REVIEW OF **OPERATIONS**

2024

Extract from Annual Report

BRICKWORKS
LIMITED

Five Year

Summary

	2020 $000	2021 $000	2022 $000	2023 $000	2024 $000	% Growth
Total revenue	**898,420**	**850,922**	**1,095,353**	**1,181,859**	**1,089,414**	**(8%)**
Building Products Australia EBITDA	*93,567*	*97,668*	*204,851*	*100,479*	*102,473*	*2%*
Building Products Australia EBIT	39,513	47,768	152,869[1]	52,809	41,290	(22%)
Building Products North America EBITDA	*26,773*	*26,414*	*48,475*	*39,868*	*43,461*	*9%*
Building Products North America EBIT	10,061	8,525	24,932	12,795	13,726	7%
Property[2]	129,437	252,679	643,689	505,517	(109,964)	(122%)
Investments[2]	50,771	96,946	180,712	158,707	137,346	(13%)
Head office and other expenses	(16,849)	(19,417)	(19,803)	(20,433)	(16,656)	18%
Total EBITDA[3]	**283,699**	**454,290**	**1,057,924**	**784,138**	**156,660**	**(80%)**
Total EBIT[3]	**212,933**	**386,501**	**982,399**	**709,395**	**65,742**	**(91%)**
Finance costs	(25,964)	(18,735)	(20,154)	(53,100)	(78,650)	(48%)
Income tax	(35,218)	(80,090)	(216,101)	(148,066)	74,155	150%
Underlying net profit after tax[3]	**151,751**	**287,676**	**746,144**	**508,229**	**61,247**	**(88%)**
Significant items net of tax	175,495	(44,892)	123,592	(102,965)	(178,482)	NA
Discontinued operations net of tax (inc. sig items)	(29,168)	(3,621)	(15,345)	(10,570)	(1,650)	NA
Net profit after tax (inc. sig items, discontinued ops)	**298,078**	**239,163**	**854,391**	**394,694**	**(118,885)**	**(130%)**
Per share earnings and dividends[4]						
Basic earnings per share (cents)	242.1	192.2	645.5	293.9	(88.2)	(130%)
Underlying earnings per share (cents)[3]	123.3	231.2	563.7	378.7	45.4	(88%)
Final dividend per share (cents)	39.0	40.0	41.0	42.0	43.0	2%
Total dividends per share (cents)	**59.0**	**61.0**	**63.0**	**65.0**	**67.0**	**3%**
Ratios						
Net tangible assets per share ($)[5]	14.08	13.78	18.34	19.96	19.42	(3%)
Statutory return on shareholders' equity	12.4%	9.6%	26.2%	11.1%	(3.5%)	(132%)
Underlying return on shareholders' equity[3]	6.3%	11.6%	22.9%	14.3%	1.8%	(87%)
Interest cover ratio (underlying)	8.4	17.8	35.2	13.0	0.8	(94%)
Gearing (net debt to equity)	18.9%	20.9%	15.1%	18.3%	20.2%	(10%)

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

[1] Includes $89.076 million profit from sale of land into the BKW Manufacturing Trust (FY2022).
[2] There is no depreciation or amortisation within Property or Investments, therefore EBIT and EBITDA are equivalent.
[3] This is an alternative measure of earnings that excludes significant items, which are separately disclosed in the consolidated financial statements
[4] The Earnings Per Share measure was restated for FY2020-FY2023 to reflect the adjustments to the weighted average number of shares outstanding during these periods. Refer to note 2.4 of the financial statements.
[5] The Net Tangible Assets calculation excludes right-of-use assets. Lease liabilities are included and reduce the net tangible assets per share.

Chairman's Message

On behalf of your Board of Directors, I am pleased to present Brickworks' Annual Report for the 2024 financial year (FY24). In the face of challenging macroeconomic conditions, Brickworks diversified business model has again proved resilient, enabling the Company to focus on long-term value creating initiatives.

FY24 Highlights and Group Result

During FY24, Brickworks has continued to execute on a range of initiatives to deliver long-term shareholder value. Key highlights for the year include:

- Substantial completion of our Oakdale West Estate, which is now one of the most valuable industrial property precincts in the country.
- Securing development approval for our Oakdale East Stage 2 Estate, and the start of construction of the cornerstone facility for Amazon.
- An uplift in underlying EBITDA from our building products operations in Australia and North America, despite difficult market conditions.
- Substantial completion of our new brick plant in Sydney – the most advanced brick production facility in the country.
- Completion of our plant rationalisation program in North America (reducing from 16 operating plants to 8), creating a more efficient and cost-effective network for future operations.
- A $263 million increase in the value of the Company's listed investments in Soul Patts (ASX: SOL) and FBR (ASX: FBR).

Despite these notable achievements, the Group recorded a Statutory loss of $119 million in FY24, primarily as a result of a non-cash devaluation within Property and a non-cash impairment within Building Products.

The significant property devaluation was reported in the first half, and reflects capitalisation rate expansion across the industry, in response to higher interest rates. Pleasingly, conditions have stabilised across the property industry over the past six months, as many central banks around the world begin to pivot towards expansionary monetary policy.

The Building Products impairment was recorded in the second half, and primarily relates to Austral Masonry and Brickworks North America. Both of these businesses have been impacted over the past six months by a deterioration in building activity across key markets. In response to the weaker demand, production has been scaled-back, resulting in a delay in the realisation of efficiency benefits from major investments and plant rationalisation activities.

The resilience of our diversified business model has once again provided the stability to maintain our long-term investment focus through these periods of cyclical weakness, to ensure we are well placed to maximise returns when the market recovers.

Leadership Succession

In April, we announced the retirement of Managing Director, Lindsay Partridge. Lindsay's final day with Brickworks was on 31 July 2024, after 39 years of service with the Company, including 25 years as leader.

On behalf of the Board, I would like to thank Lindsay for his outstanding leadership and the remarkable contribution he made in growing and reshaping Brickworks from a small brick making business to an ASX200 listed company comprising multi-national building products operations and large-scale industrial property interests. During his time with us, Lindsay made an extraordinary contribution to Brickworks and to the wider Australian building, construction and housing industry.

