BRICKWORKS LIMITED

26 March 2020

Australian Securities Exchange

Attention: **Companies Department**

BY ELECTRONIC LODGEMENT

Dear Sir / Madam

Please find attached the Brickworks Limited Review of Results for the half year ended 31 January 2020, for immediate release to the market.

This announcement has been authorised for release by the Brickworks Board of Directors.

Yours faithfully

BRICKWORKS LIMITED

S Leppinus

Susan Leppinus

Company Secretary

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BRICKWORKS

LIMITED

REVIEW OF RESULTS

1ST HALF ENDED 31 JANUARY 2020

Released: 26th March 2020

BRICKWORKS LIMITED - REVIEW OF RESULTS

1st HALF ENDED 31 JANUARY 2020

DIVERSIFIED PORTFOLIO & BALANCE SHEET STRENGTH UNDERPINS DIVIDEND, UP 5%

$ MILLIONS	Jan 20 6 mths	Jan 19 6 mths	Change
REVENUE (CONTINUING OPERATIONS)			
Building Products Australia	338	375	(10%)
Building Products North America	110	26	322%
Property & Other	-	42	NA
Total	**449**	**442**	**1%**
EARNINGS (CONTINUING OPERATIONS)[1]			
Building Products Australia EBITDA	*39*	*41*	*(5%)*
Building Products Australia EBIT	10	26	(62%)
Building Products North America EBITDA	*13*	*0*	*NA*
Building Products North America EBIT	6	(1)	NA
Property EBIT	89	132	(33%)
Investments EBIT	39	61	(36%)
Group Administration & Other	(9)	(7)	(28%)
Total EBIT (before significant items)	**135**	**211**	**(36%)**
Total EBITDA (before significant items)	**170**	**227**	**(25%)**
Borrowing costs	(12)	(11)	(17%)
Underlying tax expense	(22)	(41)	46%
Underlying NPAT[2] – Continuing Operations	**100**	**160**	**(37%)**
Significant items (net of tax)	(35)	(12)	NA
NPAT – Continuing Operations	**65**	**148**	**(56%)**
Discontinued Operations (net of tax)	(7)	(34)	NA
Statutory NPAT	**58**	**115**	**(49%)**
PER SHARE ANALYSIS			
Underlying earnings – continuing operations (cents)	67	107	(37%)
Statutory earnings (cents)	39	77	(49%)
Interim ordinary dividend (cents)	**20**	**19**	**5%**
Share price 31 Jan 19 vs Jul 19	19.91	16.75	19%
Net tangible assets (NTA) vs Jul 19	12.62	13.28	(5%)

[1] Comparative numbers for 1H19 have not been re-stated to take into account the impact of AASB 16 (Leases)
[2] All Group underlying profit and earnings measures exclude significant items and results from discontinued operations, unless otherwise stated

DIVERSIFIED PORTFOLIO & BALANCE SHEET STRENGTH UNDERPINS DIVIDEND, UP 5%

Highlights

- Statutory NPAT including significant items down 49% to $58 million
- Underlying NPAT from continuing operations, before significant items down 37% to $100 million
  - Building Products Australia EBIT down 62% to $10 million, EBITDA $39 million
  - Building Products North America EBIT $6 million, EBITDA $13 million
  - Property EBIT down 33% to $89 million, net trust assets up $77 million
  - Investments EBIT down 36% to $39 million, WHSP market value $2.032 billion
- Operating cash flow -$18 million, impacted by tax payment on WHSP share sale in prior period
- Gearing increased to 21% following US acquisitions
- Total shareholder's equity up $17 million since 31 July 2019, to $2.184 billion
- Interim dividend of 20 cents per share, up 5%
- Emergence of the COVID-19 pandemic in March has impacted some operations, and has created an uncertain outlook

Overview

Brickworks Group (ASX: BKW) posted a Statutory Net Profit After Tax (**'NPAT'**) of $58 million for the half year ended 31 January 2020, down 49% on the previous corresponding period. Underlying NPAT from continuing operations was $100 million, down 37% on the prior period.

On sales revenue of $338 million, **Building Products Australia** Earnings Before Interest and Tax from continuing operations ('**EBIT**') was $10 million, down 62% on the previous corresponding period (EBITDA was $39 million). The lower earnings were primarily due to a significant decline in building activity across the country, intense competition in Western Australia, numerous brick plant shutdowns to complete upgrades and maintenance, and higher gas prices on the east coast.

Building Products North America performance was very strong and has exceeded initial expectations following the market entry in the prior year. Sales revenue was $110 million for the period to 31 January 2020, with particularly strong demand across residential and commercial segments in New York City and surrounding regions. EBIT for the period was $6 million and EBITDA was $13 million. Sioux City Brick was successfully integrated during the half following completion of this acquisition in August.

