

BRICKWORKS

ABN 17 000 028 526

Highlights

- ▶ **Statutory NPAT** including significant items, up 93% to \$299 million
- ▶ **Underlying NPAT from continuing operations** before significant items, down 38% to \$146 million
- ▶ **Underlying EBIT from continuing operations** before significant items, down 34% to \$206 million (EBITDA \$281 million)
 - ▶ **Building Products Australia EBIT** down 43% to \$33 million (EBITDA \$91 million)
 - ▶ **Building Products North America EBIT** up 63% to \$10 million (EBITDA \$27 million)
 - ▶ **Property EBIT** down 18% to \$129 million, net Property Trust assets up \$94 million
 - ▶ **Investments EBIT** down 51% to \$51 million, BKW share of WHSP market value \$1.844 billion at 31 July 2020
- ▶ **Operating cashflow** down 39% to \$75 million
- ▶ **Gearing** (net debt/equity) of 19%, net debt \$454 million
- ▶ **Total shareholder's equity** up \$237 million since 31 July 2019, to \$2,404 billion
- ▶ **Final dividend** of 39 cents fully franked, up 1 cent or 3% (Record date 15 October 2020, payment date 25 November 2020)
- ▶ **Total full year dividend** of 59 cents fully franked, up 2 cents or 4%
- ▶ **Dividend Reinvestment Plan** introduced (to be partially underwritten)

Review of Results

Full year ended July 2020

Results Snapshot

\$953m

Group Revenue

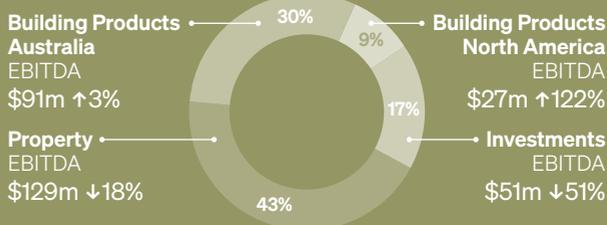
↑4%

\$281m

Total EBITDA

↓19%

Overview of underlying EBITDA



Building Products Australia



\$687m

revenue

1181

employees

29

manufacturing sites

\$146m

Underlying profit

↓38%

\$299m

Statutory profit

↑93%

\$454m

Net debt

19% Gearing

\$1,844m

Market value of WHSP shareholding

as at 31 July

\$727m

Property Trust net asset value

\$900m

Building Products net tangible assets

\$3,017m

Total inferred asset value including net debt

Building Products North America



\$230m

revenue

777

employees

11

manufacturing sites

98 cents

Underlying earnings per share

↓38%

199 cents

Statutory earnings per share

↑93%

39 cents

Final ordinary dividend

↑3%

Record date 15 October

Payment date 25 November

59 cents

Total full year dividend

↑4%

12.2% p.a.

BKW total shareholder return over 52 years (at 31 July 2020)

16,394

Shareholders

Five Year Summary

	2016 \$'000	2017 \$'000	2018 \$'000	2019 \$'000	2020 \$'000	Growth %
Total revenue	707,646	803,397	785,238	918,695	953,404	4%
<i>Earnings before interest and tax¹</i>						
Building Products Australia	78,339	69,943	78,554	57,138	32,596	(43%)
Building Products North America	–	–	–	6,180	10,061	63%
Property	73,451	90,588	93,979	157,806	129,437	(18%)
Investments	59,559	103,097	123,498	103,725	50,771	(51%)
Head office and other expenses	(12,479)	(12,432)	(13,664)	(15,026)	(16,850)	(12%)
Total EBIT	198,870	251,196	282,367	309,823	206,015	(34%)
Total EBITDA	224,964	277,814	310,535	346,472	280,911	(19%)
Finance costs	(14,080)	(12,436)	(14,456)	(23,883)	(26,243)	(10%)
Income tax	(36,525)	(38,949)	(42,269)	(51,712)	(33,484)	35%
Underlying net profit after tax¹	148,265	199,811	225,642	234,228	146,288	(38%)
Significant items net of tax	(61,299)	(8,175)	(46,886)	(37,333)	169,103	
Discontinued operations net of tax (including significant items)	(8,776)	(5,426)	(3,314)	(42,253)	(16,508)	
Net profit after tax (including significant items and discontinued operations)	78,190	186,210	175,442	154,642	298,883	93%
Per share earnings and dividends						
Basic earnings per share (cents)	52.6	124.9	117.5	103.3	199.4	93%
Underlying earnings per share (cents) ¹	99.7	134.1	151.1	156.5	97.6	(38%)
Final dividend per share (cents)	32.0	34.0	36.0	38.0	39.0	3%
Total dividends per share (cents)	48.0	51.0	54.0	57.0	59.0	4%
Ratios						
Net tangible assets per share (\$)	10.96	11.77	12.42	13.28	14.08	6%
Statutory return on shareholders' equity	4.3%	9.5%	8.5%	7.1%	12.4%	74%
Underlying return on shareholders' equity ¹	8.1%	10.2%	10.9%	10.8%	6.1%	(44%)
Interest cover ratio (underlying)	14.6	17.1	18.1	17.9	8.1	(54%)
Gearing (net debt to equity)	14.6%	14.9%	14.7%	11.7%	18.9%	62%

All revenue and earnings measures exclude significant items and discontinued operations unless otherwise stated

¹ This is an alternative measure of earnings that excludes significant items, which are separately disclosed in the consolidated financial statements.

Chairman's Letter

On behalf of your Board of Directors, it gives me great pleasure to present Brickworks' Annual Report for the 2020 financial year. In a year marked by the challenges of the COVID-19 pandemic, I am pleased to report that our diversified portfolio of attractive assets has yet again delivered a strong and resilient performance.

Review of Financial Year 2020

2020 will long be remembered as a year unlike any other. As with all businesses, Brickworks has faced the challenges and uncertainties presented by the global COVID-19 pandemic. However, we must not forget the local impacts of the devastating bushfires over summer and the crippling drought on the east coast of Australia.

In the face of these immense challenges, I am proud of the response from Brickworks management and staff. First and foremost, the immediate actions taken to ensure the health, safety and well-being of our staff, customers and the public. Then, the subsequent reaction, in the face of the dynamic and unpredictable conditions, to ensure business continuity and uphold high levels of customer service.

In spite of these circumstances, it gives me pleasure to report that the Company has delivered a strong financial result. Brickworks reported a Statutory Net Profit After Tax (NPAT) of \$299 million, up 93% on the prior year.

The Statutory result included a significant one-off profit in relation to our shareholding in WHSP, triggered by the merger of its associate TPG with Vodafone.

After excluding the impact of this, and a range of other significant items and discontinued operations, the underlying NPAT was \$146 million, down 38% from the record result achieved in the prior year.

Underlying earnings before interest, tax and depreciation (EBITDA) from continuing operations was \$281 million, down 19% on the prior year, and after depreciation, EBIT was \$206 million, down 34%.

Although underlying earnings were lower than the prior year, performance across most businesses was pleasing. Another strong contribution from Property was a key feature of the result. In addition, the Building Products businesses in Australia and the United States delivered strong operational performance, considering the significant disruption caused by COVID-19, and the associated impact on building activity.

Significant progress was made during the year on a number of key strategic initiatives. Our expansion into the United States has gathered momentum, with the completion of two further bolt-on acquisitions.

In August 2019 we completed the acquisition of Iowa based Sioux City Brick. This was followed in February by the acquisition of four manufacturing plants from Redland Brick.

These acquisitions will support our growth strategy in North America with both businesses being well established, with recognised brands and a strong reputation in the industry. We welcome the new employees that have joined Brickworks as part of these acquisitions.

In just two years we have built a brick business with significant scale and a leading market position in the North East of the United States. Whilst the COVID-19 pandemic has had a short-term impact, our North American operations provide the Group with additional diversification and strong prospects for growth over the long term.

As I mentioned, the contribution from Property was a highlight in 2020, and this was again driven by a significant increase in the value of our industrial property portfolio. Well-located industrial facilities, close to consumers are increasing in value, as they are now a key component in the supply chain solution of our customers.

A prime example of this trend is the pre-commitment for a 20-year lease that the Property Trust secured with Amazon in June.

The COVID-19 pandemic has only accelerated the trends towards online shopping, and as a result we expect demand to increase for our prime industrial assets. We have a long pipeline of land available for development in Western Sydney and are poised to benefit from these industry trends over the years to come.

Dividends and Capital Management

The Directors have declared a fully franked final dividend of 39 cents per share, up 3% on the prior year. This brings total dividends for the year to 59 cents per share, up 2 cents or 4%.

We are proud to be one of few ASX200 companies who have increased dividends to our shareholders during the pandemic and have not needed to raise equity or receive government support payments.

This is testament to our strong financial position, prudent capital management and our diversified business model. We know that many

of our shareholders rely on this income stream, particularly during these difficult times.

Including this year's dividend increase, we have now maintained or increased dividends for the last 44 years.

We have taken the decision to introduce a partially underwritten dividend reinvestment plan for the full year dividend. This will provide existing shareholders with the opportunity to invest the dividend back into the Company, without incurring brokerage fees, and will also help to preserve the Company's liquidity position as we move through a period of significant investment and uncertainty around the global economic outlook.

At year end, our borrowing level remained conservative, with gearing of 19%, down from 21% at the end of the first half.

Board and Governance

Brickworks has a strong and stable Board that is committed to acting in the best interests of shareholders and ensuring that Brickworks is well positioned for future growth.

The Board regularly reviews its capabilities and composition to ensure an optimal mix of skills, knowledge, and experience to safeguard the continued and long-term success of the Company.

During the year we appointed two new independent non-executive directors.

Malcolm Bunday joined the Board on 1 October 2019. Malcolm has valuable experience as a managing director, with expertise in complex manufacturing operations in Australia and the United States, strategy, mergers and acquisitions and business portfolio management. His broad business knowledge, manufacturing experience and strong financial background will complement the Board's existing mix of skills and experience. Malcolm is Chair of the Board's Remuneration Committee, and a member of the Audit and Risk Committee, Independent Board Committee and the Nomination Committee.

We were also pleased to welcome Ms Robyn Stubbs, who commenced as a Director on 1 January 2020. Robyn's executive career spans 25 years in senior sales and marketing roles, including at two of Australia's largest property groups: Stockland and Lend Lease. Robyn is as a member of the Board's Audit and Risk Committee, Independent Board Committee, Nomination Committee and the Remuneration Committee.

I would also like to take this opportunity to thank Brendan Crotty, who will retire at the upcoming Annual General Meeting and will not be seeking re-election. Brendan has served on the Board for 12 years, and in that time has made an invaluable contribution to the Company.

Following these appointments, and the retirement of Brendan, the Board will comprise seven directors, including four independent non-executive directors.

In Conclusion

Having now concluded the 2020 financial year, it is worth reflecting on the evolution of our Company since the turn of the century 20 years ago.

Back in 2000, Brickworks had just five brick plants, operating across two states – New South Wales and Queensland – in addition to its stake in WHSP. Total revenue was \$160 million and asset backing was around \$500 million.

Since then, Brickworks has grown significantly through active portfolio management, with major transactions including the acquisition of Bristle Limited in 2003, significant acquisitions in masonry and precast, a major investment in cement, the establishment and development of the Property Trust, major property sales such as Brookvale, Eastwood and Scoresby, and the recent entry into North America.

Today our Company has an attractive portfolio of assets including:

- ▶ A 39.4% stake in WHSP, worth over \$1.8 billion²;

- ▶ A 50% share in an industrial property trust with net value to Brickworks of more than \$700 million;
- ▶ Australia's leading brickmaker;
- ▶ Leading positions in a range of other building products in Australia; and
- ▶ The largest brickmaker in the north-eastern region of the United States.

In total, the Company is backed by inferred net asset value of \$3.0 billion³, and in 2020 we generated close to \$1 billion in revenue.

This diversified portfolio of attractive assets and our robust balance sheet provides us with the resilience to overcome any short-term challenges such as the ongoing uncertainty in relation to COVID-19.

Looking ahead, we believe the Company is well positioned for further growth. In particular, we will invest to meet the growing demand for prime industrial property, and we will continue to support our North American business as it pursues growth opportunities. In addition, we have exciting new plant investments underway within our Australian building products operations.

So, as you can see, we have achieved a lot in the past 20 years, and we are excited by the opportunities available for continued growth well into the future.

The continued strong performance of the Company is a credit to our staff. On behalf of the Board, I would like to thank all our staff and our executive management team for their ongoing efforts and commitment.

I would also like to thank my fellow directors and our shareholders for your continued support.



Robert Millner
Chairman

² As at 31 July 2020.

³ Inferred net assets comprise: Investments based on market value of BKW shareholding in SOL at 31 July 2020, Property based on BKW 50% share of net property trust assets, Building Products based on net tangible assets, offset by net debt.