Following an orderly transition period, our new Chief Executive Officer, Mark Ellenor, is now well settled in the role. Mark is a familiar face to all of us at Brickworks, having started with the company as a graduate 25 years ago and building an impressive career with the Company across many leadership roles. Most recently, Mark was President of our North American operations for five years before returning to Australia in August 2023 to take up the Chief Operating Officer role for the Group, including responsibility across both the Building Products and Property businesses.

The Board looks forward to partnering with Mark and the executive leadership team, to lead Brickworks through the next chapter of growth.

Dividends and Capital Management

The Directors have declared a fully franked final dividend of 43 cents per share, up 2% on the prior year. This brings total dividends for the year to 67 cents per share, up 2 cents or 3%.

We are proud of our long history of increasing dividends and the stability that this provides our shareholders. We have not reduced the dividend for 48 years and this is a testament to our strong financial position, prudent capital management and our diversified business model.

Net debt increased by $29 million during FY24 to finish the year at $682 million, with gearing of 20%.

Over the past five years the Company has undergone a significant transformation program, underpinned by considerable investment, including expansion into North America and several major capital projects. During this time our asset base has increased significantly, and now stands at $5.8 billion.

With our major investment program now complete, our focus has turned to increasing cash generation from our enlarged asset base.

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.

It is critical that the Board retains the diversity and breadth of skills and experience relevant to safeguard the ongoing success of the Company. As such, the Board regularly reviews its capabilities and composition to ensure an optimal mix of skills, knowledge and experience.

At last year's Annual General Meeting, Michael Millner retired from the Board, following 25 years of service. I would like to thank Michael for his invaluable contribution to the Company during that time.

In June, we were pleased to welcome Todd Barlow to the Board as a non-executive director. Todd has been CEO and Managing

Director of Soul Patts since 2015, having previously been the Managing Director of Pitt Capital Partners Limited for five years. We look forward to leveraging Todd's deep experience to assist us in achieving performance objectives across our diversified portfolio.

With the retirements of Lindsay and Michael and the appointment of Todd, the Board now consists of six Directors, including two representatives from Soul Patts.

Also in June, we announced the appointment of Malcolm Bundey as Deputy Chair. Malcolm has been a non-executive director since October 2019 and is also Chair of the Remuneration and Nomination Committee.

With the re-establishment of the Independent Board Committee, Deborah Page has been appointed as the Lead Independent Director.

In Conclusion

Over the last 6 months we have successfully transitioned to new leadership, representing the start of a new chapter in our history of long-term value creation.

We are confident that Brickworks diversified portfolio of attractive assets offers shareholders compelling value, stability, and good prospects for long term growth.

The Board extends our thanks to our dedicated workforce, for their ongoing efforts and commitment.

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

Robert Millner AO
Chairman

Chief Executive Officer's

Overview

As I step into the role of Chief Executive Officer, I feel a great deal of responsibility to continue the legacy built by previous leaders, such as Lindsay, and guide the organisation through its next phase of growth. Having been with Brickworks for over 25 years, I am excited to be working with a talented team of individuals whom I already know well and deeply respect, as we embark on this exciting new chapter together.

Safety

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

Workplace health and safety is our number one priority, as it safeguards our most valuable asset, our people, while fostering a productive and positive environment where our teams can thrive. During the year, our safety performance improved, with fewer injuries being recorded across the organisation. The total recordable injury rate (injuries per million hours worked) has decreased to 9.7 in FY24, down from 10.7[6] in the prior year.

Most pleasing was the continued downward trend being achieved in our injury rate across North American operations. This is a key focus, as we seek to ensure safety outcomes are reduced to levels comparable with our Australian operations.

We continue to strive towards our ultimate goal of zero harm, through disciplined implementation of safety management systems and procedures, together with behavioural leadership and safety training programs.

Sustainability

We are achieving strong progress across many aspects of sustainability. In Australia, carbon emissions have followed a general downward trend, with a 56% decrease in Scope 1 and Scope 2 emissions compared to the base year, 2006. In North America, we have achieved an 19% energy efficiency improvement since our first acquisition in 2018.

Whilst we are proud of the progress we have already made, we were pleased to announce a new carbon target in FY23: to achieve a 15% reduction in Scope 1 and 2 greenhouse gas emissions by 2030, from a 2022 baseline, across our combined Australian and North American operations.

This target is complemented by continued investment into developing feasible renewable biomethane opportunities and our sustainable product strategies.

In our Property business, we aim to be industry leaders in sustainable industrial property design and development. This is demonstrated by our latest developments at Oakdale West, where all buildings have sustainable design initiatives incorporated including drought-resistant landscaping, rainwater harvesting, electric vehicle charging stations and 5% of parking dedicated to electric vehicles, LED lighting and recycling facilities.

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 more than $5 million since 2002.

More information about our sustainability initiatives are contained in our 2024 Sustainability Report.

Divisional Performance

Across the **Property** Trusts, gross rent continues to grow strongly, driven by the completion of new facilities and the significant mark-to-market uplift being achieved on re-leasing, where rental caps do not apply. Net income was relatively steady, with the increase in gross rent being offset by higher borrowing costs and the impact of the M7 Hub sale (discussed below).

A key milestone for the year was the substantial completion of the Oakdale West Estate. Construction of the final facilities was completed in the second half of the year, however handover of the facilities has been delayed due to protracted industrial action against Endeavour Energy by the Electrical Trades Union.

The Oakdale West Estate was sold into the Industrial JV Trust in 2017 and has been fully developed over the past 7 years. With a blue-chip tenant base on long leases, the total value of the Estate is currently $1.5 billion (100% share), making it the most valuable Estate in the portfolio.

Demand for well-located logistics facilities remains strong, driven by the continued growth of online shopping, the need for more productive and sustainable assets, and limited supply.

With Oakdale West now complete, focus has turned to the Oakdale East Stage 2 Estate, with development work well underway at this site.

A non-cash devaluation of the Property Trusts was reported in the first half of the year. Pleasingly, valuations held-up in the second half, reflecting more stabilised conditions in the property market, after the volatility caused by rapid increases in interest rates across 2022 and 2023.

The sale of the M7 Hub Estate was completed in the first half. This was one of the first precincts developed within the Industrial JV Trust and is the smallest of the fully developed Estates. This sale delivered $117 million in gross proceeds and was able to be executed quickly, tax efficiently and with limited transaction costs.

