



REVIEW OF RESULTS

JANUARY 2009

BRICKWORKS LIMITED

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HALF YEAR ENDED 31 JANUARY 2009

BRICKWORKS' ROBUST MODEL DELIVERS INCREASED HALF YEAR PROFIT

\$ MILLIONS	Jan 08 6 mths	Jan 09 6 mths	Variance %
REVENUE			
Building Products	251.5	245.7	(2.3%)
Property & Waste	23.4	1.6	(93.2%)
Other	0.4	0.9	125.0%
Total	275.3	248.2	(9.8%)
EBIT			
Building Products	25.3	16.4	(35.2%)
Land and Development	26.3	12.1	(54.0%)
Associates & Investments	17.1	49.0	186.5%
Other & H.O.	(4.3)	(3.6)	(16.3%)
Total EBIT	64.4	73.9	14.8%
Total Borrowing Cost (incl PAVERS)	(17.2)	(21.2)	23.3%
Tax Expense	(6.9)	(1.9)	(72.5%)
Normalised NPAT	40.3	50.8	26.1%
Non-regular adjustments			
WHSP (non-regular items) (pre-tax)	-	363.3	
Impairments & Asset Write Off (pre-tax)	-	(69.9)	
Non-regular Tax expense	-	(88.9)	
NPAT (including non-regular items)	40.3	255.3	534.0%
Normalised Earnings per share (cents)	30.4	38.3	26.0%
Earnings per share (cents)	30.4	192.3	532.6%
Interim Ordinary Dividend (cents)	12.5	12.5	-
NTA/Share	\$5.93	\$7.57	27.7%

BRICKWORKS' ROBUST MODEL DELIVERS INCREASED HALF YEAR PROFIT

Highlights

- Brickworks Headline NPAT including non-regular items up 534.0% to \$255.3 million
- Brickworks Normalised NPAT up 26.1% to \$50.8 million
 - Building Products EBIT down 35.2% to \$16.4 million
 - Land and Development EBIT down 54.0 % to \$12.1 million
 - Associates and Investments EBIT up 186.5% to \$49.0 million
- Brickworks Property Trust market value down 4.0% to \$167.1 million
- Interim dividend steady at 12.5 cents per share fully franked

Overview

Brickworks Ltd (ASX: BKW) posted a **Headline** Net Profit After Tax ('NPAT') for the half year ended 31 January 2009 up 534.0% at \$255.3 million, compared to \$40.3 million for the half year ended 31 January 2008. This result included non-regular items after tax totalling \$204.5 million.

Brickworks **Normalised** NPAT was \$50.8 million, 26.1% higher than the previous corresponding period.

The result again highlights the strength and reliability of the robust Brickworks model, with earnings diversity from its three divisions of Building Products, Land and Development and Investments.

Normalised earnings per share ('EPS') increased 26.0% to 38.3 cents per share for the half year ended 31 January 2009, from 30.4 cents per share for the half year ended 31 January 2008.

Directors have declared an interim dividend of 12.5 cents fully franked, in line with the dividend paid during the same period last year.

The record date for the ordinary dividend will be 5 May 2009, with payment being made on 19 May 2009.

Non-regular items

Brickworks result included non-regular items totalling a net profit after tax of \$204.5 million as follows:

\$m	Gross	Tax	Net
WHSP Equity Accounting	\$363.3m	(\$109.0m)	\$254.3m
Write Down of P&E and Stock	(\$35.7m)	\$10.7m	(\$25.0m)
Redundancy Costs and Provision for Remediation	(\$9.6m)	\$0.5m	(\$9.1m)
BICL write down to market value	(\$11.6m)	\$5.0m	(\$6.6m)
Mark to Market Derivatives (Interest Rate Swaps)	(\$9.7m)	\$2.9m	(\$6.8m)
Land & Development and other	(\$3.3m)	\$1.0m	(\$2.3m)
TOTAL	\$293.4m	(\$88.9m)	\$204.5m

Financial Analysis

The total net cash flows from operating and investing activities was \$56.1 million, up 94.8% from \$28.8 million during the previous corresponding period. This included net cash receipts of \$45.0 million from the sale and lease back of depreciating assets including the new plant and equipment at Wollert, Victoria.

