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23 March 2016

Australian Securities Exchange  
Attention: **Companies Department**

**BY ELECTRONIC LODGEMENT**

Dear Sir / Madam

Please find attached a presentation and additional comments to be presented to analysts today regarding Brickworks Limited's financial results for the half year ended 31 January 2016, for immediate release to the market.

Yours faithfully

BRICKWORKS LIMITED

A handwritten signature in black ink, appearing to read "S Leppinus", written over a horizontal line.

**Susan Leppinus**

Company Secretary

Proudly supports



# RESULTS FOR THE HALF YEAR ENDED January 31, 2016



**23 March 2016**  
**Mr. Lindsay Partridge, Managing Director**

**BRICKWORKS**  
LIMITED



## Presentation Outline

- Overview
- Results in Detail
- Building Products Results
- Building Products Outlook
- Land & Development
- Investments
- Group Outlook
- Questions

Good Afternoon Ladies and Gentlemen and welcome to the Brickworks analyst briefing for the half year ended 31 January 2016.

Today I will provide an overview of the Brickworks results, before providing more detail on the performance of each of our divisions.

Mr. Alex Payne, our Chief Financial Officer is also here to answer any questions at the conclusion of the presentation.



Brickworks corporate structure has provided diversity and stability of earnings over the long term.

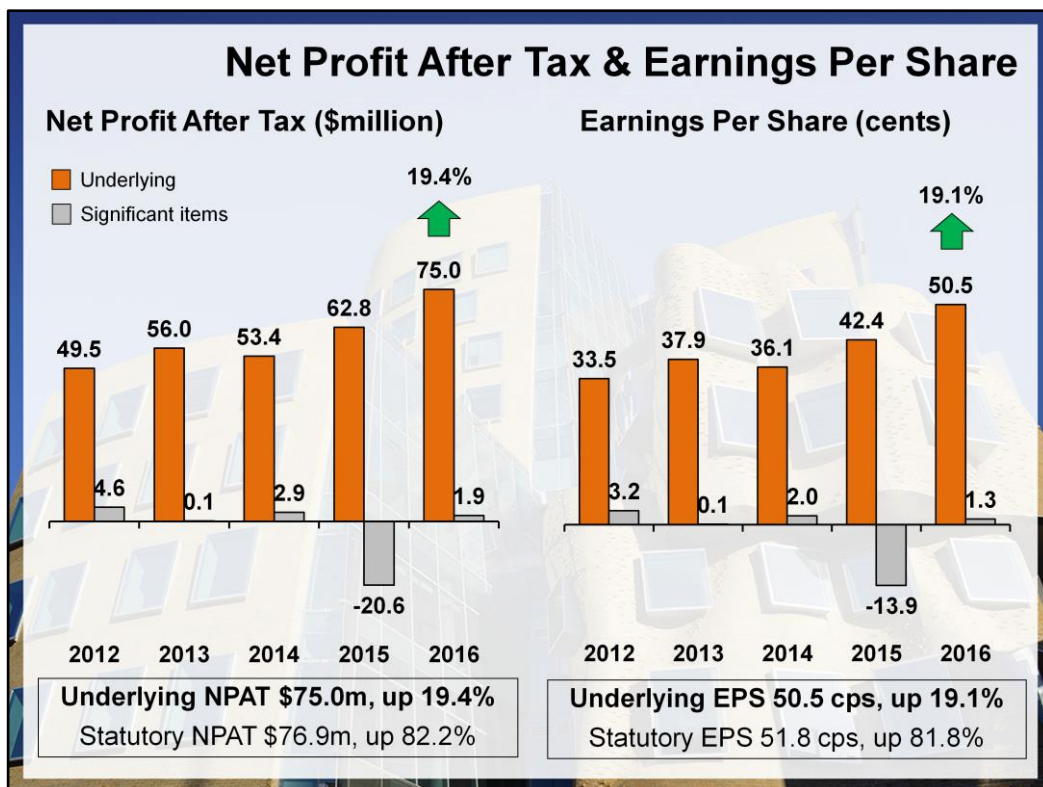
There are three main parts to the Brickworks business model:

- The Building Products Group,
- Land & Development and
- Investments.

The Building Products Group consists of Austral Bricks, Austral Masonry, Bristle Roofing, Austral Precast, Auswest Timbers and Specialised Building Systems.

The Land & Development business exists to maximise the value of surplus land created by the Building Products business.

The 42.7% interest in Washington H. Soul Pattinson provides a stable earnings stream and a superior return.



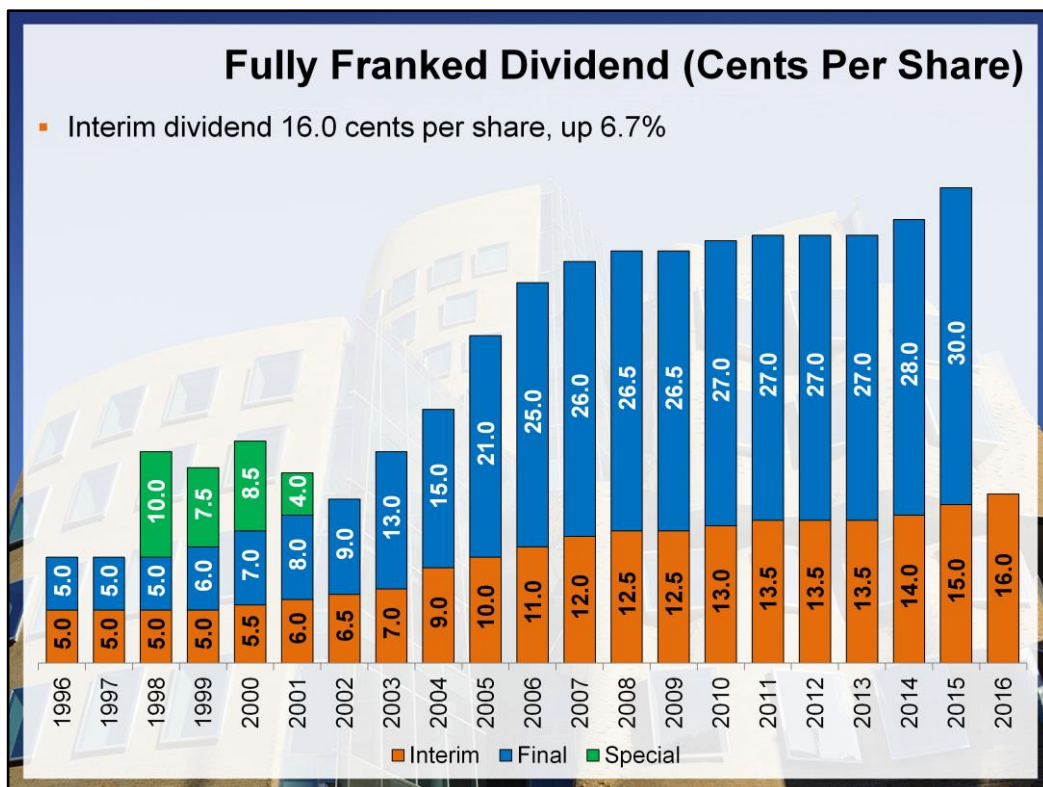
The underlying Net Profit After Tax increased by 19% to \$75.0 million for the half.

A feature of the result was the continued earnings momentum of the Building Products Group and another strong result from Land and Development.

After including the impact of significant items, the statutory Net Profit After Tax was \$76.9 million, up 82.2%.

Underlying Earnings Per Share increased by 19% to 50.5 cents per share.

Statutory Earnings Per Share was up by 82% to 51.8 cents per share.

