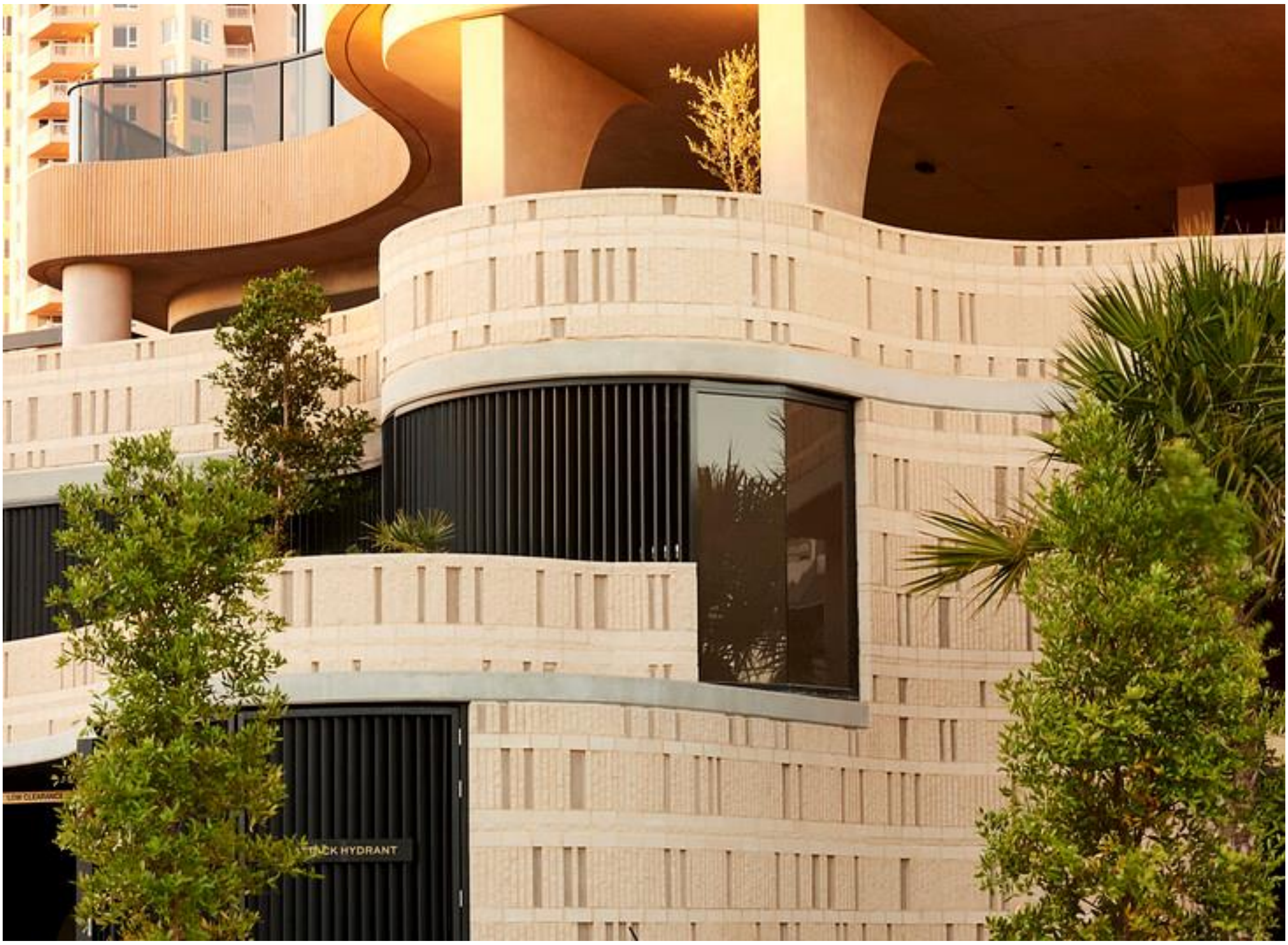
REVIEW OF **OPERATIONS**

2022

Extract from Annual Report



BRICKWORKS
LIMITED

Five Year

Summary

	2018 $000	2019 $000	2020 $000	2021[1] $000	2022 $000	% Growth
Total revenue	**712,088**	**841,285**	**898,420**	**850,922**	**1,093,154**	**28%**
Earnings before interest and tax[2]						
Building Products Australia	79,653	57,690	39,513	47,768	152,869	220%
Building Products North America	-	6,180	10,061	8,525	24,932	192%
Property	93,979	157,806	129,437	252,679	643,689	155%
Investments	123,498	103,725	50,771	96,946	180,712	86%
Head office and other expenses	(13,664)	(15,026)	(16,849)	(19,417)	(19,803)	(2%)
Total EBIT	**283,466**	**310,375**	**212,933**	**386,501**	**982,399**	**154%**
Total EBITDA	**308,465**	**343,945**	**283,699**	**454,290**	**1,057,924**	**133%**
Finance costs	(14,456)	(23,883)	(25,964)	(18,735)	(20,154)	(8%)
Income tax	(42,415)	(51,920)	(35,218)	(80,090)	(216,101)	(170%)
Underlying net profit after tax[2]	**226,595**	**234,572**	**151,751**	**287,676**	**746,144**	**159%**
Significant items net of tax	(46,230)	(37,086)	175,495	(44,892)	123,592	NA
Discontinued operations net of tax (inc. sig items)	(4,923)	(42,844)	(29,168)	(3,621)	(15,345)	NA
Net profit after tax (inc sig items, discontinued ops)	**175,442**	**154,642**	**298,078**	**239,163**	**854,391**	**257%**
Per share earnings and dividends						
Basic earnings per share (cents)	117.5	103.3	198.8	158.3	563.0	256%
Underlying earnings per share (cents)[2]	151.7	156.7	101.2	190.4	491.7	158%
Final dividend per share (cents)	36.0	38.0	39.0	40.0	41.0	3%
Total dividends per share (cents)	**54.0**	**57.0**	**59.0**	**61.0**	**63.0**	**3%**
Ratios						
Net tangible assets per share ($)	12.42	13.28	14.08	13.78	18.34	33%
Statutory return on shareholders' equity	8.5%	7.1%	12.4%	9.6%	26.2%	172%
Underlying return on shareholders' equity[2]	10.9%	10.8%	6.3%	11.6%	22.9%	97%
Interest cover ratio (underlying)	18.2	17.9	8.4	17.8	35.2	98%
Gearing (net debt to equity)	14.7%	11.7%	18.9%	20.9%	15.1%	(28%)

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

[1] Certain comparative amounts have been restated due to the re-classification of Austral Precast as a discontinued operation.
[2] This is an alternative measure of earnings that excludes significant items, which are separately disclosed in the consolidated financial statements.

Chairman's

Letter[3]

On behalf of your Board of Directors, it gives me great pleasure to present Brickworks' Annual Report for the 2022 financial year. It has been a landmark year for the Company, with record earnings achieved across our diversified and stable portfolio of attractive assets.

Review of 2022

Brickworks has delivered an outstanding result in FY2022, achieving record earnings, amidst the backdrop of continued volatile economic conditions.

In addition to the record earnings, we have made strong progress on delivering our strategy. This is illustrated by initiatives such as the launch of the Brickworks Manufacturing Trust, the purchase of strategic land assets in western Sydney, the completion of the first facilities at the new Oakdale West Estate, the commissioning of our new masonry plant in Sydney, and the completion of further bolt-on acquisitions in North America.

In July, I was pleased to spend a week in the United States with the rest of the Board. During this trip we were able to visit many of our facilities and meet with staff and customers. The trip highlighted the enormous progress our team has made towards achieving our goal of establishing a market leading brick business in North America, since our initial investment just four years ago.

During the year, demand for our building products was strong, with housing markets in both Australia and the United States supported by government stimulus packages implemented in the aftermath of the COVID-19 pandemic.

Meanwhile, the continued growth of online shopping and subsequent demand for well-located logistics facilities, has increased the value of our industrial property assets.

Whilst conditions have been broadly supportive for our business, the year has also been highlighted by several unique challenges. In the first half, our building products businesses in Australia and North America were still being significantly impacted by COVID related issues – including restrictions on building activity and workforce absenteeism.