Managing Director's Overview

In a tumultuous year headlined by the widespread disruption caused by the COVID-19 pandemic, it gives me pleasure to report that 2020 has been another successful year for Brickworks. Not only has the Company delivered a strong increase in statutory earnings, but we have also made significant progress on the implementation of a range of strategic initiatives to position the Company for long-term growth.

COVID-19 Response

As COVID-19 emerged early in the new year, it soon became evident that the spread of the virus would cause a significant impact across all aspects of society and change the way in which we live and work.

In those early stages, Brickworks acted swiftly to put in place procedures to protect our staff and ensure the well-being of all employees. Action was taken well in advance of government mandated requirements, including daily temperature checking for all staff, separation of work teams and quarantine measures for travelling staff.

The Company was already well-prepared prior to the pandemic, with most work sites being fully equipped with biomedical kits and other supplies, enabling the Company to quickly put in place the necessary procedures to protect staff, at a time when such supplies were otherwise difficult to source.

Advanced video-conferencing infrastructure set up at virtually all sites across Australia and the United States, and on all laptop computers, allowed for effective communication amongst the executive team as we responded to the evolving circumstances on a daily basis.

All operations across Australia and the United States continued, until Pennsylvania Governor

Tom Wolf ordered the closure of non-life sustaining businesses, on 19 March. This resulted in the shut-down of manufacturing at our five plants in Pennsylvania, and we used this opportunity to accelerate plant rationalisation activities that were already planned in this state.

During the peak period of uncertainty throughout March and April, a number of decisive actions were taken, in anticipation of difficult conditions ahead. To preserve cash and control inventory, a number of additional plants across the network were taken offline. In addition, all non-contracted capital spend and non-essential expenditure was delayed.

Whilst we have experienced some disruption to our operations, particularly in the United States, we have also been re-assured by the response of Governments in both countries. We are thankful that the critical role of the construction sector in maintaining economic activity throughout the crisis has been recognised.

As I reflect on the current situation, the most significant impact on our Company is the way in which our teams interact at work. Ongoing travel restrictions mean that management communication remains online, and this is likely to remain the case for some time.

These fundamental changes to the way we work has the potential to impact our culture, which is built on collaboration and teamwork. Although not immediately obvious, this is one of the many challenges that large organisations face, in the wake of the COVID-19 pandemic.

The mental health of our employees is of paramount concern. At Brickworks, we have maintained flexible workplace arrangements to ensure we are able to accommodate a range of individual employee circumstances. Whilst we believe in the importance of face to face interactions, and have put in place strict guidelines to allow this at all of our sites, we are also cognisant of situations where this may not be suitable, such as when our employees are caring for elderly or vulnerable family members.

The travel restrictions also present challenges in managing ongoing capital projects, with the mobility of engineering crews significantly impacted. In some locations, such as where specialised engineering crews are required to service machinery, these restrictions are making it extremely difficult to keep our manufacturing plants operational.

It is now time for governments to be unified and put in place practical measures that allow the safe movement of personnel for critical work-related travel. This is essential in order to maintain industry, support the economy and ultimately preserve the employment and livelihood of many Australians.

Emerging stronger from the pandemic

During the past six months we have been proactive in accelerating several exciting initiatives across the Group to position the Company to emerge stronger following the pandemic.

Within the Property Trust, infrastructure and development work has continued at pace, in order to meet strong tenant demand.

In late October we will hold the biggest product launch event in our Company's history, with an exciting range of innovative new bricks, roof tiles and masonry products.

We are transforming the way we interact with our customers, with a new pilot "Supercentre" retail/trade concept being developed, and a new ERP system currently being rolled out. In addition, we have revamped our online and digital interfaces and launched a dedicated architectural news channel.

During the pandemic, we have taken the opportunity to complete an extensive training program across the Company, using online channels.

I am also pleased to say that after initially pausing a number of capital projects to preserve cash during the peak period of uncertainty, we have now re-initiated our capital program, where we have mobility and availability of engineering crews. This capital program is the largest in our Company's history and includes major plant upgrades in the United States, and new masonry and brick plants in Sydney.

During the past six months, we have completed significant planned restructuring and efficiency improvement activities across our Building Products businesses. This resulted in 150 redundancies. In addition, around 50 redundancies (less than 3% of our workforce) can be attributed to cost reduction initiatives in response to the onset of the COVID-19 pandemic.

Safety

At Brickworks, we believe there is no task that is so important we can't take the time to find a safe way to do it.

We continue to make steady progress in reducing the number of workplace injuries. In 2020, the workplace injury rate in our Australian operations reduced again, with just one lost time injury recorded across our workforce. This represents a record low of 0.4 lost time injuries per million hours worked.

The injury rates in our acquired United States operations are considerably higher than Australia. As such, we have invested significant time and resources into behavioural safety leadership training and incorporated key health

and safety programs across this business. Although this has helped to reduce injury rates in the United States, there remains more work to do in order to ensure our core value of creating a “Sustainably Safe” workplace is embedded and reflected across all our operations.

We will not be satisfied until we have achieved our ultimate goal of zero harm across the business.

Building Products Australia

Building Products Australia recorded an EBITDA from continuing operations of \$91 million in 2020. After including depreciation, EBIT was \$33 million, down by 43% on the prior year.

Despite the lower earnings, operational performance across most divisions was encouraging, given the challenges associated with the COVID-19 pandemic, and the headwinds due to declining market activity.

Austral Bricks earnings on the east coast proved particularly resilient, with improved earnings recorded in Queensland, South Australia and Tasmania.

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

Bristle Roofing earnings were down, impacted by the decrease in detached house construction activity and strong competition, particularly in Queensland.

Austral Precast and Austral Masonry earnings were also lower, with both having a high exposure to the steep declines in multi-residential markets in New South Wales and Queensland.

The Southern Cross Cement plant in Brisbane was commissioned during the year and we are very pleased with the current performance of this facility.

Building Products North America

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.

Our strategic focus on the architectural brick market in the north-eastern region of the US provides us with a differentiated position compared to other major players. We are now well established as the leading player in this region, incorporating major cities such as New York, Washington DC, Boston, Philadelphia, Baltimore, Pittsburgh, Columbus, Chicago and Detroit, each with a long heritage of brick construction in commercial and residential buildings.

Building Products North America delivered EBIT of \$10 million for financial year 2020, up 63% on the prior year. EBITDA was \$27 million, an increase of 122%.

The uplift reflects the benefit of a full year of operation (vs around 8 months in the prior year), and the benefits of the recent acquisitions.

However, operations in the United States were more significantly impacted by the COVID-19 pandemic compared to Australia, with sales activity across a number of states being restricted for various periods during the second half.

As I have mentioned, we used this opportunity to accelerate plant rationalisation activities that were already planned in Pennsylvania, with the closure of the Bigler plant and conversion of the York plant to premium handmade product only.

These rationalisation activities followed plant closures earlier in the year at Redfield and Cushwa, and have resulted in significant efficiency improvements, driving lower unit costs at our operating plants.

Major plant improvement projects were completed at Iberia during the year and remain ongoing at Hanley.

Another key priority for the United States business is our investment in marketing and branding. The team has made great progress in developing new premium products, integrating brands and developing promotional material during the year. We also look forward to soon opening new design studios in New York and Philadelphia.

Property

Property delivered another stellar result in 2020, generating EBIT of \$129 million.

Property Trust earnings were again strong. Unlike some other property sectors, industrial real estate has been particularly resilient throughout the COVID-19 pandemic. This is reflected in Property Trust rent collections which have experienced negligible rental arrears or deferrals. For the year, net trust income increased by 15% to \$30 million.

All Property Trust assets were revalued during the year and this resulted in another strong revaluation profit of \$53 million. In addition, a development profit on the completion of facilities at Oakdale South contributed \$25 million in earnings.

A major highlight for the year was securing a lease pre-commitment for 20 years with Amazon at the Property Trust's Oakdale West Estate in Western Sydney. This is the second major pre-commitment secured at this site, following the announcement of Coles Group in January 2019.

Amazon is well known around the world as a symbol of the accelerating trend to online shopping. As such, securing this tenancy demonstrates how Brickworks is well positioned to benefit from the ongoing e-commerce revolution, with our facilities playing a pivotal role in helping our customers meet the supply chain needs of this new economy.

We are also excited by the design of the facility, which responds to the increasing need for technology and innovation from our customers. This project will deliver profit during the development phase and further rental income for the Property Trust once complete.

Investments

Brickworks holds a 39.4% stake in WHSP, and this investment is a core asset of Brickworks that has brought diversity and reliable earnings to the Company for more than 40 years.

Our investment in WHSP provides a cash flow stream via dividends that allows long-term

strategic decision making by sheltering the business during cyclical downturns. In total, cash dividends of \$56 million were received during the year.

EBIT from Investments was down 51% to \$51 million in 2020, with WHSP earnings adversely impacted by a lower contribution from New Hope Corporation.

In addition, WHSP related items contributed a non-regular profit of \$244 million (after tax) during the year. This primarily relates to the completion of the merger of TPG Telecom and Vodafone in June, resulting in a change in accounting treatment of WHSP's investment in TPG.

Group Outlook

The outlook varies across each of our divisions.

Within Building Products Australia, orders and sales have increased in September across most businesses, reflecting the various government stimulus measures in place. Feedback from builders suggests that the pipeline of orders is building across the country.

Indeed, with a combination of state and federal incentives directed at housing, and the opportunity to utilise funds from superannuation, there is currently a unique opportunity for first home buyers to invest. As such, there is a possibility that we may see stronger than expected building activity across much of the country over the next 6-12 months.

That said, as the largest detached housing markets in Australia, the performance of Melbourne and Sydney will be critical to the overall health of the sector.

Prior to the stage four restrictions in Melbourne, builders were reporting strong sales and customer traffic through display homes. However, the re-introduction of restrictions has impacted consumer sentiment and slowed the pace of construction activity. As such, an extension of housing incentives in Victoria is essential to increase the chances of a broad-based recovery.

In Sydney, we expect the stimulus to be less effective, with higher land prices making the grant payments less attractive. In regional New South Wales, where housing is less expensive, demand is expected to remain robust.

In May we received development approval for a new \$125 million face brick plant at Horsley Park in NSW. Site preparations are underway, with construction of this plant to commence in financial year 2021. Upon completion, this facility will be the most advanced brick facility ever built, placing Austral Bricks New South Wales in a very strong competitive position.

In North America, the bolt-on acquisitions completed during financial year 2020 have strengthened our leadership position in the architecturally focussed Midwest and Northeast regions of the United States.

The COVID-19 pandemic has impacted short-term demand and may continue to cause rolling delays across the network for some time. However, the pandemic has also accelerated our plant rationalisation activities. The improved efficiency and cost reductions delivered by this rationalisation program, together with plant upgrades to enhance performance, is expected to deliver strong performance as building conditions normalise post the pandemic.

We also expect that construction and housing sectors will emerge as one of the stronger and more resilient sectors in both the United States and Australia and play an important role in the post COVID-19 recovery.

Turning to Property, activity within the Trust remains strong, with the completion of developments at Oakdale to drive growth in rent and asset value over the next few years.

The first stage of development at Oakdale East, including the construction of the \$75 million Austral Masonry plant, is expected to be completed during financial year 2021.

At Oakdale West, infrastructure works are well advanced, and construction of the Coles and Amazon facilities has commenced.

Post completion of these facilities, the gross assets held within the various JV Trust assets across Western Sydney and Brisbane is expected to exceed \$3 billion, with sufficient remaining land to provide at least a further five-year development pipeline.

Interest from potential new tenants is strong, with discussions well underway with a number of parties in relation to leasing opportunities within the Property Trust.

As always, Property earnings will depend on the timing of development activity and land sale transactions, and the extent of any revaluations.

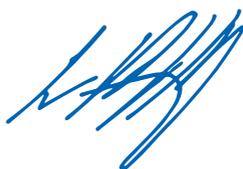
We are confident that WHSP will continue to deliver a stable and growing stream of earnings and dividends over the long term.

Our People

The last six months has been an extremely challenging period, and we are fortunate to have a strong team of capable managers across Australia and North America to oversee our business during this time.

I would like to acknowledge all staff at Brickworks, who have remained positive and committed. We now have almost 2,000 employees, and it is their energy and dedication that will continue to drive our success. I am extremely proud to lead a team of such outstanding people.

I would also like to take this opportunity to thank the Board of Directors and the executive team who have provided steadfast support and guidance as we navigate these unprecedented times.



Lindsay Partridge AM
Managing Director

Financial Overview

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Earnings⁴

Brickworks posted a statutory Net Profit After Tax (**NPAT**) from continuing operations of \$299 million for the year ended 31 July 2020, up 93% on the prior year.

After excluding discontinued operations and the impact of significant items, **Underlying NPAT** was down 38% to \$146 million.

Underlying earnings before interest, tax and depreciation (**EBITDA**) from continuing operations was \$281 million, down 19% on the prior year. After depreciation, **EBIT** was \$206 million, down 34%.