During the period significant cash outlays included ordinary dividends of \$35.2 million and the final PAVERS dividend of \$5.5 million. Building Products capital expenditure was reduced during the period by 43.1% to \$8.2 million. No business acquisitions were completed.

The PAVERS were redeemed for their face value of \$165.0 million during the period, replaced with bank debt. Total Interest Bearing Liabilities decreased by \$44.9 million from \$562.9 million at 31 July 2008 to \$518.0 at 31 January 2009.

Net Debt to Capital Employed decreased to 28.2% at 31 January 2009 from 32.0% at 31 July 2008. Gearing (debt to equity) also decreased to 40.6% at 31 January 2009 from 50.6% at 31 July 2008.

Working capital, excluding assets held for resale decreased to \$117.5 million at 31 January 2009, compared to \$150.1 million at 31 July 2008.

Total Building Products inventory levels decreased to \$141.0 million. Finished Goods Inventory was also 4.1% lower at the half year at \$96.2 million.

Borrowing expenses during the half year including the final PAVERS dividend were \$21.2 million, an increase of 23.3% compared to the half year ended 31 January 2008. This increase was the result of higher interest rates combined with higher average debt levels. Brickworks also recorded a non-regular mark to market loss on derivative instruments of \$6.8 million after tax.

The normalised tax expense decreased by 72.5% to \$1.9 million for the half year ended 31 January 2009.

Brickworks Building Products

Australian Market conditions*

Market conditions deteriorated as total national dwelling commencements in the six months to 31 December 2008 were 71,989, a decrease of 12.9% on the commencements for the six months to 31 December 2007. Based on this trend, Brickworks forecast that commencements for the year ended 30 June 2009 will be between 132,000 to 135,000 dwellings, well down from 158,536 in the year ended 30 June 2008 and the estimated underlying demand of around 180,000 dwellings. The interest rate increases made during 2007 and 2008 caused severe damage to the market, with the more recent aggressive interest rate cuts still yet to unwind this damage.

The actual impact on Brickworks of lower commencements is dependant on the split between detached housing and higher density dwellings in each state. Those regions with a higher percentage of higher density dwellings are currently confronted with additional issues including lack of finance availability and a shortage of investors in the sector. Government stimulus such as the First Home Owners Grant provides targeted stimulus for the detached housing market. The stimulus has a greater effect in the regions that have an abundance of available and affordable land. Various other state government stimuli have provided a further boost to specific regional markets.

In **New South Wales** there were 13,916 dwellings commenced during the half year to 31 December 2008, a decrease of 17.8% on the previous corresponding period. The higher density dwelling segment declined by 19.9% to just 6,574.

Queensland commencements decreased by 28.1% to 17,134 dwellings during the half year to 31 December 2008, the lowest level of commencements for a half year since December 2000. The severity of the deterioration in market conditions was illustrated by a 30.6% decline in quarterly commencements from December 2008 compared to September 2008.

Victorian overall commencements were slightly lower, declining 1.5% to 22,122 dwellings. The new houses segment was steady, with slight weakness in the higher density dwelling segment.

Western Australian commencements again declined with a fall of 14.7% to 9,762 dwellings. Commencements have declined 27.6% in the six months to 31 December 2008 compared to the peak of the market in the six months to 31 December 2006.

South Australian commencements increased by 18.7% on the prior corresponding period to 6,869 dwellings, continuing the upward trend from the last half of the 2007/08 financial year.

Tasmanian commencements also increased by 3.0% to 1,549 dwellings during the half year to 31 December 2008.

New Zealand Market conditions#

Building consents in **New Zealand** for the half year ended 31 January 2009 declined by 40.9% to 7,243 consents. The housing market segment was lower by 43.3% at just 6,394 consents, compared to 11,280 consents for the previous corresponding period.

