

Adbri Limited

Appendix 4D

Half year report ended 30 June 2021

Results for announcement to the market

Company name: Adbri Limited

ABN: 15 007 596 018

Reporting period: Half year ended 30 June 2021

Previous corresponding period: Half year ended 30 June 2020

Release date: 25 August 2021

		%		A\$m
Revenue from continuing operations	up	7.4	to	752.3
Earnings before interest and tax (EBIT)	up	81.3	to	88.3
Net profit for the period attributable to members	up	94.5	to	56.6

Dividend	Amount per security (cents per share)		Franked amount per security
	Current period	Previous corresponding period	
Interim ordinary dividend	5.5 ¹	4.75	100%

1 As disclosed to the ASX on 25 August 2021, an interim dividend of 5.5 cents per share has been approved by the Board of Directors.

Record date for determining entitlements to the interim dividend	23 September 2021
Payment date for interim dividend	6 October 2021

	30 June 2021	30 June 2020
Net tangible asset backing per ordinary share	\$1.46	\$1.43

Dividend Reinvestment Plan

The Adbri Limited Board advises that the Company's Dividend Reinvestment Plan remains suspended until further notice.

Summary of Results

Financial Highlights

- Reported net profit after tax (NPAT) of \$56.6 million, up 94.5% on 1H20.
- Underlying NPAT of \$55.0 million, up 15.5% on 1H20 driven by improved demand for construction materials and delivery on cost initiatives.
- Revenue increased to \$752.3 million, up 7.4% on 1H20 with robust demand, particularly on the eastern seaboard, driving higher volumes across all products.
- Cost-out program on track to deliver an expected \$10.0 million in net annual savings.
- Underlying EBITDA margins improved from 17.5% to 17.7%, benefitting from disciplined implementation of cost efficiencies across the Group.
- Strong balance sheet and liquidity – gearing (net debt/equity) 33.3% and leverage ratio 1.5 within Board's target range, while financial ratios well within banking covenants.
- A fully franked interim dividend of 5.5 cents per share, up from 4.75 cents per share in 1H20, has been approved representing a payout ratio of 65.3% of underlying earnings.

Operating and Strategic Highlights

- Adbri announced its aspiration to be net zero of carbon emissions by 2050.
- Secured three-year contracts for the supply of 75,000 tonnes p.a. of lime to Northern Star and 20,000 tonnes p.a. of lime to Newmont's Boddington mine. In addition, a formal agreement has been reached with Alcoa to supply lime to their Wagerup facility until the end of September 2021, with commercial discussions well advanced for continuation of supply until the end of January 2022.
- Our Mawsons joint venture has agreed to acquire the Milbrae concrete, aggregates and crushing business in regional NSW, adding 7 concrete plants and 13 quarries providing attractive exposure to regional growth corridor from 1 July 2021, subject to completion.
- Kwinana Upgrade Project underway – award of contracts with key subcontractors will see project activity ramp-up in second half of 2021 – delivering future reduced operating cost and more sustainable environmental footprint.
- Sale process commenced for Hilltop land site in Geelong, with anticipated execution in late 2021 or early 2022.
- Post period end, a long-term gas deal with Senex was secured, locking in an important portion of gas requirements in South Australia until 2029, as part of risk-based energy sourcing strategy.

Financial Summary

Statutory basis	6 months ended 30 June		
\$million	2021	2020	% change pcp fav / (unfav)
Revenue	752.3	700.7	7.4
Earnings before interest, tax, depreciation and amortisation ("EBITDA")	135.4	116.5	16.2
Depreciation, amortisation and impairments	(47.1)	(67.8)	30.5
Earnings before interest and tax ("EBIT")	88.3	48.7	81.3
Net finance cost ¹	(9.6)	(9.9)	3.0
Profit before tax	78.7	38.8	102.8
Income tax expense	(22.1)	(9.7)	(127.8)
Net profit after tax	56.6	29.1	94.5
Non-controlling interests	-	-	-
Net profit attributable to members ("NPAT")	56.6	29.1	94.5
Basic earnings per share (EPS) (cents)	8.7	4.5	
Ordinary dividends per share - fully franked (cents)	5.5	4.75	
Net debt ² (\$ million)	411.9	413.8	