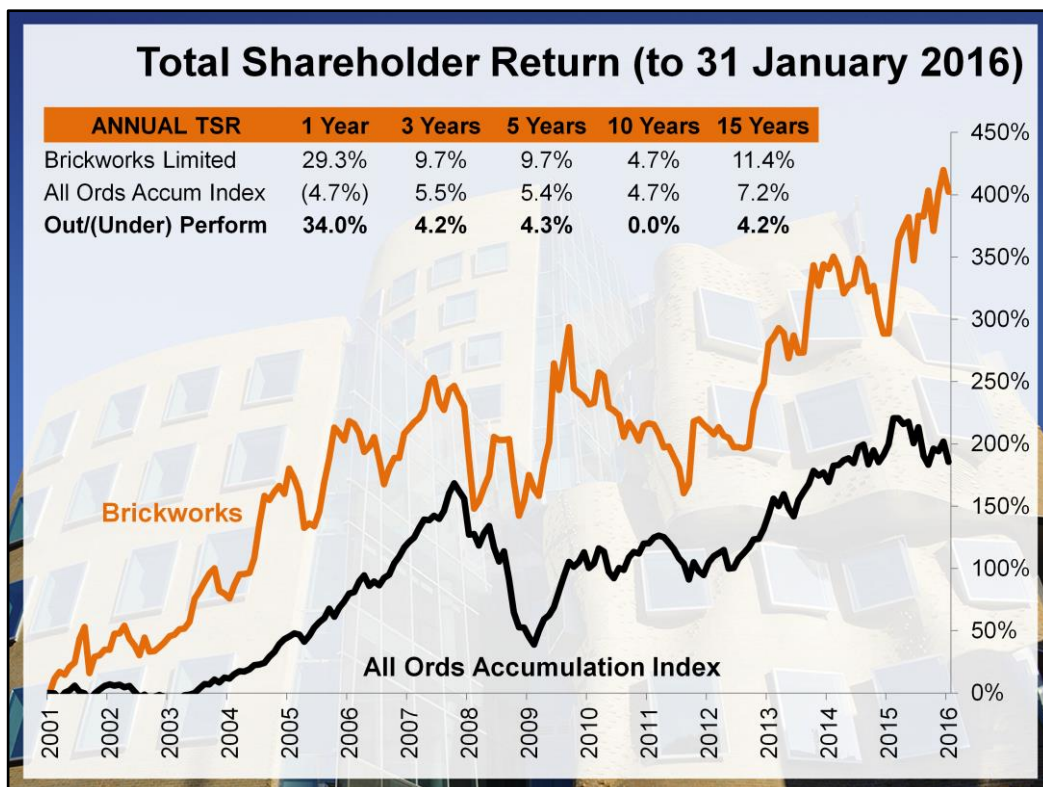


The Directors have resolved to increase interim dividend by 1 cent per share to 16 cents fully franked.

The chart on the screen shows our dividend history going back 20 years. We are proud of the fact that we have not decreased normal dividends throughout this period.

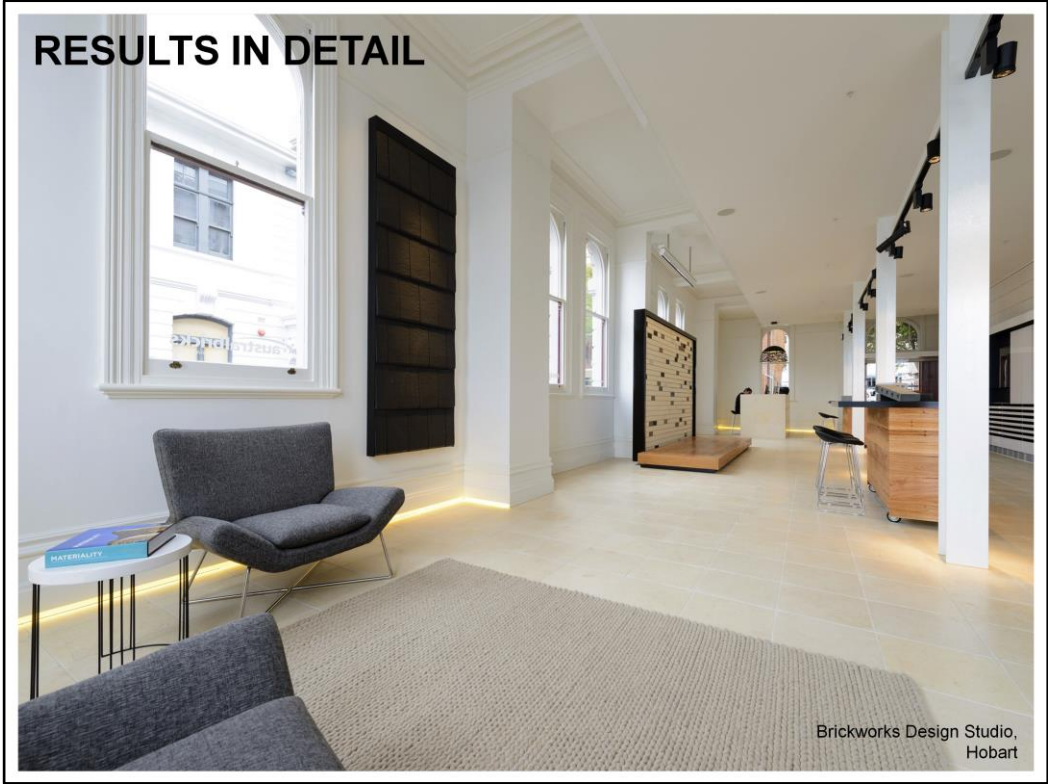
This puts Brickworks amongst a prestigious group of only 8 companies on the ASX who have not reduced dividends in the past 15 years.





Brickworks' continues to outperform the All Ordinaries Accumulation Index in terms of Total Shareholder Return. Returns for the year to 31 January 2016 was 29.3%, representing a 34.0% outperformance compared to the All Ordinaries Accumulation Index of -4.7%.

Over 15 years, Brickworks has delivered returns of 11.4% per annum, compared to index returns of 7.2% per annum.



Looking now at our results in more detail.



## Financial Snapshot

	1H2016	1H2015	1H16 % Change
Building Products EBIT	\$32.6m	\$26.1m	↑ 24.9
Land and Development EBIT	\$45.4m	\$38.7m	↑ 17.3
Investments EBIT	\$26.8m	\$30.1m	↓ (11.0)
<b>Total EBIT</b>	<b>\$98.8m</b>	<b>\$90.0m</b>	<b>↑ 9.8</b>
Interest cost	(\$7.0m)	(\$9.4m)	↓ 25.5
Mark to market valuation of interest rate swaps	\$0.2m	(\$2.9m)	↑ 106.9
Underlying income tax	(\$16.9m)	(\$14.8m)	↑ (14.2)
<b>Underlying NPAT</b>	<b>\$75.0m</b>	<b>\$62.8m</b>	<b>↑ 19.4</b>
Significant items (after tax)	\$1.9m	(\$20.6m)	↑ 109.2
<b>Statutory NPAT</b>	<b>\$76.9m</b>	<b>\$42.2m</b>	<b>↑ 82.2</b>

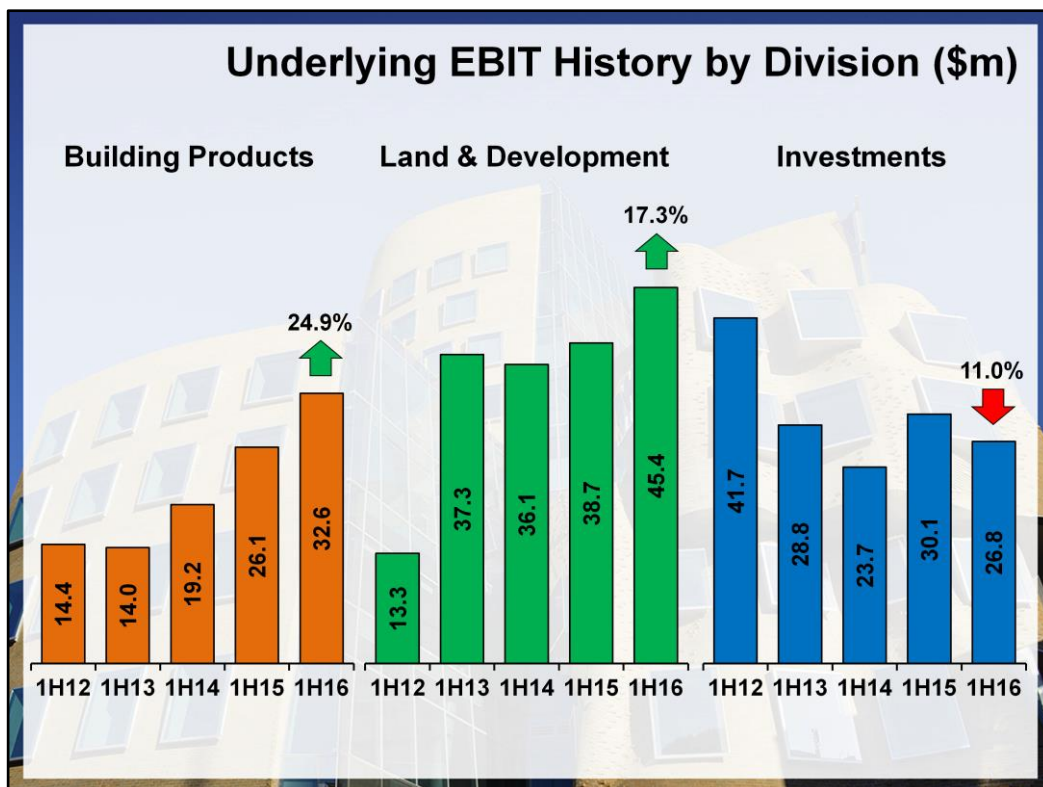
Building Products earnings before interest, tax and significant items was \$32.6 million, up 25% on the prior corresponding period. Earnings across all divisions improved, through an increase in sales volume and prices and improved production efficiencies.