Then in the second half, unprecedented wet weather along the east coast of Australia, and severe labour shortages, impacted our operations in many ways. In addition to reducing building activity, the inclement weather caused significant delays to development activity within the Industrial JV Trust and to the construction of our new brick plant in Sydney.

Late in the financial year, high inflation and rising interest rates in both Australia and the United States have resulted in reduced levels of consumer sentiment. Whilst this threatens to impact the economy over the next 12-24 months, I am confident that the Company is well placed to meet these challenges and continue to deliver strong returns for shareholders.

Record Earnings

Brickworks reported record statutory Net Profit After Tax (NPAT) of $854 million, up 257% on the prior year. The statutory result was boosted by a significant one-off profit in relation to the deemed disposal of Washington H Soul Pattinson ("WHSP") shares upon its merger with Milton during the first half. Excluding this impact, and other significant items and discontinued operations, the underlying NPAT was $746 million, up 159%.

Underlying earnings before interest, tax and depreciation (EBITDA) from continuing operations was $1,058 million, up 133% on the prior year, and after depreciation, EBIT was $982 million, up 154%.

The strength of the Company's diversification strategy underpinned the result, with increased underlying earnings across all divisions.

Another outstanding contribution from Property was the highlight of the year. This was driven by a significant increase in the value of our industrial property portfolio, and strong development activity within the Industrial JV Trust.

Earnings across Building Products operations in Australia and the United States were also higher, as was the contribution from our investment in WHSP.

Building our Assets

Brickworks' business model is also focussed on building a diversified portfolio of assets with increasing asset value.

At the end of the financial year, Brickworks was backed by inferred net assets worth $5.03 billion[4]. This includes our 26% stake in WHSP, our share of net Property Trust assets, the net tangible assets held within our Building Products operations in Australia and North America and the market value of selected parcels of development land (above book value), partially offset by net debt.

This translates to an inferred asset backing of $33.15 per share, providing solid backing for our current share price.

Dividends and Capital Management

The Directors have declared a fully franked final dividend of 41 cents per share, up 3% on the prior year. This brings total dividends for the year to 63 cents per share, up 2 cents or 3%.

We are proud of our long history of increasing dividends, which we have maintained or increased for 46 years. This is a testament to our strong financial position, prudent capital management and our diversified business model.

Despite our significant investment program over the past few years, our borrowing level remains conservative. Net debt declined by $25 million during FY2022 to finish the year at $493 million, with gearing of 15%.

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.

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[3] All revenue and earnings measures throughout this report exclude significant items and discontinued operations unless otherwise stated

[4] Inferred net assets comprise: Investments based on the market value of Brickworks' shareholding in WHSP (ASX: SOL) at 31 Jul 2022, Property based on Brickworks' share of net property trust assets, Building Products based on net tangible assets, selected parcels of development land at current "as is" valuation, partially offset by net debt.

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.

The Board currently comprises seven directors, including four independent non-executive directors.

As we announced last year, Robert Webster will not seek re-election at the 2022 Annual General Meeting, when his current three-year term concludes.

Michael Millner’s term also concludes at the same time. To assist with an orderly transition process, Michael intends to offer himself for re-election in 2022, before retiring at the 2023 Annual General Meeting.

As part of our succession plan, the Company has engaged external consultants to assist with the appointment of one or more new independent non-executive directors to replace Robert and Michael.

In Conclusion

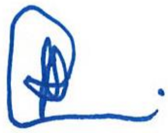
We believe Brickworks diversified portfolio of attractive assets and our robust balance sheet offers shareholders compelling value, stability, and good prospects for long term growth.

We are investing to meet the growing demand for prime industrial property, and we will continue to support our Building Products businesses in Australia and North America with selective investment to improve our competitive position.

Our investment in WHSP continues to deliver strong returns and asset growth. The merger of WHSP with Milton Corporation that was implemented during FY2022 provides exciting new opportunities, with increased scale and liquidity.

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

Managing Director's

Overview

2022 has been a standout year for Brickworks, with all four divisions improving performance to deliver record underlying Group earnings. Importantly, we have also made significant progress on the implementation of a range of strategic initiatives to position the Company for continued long-term growth.

Safety

Before outlining the financial results in more detail, I will take some time to reflect on our workplace safety performance and sustainability initiatives.

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.

Pleasingly, we continue to make steady progress on improving safety in our operations. The total recordable injury rate (injuries per million hours worked) has decreased to 11.7 in FY2022, down from 14.3 in the prior year. At the same time the lost time injury frequency rate decreased to 1.1 in FY2022, from 2.9 in the previous year.

Across our operations there were five lost time injuries during the year – four in North America and just one in Australia.

A sustained decrease in injuries has been achieved over the past decade, through disciplined implementation of safety management systems and procedures, together with behavioural leadership and safety training programs.

Sustainability

Sustainability is at the heart of our purpose: to make beautiful products that last forever. Products that stand the test of time.

Our bricks are a sustainable product, made from clay and shale that is naturally abundant and often recycled. They are guaranteed for 100 years, and many installed 100 years ago remain in service today. Their longevity also allows bricks to be recycled and re-used, unlike many competing building products.

We are on track to meet the sustainability targets within our "Build for Living: Towards 2025" strategy. This strategy focuses on the opportunity to make buildings and cities safe, resilient and sustainable. It sets a clear pathway with 15 measurable targets and commitments across the following pillars: Our People, Environment, Responsible Business and Community.

Across our Australian operations, carbon emissions have followed a general downward trend, with a 42% decrease compared to FY2006 (Scope 1 and 2).

Our progress in this area is supported by product redesign, use of recycled material and on-board fuels, firing our kilns with green fuels such as landfill gas, and capital investments into modern, fuel-efficient production processes. For example, at Horsley Park we are currently building the most energy efficient brick plant in the country. Once complete, it will replace two plants that are both more than 45 years old.

We continue to evaluate the feasibility of other plant upgrades across the fleet, with carbon reduction and fuel efficiency being key considerations in evaluating these potential projects.

We have also made steady progress in North America. Since our entry into this market in 2018, we have achieved a 9% improvement in energy efficiency, primarily through our plant rationalisation and upgrade program.

During the year, we announced a collaboration agreement with Delorean (ASX: DEL) to investigate the feasibility of developing biogas facilities at our brick plants. The initial study is focussed on our new brick plant at Horsley Park, and if successful, has the potential to displace over 200,000 gigajoules per annum of fossil fuel gas with renewable biomethane. The project is progressing well and has advanced to the development stage, following an initial concept study.

Brickworks is also active in the community and has a long-standing partnership with the Children's Cancer Institute, having made direct and indirect contributions of over $4 million since 2002.

Property

It has been a landmark year for Property, generating record EBIT of $644 million, up 155% on the prior year.

Earnings from the Industrial JV Trust were again the key driver of the result. All assets were revalued during the year, and this resulted in a strong revaluation profit of $227 million (representing Brickworks' 50% share of the overall valuation gain).

Significant development profits were also recorded, and this included the completion of several new facilities.

A highlight for the year was the completion of the state-of-the-art Amazon distribution centre, the first facility at Oakdale West (Sydney). This follows many years of planning and investment in site preparation and infrastructure at this Estate. With further facilities now close to completion, Oakdale West is well on the way to becoming one of the most prestigious industrial property precincts in the southern hemisphere.

Other Estates at Oakdale South (Sydney) and Rochedale (Brisbane) have now been fully built out, following the completion of final developments at these precincts during the second half.

The revaluations and developments during the year have resulted in total gross assets within the Industrial JV Trust increasing by around $1.5 billion to $4.2 billion. After including debt, Brickworks 50% share of net asset value held within the trust was $1,543 million at the end of the financial year.

Launch of Brickworks Manufacturing Trust

In July, we announced the launch of the Brickworks Manufacturing Trust, a new Joint Venture manufacturing property trust with Goodman Group ("Goodman"). This trust will initially house a portfolio of 15 manufacturing plants, tenanted by our Building Products Australia businesses such as Austral Bricks, Bristile Roofing and Austral Masonry.

The market value of assets sold into the Trust of $416 million represents a premium of $280 million to the book value prior to the sale (after including transaction costs and provisions). A pre-tax profit of $89 million was recorded by Building Products Australia in FY2022, with the remaining benefit to be recognised through reduced right-of-use asset depreciation over the life of each lease.