* Commencements data sourced from ABS Cat. 8750.0 Dwelling Unit Commencements, Australia, Preliminary, December 2008

Building consents data sourced from Statistics New Zealand - Building Consents, January 2009

Results in detail

Sales for the half year ended 31 January 2009 were down 2.3% at \$245.7 million compared to \$251.5 million in the half year ended 31 January 2008. Sales volumes were lower however were supported by improved selling prices across all divisions and sales from the Austral Masonry business acquisitions completed during last year. Like for like sales revenue was down 4.0%

Half Year Ending January 2009		2008	2009	Change %
Revenue	\$mill	251.5	245.7	(2.3%)
EBITDA	\$mill	40.2	31.4	(21.9%)
EBIT	\$mill	25.3	16.4	(35.2%)
Capital Expenditure	\$mill	14.4	8.2	(43.1%)
EBITDA margin	%	16.0%	12.8%	(20.0%)
EBIT margin	%	10.1%	6.7%	(33.7%)
Employees		1,458	1,393	(4.5%)

Building Products EBIT for the half year ended 31 January 2009 was \$16.4 million, down 35.2% on the \$25.3 million in the half year ended 31 January 2008. This result was due mainly to the far weaker market conditions resulting in lower volumes, leading to prolonged production shutdowns, increased unit manufacturing costs and margin compression.

Several of Brickworks manufacturing sites experienced extended plant shutdowns during the period. These closures were required to control inventory levels, as sales volumes declined during the half year with the weaker market conditions. During the shutdowns, maintenance work was completed at sites to ensure all plants are in reliable operating condition.

The extended plant closures resulted in higher unit manufacturing costs. Factories were also impacted by significantly higher input costs across the board, including higher gas, electricity, manganese and diesel costs. Several of these input costs are now moving back towards historical levels.

Strategies have been implemented to ensure Brickworks continues to progress towards its goal of being 'Australia's Best Building Products Company' and to maintain the company's market leading position in regards to customer relationships and the development of stylish new products. This has been supported by the opening of new product displays and design centres in Lynbrook, Victoria and Richmond, South Australia. New product displays are currently under construction at many sites around Australia and when completed will further enhance the product and service offering by Brickworks.

Capital expenditure totalled \$8.2 million in the half year ended 31 January 2009. The capital expenditure program was wound back in September 2007 as the company prepared for a deterioration in market conditions. The capital works currently being completed are only the tail of existing projects. Brickworks continues to investigate and evaluate many worthwhile capital projects however these projects will not be commenced until market conditions begin to improve. This program has and continues to deliver many benefits including improved product quality, production efficiency, safety and environmental performance improvements.

The efficiencies from completed capital projects and plant closures resulted in 59 redundancies at a cost of \$1.8 million. This combined with several vacated positions not being filled resulted in the number of employees reducing to 1,393 employees at 31 January 2009, 4.5% lower than at 31 July 2008.

Brickworks remains focused on improving workplace safety with its goal of no employees injured while at work. The substantial investment in safety training and equipment over the past several years has delivered an improved safety performance with the Total Reported Injury Frequency

Rate¹ declining by 21.8% compared to the year ended 31 July 2008.

During the period Brickworks executed extensions to its supply agreements for its gas requirements in most East Coast Building Products divisions through to 2014.

Brickworks strong support of industry association 'Think Brick' continued during the period. For the past several years Brickworks and Think Brick have been working closely with the Australian Brick and Blocklaying Training Foundation ('ABBTF') to provide financial support to those employing apprentices in both the Brick and Blocklaying trades. This has been an extraordinarily successful scheme, with 1,457 apprentices currently supported out of a total of 2,752 Brick and Blocklaying apprentices nationally. This scheme has been and remains critical to ensuring the long term availability of skilled tradespeople in the Brick and Blocklaying industry.

The company remains committed to improving its energy use efficiency, having made many proactive investments during the past decade to upgrade plant and equipment that have resulted in a reduction of greenhouse gas emissions.

In December 2008 the Federal Government released its White Paper in relation its proposed Carbon Pollution Reduction Scheme ('CPRS'). While the legislation remains in draft form, a detailed assessment of the likely impact of the CPRS is currently being undertaken. Systems and processes have been implemented to meet National Greenhouse Energy Reporting requirements, the first report due in October 2009. Additional compliance costs with this new legislation have been and will continue to be significant.