On revenue of \$687 million, **Building Products Australia** EBIT was \$33 million, down 43% on the prior year (EBITDA was \$91 million). Demand was resilient throughout the year, despite the impact of the COVID-19 pandemic. In response to the uncertainty caused by the pandemic, several unplanned shutdowns across the plant network were implemented in March and April to prevent stock build. This followed planned shutdowns at major brick kilns in the first half in order to complete significant upgrades and maintenance work.

⁴ Comparative numbers for FY19 have not been re-stated to take into account the impact of AASB 16 (Leases). Excluding the impact of AASB 16, the comparable FY2020 Group EBIT is \$201 million, and Group EBITDA is \$247 million. There is no significant impact on NPAT.

Building Products North America contributed an EBIT of \$10 million⁵ (EBITDA \$27 million). Revenue more than doubled to \$230 million, with the initial entry into the United States having been completed part way through the prior year. In addition, two bolt-on acquisitions were completed during financial year 2020. Integration of the new businesses has been successfully completed over the past six months and operational performance of the business has been encouraging.

Property EBIT was \$129 million, driven by another strong performance from the 50/50 joint venture property trust with the Goodman Group (“Property Trust”). Brickworks share of the net asset value within the Property Trust increased by \$94 million during the year, and now stands at \$727 million. The increasing value of the Property Trust assets reflects a wider structural change across the economy, as companies modernise their supply chains in response to consumer preferences, such as online shopping.

Investments EBIT was down 51% to \$51 million, primarily due to the impact of lower coal prices on earnings from New Hope Corporation.

Total **borrowing costs** were up 10% to \$26 million, including \$4 million in interest costs on leases being recognised due to AASB 16. Excluding this impact, borrowing costs were marginally lower. Underlying **interest cover** finished the year at a conservative 8.1 times.

Underlying **income tax** from continuing operations decreased 35% to \$33 million for the year, due to the lower earnings from the combined Building Products and Property Groups.

Significant items increased NPAT from continuing operations by \$169 million for the year, and included the following:

- ▮ A \$317 million profit in relation to WHSP significant items. This primarily relates to a one-off profit triggered by the merger of its associate TPG with Vodafone, resulting in a change in accounting treatment of this investment.
- ▮ A \$73 million cost arising from the net impact of the income tax expense in respect of the equity accounted WHSP profit, offset by the impact of fully franked WHSP dividend income, adjusted for the movements in the franking account and the circular dividend impact.

Significant Items	Gross \$m	Tax \$m	Net \$m
Significant items relating to WHSP	317	–	317
Income tax from the carrying value of WHSP		(73)	(73)
Asset impairment	(46)	14	(32)
Restructuring activities	(41)	12	(29)
COVID-19 costs	(10)	–	(10)
Acquisition costs, net of “bargain purchase”	(9)	–	(9)
Tax benefit in relation to the CARES Act in the USA		5	5
Total (Continuing Operations)	211	(42)	169

⁵ All revenue and earnings figures for US operations are reported in A\$.



Dogwoodtrot House
Glen-Gery Vintage Black
Fayetteville, AR

- ▶ A non-cash impairment of \$32 million (net of tax), primarily in relation to property, plant and equipment in the Australian Building Products business, in accordance with AASB 136. This also includes an impairment of plant and equipment within Building Products North America, following the post-acquisition rationalisation activities.
- ▶ Restructuring costs of \$29 million (net of tax), primarily in relation to stock write-downs and redundancy costs associated with plant closures and rationalisation activities in the Australian and North American Building Products divisions. In North America, the plant closures reflect the post-acquisition rationalisation of facilities to deliver improved efficiency. In Australia, the closures are primarily in response to decreased building activity and also includes payments in relation to a take-or-pay gas contract in Western Australia.
- ▶ COVID-19 related costs of \$10 million, reflecting primarily the unabsorbed fixed costs related to the temporary closure of plants in response to the COVID-19 pandemic.
- ▶ Transaction costs of \$13 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.
- ▶ A \$5 million income tax benefit related to the Coronavirus Aid, Relief, and Economic Security Act (“CARES Act”) in the United States.

Cash Flow

Total **cash flow from operating activities** was \$75 million, down from \$123 million in the prior year. 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 \$104 million during the year, significantly higher than previous years, with the Company midway through several major projects. These projects include the 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 upgrades to brick plants at Golden Grove in South Australia, Iberia in Ohio and Hanley in Pennsylvania.

Balance Sheet

Total interest-bearing debt was \$641 million at 31 July 2020. After including cash on hand, **net debt** at the end of the year was \$454 million, an increase of \$201 million for the 12-month period, but a decrease of \$8 million compared to 31 January 2020. The increase in debt over the year is due largely to a number of significant cash payments including the completion payment for the Sioux City Brick acquisition (A\$47 million), the up-front payment in relation to the Redland Brick acquisition (A\$51 million) and the \$54 million tax payment in relation to the WHSP share sale.

Gearing (net debt to equity) was 19% at 31 July 2020, up from 12% at 31 July 2019, but less than the 21% gearing recorded at the end of the first half.

Net **working capital** was \$405 million at 31 July 2020, including finished goods inventory of \$218 million, up significantly due to the Sioux City Brick and Redland Brick acquisitions (\$50 million impact). Excluding the impact of these acquisitions, finished goods inventory in continuing operations was down \$21 million during the year, with a significant number of plants offline for various periods to preserve cash.

Net tangible assets per share was \$14.08 at 31 July 2020, up from \$13.28 at 31 July 2019 and total shareholders' equity was up \$237 million to \$2.404 billion.

Dividends

Directors declared a fully franked final **dividend** of 39 cents per share for the year ended 31 July 2020, up 3% from 38 cents. Together with the interim dividend of 20 cents per share, this brings the total dividends paid for the year to 59 cents per share, up 2 cents or 4% on the prior year.

A Dividend Reinvestment Plan ("DRP") will be offered to shareholders for the first time. WHSP will not participate in the DRP.

The final dividend will be partially underwritten for an amount of \$20 million (representing approximately 34% of the total dividend). Brickworks has taken the decision to partially underwrite this dividend to help preserve liquidity as the Company moves through a period of significant capital investment and uncertainty around the global economic outlook.

Group

Structure

Brickworks has a diversified corporate structure that has delivered stability of earnings over the long term. There are four divisions within the Brickworks Group structure:

Building Products Australia

Building Products Australia is a leading manufacturer and distributor of building products across all Australian states. Since 2002, the Building Products Group has grown from a two-state brick manufacturer, in New South Wales and Queensland, to a diversified national building products business.

In total Building Products Australia comprises 29 manufacturing sites and more than 40 design centres and design studios across the country. This is complemented by an extensive reseller network that includes over 100 additional displays.

The portfolio includes:

- ▶ **Austral Bricks:** Australia's largest clay brick manufacturer with significant market positions in every state
- ▶ **Austral Masonry:** Australia's second largest masonry manufacturer with operations in all major states
- ▶ **Bristle Roofing:** A "full service" roofing supplier with a strong presence in all major states, offering supply and install tiles (concrete or terracotta), metal roofing and fascia and guttering
- ▶ **Austral Precast:** A leading precast walling supplier, with a focus on high value, differentiated products.

Building Products North America

Building Products North America was established upon the acquisition of Glen-Gery in November 2018. This was followed by further bolt-on acquisitions of Sioux City Brick in August 2019 and Redland Brick assets in February 2020.

Brickworks North America now has a leading position in the Midwest, Northeast and Mid-Atlantic states, and has a strong focus on architectural and premium products.

It has 10 brick plants and one manufactured stone plant, 11 company operated distribution outlets and a vast reseller network.

Property

The Property division was established to maximise the value of land that is surplus to the Building Products business. Operational land that becomes surplus to the business needs is transferred to the Property division where it is assessed for optimum land use. In some cases, land is rezoned to residential and sold. Alternatively, the land is rezoned industrial and transferred into the Property Trust for development.

The Joint Venture Industrial Property Trust is a 50/50 partnership between Brickworks and Goodman Industrial Trust.

BRICKWORKS

LIMITED



The Property Trust was established in 2005, for the specific purpose of capturing the initial valuation uplift from re-zoning and then benefitting from the long-term value appreciation and the stable, growing annuity style income stream derived from the developed assets.

Given the prime location of Brickworks land assets, the value creation opportunity through rezoning, development, and ongoing capital gains was foreseen at the inception of the Trust and was a key strategic rationale for its creation.

Over the past decade it has grown significantly and now has a total asset value of over \$2 billion. After including debt, Brickworks 50% share of the Property Trust has an equity value of \$727 million.

In addition to the Property Trust, the Company holds around 3,600 hectares of operational land and 330 hectares of development land in Australia, and 3,200 hectares of operational land in the United States.

Investments

Investments consists primarily of a 39.4% interest in Washington H. Soul Pattinson, an ASX listed company (ASX: SOL) with market capitalisation of \$4.679 billion as at 31 July 2020 (market value of Brickworks share \$1.844 billion).

WHSP is a diversified investment house with a portfolio encompassing many industries including its traditional field of pharmaceuticals, as well as mining, building materials, property investment, telecommunications, financial services and other equity investments.

This strategic investment in WHSP dates back to 1969 and delivers a stable dividend stream that provides Brickworks with security to weather periods of weaker building products demand.

The investment has also delivered strong long-term returns to shareholders.

Building Products Australia

Market conditions

Total dwelling commencements for Australia were down 12% to 173,037 for the twelve months ended 30 June 2020.

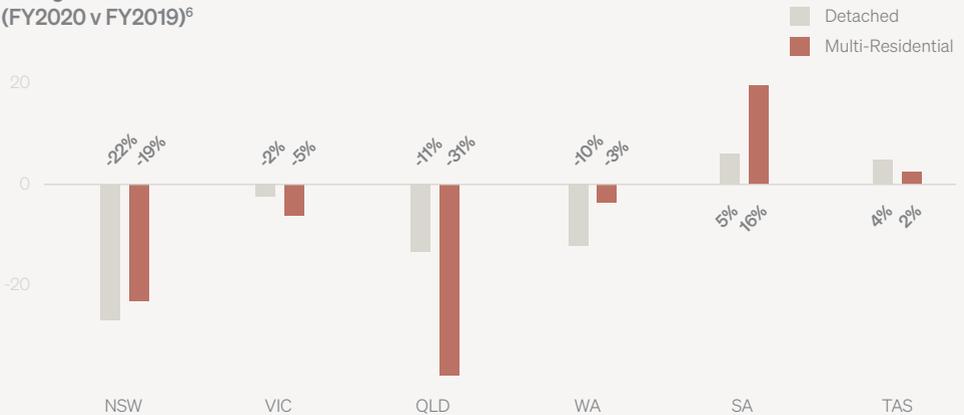
In detached housing, where Brickworks' products have the greatest exposure, commencements were down 9%.

The downturn continues to be more severe in the multi-residential segment, with a decline of 15% for the 12 months to June 2020 following a 23% decrease in the prior year.

New South Wales (including ACT) experienced the largest fall in detached house commencements, down 22%, with the multi-residential segment also falling by a similar amount.

Queensland also experienced a sharp fall in activity. The decline in the multi-residential segment has been particularly severe in recent times, having now fallen around 63% from the peak level just 4 years ago.

Change in Commencements
(FY2020 v FY2019)⁶



⁶ Source: HIA Housing Forecast, August 2020. Figures shown are for the 12 months ended in June.

Overview of FY2020 Result

Year Ended July	2019 \$m	2020 ⁷ \$m	Change %
Revenue	755	687	(9%)
EBITDA	88	91	3%
EBIT	57	33	(43%)
EBITDA margin	12%	13%	13%
EBIT margin	8%	5%	(37%)

The decrease in **Victoria** was relatively modest, with a 2% reduction in detached houses and a 5% decline in multi-residential activity.

Weakness in **Western Australia** persisted during the year, with both detached houses and other residential activity continuing to decline. Building activity in this state is now down by over 55% in the past five years, and at the lowest level since 1991.

In contrast to the residential construction downturn, the value of approvals in the non-residential sector in Australia increased by 10% to \$50.9 billion for the twelve months to 31 July 2020. Within the non-residential sector, commercial building approvals increased by 5% to \$17.2 billion for the period and industrial building approvals decreased 3% to \$7.4 billion. The educational sub-sector, an important driver for bricks and masonry demand, was up 6% to \$8.1 billion.

Revenue from continuing operations for the year ended 31 July 2020 was down 9% to \$687 million, compared to \$755 million for the prior year. An increase in revenue in Austral Masonry was offset by lower revenue in Austral Bricks, Bristle Roofing and Austral Precast.

EBIT from continuing operations was \$33 million, down 43% on the prior year, and **EBITDA** was \$91 million. When compared to the prior year, the new accounting treatment for leases (AASB 16) resulted in \$4 million uplift to EBIT and a \$30 million uplift to EBITDA.

EBIT of \$23 million was achieved in the second half, despite the impact of the COVID-19 pandemic, that adversely impacted market activity and prompted a number of unplanned plant shutdowns during March and April to prevent stock build.