Property EBIT was $89 million for the first half, driven primarily by a significant revaluation profit within the Joint Venture Industrial Property Trust[3] ('Property Trust'). Brickworks' share of the net asset value within the Property Trust increased by $77 million during the period and now stands at $710 million. The increasing value of Property Trust assets reflects a wider structural change

[3] The Joint Venture Industrial Property Trust is a 50/50% partnership between Brickworks and Goodman Industrial Trust

across the economy, as companies modernise their supply chains in response to consumer preferences, such as on-line shopping.

Investments EBIT was $39 million, down 36%, due primarily to a decline in New Hope Corporation earnings.

Statutory Earnings Per Share ('**EPS**') was 39 cents, down 49% on the previous corresponding period. Underlying EPS from continuing operations was 67 cents, down 37%.

Directors have declared a fully franked interim **dividend** of 20 cents per share for the half year ended 31 January 2020, up 5% from 19 cents. The record date for the interim dividend will be 14 April 2020, with payment on 5 May 2020.

Financial Analysis

Total **cash flow from operating activities** was -$18 million, compared to $65 million in the previous corresponding period. This decrease in cash generation is primarily due to the payment of $54 million in tax on the December 2018 sale of 7.9 million WHSP shares and lower Building Products Australia earnings.

Capital expenditure was $57 million during the period, with significant project spend including deployment of a new enterprise resource planning (ERP) system across Australia and the United States, a new masonry plant at Oakdale East in New South Wales, and major upgrades to brick plants at Golden Grove in South Australia and Iberia in Ohio.

Total interest-bearing debt was $500 million at 31 January 2020. After including cash on hand, **net debt**[4] at the end of the period was $461 million, an increase of $208 million during the half. The increase was primarily due to the settlement payment for the Sioux City Brick acquisition ($47 million), the up-front payment in relation to the Redland Brick acquisition ($15 million) and the lower cash flow from operating activities (including the $54 million tax payment in relation to the WHSP share sale).

Gearing (net debt to equity) was 21% at 31 January 2020, up from 12% at 31 July 2019, due to the higher net debt.

Total borrowing costs increased to $12 million, including $2 million in interest costs on leases being recognised due to AASB 16. Excluding this impact, borrowing costs were marginally lower.

Net working capital was $270 million at 31 January 2020, including **finished goods inventory** of $227 million, up significantly due to the Sioux City Brick acquisition ($25 million impact). Excluding the impact of the acquisition, finished goods inventory in continuing operations was up $5 million during the half, due primarily to Austral Bricks and Glen-Gery inventory increasing over the Christmas and New Year period.

Statutory **income tax** from continuing operations was $13 million for the period. The underlying income tax expense from continuing operations was $22 million, down from $41 million in the prior corresponding period.

Net tangible assets ('NTA') per share was $12.62 at 31 January 2020. On a like for like basis, excluding the impact of AASB 16 (leases), net tangible assets per share was $13.28, unchanged from 31 July 2019. During the half total shareholders' equity was up $17 million to $2.184 billion.

[4] Net debt and related metrics such as gearing exclude the impact of AASB 16 (Leases)

Significant items reduced NPAT from continuing operations by $35 million for the period. This comprised:

- Transaction costs of $8 million, primarily in relation to the acquisitions of Sioux City Brick and Redland Brick assets. This is offset by a $4 million gain on a “bargain purchase”, recognised upon the Sioux City Brick acquisition, representing the excess fair value of net assets compared to the purchase price.
- Restructuring costs of $5 million (net of tax) associated with the plant closure at Redfield (Ohio), mothballing of Cardup (Western Australia), significant redundancy costs in Australian Building Products in response to decreased activity, and payments in relation to a take-or-pay gas contract in Western Australia.
- Costs of $33 million in relation to WHSP significant items.
- A $6 million benefit arising from the net impact of the income tax expense in respect of the equity accounted WHSP profit, the franking credits associated with the dividends received during the period, and adjusted for the movements in the franking account and the circular dividend impact.

Significant Items ($m) – Continuous Operations	**Gross**	**Tax**	**Net**
Acquisition costs, net of “bargain purchase”	(4)	-	(4)
Restructuring activities	(7)	2	(5)
Significant items relating to WHSP	(33)		(33)
Income tax arising from the carrying value of WHSP		6	6
Total (Continuing Operations)	**(44)**	**8**	**(35)**

People

Full-time equivalent **employee** numbers were 2,078 at 31 January 2020, comprising 1,300 based in Australia and 778 in the United States.

Employee numbers in Australia were reduced by 194 during the half, with significant decreases across all operations in response to the reduced market activity, and the sale of Auswest Timbers hardwood assets resulting in the loss of 118 employees.

In the United States, the addition of more than 200 people as a result of the Sioux City Brick acquisition was offset by a reduction of around 50 employees, primarily associated with plant rationalisation and efficiency improvement initiatives.

The completion of the Redland Brick acquisition in February (following the end of the period) has resulted in an additional 110 employees joining the Company, and therefore brings total Brickworks employees to 2,188.