Building Products EBITDA was higher in both Australia and North America. In Australia, a range of significant cost reduction and business re-structuring initiatives were implemented to streamline operations. This included the consolidation of Austral Bricks and Austral Masonry into one operating division. These initiatives were offset by the impact of lower sales as a result of a downturn in building activity.

In North America, the business completed a five-year plant rationalisation program, which has resulted in a total of nine plants being closed over that period, as we have integrated new bolt-on acquisitions. While disruptive to the business throughout the implementation phase, the end result of this process is a more efficient plant network and a more focused capital investment program.

[6] The FY23 TRIFR has been restated to reflect the date of injuries being incurred (rather than the treatment date).

Margins have improved in North America, however subdued building activity has resulted in a delay in realising the full benefit of these rationalisation initiatives.

Although **Investments** earnings were down on the prior year, the market value of our shareholdings in Soul Patts and FBR Limited was up by $263 million.

Group Outlook & Priorities

Although macroeconomic conditions may cause some short-term challenges across our portfolio, each of our businesses have a strong long-term outlook.

Within **Property**, structural trends towards e-commerce and the digital economy will continue to drive demand for our prime industrial facilities for many years to come.

Land supply challenges have also been exacerbated by increased construction and financing costs, and a range of planning and approvals issues. All these factors have driven up rent for prime industrial property in western Sydney over the past two years.

We are focused on meeting this demand, with our Oakdale East Stage 2 precinct being one of the only large-scale industrial property sites currently under development in Western Sydney.

Whilst the long-term prospects of the Property Trust are very strong, as always, short-term Property earnings will depend on the timing of development activity and land sale transactions, and the impact of any revaluations.

Within **Building Products**, housing approvals in Australia are currently at the lowest level in more than a decade. Meanwhile, in North America, market conditions are weak across the Midwest and Northeast regions in our core non-residential and multi-residential markets. As a result, demand is expected to remain relatively subdued in the next twelve months across both countries, providing an opportunity to sequentially take plants offline to complete maintenance work and manage stock levels.

In **Australia**, the critical housing shortage has emerged as a key priority across all levels of government, driving ambitious building targets and long-overdue reforms to facilitate increased housing supply. Therefore, looking beyond the short-term market weakness, we expect conditions to improve significantly. Following our recent plant investments, we are well placed to deliver strong returns when conditions improve.

In **North America**, we have modernised our manufacturing fleet and consolidated operations over the past five years, whilst integrating several acquisitions. The more stable plant footprint and increased utilisation is expected to result in improved manufacturing performance. Capital spend will be significantly reduced in the next few years, with the rationalised plant footprint having available capacity to meet expected demand.

Investments is expected to continue to deliver a stable and growing stream of earnings and dividends over the long-term

Our People

Finally, I would like to thank our people. We are a diverse business with 27 manufacturing sites currently operating across Australia and North America

I am incredibly fortunate to inherit a talented and dedicated workforce of over 1,850 employees. It is their hard work and unwavering commitment that are the driving force behind our achievements and the smooth transition into my new role as CEO.

In May, we were pleased to appoint Steve Bell as President Brickworks North America, after having been Acting President since November 2023. Steve has over 30 years' experience in manufacturing and is highly regarded amongst the North American team, having been a member of the senior leadership team for many years. He will continue to focus on strengthening organisational performance and growing sales.

Finally, I would also like to take this opportunity to thank the Board of Directors for their trust and support. I am excited to lead our company forward, and I am confident that with the dedication and expertise of our people, we will achieve great things together.

Mark Ellenor
Chief Executive Officer

Financial

Overview

- **Statutory NPAT** down 130% to a loss of $119 million and **Underlying NPAT** (Continuing Operations) down 88% to $61 million. FY24 earnings were adversely impacted by:
  - Property sales and non-cash property revaluations, with a loss of $231 million recorded in FY24, compared to a profit of $381 million in FY23; and
  - Non-cash Building Products impairments of $135 million (post-tax) in FY24, in accordance with AASB 136
- **Investments** EBITDA down 13% to $137 million. Value of listed investments up $263 million to $3.383 billion
- **Property** EBITDA ex revaluations and sales of $121 million, down 3%. Value of Property Trust assets down $267 million to $2.007 billion
- **Building Products Australia** EBITDA up 2% to $102 million
- **Building Products North America** EBITDA up 9% to $43 million
- Net debt up to $682 million; gearing 20%
- Final dividend of 43 cents fully franked, up 1 cent or 2%

Earnings

Brickworks Limited ("Brickworks" or the "Company") posted a Statutory Net Loss After Tax of $119 million for the year ended 31 July 2024. The Underlying Net Profit After Tax from continuing operations was $61 million.

Underlying earnings were adversely impacted by a non-cash property devaluation of $215 million (vs. $112 million gain in FY23) and a $15 million loss on property sales (vs. $269 million profit in FY23).

Group Earnings Before Interest, Tax, Depreciation and Amortisation ('EBITDA') was $157 million in financial year 2024, compared to $784 million in the prior year. Excluding the impact of the property revaluations and property sales, EBITDA was $387 million in FY24, down 4% on the prior year.

Underlying EBITDA ($million)	FY23	FY24	Change
Building Products Australia	100	**102**	2%
Building Products North America	40	**43**	9%
Property – ex revaluations / sales	124	**121**	(3%)
Investments	159	**137**	(13%)
Group Expenses	(20)	**(17)**	18%
Underlying EBITDA ex property revaluations / sales	**403**	**387**	**(4%)**
Property revaluations	112	**(215)**	(292%)
Property sales	269	**(15)**	(106%)
Underlying EBITDA – Continuing Operations	**784**	**157**	**(80%)**

On sales revenue of $646 million (down 12%), Building Products Australia EBITDA was $102 million, up 2% on the prior year. Margins improved as a result of ongoing rationalisation of the portfolio to focus on higher performing business units, overhead cost reductions, price increases and productivity improvements across most operations.

On relatively steady revenue of $442 million, Building Products North America delivered a 9% increase in EBITDA, to $43 million. Excluding the impact of property sales in North America, EBITDA was up 29%. Margins were higher, due to the implementation of price increases and improved plant utilisation following the completion of a five-year plant rationalisation program.

Excluding revaluations and land sales, Property EBITDA was $121 million, down by 3%. Net rental income was broadly steady, with a strong increase in gross rent being offset by higher borrowing costs in the Property Trust and the sale of the M7 Hub Estate during the year.