Underlying basis ³	6 months ended 30 June		
\$million	2021	2020	% change pcp fav / (unfav)
Revenue	752.3	700.7	7.4
EBITDA	133.1	122.5	8.7
Depreciation and amortisation	(47.1)	(47.3)	0.4
EBIT	86.0	75.2	14.4
Net finance cost ¹	(9.6)	(9.9)	3.0
Profit before tax	76.4	65.3	17.0
Tax expense	(21.4)	(17.7)	(20.9)
Net profit after tax	55.0	47.6	15.5
Non-controlling interests	-	-	-
NPAT	55.0	47.6	15.5
Basic EPS (cents)	8.4	7.3	
EBITDA margin (%)	17.7	17.5	
Leverage ratio ^{2, 4} (times)	1.5	1.5	
Interest cover (EBITDA / net finance cost ¹) (times)	14.1	12.4	
Gearing ^{2, 5} (%)	33.3	34.6	
Net debt / net debt plus equity ² (%)	25.0	25.7	
Underlying ROFE ⁶ (%)	11.0	10.9	

- Net finance cost is the net of finance costs shown gross in the consolidated income statement and interest income included in Other gains / (losses).
- Net debt is calculated as total borrowings less cash and cash equivalents. Lease liabilities recognised under AASB 16 are excluded from net debt.
- Underlying measures adjusted for significant items. An explanation and reconciliation to statutory results is provided on pages 11 and 12.
- Leverage ratio - net debt / trailing 12 month underlying EBITDA.
- Gearing - net debt / equity.
- Underlying return on funds employed - 12-month underlying EBIT divided by average monthly funds employed (net assets excluding cash, borrowings and lease liabilities).

Review of Operations

Demand overview

Demand for the majority of Adbri's products improved during 1H21, compared to the prior comparative period. 1H20 volumes in New South Wales, Victoria and Queensland were impacted by bushfires, floods and smoke and later by disruption to construction activity caused by the initial reaction to the COVID-19 pandemic.

The introduction of local, state and federal Government stimulus measures has been effective in combatting the impacts of COVID-19 on construction activity. Increased spending on construction through the HomeBuilder program and investment in infrastructure have both driven increased demand for construction materials. Notably, an increase in detached housing approvals in 2H20 has translated into increased pull-through for cement, aggregates and concrete in 1H21.

Infrastructure spending generated increased demand in Queensland, South Australia and the Northern Territory, and whilst the recent announcements of many large infrastructure projects have seen an increase in tendering during the period, in some instances the timing of pull-through of construction materials remains uncertain. Process delays are often holding back actual on the ground demand, and where projects have commenced, demand is still at times uneven.

Demand from the mining sector remained robust, as commodity prices continue to drive higher production volumes at existing mines and is also providing a positive outlook for new production capacity to come on line. Lime volumes in Western Australia were also higher in 1H21, driven by commencement of supply to new customers, that were previously supplied by importers.

Earnings Overview

Underlying NPAT increased 15.5% from \$47.6 million to \$55.0 million driven by improved demand for construction materials and delivery on cost initiatives.

Reported NPAT increased \$27.5 million to \$56.6 million. The improvement in underlying earnings accounted for \$7.4 million of this increase whilst impairments and restructuring provisions taken in 1H20, primarily with respect to the planned mothballing of Munster lime kiln 5, accounted for \$20.5 million. Recovery of prior period doubtful debts, which have been the subject of legal proceedings, also impacted reported profit favourably during the period.

Revenue increased 7.4% to \$752.3 million as a result of improved demand from New South Wales and Queensland in particular. Improved conditions led to higher volumes across all products, driven by demand in the eastern states. Average cement price increases were only partially offset by lower average prices for lime. Concrete and aggregate prices varied from market to market but were stable overall.

Underlying EBITDA margins improved from 17.5% to 17.7% as cost efficiencies continued to be implemented across the Group. Cost savings, net of headwinds, delivered a \$3.4 million increase in EBIT, with the Group on target to deliver on its projected \$10.0 million of net savings for the full year.

Cement and Clinker

Sales – Robust demand in east coast markets driving volumes

Cement and clinker sales volumes increased 10.6% driven by higher demand in east coast markets, recommencement of cement supply to a major customer in South Australia and stronger mining volumes.

Queensland demand benefitted from residential construction activity and higher offtake from Sunstate by our joint venture partner. New South Wales activity improved compared to the slow start in 1H20, although general demand in the state remains somewhat subdued. Sales in Victoria benefited, half on half, from robust demand across most construction sectors, with detached residential demand a standout.

Review of Operations (continued)

Volumes in South Australia increased following the recommencement of supply to a major customer whilst underlying cement sales volumes increased marginally to the mining sector.

Underlying demand in Western Australia remains strong, with overall cement volumes remaining stable.

Lime

Sales – Non-alumina market growth

Lime volumes increased 3.4% due to new supply contracts to customers such as Evolution's Mungari gold operation and Newmont's Boddington gold mine, as well as expansion of supply to existing customers including Northern Star's Super Pit. Additional volumes from these customers more than offset the impact of lower sales to ERA which ceased during the period as they move to the rehabilitation phase of their mining operation in the Northern Territory.

Average selling prices for lime declined marginally as a result of price changes in contracts and the loss of ERA volumes.

