

## RESTRUCTURING SOFTENS IMPACT OF DECLINE IN BUILDING ACTIVITY

FULL YEAR	2011	2012	Variance %
Revenue (\$M)	635.6	<b>556.9</b>	(12.4)
EBIT Normalised (\$M)	132.0	<b>108.5</b>	(17.8)
NPAT Normalised (\$M)	100.8	<b>78.9</b>	(21.8)
NPAT Inc. Significant Items (\$M)	142.6	<b>43.3</b>	(69.6)
EPS Normalised (cents)	68.3	<b>53.4</b>	(21.7)
Final Dividend (cents)	27.0	<b>27.0</b>	0.0

Brickworks (ASX: BKW) today announced a **normalised net profit after tax (NPAT)** of \$78.9 million for the year ended 31 July 2012, down 21.8% from last year's result of \$100.8 million. After significant items, Brickworks' **headline NPAT** was \$43.3 million, down 69.6% from \$142.6 million recorded last year.

Significant charges totalling \$35.6 million (after tax) were booked in FY12, including restructuring costs and a \$31.6 million goodwill impairment.

Normal earnings were 53.4 cents per share for the full year, down 21.7% from 68.3 cents for the prior year.

Directors have declared a final dividend of 27.0 cents fully franked, taking the full year dividend to 40.5 cents fully franked, in line with the prior year. The record date for the ordinary dividend will be 8 November 2012, with payment being made on 29 November 2012.

Chairman Mr Robert Millner said the Board is pleased to be able to maintain the dividend payment at the same level as the previous year despite the lower earnings.

"However, after a detailed analysis of cash flow forecasts across the company, we have taken the prudent decision to write down the carrying value of some of our building products businesses by \$31.6 million due to lower residential building activity and the inability to immediately recover the full impact of the carbon tax.

"Brickworks' balance sheet remains strong with low gearing and financial capacity to invest in growth opportunities," Mr Millner said.

Managing Director Mr Lindsay Partridge said: "It has been a difficult year for Brickworks, particularly the Building Products Group, as residential commencements declined close to 30 year lows in the second half. However, it was pleasing that Building Products' earnings during the second half were in line with the first half, as restructuring initiatives took effect.

"Earnings from Land and Development were down as a result of a significant reduction in land sales, whilst Investment earnings were steady with the prior year," Mr Partridge said.

### **Building Products Group**

The Building Products Group achieved earnings before interest, taxes and significant items (EBIT) of \$28.5 million for the year ended 31 July 2012, down 32.1% compared to \$42.0 million from the prior year.

EBIT in the second half of \$14.1 million was approximately in line with the first half EBIT of \$14.4 million, despite the significant decrease in residential commencements to levels approaching the worst historical low points over the past 30 years.

The second half performance, in extremely subdued conditions, reflects restructuring activities completed during the year, including reducing staff levels and manufacturing capacity in New South Wales, Victoria,

Queensland and Western Australian brick operations. Despite the restructuring activities, extended plant shutdowns were required to avoid substantial increases in inventory. These shutdowns, together with the significant increase in the prices of gas and electricity, accentuated by the introduction of the carbon tax in July, resulted in reduced operating margins.

Austral Precast delivered another increase in earnings, and is well placed for continued growth following the completion of upgrade works in Perth, consolidation of operations to one site in Brisbane and the installation of a batching plant at Wetherill Park in Sydney, now almost complete.

The Building Products Group continues to transition to a more diversified national building products business. Acquisitions in Auswest Timbers, Masonry and Precast, resulted in these divisions contributing 29.5% of total Building Products revenue for the year to 31 July 2012, up from 24.3% in the prior year.

### **Land and Development**

Land and Development recorded an EBIT of \$19.0 million for the year ended 31 July 2012, down 34.9% from \$29.2 million for the prior year, as a result of a significant reduction in land sales. Earnings from the Property Trust were up 56.8%.

### **Investments**

EBIT from Investments for the year ended 31 July 2012 was \$67.7 million, approximately in line with \$67.9 million for the prior year. The market value of Brickworks 42.72% share holding in WHSP was \$1.345 billion at 31 July 2012, up 1.7% or \$23.0 million, from \$1.322 billion at 31 July 2011.

### **Outlook**

Mr Partridge said: "Barring any unforeseen external shocks, the latest forward indicators of housing activity indicate that we may be close to the bottom of the residential building cycle. The recovery in building activity is likely to be patchy over the next 12 months with weak full-time employment growth, low confidence and poor affordability eliminating any impact from lower interest rates to date. Furthermore, varying state government policies are expected to drive diverging outcomes across the major states."

"On balance, we anticipate around 140,000 residential commencements for the year ending 31 July 2013, marginally up on the prior year, with increased activity in New South Wales and Western Australia likely to be offset by continuing declines in Victoria," Mr Partridge said

Industrial land sales are expected to increase in the next 12 months with a strong pipeline of potential sales in place. Together with continued growth of the Property Trust, this is expected to result in a solid increase in Land and Development earnings.

The outlook for Investments is clouded by continued volatility in global investment markets and commodity prices, however the diversified nature of Washington H. Soul Pattinson's investments should continue to deliver stable earnings to Brickworks.

### **Results briefing**

Robert Millner, Chairman, and Lindsay Partridge, Managing Director, will be presenting the Brickworks results with a Q&A session afterwards today 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.

BRICKWORKS LIMITED (ASX CODE: BKW) [www.brickworks.com.au](http://www.brickworks.com.au)

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