Gross cash proceeds of $207 million, representing 49.9% of the asset value, were used to pay down Group debt.

The partial sale and lease back of these properties allows Brickworks to realise value for shareholders and capitalise on the strong growth in industrial land values over the past few years.

Importantly, the lease terms have been structured to ensure minimal impact to the operational flexibility of our Building Products businesses during the lease period.

Together with Goodman we plan to actively manage the new Brickworks Manufacturing Trust, in which there are several properties that have the potential for additional development and greater utilisation.

At the end of the financial year, our equity accounted value of the Brickworks Manufacturing Trust was $211 million, including capitalised stamp duty costs.

Building Products Australia

Building Products Australia recorded an EBITDA from continuing operations of $205 million in FY2022. After including depreciation and amortisation, EBIT was $153 million.

As I mentioned, this includes a profit of $89 million from the sale of operational land into the Brickworks Manufacturing Trust. Excluding this impact, EBITDA from continuing operations was $116 million, up 19%, and EBIT was $64 million, up 34%.

Whilst the underlying performance and financial results from Building Products Australia are pleasing, in many ways it was a frustrating year for the business.

Demand has been strong, with a large volume of detached housing construction projects under construction.

However, sales momentum was repeatedly stifled throughout the year, resulting in the business not reaching its full potential. Most notably, this includes COVID-related building restrictions imposed in the early months of the financial year, supply chain pressures that have slowed the speed of construction across the industry, and unprecedented wet weather events in key east coast markets during the second half.

It is testament to the effort of our team, that despite these many challenges, a number of our state operating divisions delivered record earnings during the year.

The performance of Austral Bricks was particularly strong, where there was a broad-based improvement in earnings across all regions, due to higher sales and improved margins.

The margin expansion achieved by Austral Bricks was particularly pleasing, in light of the high inflation environment. This was underpinned by a pro-active price rise strategy to fully recover the impact of increasing costs.

Fortunately, we have not been significantly impacted by the extreme gas and electricity prices that have hit many manufacturers in the second half. Brickworks is well placed in this regard, with a fixed price wholesale gas contract with Santos on the East Coast, extending until December 2024.

Our major investment program continues to progress, despite being significantly impacted by the same challenges faced by our operating divisions. Construction of the new brick plant at Horsley Park has suffered multiple flooding events, shipping delays, a lack of critical parts and significant cost increases of steel and other materials.

On a more positive note, construction of the Oakdale East Masonry Plant was completed and commissioned during the year. However, the associated value-added plant remains under construction, following lengthy delays.

Brickworks made a strategic investment in FBR Limited (ASX: FBR) in July. FBR has developed a bricklaying robot that has the potential to build walls faster than traditional methods, and with much reduced labour. With an ongoing shortage of bricklayers, exacerbated by the current tight labour market, we see a strong market opportunity for this technology and as the largest brick maker in the country, we have much to benefit from its successful commercialisation.

Building Products North America

Building Products North America delivered EBITDA of $48 million and EBIT of $25 million.

This result includes a contribution of $13 million from the sale of several surplus land holdings – predominantly quarry lands associated with closed brick plants. Land sales profit of $10 million was recorded in the prior year.

Excluding the impact of land sales, EBITDA of $35 million was more than double the prior year. This was achieved despite the lingering impacts of the pandemic, with the first half beset by repeated disruption to manufacturing operations and sales activity across the country, as COVID's Delta and Omicron strains impacted workforce availability.

Whilst pandemic-related impacts eased in the second half, new challenges emerged with surging inflation impacting costs all across the supply chain. In particular, labour constraints have resulted in higher wage rates to attract and retain staff.

Like in Australia, we have long-term fixed price gas contracts across the majority of our plants, sheltering us from the impact of soaring energy costs.

The business has made strong progress on key strategic priorities over the year, including the completion of two acquisitions to bolster the Company's retail distribution network. This vertical integration strategy provides Glen-Gery with enhanced customer relationships and underpins sales volume to support our manufacturing operations.

The plant rationalisation strategy has also continued, with the closure of two more plants during the year. We commenced this program back in 2019, and since that time have reduced the number of operating plants from 16 to 9. We are now confident that the plant network is right-sized for our forecast production, with each plant operating at much higher utilisation resulting in improved efficiency and reduced total carbon emissions.

Another key benefit of our plant rationalisation program is that capital spend can be more targeted. In FY2022 we completed extensive upgrades to the Hanley plant in Pennsylvania and the Lawrenceville Plant in Virginia, to reduce manufacturing costs and expand the production capability.

In November, the "G21" launch event was held, with the release of an expansive catalogue of new products, including several exciting new ranges from both the Hanley and Lawrenceville plants.

In March, I was proud to attend the launch of our new flagship design studio on 5th Avenue, New York City. This store sets a new benchmark for the building products industry globally, offering an unparalleled opportunity for product promotion, customer engagement and industry collaboration.

Investments

Our investment in WHSP provides a cash flow stream via dividends that provides stability and allows long term strategic decision making. In total, cash dividends of $61 million were received during the year, up 5% on the prior year. EBIT from Investments was up 86% to $181 million.

In the first half of the year, WHSP completed a merger with Milton, another large ASX listed investment company. The larger WHSP has increased scale, diversification and liquidity to pursue additional investment opportunities.

Brickworks retains 94.3 million shares in WHSP, but due to the addition of new shareholders to the register, our ownership stake has reduced to 26.1% (previously 39.4%).

Group Outlook

The outlook varies across each of our divisions.

Within **Property**, activity in the Industrial JV Trust remains strong, with developments at Oakdale West expected to drive growth in rent and asset value over the next few years.

Four facilities at Oakdale West are expected to be completed in the first half of FY2023, including a 66,000m^2 facility to be tenanted by Coles. Following the completion of these facilities, the Oakdale West Estate will be 62% developed. Demand for the remaining 144,000m^2 of gross lettable area is strong and we expect construction to commence on additional facilities during FY2023.

The completion of the new brick plant at the Horsley Park Plant 2 site in early calendar 2023 will allow the release of additional land at Oakdale East, where Plant 3 is currently located. This land, with a current "as is" market value of around $300 million, is likely to be sold into the Industrial JV Trust during FY2023. As such, it is expected to generate a significant profit on sale and then allow further development to meet the growing demand from tenants.

Once fully developed, this additional parcel of land is expected to add over $1 billion of leased assets to the Industrial JV Trust[5].

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

Turning to **Building Products Australia**, there remains a significant amount of detached house construction work in the pipeline. This healthy pipeline of work is expected to translate to strong sales for at least the first half of FY2023.

In some areas, sales volume is being limited by the availability of trades, with roof tilers in Victoria in particularly short supply.

Once the current backlog of stimulus-induced housing work is completed, a period of softer demand is expected, with the rapid increase in interest rates set to provide challenges for the housing industry in the medium term. This is already evident in declining building approvals and our home builder customers reporting significantly reduced foot traffic through display homes.

In **North America,** market conditions are similar to Australia, with a strong order book providing confidence in the short-term sales trajectory, but rapidly rising interest rates driving a reduced level of new housing starts and a more cautious medium-term outlook.

On the strength of the first six weeks trading and the existing order book, we anticipate increased sales across both the residential and higher margin commercial segments in the first half of FY2023.

Manufacturing costs will benefit from the extensive plant rationalisation activities and upgrades already undertaken.

Over the long term, North American operations are expected to deliver increased earnings, with Brickworks continuing to implement our proven market strategy centred around style and premium product positioning.

We expect our **investment in WHSP** to continue to deliver superior long-term returns and dividend growth well into the future.

In relation to the **Brickworks Manufacturing Trust**, there will be a range of divisional reporting implications, however the overall impact on Brickworks Group underlying NPAT and cashflow is expected to be less than $2 million, excluding any potential revaluations or development profits / losses. For example, from a cashflow perspective, Building Products Australia will incur additional rent of around $18 million, with this cash cost being broadly offset by net rental income within Property (based on our 50.1% ownership stake), and reduced bank interest charges following the repayment of debt with the proceeds from the sale.

Looking more broadly, it is clear that we are facing an increasingly uncertain global economic and political outlook. This uncertainty will create both risk and opportunity for Brickworks.