Due to the depressed state of the market, a thorough review of manufacturing assets and stock holdings was conducted to satisfy impairment testing requirements under AIFRS. Several manufacturing sites were deemed to have reached the end of their useful life and were written off. The non regular after tax write off totaled \$34.1 million, including redundancy costs and a provision for remediation.

Divisional Results

Austral Bricks™ overall brick sales volumes were down approximately 5.4% compared to the previous corresponding period, while net average selling prices increased by 2.7%.

Manufacturing volumes were lower by 11.1% due to the extended closures of many manufacturing facilities to control inventory levels during the current half.

Despite the worst trading conditions the company has experienced for more than 60 years in New South Wales, the business remains in a good position to capitalise on a recovery in the market due to the early action taken during February 2008 to take two brick kilns off-line. Only one brick kiln in New South Wales operated throughout the entire half year, with the remaining operating kilns each having a shutdown of up to three months. A test run was completed on one of the mothballed kilns during the half year confirming its ability to come on-line within seven days. Recovery of the New South Wales market remains the key driver of profit growth in the Building Products division.

Trading conditions in the segmented Queensland market deteriorated rapidly during the half year. Conditions are particularly bad in the higher density dwelling markets of the Gold Coast and greater South East Queensland. The Central and North Queensland resource based regions also declined sharply during the period. The Rochedale, Queensland brick manufacturing facility was impacted by continued industrial action during the half year, leading to

¹ Total Reported Injury Frequency Rate (TRIFR) measures the total number of injuries per million hours worked

several interruptions to manufacturing on the site. Poor market conditions led to the Rochedale plant being placed on standby during December 2008.

Austral Bricks™ Western Australia again delivered a solid result in a declining market. The plant closures due to the Apache Gas supply interruption in mid-2008 was used at the Malaga factory to complete major capital works that extended through the majority of August 2008. During the mid-year plant closures sufficient stock run-off was achieved to allow all Western Australian factories to run through the traditional Christmas shutdown period.

The Victorian brick market remains the most resilient market in Australia at present, with volumes for the half year in line with the previous corresponding period. The Wollert manufacturing site is now operating at a speed exceeding its design capacity.

The South Australian operation again delivered improved results due to higher volumes in a relatively steady market. This operation is now seeing the full benefits of the successful plant upgrade completed during 2007. The final stage of the kiln car upgrade will be completed during the second half.

The Tasmanian business had a solid half year and is also well placed due to the completion of the plant refurbishment over the Christmas shutdown period. The final stage of the kiln car upgrade in this plant will also be completed during the second half.

Austral Bricks™ New Zealand delivered a lower result due to the depressed market trading conditions. A national selling and distribution network is now in place across New Zealand that will provide the platform for future sales growth as market conditions improve.

Austral Masonry™ continues to grow with a 10.7% growth in sales volume compared to the previous half year, mainly due to the acquisition of the Smart State Blocks business at Yatala, Queensland during July 2008. The Far North Queensland region experienced widespread flooding during January 2009, severely restricting market activity for several weeks. No manufacturing facilities were damaged by the floods.

While total manufacturing volume for the half year was in line with the prior corresponding period, the majority of manufacturing operations had extended closures during the period to control inventory levels.

Bristle Roofing™ sales volumes declined 8.5% during the half year, with average selling prices increasing by 1.6%. The roofing business suffered from lower trading conditions particularly in the Queensland and Western Australian markets, with unit manufacturing costs increasing due to the lower volumes.

Stylish new roof tile profiles were launched during the period, including a flat terracotta “Monaco” profile and a flat concrete “Prestige” profile. These exciting new products have already attracted significant interest in the market and are expected to drive increased sales during the coming years.

Eureka Tiles™ again achieved an improved result in its import business, with sales volumes increasing by a further 24.4% combined with higher average selling prices. However the overall volume of the division declined by 13.2% as locally manufactured product sales again decreased. The continuing weakness of the Australian Dollar over the past six months has now started to drive the cost of imported products higher. Recently implemented price increases as well as renegotiated supply agreements will somewhat mitigate the impact of the weaker dollar.

Terraçade sales again increased during the half year with several completed iconic projects now driving market acceptance and appreciation of the product in both Australia and New Zealand.