Land and Development EBIT was up 17% to \$45.4 million, driven primarily by a strong revaluation profit in the Property Trust.

Investment EBIT was down 11% to \$26.8 million.

Total borrowing costs were \$6.8 million, including the gain in mark to market valuation of swaps of \$0.2 million.

As I previously mentioned, the underlying net profit after tax was \$75.0 million, up 19% on the prior period. Including significant items, statutory net profit after tax was up 82.2% to \$76.9 million.



The charts on screen show the underlying EBIT history of the Building Products, Land and Development and Investment Groups, and highlights the importance of Brickworks diversified corporate structure.

Since the cyclical low point in 2012 and 2013, Building Products first half EBIT has more than doubled, from \$14.0 million in the first half of 2013 to \$32.6 million for the latest corresponding period.

The Land and Development Group has delivered strong and consistent earnings over the past four corresponding first half periods, as a result of capitalisation rate compression and land sales.

The contribution from Investments has been adversely impacted by the volatility of coal and commodity prices on some of WHSP's major shareholdings. Despite this volatility in earnings from Investments, Brickworks stake in WHSP has increased in value by almost \$400 million over this period, with an additional \$218 million in dividends received.

Significant Items			
Significant Items	Gross	Tax	Net
Significant items relating to WHSP	\$6.4m	(\$1.4m)	<b>\$5.0m</b>
Site relocation	(\$1.2m)	\$0.4m	<b>(\$0.8m)</b>
Costs relating to Perpetual litigation	(\$0.7m)	\$0.2m	<b>(\$0.5m)</b>
Other Building Products significant items	(\$2.5m)	\$0.8m	<b>(\$1.8m)</b>
<b>Total</b>	<b>\$1.9m</b>	<b>\$0.0m</b>	<b>\$1.9m</b>

Turning back to the first half of 2016, significant items increased NPAT by \$1.9 million for the period.

Brickworks share of WHSP significant items \$6.4 million, consisting mainly of a partial realisation of the increased value of TPG, largely offset by impairments against oil and copper assets.

Other significant items included site relocation charges at Rochedale in Queensland, other Building Products items such as decommissioning costs at the Bowral dome kiln in New South Wales, and costs associated with the Perpetual litigation.

Key Financial Indicators			
	1H 2016	FY 2015	% Change
Net tangible assets (NTA) per share	<b>\$10.75</b>	\$10.59	↑ 1.5
Shareholders' equity	<b>\$1,852m</b>	\$1,824m	↑ 1.5
Shareholders' equity per share	<b>\$12.46</b>	\$12.30	↑ 1.3
Underlying return on shareholders equity (vs 1H15)	<b>8.1%</b>	7.0%	↑ 15.7
Cash flow from operations (vs 1H15)	<b>\$92.0m</b>	\$67.9m	↑ 71.0
Net debt	<b>\$264.3m</b>	\$301.9m	↓ (12.2)
Net debt/capital employed	<b>12.5%</b>	14.2%	↓ (12.5)
Interest cover	<b>14.2x</b>	9.7x	↑ 46.4

Looking at our Key Financial Indicators.

Net tangible assets per share was up 2% to \$10.75.

Shareholders equity increased to \$1.852 billion at the end of the year which represents \$12.46 per share.

Underlying return on shareholders equity was up to 8.1% as a result of improved earnings, but remains below our expectations.

Total net cash flow from operating activities was \$92.0 million, up from \$67.9 million in the previous corresponding period.

During the half finished goods inventory increased by \$3.9 million, with most factories operating through the Christmas and New Year holiday period to build stock and meet the strong order book.

Net debt declined to \$264.3 million with net debt to capital employed at 12.5% at the end of the period.

Interest cover increased to a conservative 14.2 times.

## Capital Expenditure<sup>1</sup>

	1H 2016	1H 2015
"Stay in Business" capital expenditure	\$13.7m	\$11.5m
Growth capital items	\$5.1m	\$5.0m
<b>Building Products total</b>	<b>\$18.8m</b>	<b>\$16.5m</b>
Depreciation and amortisation	\$13.6m	\$12.7m
Property and rehabilitation	\$1.0m	\$2.6m

1. Excludes capital costs associated with rebuilds covered by insurance (primarily Rochedale in Queensland in FY2014)

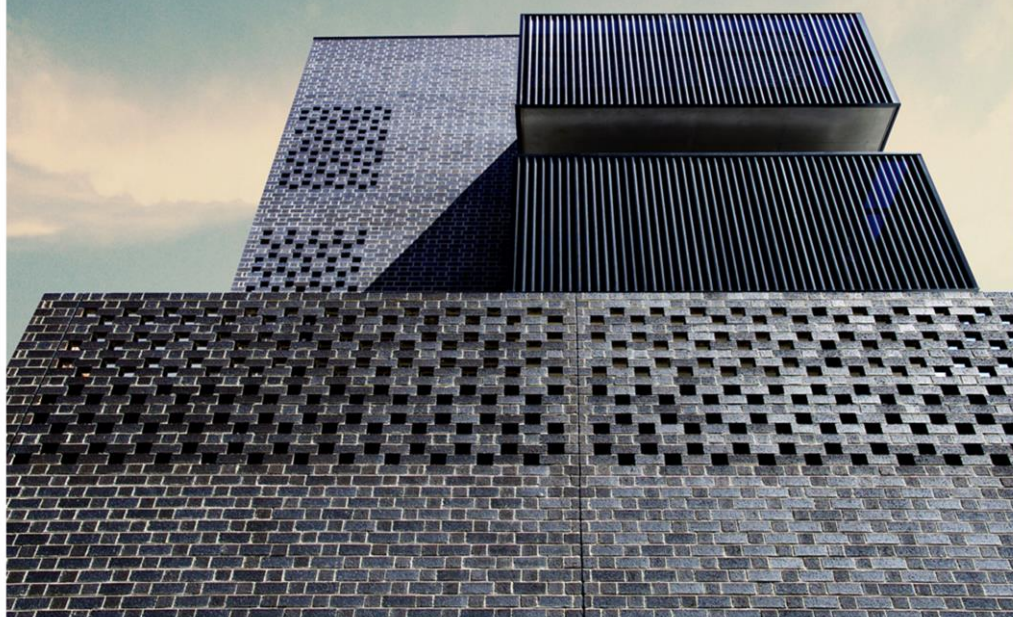
Building Products capital expenditure increased to \$18.8 million, from \$16.5 million in the previous corresponding period. Stay in business capital expenditure was \$13.7 million, in line with depreciation.

Spend on major growth projects totalled \$5.1 million, primarily consisting of upgrades to the Rochedale plant in Queensland.



## BUILDING PRODUCTS RESULTS

Ari Apartments,  
Melbourne



Turning now to Building Products.





Before discussing the results for the period, I will talk briefly about our strategy.

We believe our purpose is “to create beautiful products that last forever”. To achieve this our goal is to become the best building products company in Australia.

Our Building Products strategy consists of three key pillars: strengthening our core business, building new growth businesses and developing a winning culture.

In order to strengthen our core business, we are focused on:

- Operations excellence, including securing the lowest cost manufacturing position;
- Consolidating and growing our positions in each market;
- Developing the strongest customer relationships in the industry; and
- Being the leader in style and product development.