For example, supply chain risks are emerging that have the potential to impact the availability of critical spare parts to maintain our operations. In addition, the European energy crisis has directly impacted several of our valued suppliers who have been forced to curtail brick and roof tile operations due to the extreme gas and electricity prices.

Whilst this situation is devastating for our partners, it also provides opportunity for Brickworks, in that it has become cost-effective to supply bricks into Europe from both our Australian and North American operations. As such, we are actively exploring this opportunity.

I have already mentioned the risk of rising interest rates in relation to the dampening effect on demand for building products. Rising rates will also increase the risk of capitalisation rate expansion across our property portfolio.

Despite the increasing uncertainty, Brickworks' diversified portfolio of assets remains very well-placed to meet any future challenges and continue to deliver strong results for shareholders.

Our People

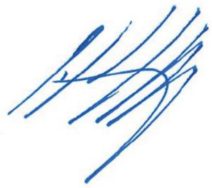
Finally, I'd like to thank our people. We now have more than 2,100 employees, and it is their energy and dedication that will continue to drive our success.

The world has changed significantly over the past few years, and like all companies, we have had to make changes to the way we work and interact as a team. I am very proud that at Brickworks we have been able to maintain a stable and highly experienced leadership team and a committed workforce. I believe this gives us a competitive edge.

Last month we announced that Grant Douglas has replaced Robert Bakewell as Chief Financial Officer. Grant joined Brickworks in 2011 and has held several senior positions within the Company since that time, including playing a key role in the establishment and growth of our operations in North America. I would like to formally congratulate Grant on his appointment, and also acknowledge the contribution of Robert, who was a valuable member of the leadership team during his six years in the role.

I would also like to congratulate Mark Ellenor, who has been promoted to the role of Executive General Manager, Building Products. Mark has been with Brickworks for more than 20 years in various roles, most recently as President, North America. In this new role, his responsibility will expand to include operations in Australia, and I look forward to working closely with him in this new capacity.

Finally, I would also like to take this opportunity to thank the Board of Directors and the executive team. As you can see, we have achieved a lot during the past 12 months, and none of this would be possible without their support and commitment.



Lindsay Partridge AM
Managing Director

[5] Assumes GLA of 280,000m^2, rent of $160/$m^2$ and cap rate of 4.25%

Financial

Overview

- **Statutory NPAT** including significant items and discontinued operations, up 257% to $854 million
- **Underlying NPAT from continuing operations** before significant items, up 159% to $746 million
- **Underlying EBIT from continuing operations** before significant items, up 154% to $982 million. EBITDA up 133% to $1,058 million
  - **Property** EBIT up 155% to $644 million, net Property Trust assets $1.754 billion (including Brickworks Manufacturing Trust)
  - **Building Products Australia** EBIT up 220% to $153 million and EBITDA up 110% to $205 million, including an $89 million profit associated with the sale of 15 properties into the new Brickworks Manufacturing Trust
  - **Building Products North America** EBIT up 192% to $25 million and EBITDA up 84% to $48 million
  - **Investments** EBIT up 86% to $181 million, Brickworks share of WHSP market value $2.423 billion
- **Operating cashflow** down 7% to $130 million
- **Final dividend** of 41 cents fully franked, up 1 cent or 3% (Record date 2 November 2022, payment date 23 November 2022)
- **Total full-year dividend** of 63 cents fully franked, up 2 cents or 3%

Earnings

Brickworks posted a statutory Net Profit After Tax (**NPAT**) of $854 million for the year ended 31 July 2022, up 257% on the prior year. Excluding significant items and discontinued operations, the underlying NPAT was $746 million, up 159%.

Underlying earnings before interest, tax and depreciation (**EBITDA**) from continuing operations was $1,058 million, up 133% on the prior year. After depreciation and amortisation, **EBIT** was $982 million, up 154%.

Property EBIT was a record $644 million, driven by another strong performance from the 50/50 joint venture industrial property trust with the Goodman Group ("Property Trust"). Strong revaluation and development profits were recorded during the period. This resulted in Brickworks' share of the net asset value within the Property Trust increasing by $631 million to $1,543 million.

The highlight of the year was the completion of the state-of-the-art Amazon warehouse at Oakdale West – the first facility at this Estate.

On revenue of $694 million, **Building Products Australia** EBIT was $153 million (EBITDA was $205 million). This includes an $89 million profit associated with the sale of 15 operational properties into the new Brickworks Manufacturing Trust, completed in July. Excluding this impact, EBIT from continuing operations was $64 million, up 34% and EBITDA was $116 million, up 19%.

The higher earnings were due primarily to a strong performance from Austral Bricks across all east coast states, where increased demand supported improved production efficiencies.

On revenue of $399 million, **Building Products North America** contributed EBIT of $25 million and EBITDA of $48 million. This result includes the sale of a number of surplus quarry sites, generating a profit of $13 million. Excluding the impact of land sales in both FY2021 and FY2022, EBITDA was up 113% to $35 million.

The uplift in revenue and earnings was supported by the acquisition of IBC in August 2021, and a modest recovery in commercial building activity in key markets during the second half.

Investments EBIT was up 86% to $181 million, primarily due to a higher contribution from New Hope Corporation to WHSP earnings. During the first half, WHSP completed a merger with ASX listed investment company, Milton Corporation ("Milton", formerly ASX: MLT). The market value of Brickworks' shareholding in WHSP was $2.423 billion at 31 July 2022, down $656 million for the year.

Total **borrowing costs** were up 8% to $20 million, with underlying **interest cover** finishing the year at a conservative 35 times.

Underlying **income tax** from continuing operations was $216 million, up from $80 million in the prior year, due to the higher earnings.

Significant items increased NPAT by $124 million for the period. This comprised:

- A net profit of $271 million following WHSP's merger with Milton. This includes a $452 million profit on the deemed disposal of WHSP shares, partially offset by Brickworks share of a goodwill impairment incurred by WHSP, upon the merger.
- A $40 million post-tax gain from other WHSP significant items, primarily related to the de-consolidation of New Hope Corporation.
- A $17 million expense 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.
- A non-cash impairment in Building Products Australia of $117 million (post-tax), in accordance with AASB 136. This comprises a goodwill impairment of $80 million within Austral Bricks and impairments to plant and equipment and right-of-use assets within Bristile Roofing ($13 million) and Austral Masonry ($24 million). The impairment charges are based on management's assessment of more conservative forecasts for building activity over the medium term (in light of increasing inflation and interest rates, and pressure on global supply chains), an increased leased asset base and a higher discount rate applied.
- A $28 million cost (net of tax), associated with plant relocation and commissioning costs. This is primarily attributable to a non-cash impairment of buildings, plant and equipment and clay in relation to the closure of Plant 3 at Horsley Park in Sydney. This cost also includes commissioning expenses at the new Oakdale East masonry plant, Plant 2 at Horsley Park and Hanley in North America.

- Restructuring costs of $10 million (net of tax), primarily relating to the planned shutdown of the Bellevue plant in Western Australia. In North America, costs were incurred in relation to the closure of several retail outlets and the staged decommissioning of production at the York and Caledonia plants.
- COVID-19 related costs of $8 million (net of tax), reflecting primarily the unabsorbed fixed costs in relation to manufacturing plant slowdowns as a result of COVID-19 absenteeism in North America and incremental costs such as test kits and construction delays on major projects.
- Acquisition costs of $3 million (net of tax), primarily in relation to the purchase of IBC.
- Other costs of $4 million (net of tax), primarily in relation to the implementation of a new enterprise resource planning system and the impacts of flooding on the east coast of Australia in the second half.

Significant Items ($m)	Gross	Tax	Net
Net impact of WHSP merger with Milton	464	(193)	271
Other WHSP significant items	57	(17)	40
Income tax from the carrying value of WHSP	-	(17)	(17)
Building Products Australia impairment	(132)	15	(117)
Plant relocation and commissioning costs	(40)	11	(28)
Restructuring activities	(14)	4	(10)
COVID-19 costs	(11)	3	(8)
Acquisition costs	(4)	1	(3)
Other costs	(6)	2	(4)
Total (Continuing Operations)	**315**	**(191)**	**124**

Cash Flow

Total **cash flow from operating activities** was $130 million, down 7% on the prior year, with cash generation impacted by increased inventory within Building Products operations and higher interest payments (including interest payments on leases).