Offsetting these impacts, the transition to wholesale gas supply on the east coast from 1 January 2020 resulted in significant cost savings vs the prior corresponding period. Strong operational performance across most plants, and increasing prices, also supported higher margins in the second half.

Austral Bricks

Austral Bricks earnings declined 19% for the 12 months ended 31 July 2020, with sales revenue down 8% to \$396 million.

The performance of Austral Bricks on the east coast was resilient, considering the impact of plant shutdowns and the reduction in detached house building activity, which flowed through to similar declines in sales volume.

The plant shutdowns included significant periods offline for various works at major kilns such as Wollert West in Victoria, Plant 3 at Horsley Park in New South Wales and Rochedale in Queensland.

⁷ Comparative numbers for FY19 have not been re-stated to take into account the impact of AASB 16 (Leases). Excluding the impact of AASB 16, the comparable FY2020 EBIT is \$28 million, and EBITDA is \$61 million.

In New South Wales, work is well underway on the construction of a highly advanced masonry plant, to be located on Property Trust land at Oakdale East. This plant is expected to be commissioned late in financial year 2021 and will place Austral Masonry in a strong competitive position with an expanded product range and lower manufacturing cost than the current operation.

Bristle Roofing

Bristle Roofing earnings were down on the prior year, with a 14% decrease in revenue to \$113 million for the year.

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.

Despite the catastrophic impact of the summer bushfires and the subsequent disruption to supply of feedstock, Capital Battens revenue was relatively steady, with the mill operating at close to capacity for the year.

Austral Precast

Austral Precast earnings were down on the prior year, with revenue decreasing 33% to \$52 million.

The decrease in revenue was particularly severe in 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.

Following a strategic review, management determined that continued operation in Queensland and Western Australia was unlikely to deliver satisfactory returns over the long term.

As such, an orderly exit from these operations was completed during the second half. Manufacturing operations in these states have ceased with the last remaining panels scheduled for supply to customers over the next few weeks.

By contrast, Austral Precast's prospects in New South Wales remain strong, benefitting from a more attractive market, and a highly automated manufacturing plant capable of efficiently producing differentiated products.

In this state demand was resilient throughout the year, despite the decrease in building activity. This is largely due to this market benefitting from the greater usage of precast panels in industrial projects (compared to markets such as Brisbane with a higher prevalence of tilt-up concrete) and demand from major government infrastructure projects.

"Double Wall" was also launched during the year, a cost effective permanent structural framework that offers significant advantages over alternative systems. The market response to this product has been extremely strong, with sales gathering momentum throughout the year as engineers, architects and builders became increasingly familiar with the applications and benefits of the product.

Austral Precast is the only supplier of this product in the market and is now taking orders for projects all along the eastern seaboard.

Southern Cross Cement

Southern Cross Cement is a Joint Venture company owned by Brickworks (33% interest), the Neilsen Group and the Neumann Group.

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

Having now unloaded six ships, we are confident that Southern Cross Cement has the lowest cost position, and the lowest capital invested, of all south-east Queensland suppliers.

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.

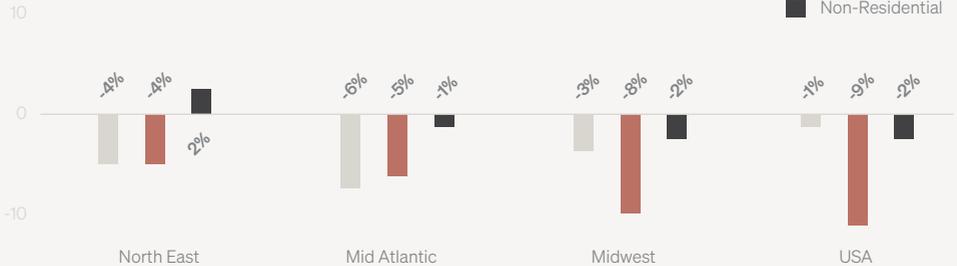
These acquisitions followed a thorough strategic review that identified the US brick industry as an attractive long-term growth opportunity for Brickworks. Importantly, the market entry into the US has been disciplined and methodical, with each acquisition being of appropriate scale, at a sensible price 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 a portfolio of well recognised, premium brands and a market leadership position in key states across the Northeast, Midwest and Mid-Atlantic regions.

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.

In many cases, building covenants are in place, mandating the use of brick, in order to maintain

Change in Commencements (FY2020 v FY2019)⁸



⁸ Source: Dodge Analytics USA Building Starts Forecast – May 2020. Figures shown are for the 12 months ended in June.

the heritage of the region. In other cases, Glen-Gery bricks are specified, in the construction of buildings such as schools, hospitals and retail outlets. As an example, a large order was received during the year to refurbish the Chrysler Building in New York City, using bricks from the Hanley Plant. Bricks for this building were first supplied from the same plant in the 1930s.

Brickworks product mix reflects the traditional building styles of the region, with higher margin architectural products into the non-residential and multi-residential segments making up around 65% of sales. This compares to the wider US brick industry, where sales into these sectors make up less than 30% of the total.

Glen-Gery has a network of ten operational brick plants capable of producing specialty moulded, handmade and glazed bricks, in addition to a full range of the more common extruded bricks.

Market Conditions

After a relatively steady first half, construction activity in the United States was adversely impacted by the onset of the COVID-19 pandemic in the second half. For the full year, detached housing construction spend was down 1%, multi-residential spend down 9% and non-residential spend down 2%.

In the key Glen-Gery regions, non-residential and multi-residential spend fared better than the average across the United States, however detached housing spend was lower.

In the North-East region, non-residential spend was up slightly, however this was offset by residential spend, down 4%.

Across the Mid-Atlantic region, non-residential spend was relatively steady, and residential spend was down around 5%.

Multi-residential activity was down 8% in the Midwest, with the other building segments experiencing relatively mild declines.

Building Products North America delivered a strong result, considering the significant disruption caused by COVID-19 in the second half.

Sales revenue for the year was \$230 million. This includes around 6 months operation of the acquired Redland Brick plants and 11 months operation of the Sioux City Brick plants.

Prior to the onset of the COVID-19 pandemic, demand was particularly strong in the North-East region, underpinned by commercial and residential projects in New York City and surrounding areas such as Philadelphia, Cleveland, Baltimore and Washington.

From March onwards, demand was patchy across the various regions, as the severity of the pandemic hit regions at different times and various local and state government restrictions were intermittently imposed.

EBITDA for the year was \$27 million and EBIT was \$10 million. Second half EBITDA of \$14 million was achieved in spite of the significant disruption to sales and operations during this period.

The imposition of COVID-19 restrictions in Pennsylvania prompted the acceleration of already planned plant closures in this state. In March, the Bigler plant was permanently closed, and the York plant was reduced to one kiln, producing premium handmade bricks.

These closures were part of a methodical plant rationalisation program that has been implemented over the past 18 months, resulting in a current operating footprint of 10 brick plants, and an increase in plant utilisation to almost 80% (from around 50%). This smaller network of more efficient, modern plants also offers production flexibility, with three facilities having mothballed kilns with additional capacity. This production flexibility has long been an important competitive advantage in our Australian operations and is critical to meet market cycles and fluctuations in demand.

In addition to the benefits of increased utilisation, these plant rationalisation activities have allowed for a more focussed capital spend program.

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. In addition,

Overview of FY2020 Result

Year Ended July	2019 (~8 months) \$m	2020 ⁹ \$m	Change %
Revenue (US\$)	80	155	94%
EBITDA (US\$)	8	18	125%
EBIT (US\$)	4	7	75%
Revenue (A\$) ⁹	121	230	91%
EBITDA (A\$) ⁹	12	27	122%
EBIT (A\$)⁹	6	10	63%
EBITDA margin	10%	12%	17%
EBIT margin	5%	4%	(15%)

significant upgrade works are ongoing at the Hanley plant (Pennsylvania).

These initiatives contributed to significant unit cost reductions compared to the prior year. A particularly strong operational performance was achieved at Marseilles (Illinois) and Hanley, with these plants benefitting from an engineering team 'blitz', including a comprehensive review of operations and subsequent completion of a range of minor upgrades to plant and equipment. Unfortunately, with the mobility of the engineering team restricted in the second half due to COVID-19, similar initiatives at other plants have been delayed.

With finished goods stock at elevated levels upon the acquisitions, a strong focus on inventory reduction saw a destock of 33 million bricks during the year. Along with a reduction in debtor days, this drove strong cash generation from operating activities.

In addition to the pleasing operational performance, significant progress has been made on post-acquisition integration activities and other key strategic initiatives.

Acquired businesses have been fully integrated onto upgraded IT infrastructure, with systems enhanced to deliver improved management reporting. In addition, some changes to the organisational structure have been implemented as a result of the increasing size and scale of the business.

These changes include a dedicated pricing team to drive new revenue opportunities and roll-out new pricing policies and procedures. In addition, a new business development team and wall systems division has been established, both targeting the high value architectural segment.

Supporting this strategy, design studios in central Philadelphia and New York City are under construction and will open in financial year 2021.

⁹ An average exchange rate for each half year period is used to convert from US\$ to A\$. The conversion rates used are: 1H20 US\$0.68; 2H20 US\$0.66; 1H19 US\$0.72; 2H19 US\$0.70.

¹⁰ Comparative numbers for FY19 have not been re-stated to take into account the impact of AASB 16 (Leases). Excluding the impact of AASB 16, the comparable FY2020 EBIT is AU\$10 million (no significant change), and EBITDA is AU\$23 million.

Property

Property delivered an EBIT before significant items of \$129 million for the year ended 31 July 2020, down 18% from the record result in the prior year. The decrease in earnings is primarily due to lower contributions from land sales and revaluations within the Property Trust.

Overview of FY2020 Result

Year Ended July	2019 \$m	2020 \$m	Change %
Net Trust Income	26	30	15%
Revaluation of properties	70	53	(24%)
Development Profit	19	25	29%
Sale of assets	12	0	(100%)
Property Trust	127	108	(15%)
Land Sales	35	26	(26%)
Property Admin and Other	(4)	(4)	–
Total	158	129	(18%)

The Property Trust delivered another strong result, generating an EBIT of \$108 million.

Net Property Income was up by 15% to \$30 million for the year. This reflects the rental contribution from three new facilities at Oakdale South and rent increases across the balance of the portfolio. Whilst a small number of rental concessions were provided to tenants due to the COVID-19 pandemic, the portfolio proved resilient through this difficult period.

A revaluation profit of \$53 million was generated, reflecting a 25 to 50 basis point compression across the portfolio, as a result of the annual independent valuation process completed in the first half. This continued capitalisation rate compression over many years has crystallised the value that the Property Trust was specifically set-up to capture.

Property Trust – Leased Properties

Estate	Asset Value \$m	Gross Lettable Area '000m ²	Gross Rental \$/m/year	WALE ¹¹ years	Capitalisation Rate %
M7 Hub	162	64	8	1.4	5.1%
Interlink	441	192	24	2.4	5.0%
Oakdale Central	597	245	30	4.8	4.9%
Oakdale South	265	111	13	8.0	4.9%
Rochedale	198	96	10	11.3	5.3%
Total	1,663	708	85	5.0	5.0%

The current Property Trust value is well supported by comparable recent sales in the area, and reflects the strong demand for well-located prime industrial property.

A development profit on the completion of the Linfox facility at Oakdale South contributed an additional \$25 million in earnings.

In addition, a \$26 million profit was generated from land sales, with the major transaction during the period being the sale of Oakdale East into the Property Trust.

Property administration expenses totalled \$4 million, in line with the prior year. These expenses include holding costs such as rates and taxes on properties awaiting development.

Property Trust Asset Value

As at 31 July 2020, the total value of leased assets held within the Property Trust was \$1.663 billion. The entire Property Trust portfolio consists of "A-grade" facilities, each less than 10 years old, with long lease terms and stable tenants. The annualised gross rent generated from the Property Trust is \$85 million, and the average capitalisation rate is 5.0%. There are currently two vacancies within the portfolio, the largest being 15,700m² at Oakdale South which is the balance of the facility constructed for Linfox.

Including a further \$397 million in land to be developed, the total value of assets held within the Property Trust was \$2.060 billion at the end of the year. The land to be developed increased as a result of the acquisition of Oakdale East Stage 1.

Borrowings of \$605 million are held within the Property Trust, giving a total net asset value of \$1.455 billion. Brickworks' 50% share of net asset value was \$727 million, up \$94 million during the year.

The continued growth in value allowed the Property Trust to release \$70 million in capital during the year (Brickworks share \$35 million), whilst maintaining gearing at a conservative 36%.

The total return on leased assets was 16% for the year, including a rental return of 6% and revaluation return of 10%.

Property Trust – Development Pipeline

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.

¹¹ Weighted average lease expiry by income.