We are also focused on building growth businesses through:

- Investing in affiliated acquisitions, when suitable opportunities arise;
- Leveraging IP and relationships to distributing market leading building products; and
- Creating better building solutions to meet our customers needs

We also recognise that our people are fundamental to the success of our company. Our ability to effectively embed a winning culture across the organisation is critical, and forms and integral part of the Building Products strategy.

## Building Products Result<sup>1</sup>

	1H 2016	1H 2015	1H16 % Change
Sales revenue	\$358.0m	\$340.6m	↑ 5.1
EBITDA	\$46.2m	\$38.8m	↑ 19.1
EBIT	\$32.6m	\$26.1m	↑ 24.9
EBITDA to sales	12.9%	11.4%	↑ 13.2
EBIT to sales	9.1%	7.7%	↑ 18.2
Return on Capital Employed	7.5%	6.2%	↑ 21.0
Return on Net Tangible Assets	10.5%	9.2%	↑ 14.1
Full Time Employees (vs. FY15)	1,464	1,468	(0.3)
Injury Frequency (TRIFR) (vs. FY15)	19.7	22.5	↓ (12.4)
Lost Time Injury Rate (LTIFR) (vs. FY15)	1.4	2.0	↓ (32.0)

1. Underlying earnings, not including significant items

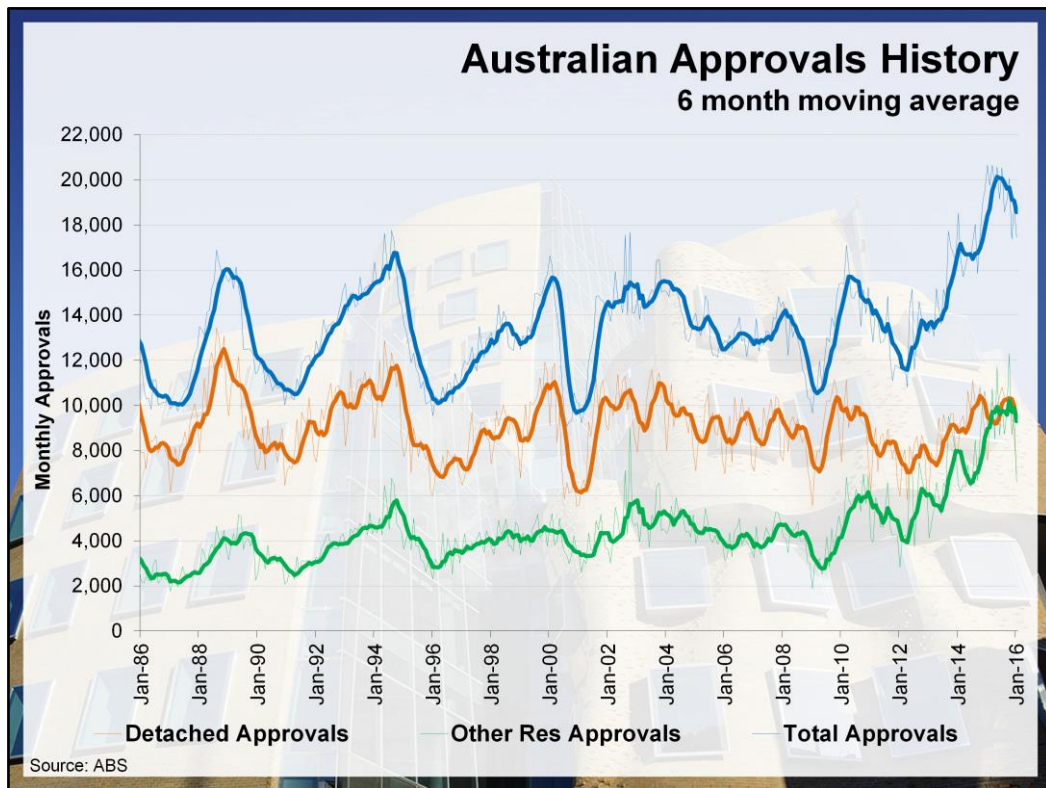
Revenue for the half year was up 5.1% to a record \$358.0 million.

EBIT was \$32.6 million, up 25% on the prior corresponding period, and EBITDA was \$46.2 million. Improved earnings were achieved on the back of an increase in sales volume and prices and improved production efficiencies that enabled manufacturing costs to be well contained.

Despite the improved earnings, Return on Capital Employed of 7.5% remains below internal targets. Excluding goodwill and other intangible assets of \$252.1 million, the underlying Return on Net Tangible Assets was 10.5%, up from 9.2% in the prior year.

Full time employees decreased by 4 during the half, taking the total number to 1,464. This reduction in employees 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 2 Lost Time Injuries during the half, representing a Lost Time Injury Frequency Rate of 1.4 injuries per million hours worked, a new record low.

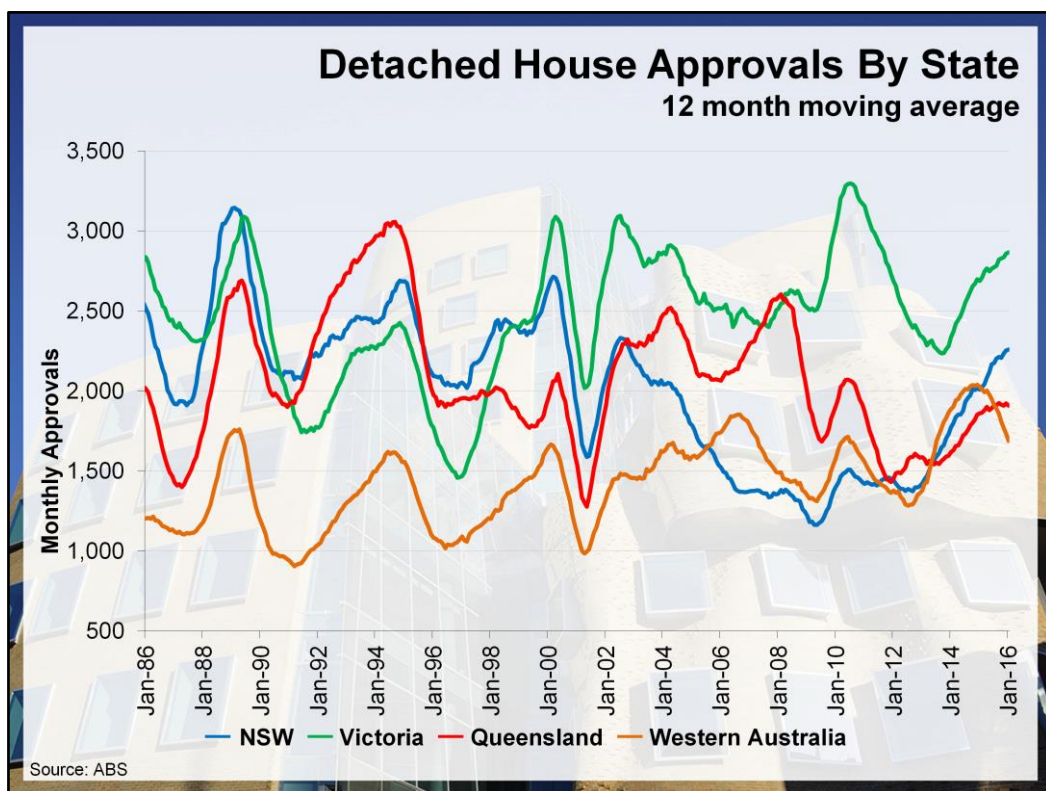


Looking now at market conditions.

The chart on screen shows Australian dwelling approvals by month for the past 30 years. The orange line shows detached houses, the green line shows other residential and the blue line shows the total.

As can be seen by the blue line, overall residential approvals were at record levels during the half, however are now clearly past the peak. The sharp increase in approvals over the past three years has been driven primarily by other residential developments, in particular high rise in the major capital of Sydney, Melbourne, Brisbane and Perth. The convergence of the green and orange lines on screen shows that other residential approvals now make up 50% of total approvals, compared to less than 30% just six years ago.

By contrast the growth in detached housing from near record lows in 2012 has been more modest. At around 10,000 approvals per month, the level of detached house building approvals still remains well below prior peaks that reached up to 12,000 approvals per month.



Looking across the states now, the chart on screen shows historical detached housing approvals for the four major states.