Safety

In Australia, there was 1 Lost Time **Injury** (‘LTIs’) during the half. This translates to a Lost Time Injury Frequency Rate (‘LTIFR’) of 0.8, down from 1.7 for the year to July 2019. The Total Reportable Injury Frequency Rate (‘TRIFR’) for the period was 8.4, down significantly from 19.6.

In the North American operations, there were 3 LTI’s during the half, translating to an LTIFR of 4.4. The TRIFR for the period was 27.6.

A sustained decrease in injuries across Australian operations has been achieved over the past decade, through disciplined implementation of safety management systems and procedures, together with behavioural leadership and safety training programs. These initiatives will be rolled out across our recently acquired operations in North America where injury rates are significantly higher than Australia.

Bushfire Support

In January Brickworks announced a bushfire support package, for homeowners impacted by the devastating fires that swept across the east coast of the country in December and January.

These unprecedented fires left thousands of homes destroyed, families displaced, and many regional communities faced with a long road to recovery as they rebuild from the ground up.

To support the recovery effort, for any house lost in the fires, Brickworks will replace Austral Bricks free of charge and provide a 50% discount on any other Brickworks product used in the new build.

Clay bricks have natural fire-resistant qualities, making them ideal for use in bushfire prone areas, unlike some other “deemed to comply” non-combustible products which will disintegrate in a fire.

Building Products Australia

Market Conditions

Residential building activity has been in decline across Australia for the past eighteen months. Australian Bureau of Statistics (ABS) commencements data for the six months to end September 2019, a proxy for relevant activity during the first half given the typical 3-6 month lag for the use of building materials on site, estimated a total of 89,000 residential starts. This represents a 24% decline compared to the previous corresponding period.

Detached housing starts were down a relatively modest 16%, with multi-residential starts down 33%. The decline in multi-residential construction was most severe in Queensland, down 42% and New South Wales[5], down 39%.

Across the states, total residential starts declined 32% in New South Wales, 30% in Queensland, 16% in Victoria, 14% in South Australia and 8% in Western Australia, where commencements are now at their lowest level in 25 years.

In contrast to the residential construction downturn, the value of commencements in the non-residential sector in Australia increased by 8% to $24.320 billion. Within the non-residential sector, Commercial building commencements increased by 5% to $8.663 billion for the period and Industrial building commencements increased 11% to $3.646 billion. The Educational sub-sector, an important driver for bricks and masonry demand, was up 24% to $3.613 billion.

Towards the end of the period an unprecedented combination of additional factors also impacted operating conditions. In addition to the drought impacting regional areas across New South Wales, Queensland and South Australia, the east coast was hit by devastating bushfires throughout December and January. More broadly, business confidence was then hit by the emergence of the Coronavirus in January. Although it is difficult to determine the individual impact of each of these events, in combination they compounded the market challenges faced during the period.

Overview of Result

Revenue for the half year to 31 January 2020, was $338 million, down 10% on the prior corresponding period. Excluding Aussie Concrete Products (ACP) sales (acquired in May 2019), revenue was down 12%, on a like-for-like basis.

Demand was relatively resilient, considering the 24% decline in residential building activity for the period.

An increase in revenue in Austral Masonry, following the acquisition of ACP, was offset by declines in Austral Bricks, Bristile Roofing and Austral Precast.

1st Half ($million)	2020[6]	2019	Change
Revenue	**338**	375	(10%)
EBITDA	**39**	41	(5%)
EBIT	**10**	26	(62%)
EBITDA margin	**11%**	11%	-
EBIT margin	**3%**	7%	(57%)

[5] Includes ACT to align with Brickworks selling regions

[6] Comparative numbers for 1H19 have not been re-stated to take into account the impact of AASB 16 (Leases). Excluding the impact of AASB 16, the comparable 1H2020 EBIT is $8 million and EBITDA is $23 million.

EBIT was down 62% on the prior corresponding period to $10 million and **EBITDA** was $39 million. Earnings for the period were impacted by:

- A sharp slowdown in building activity across the country, particularly multi-residential construction in New South Wales and Queensland, and this had a significant impact on Austral Precast and Austral Masonry, both with a high exposure to these markets;
- Continued intense competition in Western Australia;
- Numerous brick plant shutdowns on the east coast to complete significant maintenance and upgrades. Whilst this adversely impacted earnings by around $5 million during the half, the works are necessary to ensure capacity is available to meet expected demand in the coming years; and
- A net $4 million increase in gas costs during the period.

When compared to the previous corresponding period, the new accounting treatment for leases (AASB 16) resulted in $2 million uplift to EBIT and a $16 million uplift to EBITDA.

Austral Bricks earnings decreased by 27% for the six months ended 31 January 2020, with sales revenue down 10% to $193 million. In addition to the broad-based decline in market activity, sales in regional areas were adversely impacted by the drought, particularly in New South Wales.