Progress on Oakdale West, NSW



Property Trust Asset Value

Year Ended July	2019 \$m	2020 \$m	Change %
Leased properties	1,411	1,663	18%
Land to be developed	345	397	15%
Total Property Trust assets	1,756	2,060	17%
Borrowings on leased assets	(490)	(606)	24%
Net Property Trust assets	1,266	1,455	15%
Brickworks 50% share	633	727	15%
Rental return on leased assets ¹²	6%	6%	–
Reval. return on leased assets ¹³	15%	10%	(33%)
Total return on leased assets	21%	16%	(24%)
Gearing on leased assets ¹⁴	35%	36%	3%

¹² Based on Net Trust Income, divided by Brickworks share of leased properties less associated borrowings.

¹³ As above, but using revaluation profit.

¹⁴ Borrowings on leased assets/total leased assets.

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.

As a prime example, in July 2020 the Property Trust announced the pre-commitment of Amazon to a 53,500m² base floor area high bay facility at the **Oakdale West** Estate (total floor area of 190,000m²). This, together with the 66,000m² Coles facility, results in the Oakdale West Estate being 38% pre-committed. With infrastructure works expected to be completed in early 2021, the Estate will be ready to accommodate numerous new tenants with lease opportunities from 2,000m² to 60,000m².

At **Oakdale South**, following a busy period of development during financial year 2020, including the completion of DHL and Linfox facilities, focus has turned to securing a tenant for an approved 30,000m² facility ("Site 1C"). Strong interest has been received for this facility.

Following this, up to a further 80,000m² of gross lettable area will be available for development.

The purchase of 10 hectares at **Oakdale East** during the second half of financial year 2020, paved the way for the first stage of development at the site, which is currently underway. This includes the 11,470m² plant to be leased to Austral Masonry and a further 4,630m² display, distribution space and office, to be leased to Brickworks Building Products.

The balance of the Oakdale Estate will consist of 3 to 4 industrial units varying in size from 4,000m² to 8,000m². Practical completion on the Estate is expected in the final quarter of financial year 2021.

Operational and Development Land

Operational land is utilised in the day to day activities of Building Products Australia and North America. The total area of operational land is around 3,600 hectares in Australia and 3,200 hectares in North America.

The largest site held for development is at Craigieburn in Victoria. Brickworks is currently reviewing the option of a combined residential and industrial development on this land, given recent strong land growth in the Melbourne industrial market.



Investments

The EBIT from total investments was down 51% to \$51 million in the year ended 31 July 2020.

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.

This provides WHSP with a diversified end market exposure, as shown in the chart on the right. Over more than four decades, WHSP has delivered an uninterrupted dividend stream that reflects the earnings from WHSP's diversified investments. This dividend helps to balance the cyclical earnings from Brickworks' Building Products and Property divisions.

The market value of Brickworks shareholding in WHSP was \$1.844 billion at 31 July 2020, down \$298 million from \$2.142 billion at 31 July 2019. As at 22 September the market value had recovered by \$306 million and stood at \$2.149 billion.

WHSP has delivered outstanding returns over the long term, with 20-year returns of 12.7% per annum to 31 July 2020 being 5.2% ahead of the All Ordinaries Accumulation Index.

Brickworks' investment in WHSP returned an underlying contribution of \$50 million for the year ended 31 July 2020, down 51% from \$103 million in the prior year. This was due primarily due to the impact of lower coal prices on earnings from New Hope Corporation.

In addition, a \$244 million profit (post tax) was recorded by Brickworks in relation to WHSP significant items. This primarily relates to a one-off profit triggered by the merger of its associate TPG with Vodafone, resulting in a change in accounting treatment of this investment.

During the year cash dividends of \$56 million were received, in line with the prior year. An increased dividend per share was offset by the impact of Brickworks selling 7.9 million WHSP shares during the prior financial year.



Telecom/IT



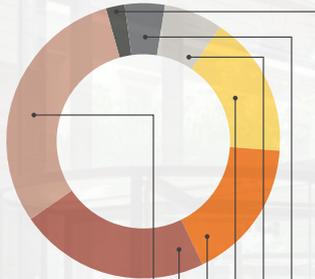
Financial Services



Mining & Energy



Health/Pharmaceutical



Investment Market Exposure

Telecom & IT	31%
Building Products	23%
Mining & Energy	17%
Other Diversified	17%
Financials	7%
Healthcare	5%
Property	2%

Barrack Place
Bowral Bricks Bowral 76 in Bowral Brown
Sydney, NSW

Health and Safety

There is no task that we undertake that is so important that we can't take the time to find a safe way to do it.

Strategy

Brickworks is committed to minimising the risks to health and safety of its employees, contractors and the general public. Continual improvement in health and safety is a key requirement for a sustainable workplace. Brickworks' strategy is to have high compliance to legislation, focussed safety leadership and a proactive generative culture that integrates safety into all business processes.

Performance (Australia)

The boundary of this report, and the associated assurance against the International Standard on Assurance Engagements (ISAE) 3000, extends to Brickworks' Australian and U.S. operations for the year ended 31 July 2020.

Safety performance is measured utilising lead and lag performance indicators to benchmark performance, both internally and externally, to drive progressive safety outcomes. Performance targets are set within the Brickworks Workplace Health and Safety Management System, with a 2025 target of reducing injury rates year on year.

In the current year, safety performance improved, recording one lost time injury (LTI), compared to five in the prior year. The lost time injury frequency rate (LTIFR) was 0.4. There were 29 medical treatment injuries, compared to 52 in the prior year. The total recordable injury

frequency rate (TRIFR) was 11.8, compared to 19.6 in the prior year.

The FY20 TRIFR in Australia reduced by 39.8% compared to FY19, exceeding the target of 10% reduction in injury rates.

Performance (North America)

During year ended 31 July 2020, there were six lost time injuries (LTI's) recorded. The lost time injury frequency rate (LTIFR) was 4.16 and there were 29 medical treatment injuries (MTI's) with a total recordable frequency rate (TRIFR) of 24.3.

In the current year, TRIFR in the U.S. reduced by 16.6% compared to the prior year, exceeding the target of 10% reduction in injury rates.

New initiatives to improve work health and safety at Brickworks Building Products North America are being introduced. The focus is on providing behavioural safety leadership training and incorporating Health and Safety programs into the business.

Key Initiatives

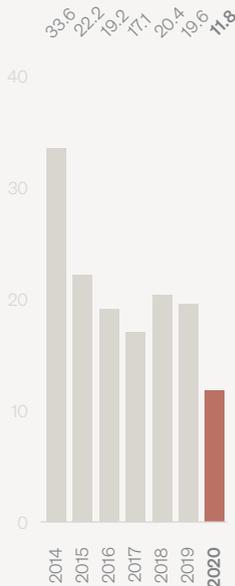
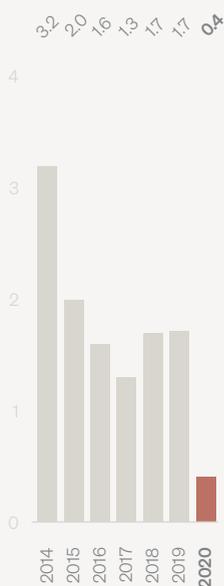
Brickworks' work health and safety initiatives are underpinned by a whole of Company work health and safety management system.

Employee education is a key safety initiative and a measured lead indicator at Brickworks.

Building Products Australia

Lost Time Injury Frequency Rate (LTIFR)

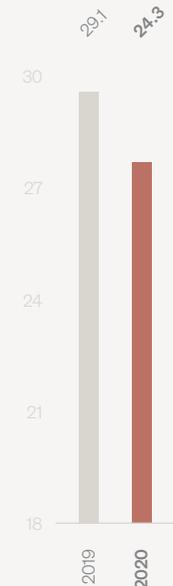
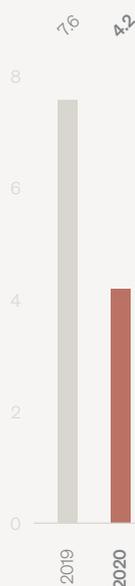
Total Recordable Injury Frequency Rate (TRIFR)



Building Products North America

Lost Time Injury Frequency Rate (LTIFR)

Total Recordable Injury Frequency Rate (TRIFR)



Online training is available 24/7 to all Brickworks employees, with courses specific to an employee's role. In year ended 31 July 2020, 34,423 courses were completed by employees and a behavioural safety leadership program for managers and supervisors was launched to improve the safety culture within Brickworks.

Employee Wellness

Employees are provided advice, education and professional assistance from the employee assistance program (EAP) to improve their personal health. The use of the EAP has increased across the Group with a broader scope of services being offered; including transition assistance, nutrition, financial, wellness and manager support.

These services are provided to all staff and immediate family members to ensure teams are supported in the broader aspects of their lives.

A mental health first-aid training program is underway, providing timely support. The current year target of 10% of Brickworks employees to undertake training and qualify in mental health first aid was achieved.

Brickworks is committed to a drug and alcohol-free workplace. With the support of employees and unions, mandatory random testing continues across all divisions and includes contractors. Drug and alcohol testing is undertaken for all new recruitment health assessments. During year ended 31 July 2020, 59% of staff were randomly tested, exceeding target of 25%.

Functional health assessments for new starters also ensure that new employees are fit for the physical requirements of their positions.

All visitors to Brickworks sites must follow the Company's induction and sign in rules prior to entering operational zones. Vehicle loading is undertaken in accordance with the National Heavy Vehicle Law, State legislation and Industry based Codes of Conduct, such as the "Think Brick Code of Conduct – Load Restraint". Austral Bricks has held WA Heavy Vehicle Accreditation for more than 10 years.

During the prior year, a review of National Transport systems was undertaken and an audit completed of the Company's Australian fleet of heavy vehicles in response to a serious vehicle accident that occurred in December 2018. Recommendations for improvements were made to ensure that all sites are complying with the National Heavy Vehicle Laws and regulations, including:

- ▮ Chain of Responsibility (COR)
- ▮ Fatigue Management

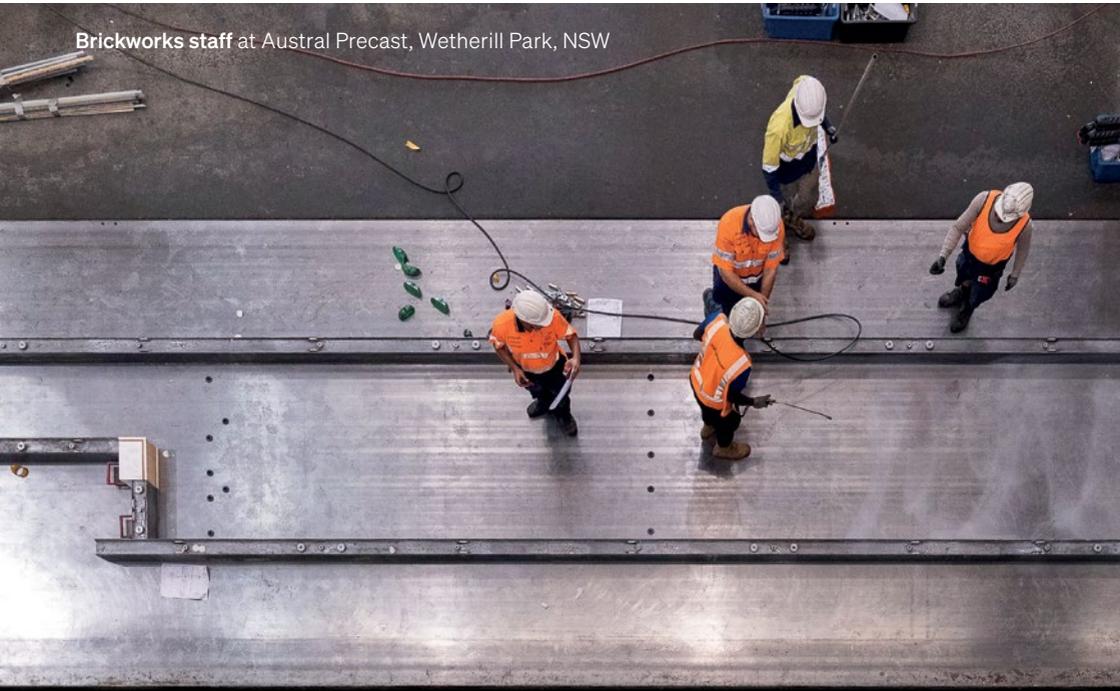
- ▮ Speed Management
- ▮ Mass and Dimension
- ▮ Load Restraint.

Chain of Responsibility (COR) implementation is progressing well, with a range of COR documents being developed for integration with the Health and Safety System.

Following on from the prior year initiative to conduct medical tests for all heavy vehicle drivers, to ensure they are certified fit to operate a heavy vehicle on a public road, over 90% of heavy vehicle drivers were medically assessed in the current year.

Brickworks actively encourages employees and contractors to identify physical hazards and effective controls to reduce workplace risk. Any new plant installed has an independent risk assessment undertaken to validate its risk-free operation. Open hazards are continually monitored, with minimum monthly closure targets in place.

Brickworks staff at Austral Precast, Wetherill Park, NSW



Overview of Sustainability

The built environment is the fabric of our cities and our lives and Brickworks' products form part of this ever-changing fabric. Brickworks products are integrated into thousands of homes, apartments, commercial buildings, landscapes and infrastructure projects built each year.