Auswest Timbers delivered an improved result boosted by higher sales from its dry timber processing operations. The export sales of Auswest were higher during the half year, assisted by the declining Australian Dollar. The higher sales volumes allowed Auswest operations to run at closer to capacity delivering improved unit manufacturing costs and margins.

Brickworks Land and Development

Land and Development produced an EBIT of \$12.1 million for the six months ended 31 January 2009. This represents a decrease of 54.0% over the record EBIT during the prior corresponding period of \$26.3 million.

The **Property Trust** contributed the majority of the overall profit for the half, with a total net result of \$11.1 million from Development Profit, Trust Income and Revaluations.

Three major facilities were completed in New South Wales during the half year by the Trust, comprising Capicure and Southridge Estates on M7 Business Hub and Ubecco at Interlink Distribution Estate. This provided the previously unrealised profit of \$6.0 million and \$3.3 million from Development Profit.

Previously completed Trust properties were revalued during the half year. Due to the depressed state of the market and increased capitalisation rates, a net write down of \$2.7 million was recorded. This write down was 1.6% of the market value of the Trust.

Trust assets are valued on an annual basis in line with the current market. Future revaluations will coincide with yearly rent increases. This is expected to assist in reducing the impact of any future write downs caused by increasing capitalisation rates.

Trust Distributions increased over the period and provided a total of \$4.4 million for the half year.

The Development Approval for Stage One of the Oakdale site has been received. Brickworks is currently seeking pre-commitments for the facilities to be constructed on this site.

At 31 January 2009 Brickworks share of the Property Trust assets was \$305.4 million, with borrowings of \$138.3 million, giving a net equity position of \$167.1 million, down 4.0% on the value at 31 July 2008. This reduction in value was the result of booking mark to market valuations of the Interest Rate Swaps held by the Trust totalling \$10.6 million.

No **Land Sales** transactions were completed during the half year.

The two land sales forecast for the half, being Stage 2 of Eastwood, NSW to AV Jennings and Lot 1 of Scoresby, Victoria to Mirvac, were delayed due to slower than expected rehabilitation works.

Settlement on Stage 2 of Eastwood was delayed due to wet weather and the construction of additional water detention basins. The filling of the Stage 2 and 3 areas were completed during the half. Fill monitoring is currently underway and both of these lots will be ready for settlement in the second half of the current financial year.

The sale of Lot 1 at Scoresby to Mirvac was delayed by planning issues. These issues were resolved allowing rehabilitation works to continue. Lot 1 rehabilitation works are expected to be completed shortly, with the site ready for settlement during the second half.

Rehabilitation of Lots 2 and 3 at Scoresby are on schedule and expected to be ready for settlement prior to July 2009.

Waste Management at Horsley Park, NSW and Bowral, NSW, contributed \$1.2 million to profit in the half year to 31 January 2009.

Brickworks Investments

Washington H. Soul Pattinson Limited (“WHSP”)

ASX Code: SOL

The contribution of WHSP, excluding non-regular items, in the half year to 31 January 2009 was \$47.8 million, compared to \$14.2 million in the half year ended 31 January 2008. This much improved result was mainly due to the stronger performance of New Hope Corporation (“New Hope”). WHSP is the majority shareholder of New Hope holding 60.9% of issued share capital.

An after tax non-regular profit of \$254.3 million was recorded by Brickworks from WHSP, due to the sale of New Saraji for \$2.450 billion by New Hope. New Hope announced its intention to pay a fully franked dividend to its shareholders totalling approximately \$600 million in late 2009. This will result in WHSP receiving an estimated \$365 million fully franked dividend from New Hope.

During the six months to 31 January 2009 the market value of Brickworks’ 42.85% share of WHSP decreased by \$189.6 million or 17.7% to \$879.4 million. Fully franked ordinary dividends of \$18.4 million were received during the half year, compared to \$17.4 million during the prior corresponding period.

At 31 January 2009, WHSP held significant investments in Brickworks, New Hope, SP Telemedia, API, Clover, Ruralco Holdings, Pitt Capital Partners and Souls Private Equity. In addition to these cornerstone investments, WHSP maintains a substantial investment in a broad portfolio of blue chip companies listed on the Australian Stock Exchange.

