over fifteen years.

WHSP holds a significant investment portfolio in a number of listed companies including Brickworks, New Hope Corporation, TPG Telecom, API, Clover, Ruralco Holdings and Copper Chem.

The investment in WHSP has been an important contributor to Brickworks' success for more than four decades. Over this period it has delivered an uninterrupted dividend stream that reflects the earnings from WHSP's diversified investments. This dividend helps to balance the cyclical earnings from Brickworks' Building Products and Land divisions.

[15] As at close of trading on 24th March 2015

Outlook

Building Products

The current upturn in housing activity shows no sign of easing, with approvals for the 2014 calendar year exceeding 200,000 for the first time, and approvals in the final quarter of 2014 being particularly strong, at an annualised rate of over 220,000. These strong market conditions will continue to drive sales growth across all divisions in the second half, with 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 in the second half if necessary to supply Victoria.

The booming demand is resulting in the housing 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 reach a “natural peak” in capacity during the second half of the year.

Whilst Brickworks acknowledges the progress being made to increase land supply in New South Wales, more work is required to overcome land shortages and the bottlenecks that exist in this state. Sydney still has the lowest number of lots being released for housing development of all major capitals[16].

In addition to the improved market conditions, recent industry consolidation in bricks, masonry and timber, brought on by historical overcapacity in these markets, will further support plant utilisation and efficiency in these markets.

However significant challenges remain in some businesses, with strong competition from alternative materials in roofing impacting market share, and a challenging market structure in the precast industry.

Over the next 12 months, major capital projects are planned at Malaga in Western Australia and Rochedale in Queensland and these projects will result in a short term impact to profitability. However these plant upgrades will significantly improve the cost position of these businesses and result in a much stronger competitive position going forward. In addition, capital investment opportunities in Auswest Timbers are being evaluated to capitalise on the much improved industry structure and the security afforded by long term log supply agreements.

Price rises have been implemented by a number of divisions in the first half, with the full impact of these increases yet to be realised. Over the remainder of the year, all divisions will continue to implement price rises as and when necessary to ensure margins and returns reach acceptable levels. Austral Bricks have announced price increases effective 1 July 2015.

The Building Products Group is well placed to deliver significantly higher earnings in the second half, compared to the previous corresponding period. Looking further ahead, industry rationalisation, plant upgrades and other improvement initiatives provide additional impetus to Building Products earnings.

[16] UDIA 2015 State of the Land report

Land and Development

The capitalisation rate tightening of up to 0.75% on Trust assets, seen in the first half is likely to slow going forward. Assuming this is the case, revaluation profits within the Trust will reduce.

The Coles CDC facility, with a 20 year lease in place, is currently on the market for sale. Any loss of rental income following this potential sale will be partially offset by the development of two new facilities at Eastern Creek totalling 58,090m^2, with a heads of agreement having been recently signed.

Sale proceeds will be used to reduce debt levels and reduce interest payments, either in the Property Trust or at the Brickworks Group level. The reduced gearing will also provide equity to continue to develop vacant Trust land and other development land held within the Group.

Current development activity is focused on the servicing of land at the Rochedale North Trust and construction of the initial facility, subject to final approvals. Activity is expected to increase at Oakdale Central with the pending approval of a new access road to the Estate, to be constructed by the Trust.

Land sales for the second half will increase from a low base and include the settlement of the $9.0 million Riverview sale in Queensland together with the compulsory acquisition of 1.5 hectares at Bellevue in Western Australia for $2.5 million. Settlement should also take place on 14 houses in Pemberton, Western Australia, following the issue of freehold titles.

A contract has been signed for an additional landfill site on surplus land at Toodyay in Western Australia. This transaction remains subject to regulatory approvals. If approved it will deliver sale proceeds of $1.3 million and royalty payments of $5 per cubic metre of landfill waste for a fifteen year term.

Investments

The diversified nature of our holding in WHSP's investments is expected to deliver steadily increasing earnings and dividends to Brickworks over the long term.

Brickworks Group

Building Products earnings for the 2015 financial year are expected to significantly exceed the prior year. Land and Development earnings 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.

LINDSAY PARTRIDGE
MANAGING DIRECTOR