The performance of Austral Bricks on the east coast was resilient, with the decline in sales volume less than the decrease in detached housing construction. Earnings from these operations were approximately in line with the prior period, after excluding the impact of higher gas costs and plant shutdowns.

Two factories were closed for extended periods due to upgrades that were required to meet regulatory requirements. These works included the installation of emissions control technology at Horsley Park Plant 3 in New South Wales, and the construction of a new high voltage sub-station at the Rochedale plant in Queensland.

The lower sales provided an opportunity to undertake extensive maintenance on other plants during the half, including an extrusion plant upgrade at Golden Grove in South Australia and a refractory reline of the Ceric kiln, also at Horsley Park Plant 3.

In addition, after almost 10 years continuous operation, the Wollert West kiln in Victoria was closed for inspection, prior to its warranty period expiring.

Whilst these plant shutdowns had a significant negative impact on earnings in the first half, they will provide improved production reliability over the medium and longer term.

This production stability is particularly critical given that Horsley Park Plant 2, which has historically provided reserve capacity on the east coast, will remain offline over the medium term. The new face brick plant planned for this site will be the most advanced brick making facility in the world, incorporating a high output JC Steele 120 extruder that will drive industry leading production efficiency. Construction of this facility remains subject to final regulatory approvals, and in any case will be delayed due to the uncertainty in relation to the COVID-19 pandemic.

If there is a strong resurgence in demand prior to the completion of the new plant, additional supply will likely be sourced from imports, despite idle capacity existing in Western Australia, due to the failure of successive governments to address the cabotage issues that result in exorbitant domestic shipping costs.

In Western Australia production was reduced to one plant at Bellevue. With building activity now at 30-year lows in Western Australia, the industry remains in a state of flux amidst excess capacity and widespread corporate restructuring activity.

The transition to the wholesale gas market on the east coast went smoothly during the period. Taking effect from January 2020, this has finally provided some relief from rising energy costs. However, despite this, local prices remain more than 3 times the international price, a clear sign of a broken market and yet another example of the difficulties faced by manufacturers in Australia.

For the half, gas costs were around $4 million higher than the previous corresponding period, with the lower costs in January following the transition to wholesale gas supply only partially offsetting the higher costs during August-December.

The reliable supply of electricity continues to be a challenge for some operations, particularly in South Australia, where the Golden Grove plant was forced to utilise back-up generators for long periods during summer.

Bristile Roofing, earnings were down on the prior corresponding period, with a 14% decrease in revenue to $54 million for the half. This includes sales from the Fyshwick roof tile batten mill, operating as the newly branded "Capital Battens", following the sale of Auswest Timbers hardwood assets.

Sales across all major east coast markets were lower, on the back of the reduced detached house construction activity, and margins were impacted by strong competition, particularly in Queensland. In contrast to the overall trend, there was continued strong demand for imported terracotta tiles from La Escandella in Spain. Increased earnings were recorded in South Australia, a relatively small but growing market for Bristile Roofing.

Capital Battens revenue and earnings were relatively steady, with the mill operating at capacity for the entire period.

Austral Masonry earnings were lower, despite an 11% increase in sales revenue to $62 million for the half. Excluding ACP sales, revenue was down 4%, on a like-for-like basis.

An improved result was delivered in New South Wales, with increased sales of higher margin block, retaining wall and paving products offsetting a decline in commodity grey block sales. The gains in New South Wales were more than offset by a decline in earnings in other states. Queensland was particularly hard hit, with sales of grey block significantly impacted by the sharp decline in apartment construction in south east Queensland.

A strong result was delivered by the newly acquired ACP business, a leading concrete sleeper retaining wall manufacturer, based in Brisbane. This acquisition has provided immediate market leadership in a fast-growing product category, and Austral Masonry's nationwide distribution network has provided opportunities to expand sales into new regions.

In New South Wales, work continues on the construction of a highly advanced masonry plant, to be located on Property Trust land at Oakdale East.

Austral Precast earnings were down on the prior corresponding period, with revenue decreasing 29% to $28 million for the half. The decrease in revenue was driven by Queensland and Western Australia, where demand has rapidly deteriorated over the past 12 months. The impact of lower demand has been compounded by intense competition in these markets, as manufacturers compete for the limited work available.

Manufacturing operations in these states were significantly impacted, with the labour force reduced to the minimum possible size. The viability of operations in Western Australia and Queensland is currently under review.

By contrast, sales in New South Wales remained strong during the period, with this market benefiting from the greater usage of precast panels in industrial projects (compared to markets such as Brisbane with a higher prevalence of tilt-up concrete). To meet demand, and improve the efficiency of the automated plant, a second production line to cater for specialised panels was commissioned at Wetherill Park during the period.

Austral Precast continues to focus on a range of product development initiatives. In August 2019, “Double Wall” was launched, a cost effective permanent structural framework that offers significant advantages over alternative systems.