Capital expenditure and land acquisitions was $134 million during the year, with the Company midway through a significant investment program across a range of major projects. Project spend included a new brick plant at Horsley Park (NSW), a new masonry plant at Oakdale East (NSW) and deployment of a new enterprise resource planning system. In North America, extensive upgrades were completed at the Hanley (Pennsylvania) and Lawrenceville (Virginia) plants.

In March 2022 Brickworks completed the purchase of 121 hectares of land at Bringelly, in Southwest Sydney.

In addition, spending on business acquisitions amounted to $75 million, primarily related to the IBC purchase, completed in August 2021.

Gross cash proceeds of $207 million were received in July 2022, in relation to the sale of properties to establish the Brickworks Manufacturing Trust.

Balance Sheet

During the year total shareholders' equity was up $780 million to $3.260 billion.

Net tangible assets ('NTA') per share was $18.34 at 31 July 2022, up from $13.78 at 31 July 2021. The uplift primarily reflects the increase in value of the Industrial JV Trust, and the launch of the Brickworks Manufacturing Trust (with these operational land assets previously held at cost).

Total interest-bearing debt was $599 million at 31 July 2022. After including cash on hand, **net debt** at the end of the year was $493 million, a decrease of $25 million for the 12-month period.

Gearing (net debt to equity) was 15% at 31 July 2022, down from 21% at 31 July 2021.

Net **working capital** was $316 million at 31 July 2022, including finished goods inventory of $267 million, up by $41 million on the prior year. The increase in inventory was due to the extreme wet weather along the east coast of Australia in July, resulting in reduced product despatches at the end of the financial year, and the IBC acquisition in North America.

Dividends

Directors declared a fully franked final **dividend** of 41 cents per share for the year ended 31 July 2022, up 3% from 40 cents. Together with the interim dividend of 22 cents per share, this brings the total dividends paid for the year to 63 cents per share, up 2 cents or 3% on the prior year.

Discontinued Operations - Austral Precast

Following the annual strategic review process, Brickworks has determined that further investment in Austral Precast is not justified, given other capital priorities across the Group.

Brickworks is now focussed on realising the maximum value possible from these assets, through an orderly exit, including the initiation of a sale process. As a result, Austral Precast has been reclassified as held for sale and is not reported in underlying continuing operations.

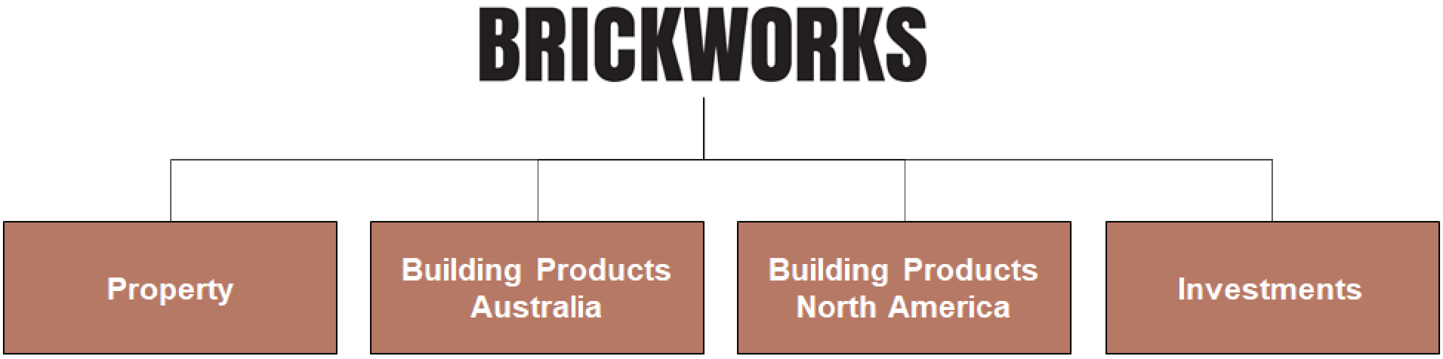
To ensure consistency, FY2021 financials have been restated on the same basis.

On the reclassification, an after-tax impairment of $13 million to Austral Precast was recorded, predominantly related to a write down to the carrying value of plant and equipment.

In FY2022, Austral Precast contributed an EBIT loss of $3 million, broadly in line with the prior year. An improvement in the underlying performance of the business, driven by a range of cost reduction programs, was offset by the impact of severe wet weather in Sydney during the second half, which caused significant delays and disruption to many projects.

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:

- Property;
- Building Products Australia;
- Building Products North America; and
- Investments.

Property

The Property division was originally established to maximise the value of land that is surplus to the Building Products business.

Over time, the Property division has evolved and now consists of two Joint Venture Property Trusts with Goodman Group, plus 100%-owned land holdings, both operational and for development.

Brickworks holds a 50% interest in the Industrial JV Trust. This 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. This Trust has grown significantly since its inception, and now has total assets of $4.2 billion. After including debt, Brickworks 50% share of the Property Trust has an equity value of $1,543 million.

In July 2022, Brickworks launched the Brickworks Manufacturing Trust. This comprises a portfolio of 15 manufacturing plants, tenanted by the Company's Australian Building Products businesses. Brickworks holds 50.1% ownership of this Trust, with the remaining 49.9% interest sold to Goodman Group.

The creation of this new Trust allows Brickworks to realise the underlying value of operational land assets and will be actively managed to improve site utilisation and enhance the value of these properties.

The Brickworks Manufacturing Trust has total assets of $416 million and no debt. Brickworks 50.1% ownership had an equity value of $211 million as at 31 July 2022.

Along with its interest in the Industrial JV Trust and the Brickworks Manufacturing Trust, Brickworks retains around 5,300 hectares of 100%-owned operational and development land across Australia and North America. This includes a number of sites earmarked for future development.

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, 37 company-owned design centres and studios and a vast network of resellers across the country.

The portfolio includes:

- **Austral Bricks:** Australia's largest clay brick manufacturer with significant market positions in every state
- **Bristile Roofing:** A leading roof tile manufacturer, offering supply and install of locally produced concrete and imported terracotta tiles
- **Concrete Products:** Includes Austral Masonry and a 33% interest in the Southern Cross Cement joint venture

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, Redland Brick assets in February 2020 and Illinois Brick Co ("IBC") assets in August 2021.

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 8 brick manufacturing sites and one manufactured stone plant. This is complemented by a network of 25 company-operated distribution outlets, three design studios (New York, Philadelphia and Baltimore) and a vast reseller network.

Investments

Investments consists primarily of a 26.1% interest in ASX-listed Washington H. Soul Pattinson ('WHSP') (ASX: SOL), which had a market capitalisation of $9.273 billion as at 31 July 2022. The market value of Brickworks stake in SOL was $2.423 billion as at 31 July 2022.

WHSP is a diversified investment house with a portfolio encompassing strategic investments in major listed companies, a large cap equity portfolio, private equity investments, interests in a wide range of emerging companies and a structured yield portfolio.

The investment in WHSP dates back to 1968 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.

Property

Property Overview

FY2022 was another great year for Property, with record earnings and continued strong growth in the value of our Property Trust assets.

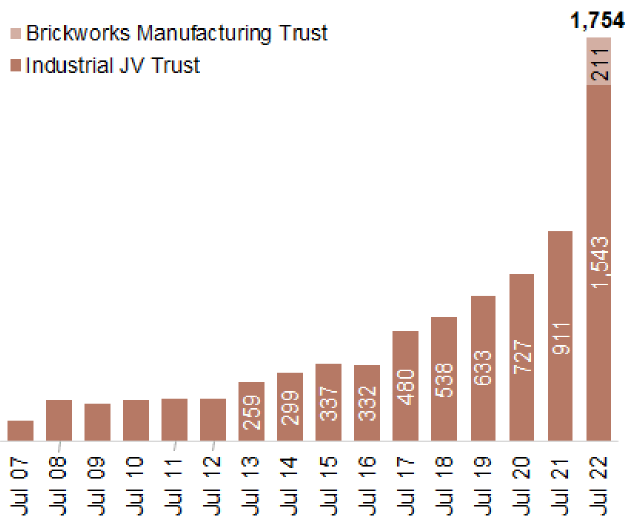
The year was also highlighted by the launch of the Brickworks Manufacturing Trust. Following the launch of this Trust, the Property division now comprises:

- A 50% share of the Industrial JV Trust
- A 50.1% share of the Brickworks Manufacturing Trust

In addition, the Property division actively manages an extensive portfolio of 100%-owned operational and surplus land (currently held within Building Products).