A non-cash devaluation of $215 million was recorded on Property Trust assets, reflecting an increase in capitalisation rates across the portfolio to 5.2% (4.1% at July 2023) and follows $615 million in revaluation gains being delivered in the prior five years as capitalisation rates compressed. In addition, a loss of $16 million was booked following the M7 sale.

At the end of the year, Brickworks' share of the net asset value within its Property Trusts was $2.007 billion (vs. $2.274 billion at 31 July 2023), after taking into account the development profits, impact of revaluations and the property sale.

Investments EBITDA was $137 million, down 13%, driven mainly by a decline in the contribution from New Hope Corporation to Washington H. Soul Pattinson & Company ("Soul Patts") (ASX: SOL) earnings. The market value of Brickworks' 26.1% shareholding in Soul Patts was $3.383 billion at 31 July 2024, up by $263 million compared to 31 July 2023. Brickworks also holds a 15.3% stake in FBR Limited (ASX: FBR), with a market value of $35 million at the end of the period.

An underlying income tax benefit of $74 million was recorded, due primarily to a deferred tax benefit associated with the property devaluation and utilising unrecognised capital tax losses, following the M7 Hub Estate sale.

Net borrowing costs were $79 million, up from $53 million in the prior year, due to a higher average interest rate on debt and additional leases.

Significant items decreased NPAT by $178 million for the year. This comprised:

- A non-cash impairment of $135 million (net of tax) based on AASB 136. This includes an impairment of $55 million (net of tax) to Austral Masonry and an impairment of $69 million (net of tax) to Brickworks North America. Both of these businesses have been impacted by a delay in realisation of the full benefits

of recent major investments, following scaled back production in response to a decline in building activity across key markets.

- Restructuring and site closure costs of $11 million (net of tax), primarily relating to employee severance payments associated with restructuring activities within Building Products.
- Plant commissioning costs of $10 million (net of tax), associated with the new Horsley Park brick plant in Australia and the Rocky Ridge plant in North America.
- Legal costs of $11 million, primarily associated with the ongoing proceedings filed against BGC (Australia) Pty Ltd and Midland Brick Pty Ltd seeking unspecified damages for various alleged contraventions of sections 46 and 50 of the Competition and Consumer Act.
- A $15 million benefit in relation to significant items from Investments.
- A $16 million cost arising from the net impact of the income tax expense in respect of the equity accounted Soul Patts profit, offset by the impact of fully franked Soul Patts dividend income, adjusted for the movements in the franking account and the circular dividend impact.
- Other costs of $11 million (net of tax), including advisory and IT implementation costs.

Significant Items ($m)	Gross	Tax	Net
Impairment of non-current assets	(189)	54	(135)
Restructuring and site closure costs	(16)	5	(11)
Plant commissioning costs	(14)	4	(10)
Legal costs	(11)	-	(11)
Significant items relating to Investments	15	-	15
Income tax from the carrying value of SOL	-	(16)	(16)
Other costs, including advisory and IT implementation	(15)	4	(11)
Total (Continuing Operations)	**(230)**	**51**	**(178)**

Discontinued operations contributed an after-tax loss of $2 million for the period. This primarily relates to closure costs within Austral Precast.

Statutory Earnings Per Share ('EPS') was a loss of 88 cents, and Underlying EPS from continuing operations was 45 cents.

Cash Flow

Total cash flow from operating activities was $104 million, up 7% from $97 million. The increase in cash generation was achieved despite challenging market conditions across Building Products operations and the adverse impact of plant commissioning and restructuring costs, legal costs, higher borrowing costs and an increase in working capital.

Capital expenditure has been elevated for several years, as the Company has undertaken a major reinvestment program to improve the efficiency and reduce the carbon intensity of manufacturing operations. With this program now reaching a conclusion, capital expenditure reduced to $73 million for the financial year, down from $114 million in the prior year. Major project spend during the period included the completion of a new brick plant at Horsley Park in New South Wales, and upgrade works at the Rocky Ridge (Maryland) and Adel (Iowa) plants in North America.

$117 million in gross proceeds were received in the first half, following the sale of Brickworks' 50% interest in the M7 Hub Estate, part of the Industrial JV Trust. All proceeds were distributed to Brickworks, reported as investing cashflow.

Balance Sheet

During the year total shareholders' equity was down $179 million to $3.382 billion, primarily reflecting the statutory loss and impact of dividends paid to shareholders.

Net tangible assets ('NTA') per share was $19.42 at 31 July 2024, down from $19.96 at 31 July 2023.

Total interest-bearing debt was $744 million at the end of the year. After including cash on hand, net debt was $682 million, an increase of $29 million during the year. Gearing (net debt to equity) was up slightly to 20%.

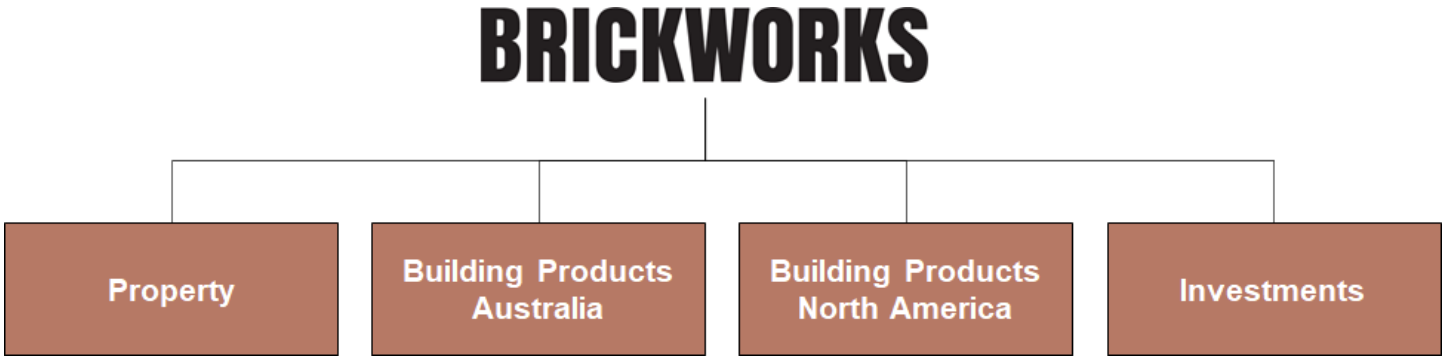
Net working capital was $351 million at 31 July 2024, including finished goods inventory of $287 million. Although finished goods units were relatively steady during the year, the value was up $23 million, due to higher unit costs.