Southern Cross Cement is now providing quality, cost effective cement to Austral Masonry and Bristile Roofing operations in Brisbane, as well as to other Joint Venture shareholders. This follows the completion of construction of the terminal during the first half.

The commissioning process is progressing well, with 3 shipments of cement having now been received. In total the terminal is expected to supply in excess of 200,000 tonnes to shareholders on an annual basis.

Building Products North America

Market Leading Position Established

In February, Brickworks completed the acquisition of assets from Redland Brick. This marked the Company's third US brick acquisition, following the purchase of Sioux City Brick in August 2019 and Glen-Gery in November 2018.

These acquisitions followed a thorough strategic review that identified the US brick industry as an attractive long-term growth opportunity for Brickworks. Importantly, the market entry into the US has been disciplined and methodical, with each acquisition being of appropriate scale, at a sensible price and undertaken in a staged manner to manage risk and resourcing requirements.

A business of significant scale has quickly been established, with Brickworks North America now having:

- Market leadership in key states across the Northeast, Midwest and Mid-Atlantic regions;
- A portfolio of well recognised, premium brands;
- Almost 900 employees;
- 12 operating brick plants and one manufactured stone plant;
- Circa 400 million brick sales per annum;
- Circa AU$290 million sales revenue per annum; and
- An extensive reseller network and company operated retail outlets.

Brickworks now has a unique market position within the US brick industry, holding a leading position in the north-east, mid-west and mid-atlantic states. This region incorporates major cities such as New York, Washington DC, Boston, Philadelphia, Baltimore, Pittsburgh, Chicago and Detroit, each with a long heritage of brick construction in commercial and residential buildings.

Brickworks product mix reflects the traditional building styles of this region, with higher margin architectural products into the non-residential and multi-residential segments making up 65% of sales. This compares to the wider US brick industry, where sales into these sectors make up only 27% of the total.

In many cases, building covenants are in place, mandating the use of brick, in order to maintain the heritage of the region. In other cases, Glen-Gery bricks are specified, in the construction of buildings such as schools, hospital and retail outlets. As an example, a large order has recently been received to refurbish the Chrysler Building in New York City, using bricks from the Hanley Plant, first supplied from the same plant in the 1930's.

Glen-Gery has established a strong reputation within the industry for premium products, and has a plant network that is well equipped to service this market. Across its twelve brick plants, it is able to offer a range of specialty moulded, handmade and glazed bricks, in addition to a full range of the more common extruded bricks.

Market Conditions

Residential building activity in the United States continued to steadily increase during the first half. US Census Bureau commencements data for the six months to end September 2019, estimated a total of 698,000 residential starts, up marginally on the previous corresponding period.

The two key statistical regions for Brickworks North American operations are the Northeast and Midwest. In the Northeast region total residential starts were up 7% to 65,000 for the period. A sharp increase in multi-residential construction, up 38% was partially offset by a decline in single family construction, down 14%.

In the Midwest region total residential starts were down 7% to 107,000. In this region the decline was driven by the multi-residential segment, down 13%, with single family construction relatively steady.

Non-residential construction was also strong during the period. For the six months to January 2020, the total value of non-residential construction put in place was US$400 billion, up 5% on the prior corresponding period. Within the non-residential sector, spending on office, health care and educational buildings increased by 7%, 5% and 3% respectively, offset by a 1% decline in commercial building.

Overview of Result[7]

1st Half ($million)	2020[8]	2019 (~2 months)
Revenue ($US)	**75**	18
EBITDA ($US)	**8**	0
EBIT ($US)	**4**	(1)
Revenue ($AU)	**110**	26
EBITDA ($AU)	**13**	0
EBIT ($AU)	**6**	(1)
EBITDA margin	**12%**	
EBIT margin	**6%**	

Performance of Building Products North America continues to exceed expectations.

Sales **revenue** for the 6 months to 31 January 2020 was AU$110 million. This period includes 5 months operation of the acquired Sioux City Brick plants, but excludes the impact of the Redland Brick acquisition, completed post the end of the period.

During the period, demand was particularly strong in the northeast region, underpinned by commercial and residential projects in New York City and surrounding areas such as Philadelphia, Cleveland, Baltimore and Washington.

EBITDA for the period was AU$13 million and EBIT was AU$6 million.

North American earnings are highly seasonal, with the cold winter months of December and January characterised by plant shutdowns and reduced sales volume. Unlike the prior corresponding period, production rationalisation initiatives enabled some plants such as Mid Atlantic, Hanley and York to continue operating during this period, and the relatively mild weather allowed most customer deliveries to be maintained. Nevertheless, EBITDA was approximately break-even during this period.

Manufacturing costs were lower across most facilities, as efficiency improvement initiatives were rolled out across the plant network. A particularly strong operational performance was achieved at the Landmark (Kentucky) manufactured stone plant, with unit costs at this facility reducing by almost 30%. At the Marseilles (Illinois) and Hanley (Pennsylvania) brick plants, the engineering team undertook a comprehensive review of operations and completed a range of minor upgrades to plant and equipment.