Brickworks share of net asset value across the two property trusts was $1.754 billion at 31 July 2022, up by $843 million.

Brickworks Net Property Trust Assets ($million)



Continued capitalisation rate compression over many years has crystallised the value that the Industrial JV Trust was specifically established to capture. Since its inception, Brickworks net asset value within this trust has increased at 21% per annum, generating significant value for shareholders.

Property Earnings

Year Ended July ($million)	2021	2022	Change
Net Trust Income	31	36	17%
Revaluation of properties	149	227	53%
Development Profit	24	387	>500%
Industrial JV Trust	**204**	**651**	**219%**
Land Sales	52	(3)	(106%)
Property Admin and Other	(4)	(4)	-
Total	**253**	**644**	**155%**

Record Property EBIT of $644 million for the 2022 financial year was up 155% on the prior year.

The Industrial JV Trust delivered an EBIT contribution of $651 million, up 219% on the prior period.

Net trust income was up 17% to $36 million for the year. This reflects annual rent increases across the leased portfolio, plus the additional contribution from newly tenanted facilities at Oakdale South (one new facility) and Oakdale West (6 months' rent from Amazon, the first tenant at this Estate).

Property Trust assets were revalued during the year, resulting in a profit of $227 million, up 53% on the FY21 result. The vast majority of revaluations were completed during the first half and resulted in an average 50-basis point compression across the portfolio, driven by strong demand for industrial assets.

The revaluation includes a $42 million profit associated with fully serviced land held within the Property Trust that is awaiting development.

Development profit of $387 million was recorded for FY2022. This included:

- A $74 million profit at Oakdale South, following the completion of the final two facilities at this Estate;
- A $20 million profit at Rochedale, following the completion of the final 30,200m^2 facility; and
- A $293 million profit at Oakdale West, due to the completion of 3 facilities (Amazon, Xylem and Site 1C/1B), plus fair value assessments on an additional four facilities deemed to be greater than 80% complete.

No property sales were completed in FY2022, however an expense of $3 million has been recorded. This relates to costs incurred to prepare land for sale adjacent to the Austral Bricks Plant 3 site at Horsley Park (to be known as Oakdale East). This cost included earthworks and expenses relating to securing development approvals for this site.

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.

Earnings recorded by the Brickworks Manufacturing Trust were immaterial in FY2022, with the Trust being launched in the final days of the financial year.

Industrial JV Trust Asset Value

As at 31 July 2022, the total value of leased assets held within the Industrial JV Trust was $3.341 billion. The annualised gross rent generated from the Trust is $127 million, and the average capitalisation rate is 3.6%. There are currently no vacancies in the portfolio.

Leased Facilities	Asset Value ($m)	Gross Lettable Area (000m^2)	Gross Rental ($m p.a.)	WALE[6] (yrs)	Cap. Rate
M7 Hub	225	64	9	3.0	3.8%
Interlink	581	192	26	5.0	3.7%
Oak Central	869	245	32	3.7	3.5%
Oak South	603	177	21	6.6	3.6%
Rochedale	376	126	16	10.1	4.0%
Oak East	169	36	6	10.5	3.4%
Oak West	518	78	17	17.0	3.3%
Total	**3,341**	**918**	**127**	**7.3**	**3.6%**

During the year, the Estates at Oakdale South and Rochedale were fully built out.

The Industrial JV Trust also holds a further $867 million in assets for development, all within the Oakdale West Estate. This comprises $744 million worth of facilities already under construction and $123 million of land awaiting development.

Including the assets for development at Oakdale West, the total value of assets held within the Industrial JV Trust was $4.208 billion at the end of the year, up 58% from $2.668 billion at the end of the prior year.

Borrowings of $1.123 billion are held within the Industrial JV Trust, giving a total net asset value of $3.085 billion. Brickworks' 50% share of net asset value was $1.543 billion at 31 July 2022, up $631 million during the year.

Gearing on leased assets within the Industrial JV Trust reduced to 26% during the year.

Year Ended July ($million)	2021	2022	Change
Leased properties	1,982	3,341	69%
Land to be developed[7]	686	867	26%
Total Property Trust assets	**2,668**	**4,208**	**58%**
Borrowings	(845)	(1,123)	33%
Net Property Trust assets	**1,822**	**3,085**	**69%**
Brickworks 50% share	**911**	**1,543**	**69%**
Gearing on leased assets[8]	32%	26%	(19%)

Industrial JV Trust – Development Pipeline

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

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

The development of Oakdale West in New South Wales will drive growth in rent and asset value over both the short and medium-term.

In total, there is 158,000m^2 of pre-committed gross lettable area ("GLA") currently under construction at Oakdale West and due to be completed in the first half of financial year 2023. This includes a 66,000m^2 distribution warehouse for Coles.

In addition to the pre-committed facilities, a further 144,000m^2 of GLA remains available for development within the Oakdale West Trust and will provide further opportunity for growth in the years ahead.

Longer term growth is anticipated through the sale of additional Brickworks owned surplus land into the Industrial Property Trust, subject to approvals.

Brickworks Manufacturing Trust

The Brickworks Manufacturing Trust comprises 15 sites. The sites are predominantly zoned industrial and are well diversified across the country.

As at 31 July 2022, the total asset value was $416 million and the trust has no debt. Including capitalised stamp duty costs, Brickworks 50.1% ownership has an equity value of $211 million.

Each of the sites is tenanted by Brickworks' operating businesses, such as Austral Bricks, Bristile Roofing, Austral Masonry and Austral Precast, with long duration leases of 5-20 years, which have options to extend. The weighted average lease expiry (WALE) is 16 years.

Leased Facilities	Asset Value ($m)	Area (Ha)	Gross Rental ($m p.a.)	Initial Lease Term (yrs)
Wetherill Park Plant	27	2	1.2	5
Rochedale Plant	118	62	5.0	20
Wacol Plant	13	2	0.6	10
Gympie Plant	4	38	0.2	15
Cairns Plant	7	1	0.4	15
Yatala - surplus	5	8	-	-
Yatala Plant	7	4	0.3	20
Rockhampton Plant	4	2	0.2	10
Ayr Plant	2	1	0.1	10
Golden Grove Plant	19	49	0.8	20
Longford Plant	4	11	0.2	15
Wollert Plant	132	276	5.3	20
Dandenong Plant	16	3	0.7	10
Armadale Plant	42	23	2.0	10
Bellevue Plant	17	15	0.8	5
Total	**416**	**496**	**17.8**	**16**

Together with Goodman Group, Brickworks will actively manage the new Brickworks Manufacturing Trust, with several properties having the potential for additional development and greater utilisation.

Operational and Development Land

Along with its interest in the Industrial JV Trust and the Brickworks Manufacturing Trust, Brickworks retains around 5,300 hectares of 100%-owned operational and development land across Australia and North America.

This includes four significant land holdings that may be suitable for sale into the property trusts over the coming years. Based on

[6] Weighted average lease expiry by income
[7] Includes facilities under development

[8] Borrowings on leased assets / total leased assets.

independent market valuations, these sites have a combined current “as is” value of $0.761 billion and a “rezoned” value of $1.266 billion.