Build for Living: Towards 2025, Brickworks Sustainability Strategy

Brickworks' sustainability strategy, "Build for Living: Towards 2025", recognises the substantial environmental and social impacts of the built environment, and the role its products play in creating sustainable developments. Brickworks understands its responsibilities, and the impact and influence it has on the environment, customers, employees, communities, and shareholders.

The sustainability strategy focuses on the opportunity to make buildings and cities safe, resilient and sustainable. Design that incorporates sustainability brings greater energy and resource efficiency over the operational lifetime of a building.

The sustainability strategy sets a clear pathway from the prior year, with measurable commitments, to ensure Brickworks continues to have a positive environmental and social impact, with strong governance and a culture of care for the community.

At the heart of the strategy is Brickworks' sustainability framework, with three pillars: Responsible Business, Environment and Our People and Community. Within these pillars, Brickworks focuses on three core objectives to deliver positive outcomes for stakeholders:

- ▶ Responsible Business: Leading Building Design – Safe, Resilient, Sustainable
- ▶ Environment: Sustainable Manufacturing
- ▶ Our People and Community: Diversity and Strong Culture of Care for Community.

Under these objectives, Brickworks is committed to delivering on 15 targets by 2025 with the baseline year of FY19, except where otherwise noted. Build for Living: Towards 2025 can be downloaded from Brickworks website www.brickworks.com.au

Sustainability Reporting

Brickworks understands its long-term responsibilities, and the impact and influence the business has on the environment, customers, employees, communities and shareholders. Brickworks takes great pride in manufacturing building products in a sustainable way, creating sustainable developments and beautiful products that last forever. Sustainability and innovation is integrated into product design to create greater energy and resource efficiency over the operational lifetime of a building.

Brickworks 2020 Sustainability Report provides a chance to cover these issues in depth, informed by international standards such as the Global Reporting Initiative.

TOWARDS 2025

Brickworks Sustainability Strategy

Brickworks is one of the world's leading manufacturers of quality building products. Our purpose has sustainability at our core – to create beautiful products that last forever.

The built environment is the fabric of our cities and our lives and Brickworks' products form part of this ever-changing fabric. Our sustainability strategy focuses on the opportunity to make buildings and cities safe, resilient and sustainable. It demonstrates our approach to sustainable manufacturing, incorporating sustainability into buildings to create greater efficiency during their operation. We do this with strong governance and a culture of care for our community.



THERMAL DESIGN

We will provide leading research on passive solar thermal design, enabling reduced lifetime energy use.

LIFE CYCLE EDUCATION

We will support design tools, guidance and information to incorporate life cycle thinking into building design.

SUSTAINABLE PRODUCTS

By 2025, we will double our volume of products sold in Australia that hold leading sustainable qualities.

The Sustainability Report for the year ended 31 July 2020 shares Brickworks sustainability journey with an overview of the 2025 sustainability strategy, progress against targets and case studies. The Sustainability Report can be found at www.brickworks.com.au

Sustainability Governance

Sustainability is embedded into the Brickworks business strategy. The Brickworks Audit and Risk Committee (ARC) is responsible for the oversight of sustainability governance, with day-to-day management of the Group governance arrangements delegated to the Managing Director and Chief Financial Officer. Annually, management make presentations to the Board on safety, human resources, risk, environment and sustainability issues and targets. In the current year, sustainability was formally incorporated into the charter of the ARC.

Sustainability risk management is integrated through key performance indicators (KPIs) which are set at business level. This year several sustainability KPIs were linked to the divisional bonus structure, for items including: health and safety performance; environmental management training and systems development; completion of monthly inspections and outstanding hazards, and the implementation of community engagement plans and natural gas efficiency plans.

Anti-Bribery and Corruption and Whistleblower Policies

The Anti-Bribery and Corruption, and Whistleblower Policies were introduced in May 2019. All staff are required to undertake annual on-line training to demonstrate their understanding of the policies. The Whistleblower Policy provides a mechanism which encourages concerns to be raised about misconduct or any improper state of affairs or behaviour that is inconsistent with the Group's culture, values or policies.

Risk Management

To ensure robust and effective risk management systems are in place and operating effectively, the Board, through the Audit and Risk Committee, determines the risk profile for the Company, ensures that business initiatives are consistent with its risk appetite, reviews the controls and systems in place to continually mitigate risk, and oversees reporting and compliance requirements. A Risk Management Framework has been implemented, consistent with each element of the Australian Risk Management Standard AS/NZS3100:2018. The framework covers sustainability related risks including human resources, environmental, climate and health and safety.

Risk management is a priority for senior management. Details of risk management and the significant risks that may impact the achievement of the Group's business strategies and financial prospects are included in the Annual Report and the Corporate Governance Statement which can be downloaded from www.brickworks.com.au/investors/group-overview#corporate-governance

Modern Slavery and Supply Chain

Brickworks is committed to working collaboratively with its partners and suppliers to ensure business is conducted in an honest and ethical manner. This includes identifying and addressing modern slavery and human rights risks throughout the business and supply chain.

During the current year, Brickworks formed a sustainable supply chain group, launched a Modern Slavery Policy and the Board approved a Supplier Code of Conduct. The Group's first Modern Slavery Statement will be released during year ended 31 July 2021.

Cyber Security

Cyber threats are becoming more prevalent against the construction and manufacturing industry, such as ransomware and denial of

service attacks against Information Technology and Operational Technology environments.

In response, Brickworks has developed a cyber delivery plan aligned to the National Institute of Standards and Technology Cyber Security Framework. Security Awareness Training and Phishing Simulation technology has been introduced and Brickworks has seen an 80% reduction in click rates and a 50% increase in reporting of potential threats to the Security Team.

Brickworks continues to invest in solutions to protect its critical assets and maintain a high level of security. Brickworks is proud to rank amongst the top 6% of Global 2000 organisations to achieve the highest level of email security.

Public Policy

Brickworks Political Donations Policy prohibits the making of Political Donations at any time on behalf of the Brickworks Group or otherwise using funds of the Brickworks Group. No political donations were made during the year ended 31 July 2020.

Sustainable Partnerships

As one of the world's leading and most diverse building products manufacturers, Brickworks Building Products takes its position of industry leadership seriously. The Brickworks Group and its member companies have a responsibility not only to shareholders and employees, but also to the industry, the environment, and the wider community. It is for this reason Brickworks considers partnerships carefully and endeavours to align with other organisations who share the Company's vision and values for a more sustainable future.

Product Safety and Compliance

Brickworks places the utmost importance on consumer health and safety. Brickworks products are tested to meet quality standards, which are key in the prevention of involvement with



Oracle Platinum Homes
Bristle Roofing Planum in Slate and
Integrated Solar Roof Tiles
Brisbane, QLD

defective building materials. Bricks have been proven over centuries as a superior material choice which is why Brickworks provide a 100-year warranty.

Product Sustainability

Brickworks bricks and concrete products are manufactured to provide resilience. They are durable, fire-proof, contain thermal mass for energy efficient design, excellent acoustic properties and no indoor air emissions (VOCs); and Brickworks clay bricks hold a 100-year guarantee.

These attributes help cities contribute to goals such as the United Nations' Sustainable Development Goal 11: "Make cities and human settlements inclusive, safe, resilient and sustainable".

Brickworks most significant range of sustainable products consists of carbon neutral bricks manufactured in Tasmania. During the next financial year, Brickworks will have an additional focus of providing an expanded range of carbon neutral, locally-made products to projects which demonstrate sustainability attributes.

Brickworks will be working on project-specific requirements with selected architects and commercial builders, to deliver low carbon buildings.

Brickworks will continue to drive innovation in sustainable buildings with three key 2025 sustainability targets:

	<p>THERMAL DESIGN</p> <p>We will provide leading research on passive solar thermal design, enabling reduced lifetime energy use.</p>
	<p>LIFE CYCLE EDUCATION</p> <p>We will support design tools, guidance and information to incorporate life cycle thinking into building design.</p>
	<p>SUSTAINABLE PRODUCTS</p> <p>By 2025, we will double our volume of products sold in Australia that hold leading sustainable qualities.</p>

Environment

Brickworks is committed to managing its operations in an environmentally sustainable manner, whilst considering economic and social influences.

Brickworks' aim is to reduce the environmental impact of its operations. This section contains a snapshot of key results for the current year and 2021 targets. For further detail, analysis and achievements please refer to the 2020 Brickworks Sustainability Report.

Resource Efficiency and Waste

Brickworks is progressing towards a 'circular economy' by 'closing the loop', thus minimising production waste and re-using and recovering resources in the value chain.

During the year ended 31 July 2020 over 94,718t of recycled clay material (Virgin Excavated Natural Materials) was recycled into bricks. Fly ash, bottom ash and glass was recycled into some masonry products. 100% of damaged or rejected clay products are returned into the raw material mix for reprocessing across Australian and North American operations. A representative waste management study undertaken in the current year indicates 89% of waste by weight is diverted from landfill and 54% by volume.

The next year's target is to identify further opportunities to reduce, reuse and recycle waste.

Water (Australia)

Water is a limited resource across Australia and critical to Brickworks production process and operations. Water restrictions have been in place

to varying degrees across Australian states. Brickworks understands the importance of water efficiency.

During the year ended 31 July 2020, 128.8 ML usage of potable mains water was recorded at Brickworks Australian operations. During the next year, ongoing water efficiency initiatives to reduce potable water use will be measured against this baseline.

Brickworks is committed to minimising its potable water usage at all manufacturing sites. During the current year, water management plans identified further opportunities to reduce mains water.

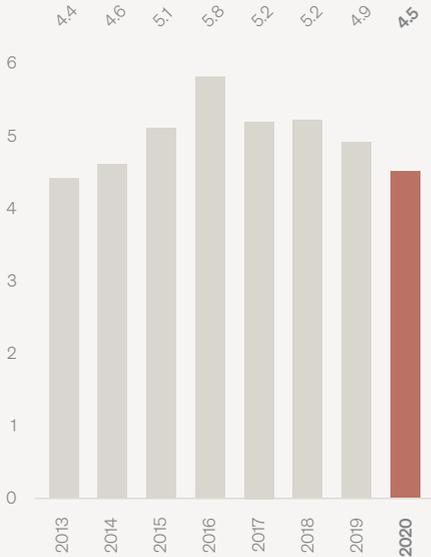
Energy

In the current year, Brickworks Building Products Australia's (BBP) total energy usage was 4.5 PJ, an 8.85% reduction from 4.9 PJ the previous year.

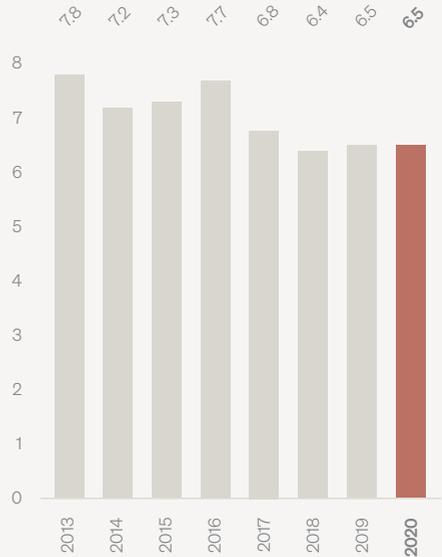
Energy intensity (energy consumption vs revenue) was 6.5 TJ per million dollars of revenue across BBP Australia, a 0.23% increase, reflecting fluctuations in revenue between the prior and current year.

The majority (73%, 3.3 PJ) of the Company's Australian energy requirements comes from natural gas, largely used at Austral Bricks' manufacturing facilities. Gas efficiency is measured at a factory level and results are reported to the Managing Director weekly.

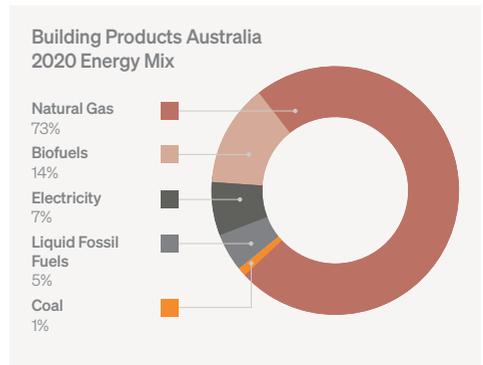
**Building Products Australia
Total Energy Consumption¹⁵**
(PJ)



**Building Products Australia
Energy Intensity**
(TJ/\$ million revenue)



Alternative biofuels made up 14% of Brickworks Australian energy requirements, up from 11% in the prior year. Biofuel sources include Plant landfill gas and sawdust. Austral Bricks Horsley Park Plant 1 and Plant 3 both continue to substitute natural gas with landfill gas, sourced from neighbouring landfills. The increased percentage of biofuels is attributable to resolving previous interruptions in landfill gas supply at the Austral Bricks Horsley Park Plant 3 during the prior year. Sawdust is the primary fuel used to fire the kiln at Austral Bricks plant in Longford, Tasmania and is acquired from various Tasmanian sawmills.