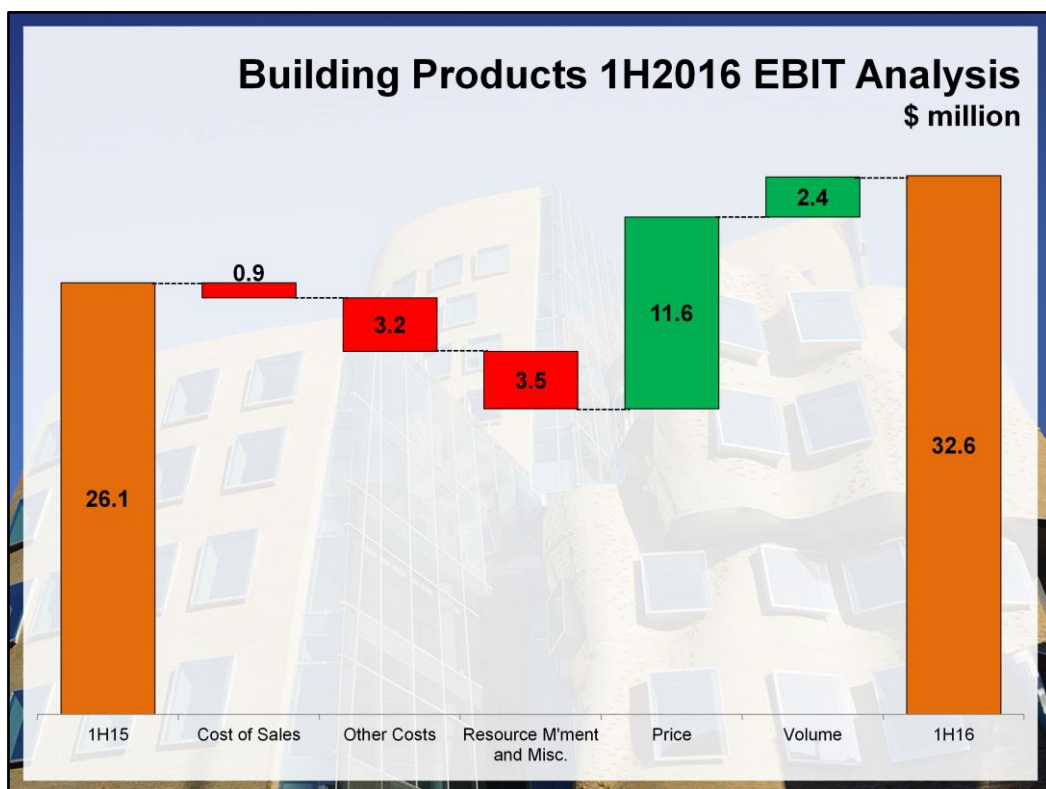
As shown by the blue line on the chart, conditions in New South Wales have shown strong growth over the past three years after an extended period of extremely low detached housing activity. This extended downturn resulted in a significant undersupply of housing in New South Wales. Despite the strong growth, detached house approvals in this state remain well below previous peaks. The latest approvals data remains very strong in New South Wales and this is likely to translate to a continued high level of activity in the short to medium term.

Despite the recent recovery in Queensland, detached housing approvals remain below the 30 year average. As shown by the red line, detached house building approvals are still trending upwards, albeit they have plateaued in the last six months.

Victoria has rebounded sharply and has firmly established its position as the largest detached housing market in the country. Recent data suggest Victoria may be reaching a peak in approvals.

After reaching record levels 2015, detached housing approvals in Western Australia have now passed the peak and are declining sharply.





The chart on screen shows a breakdown of Building Products key profit impacts in the first half.


Unit production costs were lower in most divisions, primarily due to an increase in production volume. However this was offset by higher installation costs, particularly in Bristle Roofing, where the strong demand on the east coast is resulting in trade shortages and higher installation rates. The net impact was a \$0.9 million increase in unit costs, compared to the previous corresponding period.

Sales and overhead costs were well controlled, remaining steady as a percentage of sales. The \$3.2 million increase in these costs was due primarily to an increase in selling support and information technology costs to better support our customer requirements.

In addition, a lower volume of clay receipts, costs relating to the development of intellectual property and a decrease in earnings from New Zealand Brick Distributors had a negative impact of \$3.5 million.

Pricing outcomes were generally positive, with a weighted average increase of 4.0% achieved, contributing an EBIT uplift of \$11.6 million.

Improved volumes delivered a positive EBIT impact of \$2.4 million. Significant volume increases in most east coast operations was partially offset by declines in Western Australia.



## Austral Bricks

- Earnings significantly higher, up 18.4%
- Sales revenue of \$194.0 million, up 5.2%
- Strong operational performance delivered a decline in manufacturing cost
- Particularly strong performance on the east coast
- Significant success in securing sales into high rise developments
- Refit of Cardup plant in WA underway

Austral Bricks delivered an 18% increase in earnings for the period, with sales revenue up 5% to \$194.0 million.


Unit manufacturing costs improved on the prior corresponding period, on the back of increased production output and cost reduction initiatives including prior period plant upgrades.

Performance on the east coast was particularly strong, reflecting the buoyant market conditions and improved operational performance, higher prices, and a continued focus on style and product differentiation that is driving increased sales of higher margin products.

Austral Bricks has been very successful in securing sales into the growing high rise segment, with the use of face brick in high rise residential and commercial developments continuing to increase, on the back of strong promotional activity to the architectural community. An example is shown on screen, the 24 storey Lend Lease development at Darling Quarter in Sydney.

A refit to fully automate the currently mothballed Cardup plant is now underway and will deliver a significant improvement in product quality and a lower manufacturing cost, due in part to this site benefitting from on site clay reserves.





## New Brick Technology


- Brick kiln design has not changed in 30 years
- Direxa<sup>1</sup> have developed a revolutionary new concept in brick kiln design, referred to as a “Skate-Kiln”
- Removes requirement for kiln cars and delivers significant operating cost and capital cost savings
- Brickworks has an exclusive agreement to utilise technology in certain markets
- Initial planning underway for a new plant in WA, with a target commissioning date in the first quarter of FY2018

1. Direxa Engineering LLC, based in Colorado, USA

Brick kiln design is fundamentally unchanged since the introduction of “2nd generation” low fuel consumption tunnel kilns in the 1980’s. Direxa Engineering have developed a revolutionary new concept in brick kiln design, referred to as a “Skate-Kiln”. This technology removes the need for kiln cars and would deliver significant cost savings as a result of reduced energy consumption, improved productivity and lower maintenance costs.

If this technology delivers as expected, it will result in a significant leap forward in brick manufacturing, delivering 30% lower manufacturing costs and up to 30% lower capital costs to construct a new plant.

Brickworks has an exclusive agreement to utilise this skate kiln technology in certain markets in Australia, with Western Australia having been identified as a priority for deployment. Initial planning is underway for the construction of a new plant utilising this technology in Western Australia, with a target commissioning date in the first quarter of financial year 2018.



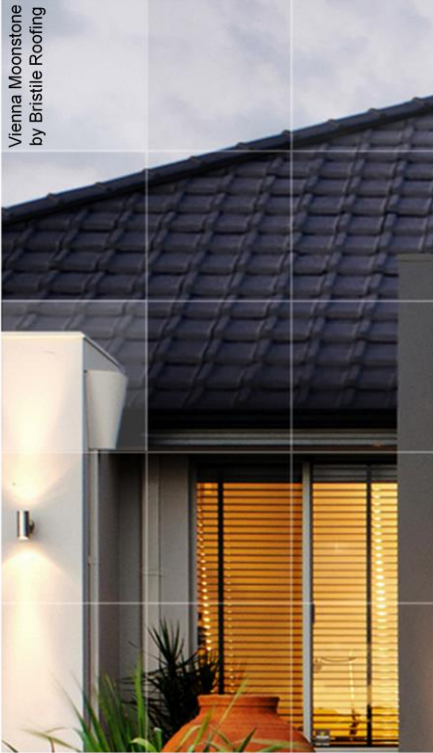
Breeze Blocks  
by Austral Masonry

## Austral Masonry

- Earnings increased on prior period
- Sales revenue flat, at \$44.5 million
- Strong momentum in south east Queensland and New South Wales
- Central Queensland market depressed due to mining exposure
- Tourist based economy in North Queensland is stable

Austral Masonry delivered another increase in earnings on relatively flat sales revenue of \$44.5 million for the half. The improved performance was driven by a continued recovery in demand in south east Queensland and strong price increases in New South Wales.