The installation of a new extruder at Iberia (Ohio) was completed during the period and will support increased efficiency and an expanded product range going forward.

A range of synergies have already been achieved following the Sioux City Brick acquisition, with consolidation of both manufacturing operations and retail outlets. In September, the Redfield plant was closed, with volume transferred to nearby Adel, allowing significant manufacturing efficiencies to be achieved. In January the Sioux City Brick Des Moines sales centre was closed and merged into the Glen-Gery sales centre in West Des Moines.

Significant progress has also been made on other key strategic initiatives.

Exclusive North American supply agreements are now in place with European suppliers of premium imported products, new design studios will soon be opened in central Philadelphia and New York, and new marketing and promotional material has been developed. In addition, a dedicated pricing team has been established to drive new revenue opportunities and roll-out new

[7] An average exchange rate of 1AUD=0.68 USD has been used to convert earnings.
[8] AASB 16 (Leases) has no material impact on Building Products North America earnings comparatives (1H20 vs 1H19)

pricing policies and procedures. A successful price rise on new orders was implemented towards the end of the period.

Integration of Redland Brick

The acquisition of assets of Redland Brick was completed on 10 February 2020, post the end of the half. The extended period before completion was necessary to manage available resources following the Sioux City Brick acquisition and allowed significant planning and preparation work to be undertaken prior to completion.

A dedicated integration team is in place, with a full transition onto Glen-Gery IT platforms completed on day 1 and other integration activities proceeding well.

Property

Overview of Property Result

Property delivered EBIT of $89 million for the first half, down 33% on the prior corresponding period. The decrease in earnings is primarily due to there being no land sales during the first half (compared to $35 million EBIT from the sale and leaseback of the Punchbowl brick plant in the prior corresponding period).

1st half ($ millions)	2020	2019	Change
Net Trust Income	15	12	25%
Revaluation of properties	52	67	(22%)
Development Profit	24	19	26%
Property Trust	**90**	**99**	**(9%)**
Property Sales	0	35	-
Admin and Other	(2)	(2)	-
Total	**89**	**132**	**(33%)**

The **Property Trust** delivered an EBIT contribution of $90 million, down 9% on the prior period.

Net trust income was up 25% to $15 million for the half. This reflects the rental contribution from three new facilities at Oakdale South and rent increases across the balance of the portfolio.

All Property Trust assets were revalued during the period and this resulted in another strong revaluation profit of $52 million. This reflects a 25 to 50 basis point compression across the portfolio, and follows the 50 basis points tightening that occurred in financial year 2019.

Development activity at Oakdale South continued during the period, with the completion of facilities resulting in development profits of $24 million being recorded. A 31,400m^2 facility for DHL was completed in December 2019, and a 30,000m^2 facility, including 15,000m^2 for Linfox, was completed in January 2020.

Property administration expenses totalled $2 million, in line with the prior half. These expenses include holding costs, such as rates and taxes on properties awaiting development.

Property Trust Assets

Estate	Asset Value ($m)	Gross Lettable Area (m^2)	Gross Rental ($m p.a.)	WALE[9] (yrs)	Cap. Rate
M7 Hub (NSW)	162	64,180	8.3	2.0	5.1%
Interlink Park (NSW)	441	192,207	24.3	3.0	5.0%
Oakdale Central (NSW)	596	245,205	30.0	4.8	4.9%
Oakdale South (NSW)	264	111,338	12.5	8.6	4.9%
Rochedale (QLD)	198	95,636	10.2	11.9	5.3%
Total	**1,661**	**708,566**	**85.3**	**5.4**	**5.0%**

As at 31 January 2020, the total value of leased assets held within the Property Trust was $1.661 billion. The entire Property Trust portfolio consists of “A grade” facilities, each less than ten years old. The annualised gross rent generated from the Property Trust is $85 million, the weighted

[9] Weighted average lease expiry (by income)

average lease expiry is over 5 years and the average capitalisation rate is 5.0%. The only vacancy across the portfolio is a 15,000m^2 facility at Oakdale South, completed in January 2020.

Including $295 million worth of land to be developed, the total value of assets held within the Property Trust was $1.956 billion at the end of the period. Borrowings of $536 million are held within the Property Trust, giving a total net asset value of $1.420 billion. Brickworks' 50% share of net asset value is $710 million, up by $77 million during the half. The increase in value is due to the property revaluations and completion of developments.

As a result of the increased valuation, gearing on leased assets decreased to 32% at the end of the period.

The total return on the leased property assets in the Trust, including the revaluation profit, was 17% during the half.