¹⁵ Total energy use is for Australian operations only. Energy consumption associated with recently acquired US operations will continue to be monitored and reported if material to the Group.

Investing in Energy Efficiency Towards 2030

FY18 marked the start of a strategic 10-year reinvestment vision to drive energy efficiency across Australia. By 2030, major plant upgrades will improve total gas efficiency across Austral Bricks Australia by 10%, based on 2018 levels.

During FY19, the Austral Bricks Horsley Park Plant 2 kiln was prepared to be shut down, in preparation for an upgrade to a state-of-the-art brick manufacturing facility. Plant 2 received Development Approval for the upgrade in FY20, and work will commence during FY21. The graph below depicts Austral Bricks Gas efficiency trend. Total Gas (including landfill gas at Horsley Park and sawdust at Longford) efficiency has improved by 2.7% since 2018. Natural gas efficiency has improved by 5.5% since 2018.

Brickworks is planning for investments into the latest manufacturing technologies in the U.S. business. Upgrades will provide improvements in productivity, product quality and energy efficiency. Improvements in kiln gas efficiency across the U.S. will be tracked and reported annually.

Efficiencies through Leading Manufacturing – Horsley Park Plant 2 Upgrade

Austral Bricks Horsley Park Plant 2 received DA approval to upgrade the site into a state-of-the-art brick manufacturing facility.

At the heart of the new Plant 2 operation will be a JC Steele, 120 extruder, a world first, exclusively built for Brickworks. The new kiln will push the limits of brick production efficiency. It will include automatic gas burners and a convective heat exchange system, linked to a computer supervision system. With best in its class fuel efficiency, product quality, the new Plant 2 operation will be a technical revolution that will set a new standard for brick manufacturing.

Brickworks Building Products – North American Natural Gas Usage

During the year ended 31 July 2020, 12 clay brick factories owned by Brickworks were in operation in the U.S., all fuelled by natural gas. Six of these factories operated for part of the year, and six operated for the full year. Natural gas consumption of Building Products North America, across 12 sites was 1.5 PJ in current year. During the next year, the U.S. business will collect and report electricity consumption data.

Carbon (Australia)

Australian greenhouse gas emissions are reported and audited for the Australian National Greenhouse and Energy Reporting Scheme (NGERS). Scope 1 and Scope 2 carbon emissions are determined using the methodology and factors outlined within NGERS. Reported carbon emissions include those associated with Building Products Australia operations only. In FY20, emissions were 205,527 tCO₂-e (Scope 1) and 75,500 tCO₂-e (Scope 2). Carbon emissions continue a downward trend with a 12.07% decrease on the previous year.

Carbon intensity is 3.31% lower than the previous year, attributable to a full year of landfill gas supply to Plant 3, and the closure of Horsley Park Plant 2 in preparation for the Plant 2 upgrade to a state-of-the-art brickmaking facility.

Carbon emissions have followed a general downward trend, with a 35.8% decrease compared to the base year 2005/06 (Scope 1 & 2). The decrease can be attributed to efficiencies gained from alternate fuels, manufacturing consolidation, equipment upgrades and operational improvements. Brickworks will explore further carbon management strategies, greenhouse gas metrics and setting targets during the next year as part of the Taskforce on Climate-related Financial Disclosures (TCFD) review.

Brickworks is investing in the transition to the hydrogen fuel economy, through desktop and lab-scale trials, in partnership with Murdoch University. The purpose of this investment is to understand the use of hydrogen in the manufacturing of clay bricks.

Carbon (North America)

Alongside Brickworks goal to report carbon informed by the GRI Standards, carbon emissions inventory will be built by 2022 to enable a full estimate of emissions. Although Brickworks' North American operations are not required to report carbon emissions to the U.S. regulator, this information will supplement ongoing carbon reporting for Australian operations.

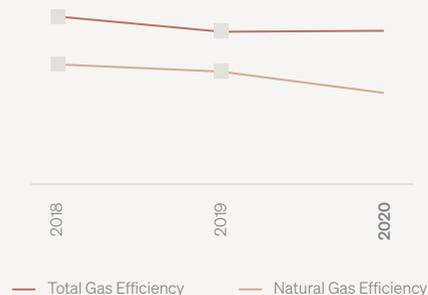
Natural gas is the predominant energy and carbon emissions source for the U.S. operations. Carbon emissions from natural gas combustion were 80 ktCO₂-e during the year ended 31 July 2020.

Environmental Compliance¹⁶

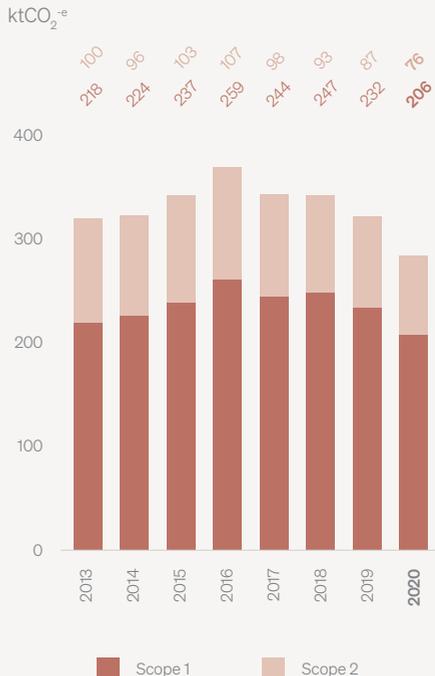
Brickworks treats all non-compliance instances with the upmost importance. Details of incidents, notices and complaints are raised at the weekly General Manager's meeting, which the Managing Director attends. Each non-compliance incident is investigated and tracked to ensure corrective actions are undertaken within deadlines.

Reporting incidents raises awareness and identifies corrective and preventative actions. Incident reporting procedures and training are a central part of the Environmental Management System (EMS). 26 reportable incidents were recorded during the year ended 31 July 2020, compared to 19 in the prior year. Brickworks is committed to minimising its impact on the environment, such as through Air and Water Environmental Programs. During the current year, seven reportable incidents related to stack emission exceedances at at Austral Bricks Horsley Park plants. Significant investments are

Austral Bricks Gas Efficiency
(GJ/'000 Standard Brick Equivalent)



Building Products Australia Total Carbon Emissions
ktCO₂-e

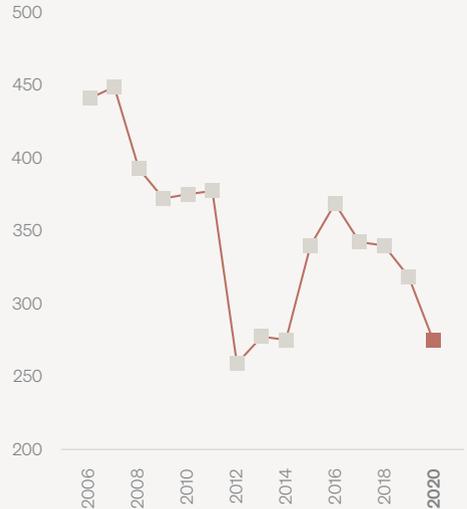


¹⁶ Reported environmental fines and penalties include those received and paid during the reporting year (ending 31 July). Penalties received regarding property and penalty notices are excluded. All figures reported in Australian dollars.

**Building Products Australia
Carbon Intensity**
(ktCO₂^{-e}/\$ million revenue)



**Building Products Australia
Carbon Emissions since 2005**
(ktCO₂^{-e})



allocated to implement the Horsley Park Scrubber Installation Program to install emissions abatement equipment.

The total number of incidents recorded in current year was 47, compared to 51 in the prior year. During current year, zero penalty notices and prosecutions were received. The next year's target remains at zero environmental fines and continued risk reduction.

Air Environmental Program

Brickworks is committed to minimising its impact on the environment and complies with environmental law and community standards as they evolve.

All brick factories hold licences issued by the state environmental regulator, and are required to meet emissions limits that have been assessed by the regulator as acceptable to the environment and human health. To monitor

compliance with emissions limits, qualified air monitoring consultants are engaged to undertake air emissions testing for parameters specified in licences. Should an exceedance of the emissions limits occur, the matter is reported in line with licence or regulatory requirements. An investigation and corrective actions are undertaken in accordance with Brickworks' EMS.

Investments are made into upgrading kilns, plant, control systems and emission control technologies. Limestone scrubbers are committed for installation at the Austral Bricks Horsley Park brick manufacturing facilities, through a staged rollout program, commencing in FY20 with a scrubber installed at Plant 3.

The Air Environmental Program will continue identifying investments in leading environmental initiatives. During the last two years, over \$2 million was invested in emissions abatement scrubber equipment installations at Austral Bricks Horsley Park Plant 3. Having achieved significant specific

environmental investments in recent years, further contribution to the Air Environmental Program requires complex connections between capital expenditure, technical projects and stakeholder collaboration. By 2025, over \$2 million additional investment in emissions abatement is scheduled.

Community Engagement

Maintaining positive relationships with stakeholders is paramount to business success. Brickworks is embedded in local communities where the business operates, with many employees living in the local area. With a reliance on local goods, services, markets and natural resources, developing mutually beneficial relationships helps business and communities.

Brickworks has strong attendance at community forums, such as consultation for development applications and community group meetings. Company representatives maintain strong relationships with legislative and regulatory authorities and are involved with industry groups to promote issues, such as sustainable building products.

In the prior year, community engagement plans were developed for relevant sites. The plans have improved the Company's socio-political knowledge of the area, ability to identify community concerns and expectations, knowing when to engage and methods of engagement. During the current year, the plans were implemented across these sites, with engagement activities including stakeholder meetings, site visits, investigating and resolving complaints, as well as donations and other forms of support for community members and projects. Community engagement plans are now expanding for use across sites around Australia. Next year's target is to undertake 100 events that relate to maintaining community relationships.

Rehabilitation

As a large-scale landholder, Brickworks' approach to rehabilitation is to establish, operate and rehabilitate Brickworks sites in a manner that promotes optimum environmental and social outcomes.

At the end of their productive lives, Brickworks rehabilitates its quarries for use by future generations. Final land-use varies from pasture, landfill and bush, to built-up areas. For sites that are filled, the sites can be capped with topsoil and planted with flora native to the area. Frequently today, these quarries are clean filled in highly compacted layers (to eliminate settlement) and can be reused as residential and industrial estates and beautiful public spaces.

Rehabilitation and land-use planning is an essential aspect of managing Brickworks quarries, with a focus on meeting legislative requirements and community expectations. Within the Environmental Management System, progress of rehabilitation projects is monitored across the Group, to ensure the protection and enhancement of biodiversity.

Progressive rehabilitation is a key strategy for minimising environmental risk, end-of-life closure costs and achieving increased efficiency through reduction of double handling of rehabilitation materials.

Progressive rehabilitation of 40,840m² was completed at sites across Australia, and an additional 41,500m² was completed during the current year for the closure of quarries. Progressive rehabilitation will be driven across the business by adding available land review to annual rehabilitation planning.

Our People

COVID-19 Response

Brickworks has monitored the Coronavirus disease (COVID-19) since January 2020, acting with caution and following stringent health advice. Brickworks implemented a COVID-19 business continuity plan to minimise the chance of COVID-19 spreading throughout the business, and published a set of regularly updated COVID-19 Guidelines on the Brickworks website, for both customers and employees.

On 21 January 2020, the Australian Government took precautions to limit the spread from the source City of Wuhan, China. On the same day, Brickworks prohibited Company travel to any part of Asia and implemented a 14-day isolation period for any staff member who had been in contact with a person that had been to Asia. On 5 March, Brickworks prohibited all domestic and international travel.

The health and well-being of employees and customers is of the upmost importance to the Company. The following initiatives are in place throughout the duration of the pandemic:

- ▶ National doctor network with Occupational Physician adviser to Brickworks
- ▶ Deep cleaning between shifts
- ▶ Activity register of pandemic related absences and single point of triage
- ▶ Temperature testing all people (including customers) at all sites
- ▶ Unwell workers, contractors and customers with fevers are not permitted on-site
- ▶ Brickworks hygiene program
- ▶ Sanitation caddies and PPE provided at all work stations
- ▶ Limitation of Company travel
- ▶ Providing alternatives to ensure that employees are not travelling to and from work using public transport
- ▶ Regular communications to all staff through emails, providing the latest health advice with a focus on mental health and personal wellbeing
- ▶ Leaders are empowered to have regular check in and connections with their teams, checking on wellbeing, connectiveness etc.
- ▶ IT infrastructure and an upgrade to video communications enabled a quick transition for staff to work from home
- ▶ Compliance with Government Guidelines
- ▶ Regular General Manager COVID-19 meetings
- ▶ Daily World Health Organisation (WHO) situation reports
- ▶ Information training for all Brickworks personnel through the E-Learning platform
- ▶ Training reports to ensure assigned training is completed
- ▶ Physical separation of work teams
- ▶ Individual flexibility to help staff who have caring responsibilities (especially during home schooling)

Remote working in response to COVID-19 has been effective across the business. A survey

was sent out to employees following the remote working experience, with positive feedback. Business planning and scenario modelling tools have been developed to support decision making.