The investment in WHSP has a compound annual Total Shareholder Return for 10 years of 15.1% compared to 5.9% for the ASX All Ordinary Accumulation Index.

Brickworks Investment Company Limited (“BICL”)

ASX Code: BKI

BICL reported a Net Profit after Tax of \$14.2 million for the half year to 31 December 2008, compared to \$13.4 million in the half year to 31 December 2007, an increase of 6.2%.

Brickworks’ equity accounted share of the BICL profit was \$2.3 million, before impairment adjustments. The dividend received was \$1.6 million for the half year.

Significant items after balance date

On 17 February 2009 Brickworks divested its entire holding in BICL through an institutional book build. The sale of the holding in BICL was executed as the investment in BICL was deemed to be non-core to operations and that in the current market it was more prudent to use the funds to reduce bank debt and further strengthen the balance sheet.

Net sales proceeds totalling \$44.0 million were received from this transaction. An impairment charge of \$6.6 million after tax was booked on this asset as a non-regular item in the first half. At 19 March 2009 Brickworks Net Debt had reduced to approximately \$475 million, with Gearing also reducing to approximately 38%.

Outlook

Building Products

The aggressive interest rate cuts since August 2008 totalling 400 basis points and the Federal Government's increasing of its First Home Owners Grant to \$21,000 have provided stimulus for the housing industry, with initial signs of increased display home traffic and increased housing finance positive lead indicators. These factors along with the lower cost of fuel and additional state government stimuli have led to improved housing affordability.

The traditional detached housing markets such as Victoria, South Australia and Western Australia will be the main beneficiaries of the increased first home owner grant. Brickworks will benefit from a recovery in the detached housing market segment as approximately 83% of external walls in detached housing in Australia are constructed using either full brick or brick veneer². The growing trend back toward the use of face brick in housing is also a positive for Brickworks.

With regards to the higher density dwellings market segment, the lack of investors and lack of available construction finance must improve before this segment of the market can recover. As New South Wales and South East Queensland have a greater percentage of medium and high density dwellings relative to detached housing, these are the markets likely to be impacted by these negative forces.

On 3 February 2009, the Federal Government also announced its \$42 billion "Nation Building and Jobs Plan". This included two critical initiatives for the building industry, the \$14.7 billion package to schools for maintenance and construction work and the combined \$6.7 billion packages for public and defence housing. These initiatives are positives for the Building Products business and Brickworks anticipates increased demand for its products going into these buildings over the course of the year.

Following the extended shutdowns during the first half stock levels are in a balanced position, with all operational sites expected to run at the rate of anticipated sales during the second half.

A program of price rises has been put in place to ensure the significant input cost increases impacting the company are passed on to the market. This will continue during the second half in order to restore selling margins.

A key risk to the cost structure of the Brickworks Building Products business is a series of potential government induced cost increases including the proposed CPRS, increased land tax charges and the new industrial relations law.

² Source - BIS Shrapnel Residential Builder Panel 2008, Volume 3: External Wall Cladding

Land and Development

Brickworks Land and Development continues to progress towards the staged property settlements of Scoresby, Victoria and Eastwood, New South Wales.

It is unlikely that any new Property Trust projects will commence during the current half year due to the uncertain global financial climate and lack of available construction and long term finance. The increase in capitalisation rates has driven increases in the rental rates per square metre for completed buildings.

Although this cyclical downturn has reduced the number of new site developments during the current period, Brickworks substantial land bank around Australia remains a highly valuable core asset that will underpin future profits of the Land and Development division for many years to come.

Investments

WHSP is in a strong position to take advantage of any opportunities that arise. The already solid cash position of WHSP will be further boosted in late 2009 by the special dividend from New Hope of an estimated \$365 million.

Brickworks Group

Brickworks robust model has delivered a solid first half result despite of the extremely tough trading conditions faced by the Building Products and Land and Development divisions. The full year result will be strong due to the solid first half result and the continued higher contribution from Investments. The timing of the anticipated recovery in Building Products remains uncertain but will become clearer in the coming months.

LINDSAY PARTRIDGE
MANAGING DIRECTOR