Dividends

Directors declared a fully franked final **dividend** of 43 cents per share for the year ended 31 July 2024, up 2% from 42 cents. Together with the interim dividend of 24 cents per share, this brings the total dividends paid for the year to 67 cents per share (fully franked), up 2 cents or 3% on the prior year.

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 to become one of Australia's leading industrial property portfolios and is exposed to long-term structural tailwinds associated with the transition to e-commerce and the digital economy. Through the long-standing (~20 years) relationship with Goodman Group, the Trust has developed a portfolio of prime A-grade facilities with blue-chip tenants such as Amazon, Woolworths, Coles, DHL, Telstra and Australia Post.

The Industrial JV Trust has total assets of $5.0 billion. After including debt, Brickworks 50% share of the Industrial JV Trust has an equity value of $1,804 million.

Brickworks also holds a 50.1% interest in the Brickworks Manufacturing Trust. This comprises a portfolio of 15 manufacturing plants, tenanted by the Group's Australian Building Products businesses. The Brickworks Manufacturing Trust has total assets of $406 million and no debt. Brickworks 50.1% ownership had an equity value of $203 million as at 31 July 2024.

Along with its interest in the Industrial JV Trust and the Brickworks Manufacturing Trust, Brickworks retains around 5,000 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 19 manufacturing sites (currently operating), and a vast network of company-owned design centres, studios and resellers across the country.

The portfolio includes key brands such as Austral Bricks (Australia's largest clay brick manufacturer), Austral Masonry and Bristile Roofing. The portfolio also includes a 33% interest in the Southern Cross Cement joint venture.

Building Products North America

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

It has eight currently operating brick manufacturing sites, complemented by company-operated distribution outlets, design studios (New York, Philadelphia and Baltimore) and an extensive reseller network.

Investments

Investments consists primarily of a 26.1% interest[7] in ASX-listed Washington H. Soul Pattinson ('Soul Patts') (ASX: SOL), which had a market capitalisation of $12.814 billion as at 31 July 2024. The market value of Brickworks stake in Soul Patts was $3.348 billion at this date.

Soul Patts 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 Soul Patts dates back to 1968 and delivers a stable dividend stream that provides Brickworks with security to weather periods of weaker building products demand.

Investments also includes a 15.3% stake in FBR Limited ('FBR') (ASX: FBR). At the end of the year, the market value of Brickworks stake in FBR was $35 million.

[7] On 30 August, Soul Patts issued 6.6 million shares, resulting in Brickworks' ownership interest reducing to 25.7%

Property

Property Earnings

Year Ended July ($million)	2023	2024	Change
Rental Income (100%)	*149*	*163*	*9%*
Borrowing & Other Costs	*(50)*	*(65)*	*(30%)*
Net Trust income (100%)	*99*	*98*	*(1%)*
Net Trust Income (BKW 50%)	50	49	(1%)
Development Profit	78	75	(5%)
Admin / Other	(4)	(3)	20%
EBITDA Ex Revals, Sales	**124**	**121**	**(3%)**
Revaluations	112	(215)	(292%)
Property Trust Sales	-	(16)	NA
Brickworks Land Sales	269	1	NA
Total EBITDA	**506**	**(110)**	**(122%)**

Property delivered an EBITDA loss of $110 million in FY2024, compared to a profit of $506 million in the prior year.

The loss was primarily due to the non-cash revaluation of properties with two independent valuation processes completed during the year. The first revaluation, in December 2023, resulted in a significant devaluation of $233 million, reflecting a 100-basis point expansion in capitalisation rates across the portfolio.

Conditions stabilised in the second half, with the subsequent June 2024 revaluation resulting in an $18 million profit being recorded, as higher market rent more than offset the impact of a further 17 basis point expansion in capitalisation rates.

At 31 July 2024, the average capitalisation rate across the portfolio was 5.2%, up from 4.1% at July 2023.

The increase in capitalisation rates over the year, followed several years of strong revaluation gains, underpinned by structural demand drivers such as the transition to online shopping.

In December, Brickworks announced the sale of its 50% interest in the “M7 Hub”, one of the Estates held by the Industrial JV Trust. The M7 Hub comprises three multi-unit industrial properties, located near the M7 motorway on Old Wallgrove Road, Eastern Creek (NSW). The units were sold to JV partner, Goodman Group.

The sale delivered $117 million in gross proceeds and resulted in a $16 million loss due to the sale value being below the 31 July 2023 book value. The transaction was able to be executed quickly, tax efficiently and with limited transaction costs. All sale proceeds were distributed to Brickworks.

The M7 Hub was one of the first sites developed within the Industrial JV Trust and is the smallest of the fully developed Estates. When all facilities were fully completed in 2012, Brickworks’ 50% interest in the M7 Hub was worth $46 million. The sale price represents a 154% increase since that time. The sale provided an opportunity to release funds, following a period of heavy investment across the Group, including to enable the release of significant additional development land at Oakdale East.

Excluding the impact of the devaluations and property sales, Property EBITDA was $121 million, down by 3% on a like-for-like basis with the prior year.

Strong demand, caused by structural trends across the economy and a lack of appropriately zoned and approved land, is driving growth in market rent for industrial property in Western Sydney. Compared to the prior year, rental income within the Property Trusts was up 9% to $163 million (100% share), driven by contracted increases and new developments, offset by the sale of the M7Hub in January, which impacted rental income in the second half.

Higher interest rates and debt levels resulted in a significant increase in borrowing costs. After including borrowing and other costs, net trust income was $98 million (100% share). Brickworks’ 50% share of this income was $49 million, down marginally on the prior year.

A highlight of the year was the completion of seven new facilities at Oakdale West, providing 69,275m^2 of gross lettable area. This included the completion of facilities for Maersk, EBOS and Luxottica. These completions resulted in a development profit of $75 million being recorded.