COVID-19 has changed the way that Brickworks does business; accelerating digital sales and marketing, offering contact-free sample deliveries, virtual colour consultations and the business does not currently accept cash payments.

Culture

Brickworks recognises that sustaining a strong culture driven by the diversity of employees is critical to long-term business success. During the current year, the integration continued of the 'WE ARE BRICKWORKS' Values and Behaviours to drive unity, focus and success across the organisation. Recruitment and selection criteria includes values screening to ensure people joining the business demonstrate the culture and behaviours.

Values Awards

Brickworks holds a variety of initiatives to celebrate staff that demonstrate the Company values, with many divisions holding Quarterly and Annual Value Awards. Employees success in undertaking their day-to-day roles, according

to the Company values, is measured through annual performance reviews.

Employee Engagement

Positive employee engagement is driven through a strong employee value proposition, with multiple benefits offered to permanent employees; including paid parental leave, support for further education and employee share schemes. Brickworks hosts frequent social, networking and celebratory events for all employees (impacted by COVID-19 restrictions), including Company update evenings.

In the current year, a pilot Values Survey was deployed to identify areas of focus and alignment to values, and levers to help improve engagement. On an ongoing basis exit interviews are conducted and reviewed to also understand areas requiring attention.

Employees and other workers

Brickworks Australia reports details of its workplace profile annually to the Workplace Gender Equality Agency (WGEA), and the U.S. operations tracks its workplace profile. Data taken from the WGEA report and U.S. records for the year ended 31 July 2020 includes:

Key Employment Data	Australia	North America
Total Workforce	1181	777
Total female breakdown	20.9% (up from 19.9% in FY19)	17%
Female Senior Executives	27.3% (up from 26.7% last year)	15%
Average age of employees	43.1	46.5
Employees aged 50 and over	32.3%	46.1%
Average length of service	9.1 years	13.5 years

Workplace Profile	Australia		North America	
	Total	Female*	Total	Female*
Management	8%	15%	19%	21%
Professionals	9%	36%	3%	38%
Tech/Trades	18%	2%	2%	5%
Administration	10%	73%	3%	65%
Sales	18%	48%	11%	4%
Operators/Labourers	37%	1%	62%	7%

* Female % is a fraction of each profile type.

Brickworks' commitment to developing internal talent, saw 71 internal promotions in the year ended 31 July 2020 and numerous international promotions or mobility opportunities between Australia and the U.S.

- ▶ 31% of employees awarded promotions in Australia were female.
- ▶ 26.8% of all manager promotions and 36.7% of non-manager promotions were awarded to women.
- ▶ 19.3% of employees who resigned were women, down from 21.8% in the prior year.

Employee voluntary turnover (resignations and retirements) sits at 13.5% for the previous rolling 12 months.

Learning and Development

Brickworks aims to provide an employee experience that aids in staff growth and development. Brickworks offers formalised graduate, apprentice, mentoring and succession planning programs.

All employees and managers are encouraged to undertake two hours of learning every week, and to further their professional development by accessing a learning allowance and development programs. The online e-learning platform and open learning sessions provide accessible learning opportunities. During the COVID-19

working from home period, online learning sessions increased substantially, particularly in Sales, Leadership and Mental Health.

Graduate Program

Brickworks' 24-month structured graduate program is available across all business divisions. Following induction, all graduates participate in business rotations, gaining technical and professional skills. In their second year, they choose a specialist rotation into a nominated area, where they are assigned business projects to work on.

They participate in 'Smart Seeds', an external project-based development program run by GHD (postponed due to COVID-19). Individuals participate from a cross section of industry to co-create solutions to complex local problems. Graduates work collaboratively in teams and pitch their proposals to industry leaders.

During the graduate program, participants have access to a support network, a career coach and structured mentoring. Brickworks facilitates networking opportunities for the graduates to aid interactions with their cohort, share experiences and elevate their profile with senior leaders.

Mentoring Program

Launched in April 2018, 60 employees have now completed Brickworks' Mentoring program. For the year ended 31 July 2020, the focus was



Horsley Park Design Centre,
Sydney NSW

on developing internal mentoring capability and an inhouse program. There were no new participants to the mentoring program in the current year, therefore the 2020 target for 30 staff to join the mentoring program was not achieved. During the next year, a self-directed informal program will be launched to help grow a mentoring culture.

Diversity and Inclusion

Brickworks recognises that everyone is unique and different, by way of gender, ethnicity, age, sexual orientation, physical abilities, family status, and religious beliefs. Brickworks is committed to a diverse and inclusive culture where all employees are treated with dignity and respect, valued for their contributions and diverse backgrounds, experiences and perspectives. By valuing diversity, the business will:

- ▶ Deliver improved customer service, business performance and strengthen corporate reputation.
- ▶ Gain competitive advantage by understanding and reflecting customers and local communities.
- ▶ Engage employees by providing an open, fair and diverse work environment.

Brickworks is committed to eliminating all forms of unlawful discrimination, harassment, bullying and victimisation in the workplace. This commitment is supported by the Company's Diversity and Equal Employment Opportunity Policies, that also guide the recruitment process. A Diversity Council was established in the prior year, and is led by the Managing Director.

In the next year, a Diversity and Inclusion Strategy with long-term targets and an

implementation plan will be developed and presented to the Board. The Strategy, driven by the Diversity Council, will facilitate a collaborative, supportive and respectful working environment, providing psychological safety by valuing people's differences.

Gender Diversity

During the current year, focus was on a range of initiatives to increase the gender diversity across the leadership of the Company, predominately focusing on attracting and retaining female leaders.

Female leadership of Australian operations (managers level and above) has increased from 11% in 2015 to 15.4% in 2020, and female representation in the Senior Executive team has increased from 7% in 2015 to 27.3% in 2020. The U.S. business consists of 21% females in Management and 15% in the Senior Executive team.

During the current year, the objective was to develop targets for gender diversity. This was achieved and the 2025 Sustainability Strategy, includes a stretch target to increase female representation in the Executive team to 35%. The Diversity and Inclusion Strategy and implementation plan will ensure achievement of this ambitious target and provide additional diversity targets for other areas of the workforce. Brickworks' Executive leaders are tasked with driving diversity and inclusion and have KPI's directly linked to their annual bonus payments.

Collective Bargaining Agreements

Brickworks Australian operations include 14 non-union enterprise agreements (excluding Auswest Timbers) and six union enterprise agreements. In addition, some sites have individual agreements and a number of sites are covered by the respective modern awards.

During the current year, two non-union site-based enterprise agreements were negotiated and executed, reflecting the strong working

relationship between wages staff and local management teams. Brickworks North America has four non-union plants and seven union plants. During the current year, two union plants collective bargaining agreements were successfully negotiated and executed at Marseilles and Pittsburg.

Percentage of Employees Covered by Collective Bargaining Agreements

Key Employment Data	Australia	North America
Collective Bargaining Agreement	61%	44%
Union Based	38%	100%
Non-Union Based	62%	0%
No Agreement	39%	56%

A number of Fairwork conciliations have resulted in settlements, with no fines or non-monetary sanctions received in the current year.



Review of Results

Consolidated Income Statement	2020 \$'000	2019 \$'000
Continuing operations		
Revenue	953,404	918,695
Cost of sales	(680,530)	(623,573)
Gross profit	272,874	295,122
Gain on bargain purchase	3,776	–
Other income	469	111,736
Distribution expenses	(65,485)	(72,189)
Administration expenses	(47,713)	(37,549)
Selling expenses	(101,746)	(89,615)
Impairment of non-current assets	(46,042)	(55,558)
Restructuring costs	(41,536)	(7,886)
Business acquisition costs	(12,792)	(15,072)
Other expenses	(20,327)	(15,814)
Share of net profits of associates and joint ventures	475,639	201,300
Profit from continuing operations before finance cost and income tax	417,117	314,475
Finance costs	(26,452)	(23,883)
Profit from continuing operations before income tax	390,665	290,592
Income tax expense	(75,274)	(93,697)
Profit from continuing operations after tax	315,391	196,895
Discontinued operations		
Loss from discontinued operations, net of income tax benefit	(16,508)	(42,253)
Profit after tax	298,883	154,642
Profit after tax attributable to:		
Shareholders of Brickworks Limited	298,883	154,642
	Cents	Cents
Earnings per share attributable to the shareholders of Brickworks Limited		
Basic (cents per share)	199.4	103.3
Diluted (cents per share)	199.2	103.3
Basic (cents per share) from continuing operations	210.4	131.6
Diluted (cents per share) from continuing operations	210.2	131.6

Consolidated Balance Sheet

	2020 \$000	2019 \$000
Cash and cash equivalents	187,109	74,881
Receivables	129,024	133,319
Inventories	278,148	247,106
Prepayments	8,510	10,588
Contract assets	8,001	12,781
Current income tax asset	26,624	991
Assets classified held for sale	–	15,358
Total current assets	637,416	495,024
Inventories	7,029	7,248
Financial assets at fair value through other comprehensive income	1,792	1,462
Investments accounted for using the equity method	2,244,629	1,813,027
Property, plant and equipment	657,328	597,571
Right-of-use assets	106,216	–
Intangible assets	178,523	178,652
Total non-current assets	3,195,517	2,597,960
TOTAL ASSETS	3,832,933	3,092,984
Payables	128,466	128,276
Derivative financial liabilities	134	644
Current income tax liability	–	68,335
Post-employment liabilities	696	679
Contract liabilities	6,712	7,067
Lease liabilities	29,535	–
Other financial liabilities	1,698	–
Liabilities held for sale	–	3,302
Provisions	65,641	53,495
Total current liabilities	232,882	261,798
Borrowings	638,688	324,241
Derivative financial liabilities	9,633	8,198
Post-employment liabilities	18,606	19,277
Lease liabilities	82,984	–
Other financial liabilities	13,761	–
Provisions	14,881	12,153
Deferred income tax liability	417,487	299,959
Total non-current liability	1,196,040	663,828
TOTAL LIABILITIES	1,428,922	925,626
NET ASSETS	2,404,011	2,167,358
Issued capital	356,015	351,229
Reserves	293,344	283,357
Retained profits	1,754,652	1,532,772
TOTAL EQUITY	2,404,011	2,167,358

Consolidated Statement of Cash Flows

	2020 \$'000	2019 \$'000
Cash flows from operating activities		
Receipts from customers	999,521	944,999
Payments to suppliers and employees	(926,802)	(901,838)
Proceeds from land held for resale	–	41,000
Interest received	404	1,023
Interest and other finance costs paid	(24,509)	(20,050)
Dividends and distributions received	84,764	81,824
Income tax paid	(58,119)	(23,878)
Net cash from operating activities	75,259	123,080
Cash flows from investing activities		
Purchases of property, plant and equipment	(104,161)	(49,099)
Proceeds from sale of property, plant and equipment	9,607	3,055
Purchase of investments in joint ventures	(14,715)	(17,055)
Proceeds from sale or return of investments	35,140	223,014
Proceeds from sale of subsidiary	3,543	–
Purchase of controlled entities, net of cash acquired	(102,027)	(142,804)
Net cash from/(used in) investing activities	(172,613)	17,111
Cash flows from financing activities		
Proceeds from borrowings	439,302	543,642
Repayments of borrowings	(112,001)	(550,371)
Payment of principal portion of lease liabilities	(28,175)	–
Dividends paid	(86,964)	(82,374)
Net cash provided by/(used in) financing activities	212,162	(89,103)
Net increase in cash held	114,808	51,088
Effects of exchange rate changes on cash	(2,580)	2,626
Cash at the beginning of the financial year	74,881	21,167
Cash at the end of the financial year	187,109	74,881

Corporate Information

Registered Office

738–780 Wallgrove Road
Horsley Park NSW 2175
Telephone: (02) 9830 7800
Website: www.brickworks.com.au
Email: info@brickworks.com.au

Auditors

EY

Bankers

National Australia Bank

Share Register

Computershare Investor Services Pty Limited

GPO Box 2975
Melbourne Victoria 3001
Telephone: 1300 855 080 (within Australia)
+61 3 9415 4000 (International)

Principal Administrative Office

738–780 Wallgrove Road
Horsley Park NSW 2175
Telephone: (02) 9830 7800
Email: info@brickworks.com.au

Important Dates

2020 annual result released	24 September 2020
Record date for final ordinary dividend	15 October 2020
Annual General Meeting	24 November 2020
Payment date for final ordinary dividend	25 November 2020
2021 half-year end	31 January 2021
2021 half-year result announced	25 March 2021
Record date for interim ordinary dividend	13 April 2021
Payment date for interim ordinary dividend	4 May 2021
2021 financial year end	31 July 2021
2021 annual result released	23 September 2021

The above dates are indicative only and are subject to change

BRICKWORKS