Elsewhere, the Central Queensland market is currently depressed due to a downturn in mining related activity, whilst demand remains stable in the tourist based economy of North Queensland.



## Bristle Roofing

- Earnings significantly higher, up 14.6%
- Revenue of \$57.5 million, up 10.9%
- Earnings improved in all major states
- Strong conditions on the east coast resulting in trade shortages – now at effective “installation capacity”
- Strong demand for La Escandella terracotta tiles, now established as the premium roofing product in the market

Bristle Roofing earnings increased by 15% on the prior corresponding period, with sales revenue up 11% to \$57.5 million. Earnings improved in all east coast states, on the back of favourable market conditions and continued sales growth of premium imported terracotta tiles.

The strong demand on the east coast is now resulting in trade shortages and increased installation costs, with the industry effectively operating at the “installation capacity”.

An uplift was also recorded in Western Australia, despite the more difficult conditions in that state.



## Austral Precast

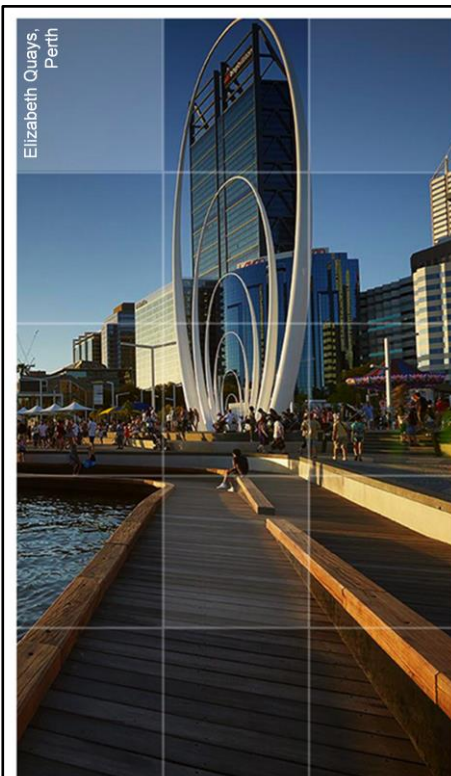
- Earnings increased on prior period
- Sales revenue flat, at \$34.3 million
- Improved production efficiency and cost savings from restructuring initiatives
- Focus on consolidating back office functions
- Increased penetration into high rise market with 50% of sales now into this market

Austral Precast earnings also increased, on relatively flat sales revenue of \$34.4 million. The result was driven by improved production efficiency and cost savings from restructuring initiatives.

A particular focus during the period was the creation of a unified national approach to back office functions such as estimating, drafting and quoting following multiple acquisitions over recent years.

An increased focus on the growing high rise market, through developing “whole of structure” solutions is progressing well, with over 50% of sales now generated from this segment.





## Auswest Timbers

- Earnings increased on prior period
- Sales revenue increased to \$27.5 million, on flat volume
- Significant productivity improvements achieved across all operations
- Purchased Whittakers timber mill in WA in February, resulting in transfer of Deanmill operations
- Victorian log supply remains unresolved

Auswest Timbers revenue increased marginally to \$27.5 million on flat sales volume. Earnings improved, due in part to continued progress to enhance operational efficiency, with productivity improvements being wide spread across all sites.

Domestic demand benefitted from strong detached housing activity on the east coast, with the Fyshwick mill supplying roof tile battens into this market. Export demand increased from the Korean, US and UK markets, helping to offset weaker demand from China.

On 5 February 2016 Auswest completed the purchase of the previously shut down Whittakers timber mill in the southwest of Western Australia. This low cost modern mill is designed to process smaller sized Jarrah resource and the transfer of Deanmill operations to this site will deliver significant improvements to operations efficiency.

After many years of negotiation, the Victorian government continues to frustrate our efforts to make the required investments in our East Gippsland mills, by denying certainty of log supply. As one of the largest employers in this region, these investments would provide a boost for the local community, as well as enabling Auswest to cost effectively meet the strong demand for product from these mills.



### **Specialised Building Systems**

- New division established during the half
- Focused on developing and distributing market leading products
- Launched Pronto Panel in November, a lightweight non-load bearing panel for internal and external use
- Terracade terracotta façade system for residential and commercial applications
- INEX boards, a range of lightweight cementitious sheets for any building surface

During the period Specialised Building Systems was established, with a focus on distributing high quality, market leading products to meet the evolving demands of the building industry. This business utilises a low capital cost model, through establishing manufacturing and distribution partnerships with “best in class” suppliers and leveraging Brickworks market leading customer relationships.

In November Pronto Panel was launched, a lightweight, durable, non-load bearing walling panel that can be utilised in internal and external walling applications. Initial market feedback has been very positive, with significant interest from our vast network of residential and commercial customers.

Other products in the portfolio include Terracade, a high-end terracotta façade system that continues to gain traction, particularly in commercial applications and INEX Boards, a range of lightweight cementitious sheets that can be used for virtually all building surfaces.





Turning now to the Building Products outlook.

## Building Products Outlook

- Record building activity across the major east coast markets is reflected in an extremely strong order book in these divisions
- The housing industry on the east coast has now effectively reached capacity due to bottlenecks caused by trade and product shortages
- By contrast, conditions in Western Australia are deteriorating
- Brickworks products are gaining penetration in a number of key markets, despite ongoing competition from alternatives
- The earnings uplift recorded in the first half is expected to be maintained over the full financial year

As mentioned earlier, current residential building activity is at the highest level on record, however conditions vary significantly across the country.

On the east coast, conditions remain buoyant and this is reflected in an extremely strong order book, particularly in Sydney and Melbourne.

However it is anticipated that further growth in sales volume in these markets will be limited, with the industry now at effective capacity due to bottlenecks caused by trade and product shortages.

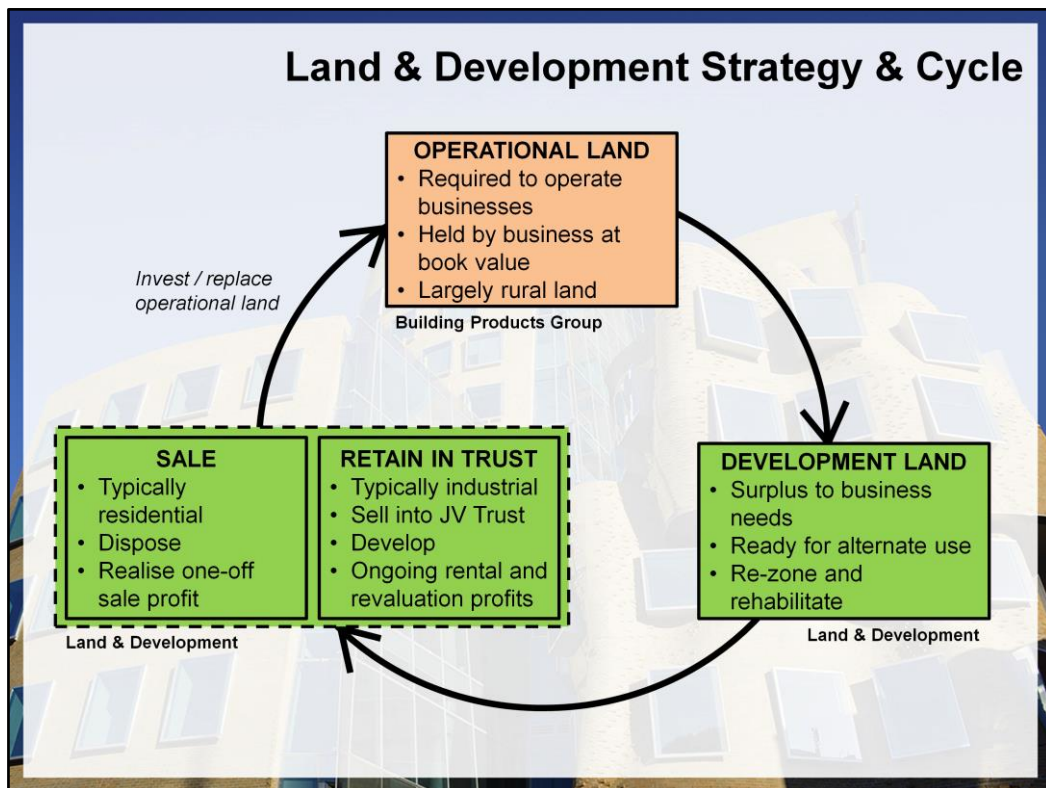
By contrast, conditions in Western Australia are deteriorating, with building activity now well past the peak.