The final four facilities at this Estate were also fully constructed, however these facilities did not achieve practical completion in FY24 due to the ongoing industrial action by the Electrical Trade Union against Endeavour Energy, resulting in the power connection being delayed. With no clarity on when this industrial action will be resolved, the Industrial JV Trust is implementing mitigation plans, including the use of electric generators, to allow tenants to occupy the completed facilities as soon as possible.

Property administration and other expenses totalled $3 million, including holding costs on properties awaiting development.

Property Trust Asset Value

As at 31 July 2024, the total value of developed assets held within the two Property Trusts was $4.5 billion. The annualised rent generated from these assets is $180 million and the weighted average lease expiry is 8.2 years (7.5 years for the Industrial JV Trust).

The average capitalisation rate across the portfolio is 5.2%, and there is 16,800m^2 of vacant space at Oakdale West. This results in a 98% occupancy level for the Industrial JV Trust.

Developed Assets	Asset Value ($m)	Rent ($m p.a.)	WALE[8] (yrs)	Cap. Rate	GLA[9] (m^2)
Interlink	659	25	3.0	5.3%	192,200
Oak Central	835	34	2.9	5.3%	245,200
Oak East 1	170	7	9.0	5.1%	37,100
Oak South	624	24	4.5	5.3%	177,300
Rochedale	320	16	8.0	5.6%	126,500
Oak West	1,512	57	13.2	4.9%	304,800
Ind. JV Trust	**4,119**	**162**	**7.5**	**5.2%**	**1,083,100**
Man. Trust	406	18	14.2	6.0%	NA
Total	**4,525**	**180**	**8.2**	**5.2%**	**NA**

[8] Weighted average lease expiry (by income).

[9] Gross Lettable Area.

Including $872 million worth of land to be developed, the total value of assets held within both Property Trusts was $5.4 billion at the end of the year. Borrowings of $1.4 billion are held within the Industrial JV Trust, giving a total net asset value of $4.0 billion. Brickworks' 50% share of net asset value is $2.0 billion, down by $267 million during the year.

Gearing within the trusts was 26% at the end of the year, up from 21% at 31 July 2023. This comprises gearing of 28% within the Industrial JV Trust (well below the covenant of 60%), and no debt within the Brickworks Manufacturing Trust. The gearing within the Industrial JV Trust increased following the devaluation of the portfolio and the sale of the M7 Hub Estate, with the sale proceeds being distributed to Brickworks and existing debt maintained within the Trust. Additional borrowings were also used to fund the ongoing development activity at Oakdale West.

Year Ended July ($million)	2023	2024	Change
Developed assets	4,907	4,525	(8%)
Land to be developed[10]	878	872	(1%)
Total Property Trust assets	**5,786**	**5,397**	**(7%)**
Borrowings	(1,239)	(1,383)	(12%)
Net Property Trust assets	**4,547**	**4,013**	**(12%)**
Brickworks 50% share	**2,274**	**2,007**	**(12%)**
Gearing on leased assets[11]	21%	26%	24%

Property Trusts - Development Pipeline

The Industrial JV Trust continues to experience strong lease enquiry for large-sized industrial facilities at Oakdale East Stage 2. Structural trends are driving customers to seek well-located facilities and sophisticated supply chain solutions, with consumers increasingly demanding faster and more flexible delivery of goods.

In addition, supply of suitable land is scarce, particularly in western Sydney where competing sites have been impacted by a range of planning and approvals issues.

Over the past few years, supply challenges have also been exacerbated by increasing construction and financing costs.

All these factors have driven up rent for prime industrial property in western Sydney by around 80% in the past three years[12], although the growth rate moderated in the second half of FY24 and appears to have plateaued in recent months.

The current passing rent within the Industrial JV Trust of $149/m^2 is now 31% below the estimated market rent, providing the opportunity to increase rents as leases are renewed.

The Industrial JV Trust is well placed to meet the strong demand and benefit from the higher market rents. Oakdale West will reach practical completion by the end of 2024 (subject to resolution of ongoing industrial action by the Electrical Trade Union against Endeavour Energy), with 54,300m^2 of new facilities already committed to tenants including Bevchain and DB Schenker, leaving just one facility of 15,500m^2 available for rent.

At Oakdale East Stage 2, construction of a cornerstone 58,000m^2 facility for Amazon is well underway, and due for completion in the third quarter of calendar year 2025. As one of the few large-scale "shovel ready" development estates in western Sydney, strong demand exists for the next available site, which will accommodate a 38,000m^2 facility. The remaining 155,000m^2 of gross lettable area will be released progressively as earthworks and servicing is completed across the estate. Given the strong demand, the estate is expected to be fully built out within four to five years.

Development opportunities are also being pursued in the Brickworks Manufacturing Trust. During the year, a 13-hectare site adjoining the Rochedale brick factory was purchased by the Trust. When consolidated with adjacent surplus land at the Rochedale site (already held within the Trust), the site could provide 22 hectares of industrial land, delivering up to 115,000m^2 of gross lettable area. This project is currently in planning stages, with the aim of lodging development applications in 2025.

Including Oakdale East Stage 2 and the additional development at Rochedale, total market rent potential from existing Property Trust assets is around $341 million (100% share), assuming current market rent and no vacancies across the portfolio[13]. This compares to the passing rent of $180 million on currently leased facilities.

The uplift from new developments (+$90 million) is expected to be achieved within around five years as developments are completed and new tenants secured.

The uplift on existing facilities (+$72 million) will be progressively realised as leases expire and will be subject to the extent to which tenants exercise extension options. Over the next five years, at least 30% of this mark-to-market uplift can be achieved, representing the existing vacancies and leases that expire during this period that do not have rental increase caps.

An additional 18% of leases (by rent) expire within the next five years but have an extension option in favour of the tenant that includes a rental increase cap (these caps are typically 5% or 10%). The mark-to-market uplift on these leases will depend on whether the tenant exercises the extension option.

Operational and Development Land

The largest additional parcel of land for potential development is at Craigieburn in Victoria, directly south of the Wollert factory site. This site is now being considered for industrial re-zoning by the state government. With an expected yield of around 600,000m^2 of GLA, if sold into the Industrial JV Trust, this site will extend the development pipeline well beyond the next five years.