$million	Jan 2020	July 2019	Change
Leased properties	1,661	1,411	18%
Land to be developed	295	345	(14%)
Total Property Trust assets	**1,956**	**1,756**	**11%**
Borrowings on leased properties	(536)	(490)	9%
Net Property Trust assets	**1,420**	**1,266**	**12%**
Brickworks 50% share	**710**	**633**	**12%**
Rental return on leased assets[10]	6%	6%	11%
Reval. return on leased assets[11]	11%	15%	3%
Total return on leased assets	**17%**	**21%**	**5%**
Gearing on leased assets[12]	32%	34%	(7%)

[10] Based on annualised Net Trust Income of $30m (2 x 1H20), divided by $487m. This represents Brickworks share of leased properties (net of borrowings), excluding $151 million of newly completed assets that did not contribute any rent during the period
[11] Methodology as above, but assuming annualised revaluation profit of $52 million (in line with 1H20)
[12] Borrowings on leased assets / total leased assets

Investments

The EBIT from Investments was $39 million in the half year ended 31 January 2020, down 36% on the prior corresponding period.

Washington H. Soul Pattinson Limited ('WHSP')

ASX Code: SOL

Brickworks holds 94.3 million WHSP shares, equivalent to a 39.4% interest in the Company. This shareholding in WHSP is an important source of earnings and cash flow diversification for the Company and has been a key contributor to Brickworks' success for more than four decades.

WHSP holds a significant investment portfolio in a number of listed companies including Brickworks, TPG Telecom, New Hope Corporation and Australian Pharmaceutical Industries.

The market value of Brickworks shareholding in WHSP was $2.032 billion at 31 January 2020, down $109 million for the half.

WHSP has delivered strong returns over most time periods, with 20-year total shareholder return of 13.2% per annum, 4.5% per annum ahead of the All Ordinaries Accumulation Index.

The investment in WHSP returned an underlying contribution of $39 million for the half year ended 31 January 2020, down from $60 million in the previous corresponding period. The decline was mainly driven by lower earnings from New Hope Corporation.

During the period cash dividends of $32 million were received, down 3% on the prior period.

Outlook

COVID-19 (Coronavirus)

The Coronavirus pandemic has resulted in significant uncertainty for Brickworks and the broader economy. This public health crisis, the like of which we have not seen for around 100 years, continues to evolve with far reaching consequences that are difficult to predict.

Brickworks continues to monitor the situation closely and is primarily focussed on ensuring the safety and well-being of all employees and customers. The Company has put in place a range of procedures to protect employees, including:

- Self-isolation of at-risk employees who may have travelled to, or been in close contact with others from high risk countries;
- Daily temperature checks for all employees and visitors before entering work sites;
- Working from home in cases where it is practical to do so;
- Cancelation of all international travel and all non-essential domestic travel;
- Social distancing protocols at all workplaces; and
- Segregation of work teams, including production workers at shift change-overs.

Brickworks is well prepared to safely and effectively manage operations in these unique and challenging times. Most sites were already fully equipped with biomedical kits and medical supplies, enabling the Company to quickly put in place procedures to protect staff.

Brickworks also has advanced video-conferencing infrastructure set up at virtually all sites across Australia and the United States and on all laptop computers, and this allows for effective communication amongst the executive team while at home as they respond to the evolving circumstances on a daily basis.

In terms of direct impacts on Brickworks to date, Building Products North America has been significantly impacted. In Pennsylvania, the Governor ordered the closure of all non life-sustaining businesses on 19 March, and as a result all 5 Pennsylvania brick plants were closed and all sales activity ceased in that State. Subsequently, on the 25th March, the Governor granted an exemption approval for Brickworks to operate yards at those plants, and for sales offices to reopen, thus allowing product distribution and sales to re-commence. Inventory within these yards is expected to provide adequate supply for at least 2-3 months.

On 23 March an order was made in Michigan, resulting in the closure of our distribution outlet in that state.

Elsewhere, some of our European suppliers of premium imported products have indicated that operations have already been, or will soon be suspended. Whilst the impact of this will not be significant, it may result in an inability to supply any major new projects

There have been no other significant supply chain issues within the Building Products businesses at this stage, and all development activity within the Property Trust remains unaffected.

However, significant further disruption to operations appears inevitable over the coming months, and a decrease in demand is anticipated for at least the remainder of the current financial year. In recent weeks, builders have reported reduced activity at display homes and are imposing restrictions on the number of trades on site.

With regard to manufacturing operations, whilst there are no immediate concerns, key medium-term supply chain risks include access to critical spare parts for the factory and the supply of specialty brick glazes from overseas.

It is also possible that further lockdowns and restrictions will be imposed by governments to contain the spread of the virus. In any case, if the situation continues to escalate, Brickworks will not hesitate to cease manufacturing operations in order to protect the health and safety of its workforce.

Other related risks are also emerging, including customer credit risk, with increasing debtor days and the potential for bad debts to emerge.

In response to these difficult conditions and ongoing uncertainty, Brickworks is taking significant action. The Company has developed business planning and scenario modelling tools to support decision making over the coming months. To preserve cash, all non-contracted capital spend and non-essential expenditure has been delayed, and employees who need to take time off work, will utilise accrued leave where possible.