These development sites include:

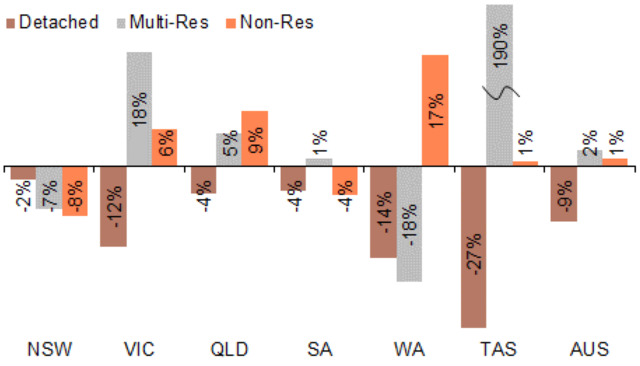
- A 75-hectare parcel of land at Oakdale East in New South Wales, earmarked for sale into the Industrial JV Trust in FY2023.
- 332 hectares of surplus land at Craigieburn, in Victoria, also with potential for future sale into the Industrial JV Trust, subject to approvals.
- An 83-hectare property at Horsley Park in Sydney, where a new brick plant is currently being built (known as “Plant 2”). This property also comprises another well-established brick plant (“Plant 1”), a quarry and additional surplus land. Subject to rezoning, this site may be suitable for future sale into the Brickworks Manufacturing Trust.
- A large parcel of land in Pennsylvania, North America, surrounding the Mid-Atlantic brick plant. This site has development potential, and the Company has recently executed a non-binding Heads of Agreement with Goodman to investigate the feasibility of industrial development at this site.

Building Products

Australia

Market Conditions

Change in Commencements (FY2022 vs FY2021)[9]



Building activity in Australia was mixed in FY2022, with each state facing unique circumstances in the post pandemic and HomeBuilder environment.

Although detached house commencements were down 9% nationally to around 128,300 for the twelve months to June 2022, this level of activity remains elevated compared to historical averages.

Despite concluding well over a year ago, the HomeBuilder program continues to underpin detached housing building activity across Australia. Whilst the vast majority of this work has commenced, a significant pipeline of projects remain under construction. During the current upturn, building timelines have extended as a result of supply chain delays and labour constraints. As a result, the usage of bricks and roof tiles on-site is now typically lagging commencements by 6 months or more.

Annualised multi-residential commencements across the country were 75,400 at June 2022. This represents a slight uplift from the prior year and follows an extended period of declining activity. The weakness of this segment in recent years has been partly due to the pandemic resulting in a shift in consumer preference towards lower density living.

Non-residential building has rebounded in most states (except New South Wales and South Australia), with private investment in offices, accommodation and retail, having previously been scaled back in the first year following the pandemic.

[9] Source: BIS Oxford Economics Australian Building Forecasts, July 2022. Figures shown are for the 12 months ended in June.

Overview of FY2022 Result

Year Ended July ($ million)	2021	2022	Change
Revenue	648	694	7%
EBITDA	98	205	110%
EBIT	**48**	**153**	**220%**
EBITDA (ex-Property Sale)	98	116	19%
EBIT (ex-Property Sale)	**48**	**64**	**34%**
EBITDA margin (ex-Property Sale)	15%	17%	11%
EBIT margin (ex-Property Sale)	7%	9%	25%

Revenue from continuing operations for the year ended 31 July 2022 was up 7% to $694 million. An increase in revenue in Austral Bricks and Concrete Products was offset by a reduction in Bristile Roofing.

EBIT from continuing operations was $153 million and **EBITDA** was $205 million. This includes a one-off profit associated with the sale of 15 operational properties into the Brickworks Manufacturing Trust, completed in July.

The gross value of the Brickworks Manufacturing Trust assets of $416 million represented a premium of $280 million to the book value of those assets (after allowing for various transaction-related costs and provisions).

A pre-tax profit of $89 million was recorded by Building Products Australia in FY2022, with the remaining benefit to be recognised through reduced right-of-use asset depreciation over the life of each lease.

Excluding this impact, **EBIT** from continuing operations was $64 million, up 34% and **EBITDA** was $116 million, up 19%.

EBIT of $37 million was achieved in the second half, significantly higher than the first half. At the start of the financial year, sales activity was impacted by the tail end of construction lockdowns that continued to persist in Sydney and Melbourne.

The year has been characterised by strong underlying demand, underpinned by the long backlog of HomeBuilder work, which has not been fully met, due to a range of supply side challenges.

Notable supply side challenges have included a tight labour market that has limited the availability of trades, supply chain disruptions that have slowed construction timelines and extended periods of wet weather in key east coast markets.

Unit margins increased, supported by price rises across most business units, offsetting the impact of supply chain difficulties and inflationary pressures in many areas. Increased plant utilisation resulted in improved production efficiencies, with all manufacturing plants operating at close to capacity for the period (aside from pandemic related enforced shutdowns).

Austral Bricks

Austral Bricks' earnings increased 32% for the twelve months ended 31 July 2022, with sales volume up 4% to 567 million bricks and revenue up 12% to $466 million.

Increased revenue was recorded in every state, and operations in Queensland, Victoria, South Australia and Tasmania all achieved record earnings.

Despite the significant cost pressures across the industry, Austral Bricks achieved improved margins. General price increases were implemented early in the year, with additional increases or levies selectively applied as necessary to recoup extreme inflationary impacts in some areas of the business.

Strong operational performance at Rochedale in Queensland followed prior period plant upgrades and a sustained focus on operational excellence, resulting in lower unit costs, improved product quality and a broader range.

New South Wales also delivered a strong uplift in earnings, despite a number of challenges faced during the year. In the first half, production was heavily disrupted due to a range of pandemic related issues, including temporary shutdowns at Plant 3 and Punchbowl. Then, operations in the second half were adversely impacted by wet weather, with Sydney recording the highest running annual rainfall rate on record rate up to the end of July.

This rainfall significantly impacted construction progress of the new brick plant at Horsley Park in Sydney. This facility, which will have capacity to produce 130 million bricks per year, is now due to be completed early in calendar 2023.

Once completed, brick operations in western Sydney will be consolidated at the Horsley Park Plant 1 and 2 site, and 75 hectares of land will be released at Oakdale East, where Plant 3 is located.

In January, 121 hectares of land at Bringelly, in southwest Sydney, was purchased. Subject to approvals, this land will be used as a clay resource to support Austral Bricks operations in Sydney, effectively replacing the existing clay resource at Oakdale East and ensuring that brick operations are not adversely impacted by the release of land for property development.

In Western Australia, the sharp recovery in housing activity has resulted in a strong increase in demand. This has necessitated a ramp-up in production, due to tight industry supply.

In this state pricing is significantly below the rest of the country, and as a result operations remain loss-making and continue to be a drag on overall performance.

Concrete Products

Following the reclassification of Austral Precast as held for sale, Concrete Products now comprises Austral Masonry and Brickworks' 33% share of the Southern Cross Cement joint venture.

Concrete Products earnings declined on the prior year, on relatively steady revenue of $121 million for the twelve months to 31 July 2022.

Within **Austral Masonry**, construction of the new Oakdale East plant in Sydney reached practical completion in July, and the commissioning process has now been completed. This new facility, with a capacity of around 300,000 tonnes per year, incorporates the latest block-making technology, and will deliver lower costs and a broader product range.

This project also includes an associated value-added facility, to create products such as polished pavers and split face retaining walls. Construction of this facility was delayed due to the restricted mobility of engineering crews and overseas-based suppliers, and then subsequent poor weather. This value-added facility is now under construction and expected to be completed in the first half of the current financial year.

Whilst there has been some disruption and increased costs during the transition phase, the new plant places the business in a very strong competitive position in this key market.

Competition in southeast Queensland remains intense, resulting in low pricing and tight margins in this region.

Sleeper sales grew strongly during the year, with Austral Masonry utilising its sales and distribution presence to boost sales into New South Wales and Victoria. When this Brisbane based business was acquired in 2019, sales were predominantly focussed on the local market.

The premium Urbanstone paving range remains a popular choice for architects, with a number of significant project wins during the year including the Martin Place and Barangaroo metro stations in Sydney, Murdoch University in Perth and Subiaco East urban renewal in Perth.

In April, Austral Masonry completed the acquisition of a masonry plant in Mackay, Queensland, from National Masonry. As the only masonry plant in Mackay, this will allow Austral Masonry to grow sales in a region where it previously had minimal presence.

Southern Cross Cement continues to provide quality, cost-effective cement to Austral Masonry and Bristile Roofing operations in Brisbane, as well as to other Joint Venture shareholders. However, high energy and shipping costs have impacted cement supply and resulted in reduced earnings for the year.

Due to the high shipping cost, a significant volume of cement was sourced locally during the year.

Bristile Roofing

Bristile Roofing earnings were lower than the prior year, on a 5% reduction in revenue to $106 million. This includes sales from the Fyshwick roof tile batten mill.