In conjunction with Goodman Group, due diligence and feasibility studies has been ongoing into the industrial development of 77 hectares parcel of land adjacent to the Mid-Atlantic plant in Pennsylvania. The site, located close to the I-78 motorway linking New York to Washington D.C., is currently zoned industrial. Applications to develop three facilities, providing a total area of 185,000m^2, were lodged with local authorities in mid-2023 and entitlement is expected to be achieved by early 2025.

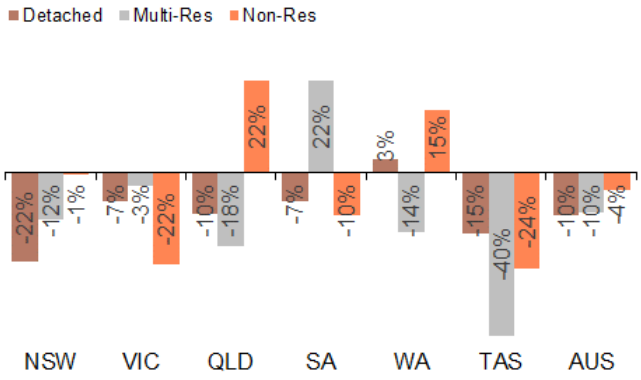
[10] Includes facilities under development.
[11] Borrowings / total assets.
[12] Source: Savills Research.
[13] Forecasts assume market rent of $223/m^2 in western Sydney and $160/m^2 in Brisbane (Rochedale), representing management's estimate of current average market rent for Trust facilities in those locations.

Building Products

Australia

Market Conditions

Change in Commencements (FY2024 vs FY2023)[14]



Residential commencements continued to decline during FY24, with total starts of 155,700 for the year to June 2024 being the lowest level since 2012.

Nationally, detached house commencements were down 10% on the prior year. This follows a decline of 17% in FY23. Across the states, the steepest decline was in New South Wales, down 22%, with the other major east coast markets of Victoria and Queensland also down by around 10%.

Multi-residential commencements were also down by 10% in FY24, with broad-based weakness across all major states. The decline in multi-residential starts has been driven by a circa 50% fall in high rise (4-storey or more) apartment construction over the past five years. This segment has been severely impacted by higher interest rates and the approximate 40% rise in construction costs since the start of the pandemic[15]. These cost impacts, together with government levies and taxes, have made apartment construction economically unfeasible in many areas of the major capital cities.

Non-residential building activity has varied significantly across the country. During FY24 there was increased activity in Western Australia (up 15%) and Queensland (up 22%), offset by declines in Victoria (down 22%) and New South Wales (down 1%).

Overview of FY2024 Result

Year Ended July ($ million)	2023	2024	Change
Revenue	734	646	(12%)
EBITDA	**100**	**102**	**2%**
EBIT	53	41	(22%)
EBITDA margin	13.7%	15.9%	16%

Building Products Australia

Revenue for the year ended 31 July 2024 was down 12% to $646 million. The decrease was broad based, reflecting the lower building activity across all key markets.

EBIT from continuing operations was $41 million, down 22% on the prior year. Excluding depreciation and amortisation, EBITDA was up marginally to $102 million, resulting in an EBITDA margin of 16%.

The improved EBITDA margin was the result of the implementation of price increases and productivity improvements across most operations. In addition, restructuring initiatives implemented over the past 18 months have streamlined operations and removed costs in many areas of the business.

These initiatives include the consolidation of Austral Bricks and Austral Masonry into one operating division, a restructure of Bristile Roofing and a rightsizing of divisional support functions.

Nationally, the new Austral Bricks and Masonry business unit (including Advanced Cladding Systems and the Company's 33% interest in Southern Cross Cement) incurred a 12% decrease in sales revenue, to $560 million for the year. Revenue in Western Australia was significantly lower, due to the exit from brick operations in that region.

The decline in high rise residential construction accelerated in 2H24, particularly in Sydney, and has had a significant impact on Austral Masonry sales, which have a high exposure to this segment.

Several measures have been taken to control stock and manage working capital, in response to subdued demand, as we move through the cyclical low in building activity. The Oakdale masonry plant was operated on a reduced shift structure, and several kilns across the country were temporarily taken offline during the year, with the opportunity taken to complete maintenance activities.

In addition, Plant 1 at Horsley Park in New South Wales was mothballed, effective July 2024, following the successful ramp up of the new Plant 2 facility. With the mothballing of Plant 1, spare capacity at the Rochedale plant in Queensland will also be utilised to cost effectively supply the New South Wales market. It is expected that Plant 1 will return to production when conditions improve in the coming years.

[14] Source: BIS Oxford Economics Australian Building Forecasts, June 2024. Figures shown are for the 12 months ended in June.

[15] Source: Macro Business.

Commissioning of the new brick plant at Horsley Park (Plant 2) was substantially completed during the second half. This project was commenced in 2019 and faced a number of challenges throughout the pandemic. Now operating at design capacity, the plant is the most fuel efficient and has the lowest unit labour cost and wastage level of any brick plant across the Group. In FY24, the new plant demonstrated a 57% improvement in energy intensity compared to FY18.

Advanced Cladding Systems has been established to focus on commercialising thin brick cladding systems, a product category that is experiencing growing demand, particularly in high-rise commercial and multi-residential segments. Since launching in FY23, the response from customers has been positive, with strong sales momentum and customer enquiry being achieved during the year.

Bristile Roofing (including Capital Battens) earnings were well ahead of the prior year, on a 15% decrease in revenue to $93 million. The decline in revenue was primarily attributable to the difficult market conditions and an increased focus on “supply only” of roof tiles in Queensland and New South Wales (rather than a “supply and install” approach).

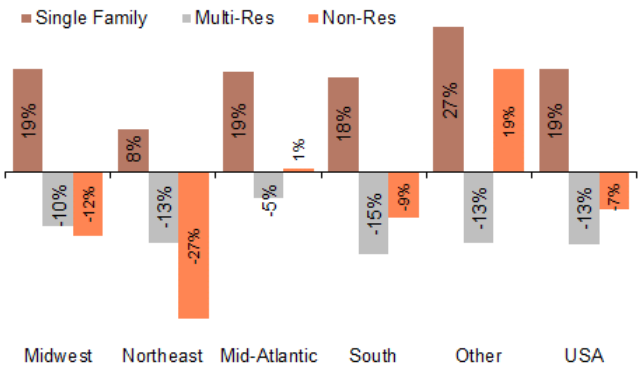
More broadly, the roof tile market has experienced significant rationalisation over the past six months, with the exit of a major competitor, and this is expected to support improved plant utilisation and efficiency.