Brickworks is having significant success in combatting the ongoing competition from alternative products. The strength of our traditional and proven product portfolio has been re-enforced in recent times by a number of costly and high profile failures of other unaccredited building products.

On balance, the short term outlook for Building Products is very positive, with the earnings uplift recorded in the first half expected to be maintained over the full financial year.



I will now go through our Property results.



The Land and Development Group aims to maximise the value of the legacy assets from the Building Products business.

Operational land that becomes surplus to the business needs is transferred to the Land and Development Group as “development land” where it is assessed for optimum land use.

Where appropriate, land is rezoned residential and sold. Alternatively the land is rezoned industrial and transferred into the Property Trust and developed, creating a stable, growing annuity style income stream.

Once within the Property Trust, assets may be sold if and when appropriate and when capitalisation rates justify.



## Land & Development EBIT

\$ millions	1H2016	1H2015	% Change
Property Trust	45.1	38.4	17.4%
Land Sales	1.1	0.5	>100%
Waste	1.0	1.1	(9.0%)
Property Admin <sup>1</sup>	(1.8)	(1.3)	(38.5%)
<b>Total<sup>2</sup></b>	<b>45.4</b>	<b>38.7</b>	<b>17.3%</b>

1. Property administration includes the holding costs of surplus land
2. Excluding significant items

Land and Development delivered an EBIT of \$45.4 million for the half year.

The Property Trust generated an EBIT of \$45.1million, up 17% from \$38.4 million.

Land Sales contributed an EBIT of \$1.1 million for the half. Transactions included the sale of 14 properties at Pemberton, Western Australia, originally part of the Pemberton mill leasehold land parcel.

Waste Management contributed a profit of \$1.0 million for the year. Royalty payments in relation to the Horsley Park landfill, operated by Veolia, ended in January 2016 and therefore no further waste management earnings will be generated from this facility.

## Industrial Property Trust EBIT

\$ millions (BKW share)	1H2016	1H2015	% Change
Net Trust Income	6.4	7.1	(9.9%)
Revaluation of properties	30.3	26.6	13.9%
Development Profit	8.4	2.0	>100%
Sale of assets	-	2.7	N/A
<b>Total</b>	<b>45.1</b>	<b>38.4</b>	<b>17.4%</b>

Looking now at the Property Trust in more detail.

The Net Trust Income of \$6.4 million was down 10% from \$7.1 million, as a result of the sale of the Coles CDC facility in July 2015.

The revaluation profit on established properties of \$30.3 million was up 14%, with a further tightening in capitalisation rates of around 50bps over the period.

An additional EBIT of \$8.4 million was contributed as a redevelopment profit through the revaluation of land ready for development at Oakdale Central, following pre-leases being secured at the site during the period.



## Industrial Property Trust Value

(\$ millions)	1H2016	FY2015	% Change
Leased properties	637.4	828.5	(23.1%)
Land to be developed	296.1	258.5	14.5%
<b>Total</b>	<b>933.5</b>	<b>1,087.0</b>	<b>(14.1%)</b>
Less borrowings	309.4	413.0	(25.1%)
Net trust assets (100%)	624.1	674.0	(7.4%)
<b>Brickworks equity (50%)</b>	<b>312.1</b>	<b>337.0</b>	<b>(7.4%)</b>
Return on Leased Properties (excluding revaluations)	7.0%	6.9%	1.4%
Additional revaluation return	16.6%	13.0%	27.7%
<b>Total Return on Leased Properties</b>	<b>23.6%</b>	<b>19.9%</b>	<b>18.6%</b>

The total value of the Property Trust Assets decreased to \$933.5 million at 31 January 2016, due to the sale of the Coles CDC facility. Borrowings decreased by 25% to \$309.4 million as sale proceeds were used to pay down debt.

Brickworks 50% share of the net asset value decreased by 7% to \$312.1 million.

The return on the developed properties in the Trust, excluding the revaluation profit, was stable at 7%. Including the strong revaluation profit on established properties during the half, the total return on leased properties was up to 24%, from 20% in the prior year.

Industrial Property Trust Assets							
Tenant / Asset	Location	Asset Value	Revaluation Profit 1H16	GLA (m <sup>2</sup> )	Gross Rental p.a.	WALE (yrs)	Cap. Rate
Capicure	Eastern Ck	\$29.0m	\$3.6m	16,809	\$2.3m	3.2	6.75%
Southridge	Eastern Ck	\$42.4m	\$5.8m	24,357	\$3.0m	3.5	6.50%
Linfox	Erskine Park	\$91.2m	-	51,323	\$6.6m	4.6	6.75%
Ubeeco	Erskine Park	\$19.6m	\$1.6m	10,865	\$1.3m	4.2	7.25%
Kimberly Clark	Erskine Park	\$84.5m	\$11.6m	45,853	\$5.3m	7.2	6.25%
Woolworths	Erskine Park	\$96.5m	\$11.7m	52,888	\$6.0m	6.8	6.25%
Wacol	Wacol, QLD	\$12.9m	-	10,384	\$1.2m	2.7	8.25%
DHL Transport	Oakdale	\$25.4m	\$3.0m	10,390	\$1.7m	5.4	6.50%
DHL J & J	Oakdale	\$45.3m	\$5.3m	26,161	\$3.0m	5.7	6.50%
Reedy Creek	Eastern Ck	\$41.6m	\$2.6m	22,959	\$2.7m	3.0	6.50%
Jeminex	Erskine Park	\$57.8m	\$4.9m	31,278	\$3.7m	4.3	6.50%
DHL Canon	Oakdale	\$36.4m	\$5.1m	20,170	\$2.3m	2.9	6.50%
DHL #4	Oakdale	\$54.8m	\$5.4m	31,745	\$3.6m	3.8	6.50%
<b>Total (Jan 16)</b>		<b>\$637.4m</b>	<b>\$60.6m</b>	<b>355,182</b>	<b>\$42.7m</b>	<b>4.4</b>	

Details on the leased Trust assets are outlined in the table shown on the screen. The total value of leased properties is \$637.4million, down from \$823.2 million at 31 July 2015.

The entire portfolio consists of A grade stock which is under seven years old, with long lease terms and strong tenants. There are no vacancies in the portfolio. Annualised gross rental return is \$42.7 million, down from \$56.3 million.

Capitalisation rates are in the range 6.25% to 8.25%, following the compression of rates that occurred over the past 2 years.

## Land Holdings

Operational Land <sup>1</sup>	Gross Land Area (ha)			Book Value	Recent Valuation
	FY15	1H16	Change		
NSW	435	486	51	\$47m	\$163m
VIC	567	567	-	\$22m	\$23m
QLD	475	475	-	\$29m	\$41m
WA	1,781	1,968	187	\$40m	\$137m
SA & TAS	272	272	-	\$7m	\$13m
<b>Total</b>	<b>3,530</b>	<b>3,768</b>	<b>238</b>	<b>\$145m</b>	<b>\$377m</b>

Development Land	Gross Land Area (ha)			Development Area (ha)	Book Value	Potential Value <sup>2</sup>
	FY15	1H16	Change			
NSW	154	154	-	97	\$14m	\$73m
VIC	332	332	-	196	\$28m	\$146m
QLD	36	36	-	14	\$2m	\$11m
WA	187	0	(187)	0	\$0m	\$0m
<b>Total</b>	<b>709</b>	<b>522</b>	<b>(187)</b>	<b>307</b>	<b>\$44m</b>	<b>\$230m</b>

- Key changes – Purchase of 51ha of rural land at Bowral, and re-classification of Cardup site from development land to operational land

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

Brickworks land holdings total around 4,200 hectares, split into operational and development land.

**Operational land** is currently valued at \$377 million, whilst the **development land** has the potential to be worth at least \$230 million, assuming rezoning and development approval of these properties.

During the period a 51 hectare parcel of operational land was purchased at Bowral, and the Cardup site in Western Australia was re-classified as operational land as a result of the works in progress to re-start this facility.

The largest site held for development is at Craigieburn in Victoria. Progress continues to be made on rezoning part of this site to residential, with the Metropolitan Planning Commission now finalising their Quarry Investigation Area Plan.