Given the level of uncertainty as to the extent and duration of the Coronavirus pandemic and the efficacy of Government and Central Bank responses, it is not currently possible to quantify how it will affect the Group. As such, Brickworks is withdrawing any previous outlook statements and is unable to provide any earnings guidance at this stage.

Building Products Australia

Prior to the emergence of the Coronavirus there were several positive signs to suggest that the worst of the building downturn was behind us.

Increasing house prices and strong auction clearance rates, typical drivers of development activity, indicated a renewed level of consumer confidence. This was reflected in building approvals data, trending upwards after moving through a cyclical low during the first half.

Home builders were reporting higher, and in some cases record sales, and increased traffic flow through displays, particularly in New South Wales, Victoria and even Western Australia. This feedback was consistent with the growing order intake across most Building Products businesses from November last year.

In March, Building Products orders and sales strengthened further, with many customers wishing to ensure access to stock, and a surge in DIY demand. As such, under normal circumstances, an increase in sales would be anticipated in the second half of financial year 2020.

However, given the uncertainty caused by the COVID-19 pandemic, the business is now preparing for a significant downturn in activity over the coming months, including plant shutdowns if required from April to control stock and preserve cash.

Building Products North America

Building Products North America sales volume was at record levels during February and early March, prior to the government imposed closure of facilities in Pennsylvania.

With operations now severely disrupted, the business is focussed on workforce management, minimising costs, and putting in place plans that will allow operations to quickly ramp up when conditions allow.

During February, the business successfully completed the acquisition of Redland Brick and commenced the integration of these operations.

Integration activities will include a staged plant rationalisation and upgrade program, to deliver a modern network of efficient and highly utilised manufacturing facilities. Whilst this program may have short term impacts on production and earnings whilst being implemented over the next 24 months, ultimately we expect significant savings to be achieved. Following the forced closure of Pennsylvania plants due to the COVID-19 pandemic, and the potential for additional closures, there may be an opportunity to accelerate these plant rationalisation activities.

In addition, Brickworks is focussed on delivering additional earnings growth through introducing new products and applying our unique market strategy focussed on style and premium product positioning.

Property Trust

The continuing strong demand for industrial land reflects structural changes across the industry, as companies modernise their supply chains in response to consumer preferences, such as on-line shopping.

The COVID-19 pandemic has accelerated behavioural changes amongst the community, with an even greater uptake of on-line shopping, and this is likely to further accelerate current trends and the demand for industrial warehouse space.

This is driving an evolution towards more sophisticated and specialised facilities, incorporating features such as robotics, automation, cold-storage and multi-storey warehousing. The development of these advanced facilities will become a critical competitive advantage for many businesses in the new economy and will continue to support the increasing value of prime industrial land.

The Property Trust is ideally placed to take advantage of these trends, with well-located prime industrial land on large lot sizes.

In addition to the favourable long-term outlook, current development activity at Oakdale in New South Wales and Rochedale in Queensland is expected to drive growth in rent and asset value over both the short and medium term.

At **Oakdale South**, following the completion of DHL and Linfox facilities in the first half, focus has turned to securing a tenant for an approved 30,000m^2 facility ("Site 1C") that could commence construction in mid-2020. Following this a further 73,000m^2 ("Sites 2a and 2b") will be available for development, pending demand.

Civil works have commenced at **Oakdale West**, including a new four lane road to service the Estate. The pad area for the 66,000m^2 Coles Group facility will be ready toward the end of 2020, allowing construction to commence in 2021. Enquiry for other developments on the Estate has been strong and is expected to increase further now that civil works are underway.

Brickworks expects to soon receive approval for the development of 10 hectares of surplus land at the 88-hectare Plant 3 site, known as **Oakdale East**. This will allow the sale of the land into the Property Trust and triggers the pre-commitment of Austral Masonry to a long-term lease for its new manufacturing operations at this site. The construction of other warehouse facilities will follow.

At **Rochedale**, the southern section of the Estate is now fully occupied, and activity is focussed on the remaining 6-hectare lot, where over 35,000m2 of mixed-use buildings will be developed.

Property Sales

The sale of 10 hectares at Oakdale East into the Property Trust is expected to occur in May 2020, and the Company is also considering other land sales opportunities across the portfolio.

Investments

Notwithstanding the potential for short term impacts in relation to COVID-19, 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.

Group

Although economic conditions and the outlook has deteriorated significantly over the past few weeks, following the rapid escalation of the Coronavirus pandemic, Brickworks confronts these challenges in a strong position. The Company has a diversified portfolio of attractive assets and a robust balance sheet that provides resilience to overcome the anticipated downturn in the months ahead.

LINDSAY PARTRIDGE
MANAGING DIRECTOR

The Board has authorised the release of this announcement to the market.