Building Products

North America

Market Conditions

Change in Commencements (FY2024 vs FY2023)[16]



Building Products North America's key regional exposure is in the Midwest, Northeast and Mid-Atlantic. Combined, these three regions make up around 91% of total sales revenue. There is a broad end-market exposure, with the non-residential segment making up 37% of sales, single family homes 39% and multi-family residential 19%.

Overall, building activity in the United States has been mixed during financial year 2024, varying significantly by region and segment.

There has been a decline in non-residential and multi-residential activity across the country. This was most severe in the key Northeastern region where non-residential activity was down by 27% year on year and multi-residential activity was down by 13%. A surplus of multi-residential construction following the pandemic in 2021 and 2022 led to oversupply in this market and a subsequent decline, while non-residential building has stalled, despite resilience in some pockets, such as the education sector.

By contrast, there was relative strength within the single-family residential segment, where building activity was up by 19% nationwide, albeit this is not the core market for Brickworks' products.

High interest rates are limiting the amount of established home inventory coming to market (with homeowners reluctant to refinance into new homes at higher interest rates), forcing new home buyers to seek newly constructed homes. This dynamic is providing a tailwind for the single-family home segment, which may reverse if interest rates decline.

Overview of FY2024 Result

Year Ended July (AU$ million)[17]	2023	2024	Change
Revenue	447	442	(1%)
EBITDA	**40**	**43**	**9%**
EBIT	13	14	7%
EBITDA (ex-Property Sales)	**33**	**42**	**29%**
EBIT (ex-Property Sales)	6	13	113%
EBITDA margin (ex-Property Sales)	7.5%	9.8%	31%

Brick sales volume in North America was lower during the period, due primarily to a significant reduction in sales to the oversupplied southern home builder market (such as Texas), with sales to this region down 22% from the prior year. Reduced building activity in key non-residential markets also impacted sales.

Despite the lower sales volume, revenue of $442 million for the year ended 31 July 2024 was broadly in line with the prior year, due to a combination of price increases and a mix shift towards higher value products.

EBITDA for the year was up 9% to $43 million. Last year's result included a $7 million profit from the sale and leaseback of a retail outlet, and this year's result includes a $0.3 million profit on the sale of a surplus quarry. Excluding the impact of these property sales. EBITDA for the year was up 29% and EBIT was up 113%, to $13 million.

Margins continue to improve, following the implementation of price increases and the rationalisation of the plant network over the past five years. High wages continue to have an impact on margins, with unit labour costs up by around 12% on the prior year, partially offsetting the benefits of improved plant efficiency. With production scaled back to meet demand, the full benefits of the plant rationalisation program have not yet been delivered.

The Rocky Ridge plant in Maryland is in the final stages of re-commissioning and will produce a range of moulded bricks specifically tailored for the UK market. In addition, the plant will produce US modular brick, which will support an increase in demand for this product on the east coast, as well as a premium long format brick, which is also growing in popularity. The long format brick will be unmatched in the US market, with no domestic equivalent. The first shipments to the UK (as part of the 10 million brick p.a. supply agreement executed in 2023), are now underway.

[16] Source: Dodge Analytics USA Building Starts Forecast – June 2024. Figures shown are for the 12 months ended in June.

[17] An average exchange rate for each half year period is used to convert from US$ to AU$. The conversion rates used are: 1H24 US$0.65; 2H24 US$0.66; 1H23 US$0.67; 2H23 US$0.67.

Investments

Investments consists of Brickworks shareholdings in Soul Patts (ASX: SOL) and FBR (ASX: FBR), in addition to interest income on cash holdings. The EBITDA from Investments was down 13% to $137 million for the year ended 31 July 2024.

Washington H. Soul Pattinson & Company Limited ('Soul Patts')

ASX Code: SOL

Brickworks holds 94.3 million shares in Soul Patts, representing a 26.1% ownership interest, with the initial investment dating back to 1968. This shareholding 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 five decades.

The market value of Brickworks shareholding in Soul Patts was $3.348 billion at 31 July 2024, up $241 million for the year.

Soul Patts has delivered strong returns to Brickworks, with 25-year total shareholder return of 12.5% per annum (to 31 Jul 2024), 4.0% per annum ahead of the All-Ordinaries Accumulation Index. Shareholder returns comfortably exceed the benchmark over most time periods.

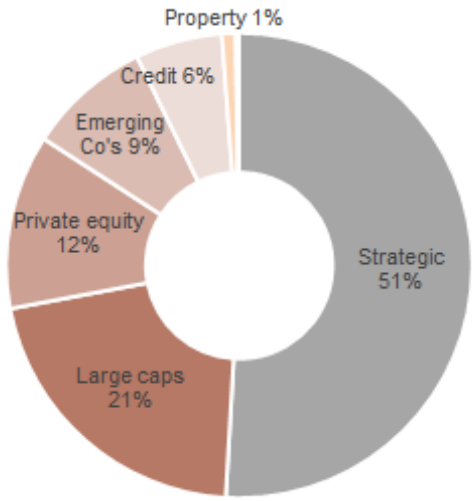
The investment in Soul Patts returned an underlying contribution of $136 million for the year ended 31 July 2024, down 15% from $160 million in the prior year. The decrease was primarily due to a lower contribution from New Hope Corporation.

During the period normal cash dividends of $86 million were received, up 15% on the prior year normal dividends.

Soul Patts holds a diversified portfolio of investments. A break-down of Soul Patts assets as at 31 July 2024 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.



FBR Limited ('FBR')

ASX Code: FBR

Brickworks made an initial seed investment in FBR in 2006 and over the past two years has made further investments to increase its stake. This included an acquisition of 76.3 million shares in January 2024, as part of an institutional placement by FBR. At 31 July 2024, Brickworks held 731.7 million shares in FBR, representing a 15.3% shareholding.

FBR has commenced the commercialisation process for a bricklaying robot that has the potential to build walls faster than traditional methods, and with much reduced labour. As the largest brick maker in the country, Brickworks has much to benefit from the success of FBR.

At the end of the period, the market value of Brickworks stake in FBR was $35 million, up by $22 million over the year.