The decline in revenue was primarily attributable to lower sales volume in Victoria, the largest roof tile market in the country. In this region, demand was not fully met, due to trade shortages that remain a significant issue for both tile and metal roof installations. Across other states, revenue was broadly in line with the prior year. The supply chain constraints across the country are expected to effectively cap industry installation capacity and therefore sales volume.

In July, Bristile Roofing completed the acquisition of Alice Roof Tiles, based in Melbourne. The additional sales volume it delivers will be rolled into Bristile's Dandenong plant, increasing utilisation and reducing unit tile costs.

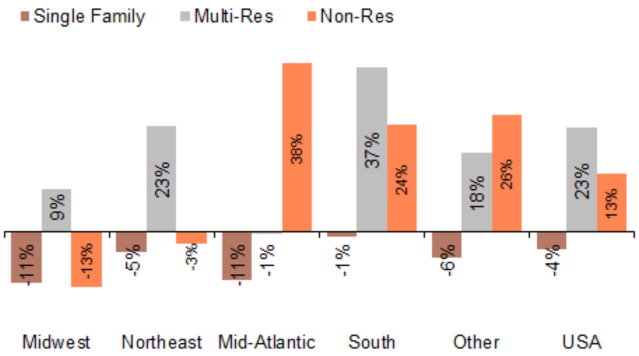
Capital Battens recorded increased revenue and earnings, with the Fyshwick mill operating at near capacity for the entire year.

Building Products

North America

Market Conditions

Change in Commencements (FY2022 vs FY2021)[10]



Like in Australia, building activity has been mixed during FY2022, with activity varying significantly by region and segment.

Across the country, the total value of building activity commenced for the 12 months to June 2022 was up 10% compared to the prior year. A 23% increase in multi-residential commencements and 13% increase in non-residential activity was offset by a 4% reduction in single-family commencements.

Building activity, particularly in the non-residential segment, was heavily impacted in the early stages of the pandemic, with many major projects delayed or cancelled by state authorities. Since then, there has been a steady improvement in activity, in response to government stimulus programs and a general re-opening of the economy.

The single-family segment, which rebounded strongly in the aftermath of the pandemic, has softened slightly in more recent months, but remains relatively strong in the key southern region, which makes up over 50% of total single-family starts in the USA.

The recent acquisition of IBC, together with a strategy to grow sales into the large southern housing market (predominantly Texas), has increased Glen-Gery's exposure to the single-family segment. This segment now makes up almost 50% of Glen-Gery sales.

The IBC acquisition has also increased Glen-Gery's exposure to the Midwest, with this region now making up almost 60% of total sales. The Midwest includes major states such as Indiana, Illinois, Iowa, Ohio, Minnesota and Michigan.

Compared to other regions across the country, building activity in the Midwest was relatively soft during the year, with single family starts down 11%, multi-residential starts up 9% and non-residential activity down by 13% (compared to the prior year).

Overview of FY2022 Result

Year Ended July (AU$ million)[11]	2021	2022	Change
Revenue	202	399	97%
EBITDA	26	48	84%
EBIT	**9**	**25**	**192%**
EBITDA (ex-Property Sales)	17	35	113%
EBIT (ex-Property Sales)	**(1)**	**12**	**NA**
EBITDA margin (ex-Property Sales)	8%	9%	8%
EBIT margin (ex-Property Sales)	0%	3%	NA

On sales of 389 million bricks, Building Products North America generated $399 million revenue for the twelve months to 31 July 2022, 97% above the prior year. In local currency, revenue was up 90% to US$289 million.

EBITDA for the year was up 84% to $48 million and EBIT was up 192% to $25 million.

This result includes a $13 million contribution from the sale of a number of quarry sites in the second half. Excluding the impact of land sales in both FY2021 and FY2022, EBITDA was up 113% to $35 million, and EBIT was $12 million.

The impact of exchange rate movements had a positive impact of $2 million on EBIT in FY2022, compared to the prior year.

The significant increase in sales revenue was driven by the acquisition of IBC in August 2021 and increased sales to the Texas and southern residential market. The key commercial construction market along the eastern seaboard began a modest recovery in the second half, following an extended pandemic related downturn.

The EBITDA margin was impacted by cost pressures across the supply chain, including a significant increase in transportation costs, amid driver shortages and truck availability issues. Market gas costs are also increasing, but fortunately the impact of this was limited, with most plants having long term supply agreements in place, at fixed prices. More broadly, labour constraints across the industry are resulting in higher wage rates to attract and retain staff.

The significantly higher proportion of sales to the residential segment in Texas, typically base range products at lower prices, also had an adverse impact on the average sales margin.

The business made strong progress on key strategic priorities over the year. Plant rationalisation and upgrades have continued, with the closure of the York and Caledonia plants, both of which had

[10] Source: Dodge Analytics USA Building Starts Forecast – June 2022. Figures shown are for the 12 months ended in June.

[11] An average exchange rate for each half year period is used to convert from US$ to AU$. The conversion rates used are: 1H22 US$0.73; 2H22 US$0.71; 1H21 US$0.73; 2H21 US$0.77

reached the end of their useful life, and completion of extensive upgrades at Hanley and Lawrenceville. The Hanley plant in Pennsylvania is focussed on premium architectural products, with the upgrades to the clay preparation area, the extruder and the setting line to deliver much improved manufacturing efficiency, product quality and a broader product range, including thin bricks.

With rationalisation activities now largely complete, Brickworks North America now operates a fleet of nine modern plants. The majority of plant and equipment is less than 20 years old, has much improved energy efficiency and minimal manual handling requirements. These rationalisation initiatives have taken more than three years to complete, with the business now well positioned to service the expected demand at much higher plant utilisation and lower cost. Among the fleet of plants, a number of idle kilns are available to meet increasing demand, if required.

The new global flagship design studio on 5th Avenue, New York City, was officially opened in March. Together with the Philadelphia and Baltimore studios, these facilities will further enhance Glen-Gery's strong reputation for premium products and its competitive position in the high value architectural segment.

The integration of 17 new masonry supply centres (MSCs), as part of the IBC acquisition has been very smooth. In addition to sales of around 70 million bricks per annum, these MSCs offer a range of complementary building materials and supplies such as stone, masonry, construction materials and tools. These additional products make up around 50% of total IBC sales. The contribution from these stores has exceeded first year expectations.

Capital Brick, a leading distributor of architectural brick and masonry products, with a single outlet in the Washington D.C. metropolitan area, was acquired in February and immediately integrated. This acquisition expands Glen-Gery's company owned MSC network to 25.

Investments

The EBIT from total investments (including interest income) was up 86% to $181 million in the year ended 31 July 2022.

Washington H. Soul Pattinson Limited ('WHSP')

ASX Code: SOL

Brickworks is the major shareholder in WHSP, with our initial investment dating back to 1968. 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.

During the first half of FY2022, WHSP completed a merger with Milton, another large ASX listed investment company. The larger WHSP has net assets of around $9 billion post the merger, with increased scale, diversification and liquidity to pursue additional investment opportunities.

Brickworks retains 94.3 million shares in WHSP, but due to the addition of new shareholders to the register, the ownership stake has reduced to 26.1% (previously 39.4%).

The market value of Brickworks shareholding in WHSP was $2.423 billion at 31 July 2022, down $656 million for the year.

WHSP has delivered strong returns to Brickworks, with 20-year total shareholder return of 12.2% per annum (to 31 Jul 2022), 3.4% per annum ahead of the All-Ordinaries Accumulation Index. Shareholder returns comfortably exceed the benchmark over five, ten and fifteen years periods.

The investment in WHSP returned an underlying contribution of $180 million for the year ended 31 July 2022, up 87% from $97 million in the prior year. The increase was due in part to a significantly higher contribution from New Hope Corporation.

During the period cash dividends of $61 million were received, up 5% on the prior year.

WHSP Assets

WHSP holds a diversified portfolio of investments. A break-down of WHSP assets as at 31 January 2022 is shown in the chart below.

Strategic investments include significant stakes in a number of listed companies including Brickworks, TPG Telecom, New Hope Corporation and TUAS.

Other assets include a portfolio of ASX listed large cap companies, private equity investments, a portfolio of listed and unlisted emerging companies, structured yield and direct ownership of property.