Looking at the pipeline for the Property Trust.

In New South Wales, significant progress has been made on Oakdale Central with two major tenants signing pre-commitments to the Estate. Given low vacancy in the area some speculative development will also be undertaken.

With Oakdale Central now largely committed, the focus is moving to opening up Oakdale South and Oakdale West. Oakdale South is already owned by the Trust, and approvals to commence civil work is expected in the coming months. At Oakdale West, a State Significant Development application will be lodged in the coming months and the sale of part of this property into the Trust is likely to occur in the second half.

The image on the slide shows progress at the Rochedale North site in Queensland. The recently completed Beaumont Tiles facility is in the distance, with this tenant having moved in during February. Sub-division works on the remainder of the 23 hectares site is now complete and construction is due to commence in April 2016 on the next development.

Looking ahead more generally, capitalisation rate compression is expected to moderate following the tightening that has occurred over the past few years.





I will now go through our Investment results.





## Investment in WHSP (ASX: SOL)



- BKW holds 42.7% stake in SOL
- SOL is a diversified investment house with interests in a wide range of companies such as TPG, New Hope, API BKI and Brickworks
- 1H2016 underlying EBIT contribution from Investments of \$26.8 million, down 11.0%
- \$30.7 million fully franked dividends received by BKW
- Market value up \$318 million to \$1.719 billion

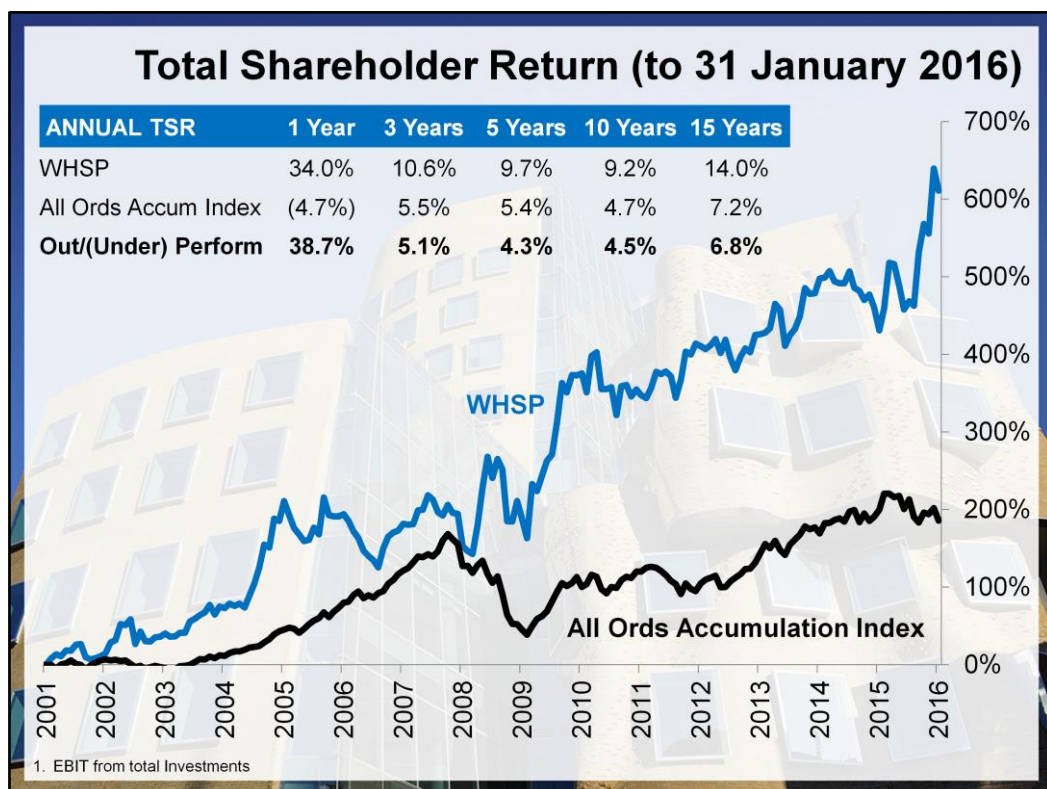
Brickworks Investments' Group consist primarily of a 42.72% stake in Washington H Soul Pattinson, a core asset of Brickworks that has brought diversity and reliable earnings to the company.

WHSP is a diversified investment house with interests in a wide range of companies, including a 26.9% stake in TPG Telecom and a 59.7% interest in New Hope Corporation.

The underlying EBIT from total investments was down 11% to \$26.8 million for the period.

Brickworks received fully franked dividends totaling \$30.7 million from WHSP during the half.

The market value of Brickworks investment in WHSP was over \$1.7 billion at 31<sup>st</sup> January 2016, up \$318 million during the period.



WHSP has delivered outstanding returns to its shareholders over all time periods. Fifteen year returns of 14.0% per annum to 31 January 2016 are almost twice the All Ordinaries Accumulation Index returns of 7.2% per annum.

The one year return of 34.0% resulted in an increase in market value of Brickworks holding of \$393.7 million and dividends received of \$51.1 million.



Turning to the outlook.

## Brickworks Group Outlook

- The Building Products earnings uplift recorded in the first half is expected to be maintained over the full financial year
- Improved full year earnings anticipated from Land & Development
- 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
- Improved earnings anticipated from the Brickworks Group in FY2016

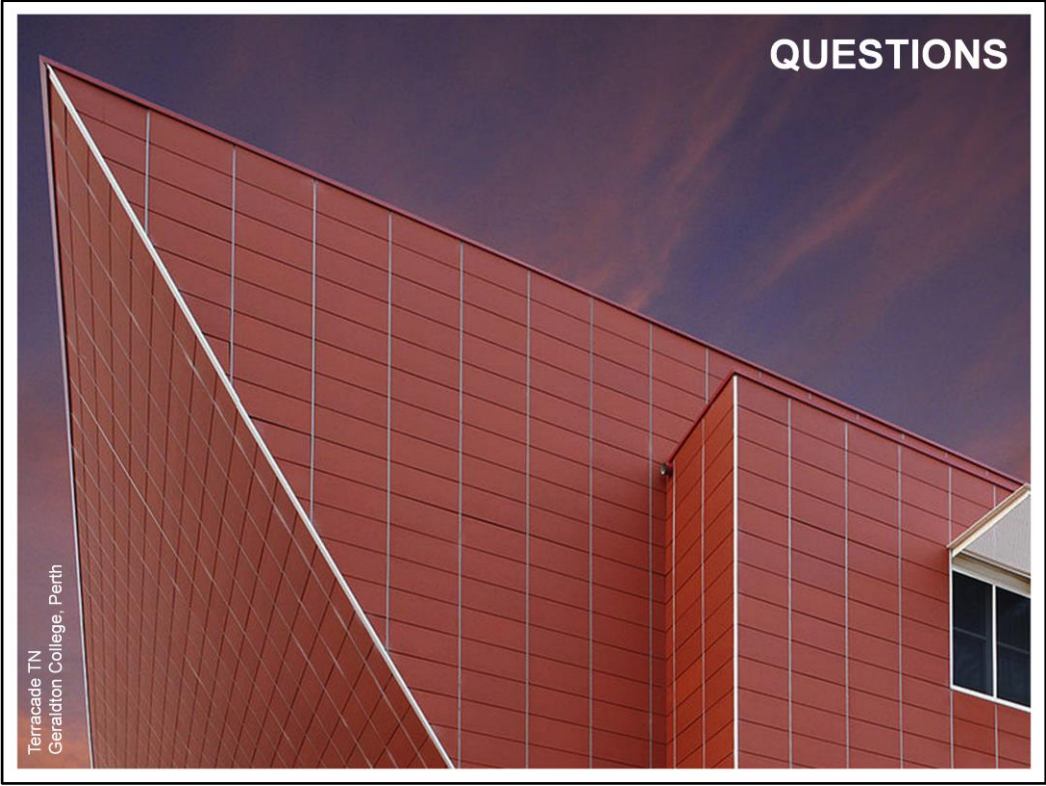
The short term outlook for Building Products is very positive, with the earnings uplift recorded in the first half expected to be maintained over the full financial year.

Land and Development earnings are also expected increase, subject to the timing and value of property transactions.

Investments earnings are expected to steadily increase over the long term.

Overall, improved earnings are anticipated from the Brickworks Group in FY2016.







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