Concrete and Aggregates

Sales – improved demand lifted volumes across most markets

Demand for concrete and aggregates improved compared to the prior comparative period. Residential construction increased as a result of HomeBuilder and state-based stimulus measures, while demand in the comparative period was impacted by weather events including bushfires, floods and smoke, which limited construction activities.

Concrete sales volume increased 7.1% compared to 1H20, improving across all markets, with the exception of Victoria which was 13.5% lower. Volumes rebounded strongly in Queensland and the Northern Territory where residential stimulus and the benefit of infrastructure spending lifted demand. South Australian volumes increased due to strong residential construction and New South Wales also improved despite the lower impact from the HomeBuilder stimulus.

Adbri's Victorian volumes were impacted by the delayed commencement of a number of multi-residential projects, with supply of materials commencing late in 1H21.

Aggregate sales volumes increased 22.3% reflecting the higher demand from concrete, supply to infrastructure projects in South Australia and the Northern Territory, combined with increased output from the Scotchy Pocket quarry, north of Brisbane, including the start of supply to the Cooroy to Curra by-pass project.

Average selling prices for concrete were stable overall, compared to the prior year, with stronger prices in Victoria and South Australia largely offsetting marginal price declines in New South Wales and Queensland where improved market demand has not yet translated to higher prices.

Prices for aggregates improved modestly with improved underlying demand for higher value aggregates, including pull-through demand from concrete.

Concrete Products

Sales – reversion to normal trading

Revenue from Concrete Products reduced 4.3% to \$68.9 million. Volumes improved marginally, however this was more than offset by a 2.4% decline in pricing, which was driven by lower retail sales mix and lower demand for Burrell Mining joint venture products.

Demand from the retail channel which experienced significant growth in 2020, has in part reverted to more normal trends in 2021. This shift of revenue away from retail and back towards the commercial sector, with relatively lower value products, has resulted in the overall lower average selling price achieved.

Review of Operations (continued)

Pleasingly, operational efficiencies, including lower cartage costs and centralisation of administrative resources, more than offset the decline in revenue, resulting in EBIT growth to \$6.8 million.

Joint Arrangements and Associates

Independent Cement and Lime Pty Ltd (ICL) (50%)

Increased demand in New South Wales and Victoria led to ICL's revenue increasing by 2.0%. Costs were well controlled, leading to an improvement in EBIT margins, delivering an increase in contribution to Adbri's earnings of 4.9% to \$8.6 million.

Sunstate Cement Limited (Sunstate) (50%)

Sunstate's contribution to earnings increased 200% due to higher volumes. Improved residential demand, early-stage spending on infrastructure projects and an increase in offtake by Adbri's joint venture partner resulted in higher earnings of \$1.6 million to \$2.4 million.

Mawsons Group (Mawsons) (50%)

Mawsons' contribution to earnings increased 16.7% to \$3.5 million, supported by an increase in residential construction in regional Victoria and strong demand for our quarry products supplied to road and rail projects across the region.

Aalborg Portland Malaysia Sdn. Bhd. (Aalborg) (30%)

Earnings contribution from Aalborg increased \$0.5 million to \$0.4 million, with the prior corresponding period impacted by restrictions on production and exports from its Malaysian production facility as a result of COVID-19.

Strategic Initiatives

Adbri's strategy is focussed on creating long-term shareholder value through a sustainable business that engages with our people and communities, and partners with our customers to deliver on our promise of 'Building a better Australia'. As part of our commitment to operating sustainably, the Group has an aspiration to be net zero carbon emissions by 2050, with development of a roadmap underway, to be completed in time for the 2022 annual general meeting.

While the carbon roadmap will be used to define medium and longer term initiatives, the Company has a number of current initiatives that are delivering improvements to our carbon footprint:

Alternate fuels

Alternate fuels provide a range of benefits over traditional fossil fuels as a source of energy to heat our kilns, potentially lowering carbon emissions and diverting material destined for landfill. An important element of Adbri achieving the carbon emission aspiration is the substitution of natural gas as a kiln fuel, in favour of refuse derived fuels (RDF).

The EPA has approved our Birkenhead facility in South Australia to use RDF for up to 45% of its kiln fuel requirements, which will deliver a reduction in carbon emissions.

Supplementary cementitious materials

Traditional Portland cement is carbon intensive due to emissions from the chemical transformation of the source limestone material, fuel used to heat the material to produce the necessary chemical reaction and electricity used in the process. Supplementary cementitious materials (SCMs) are alternatives to Portland clinker as a binder constituent, often offering technical and durability benefits for end products whilst also contributing significantly to the Company's sustainability goals. They include utilising waste products from other manufacturing processes, such as flyash and steel slag.

The Group's 5-year target is to increase the tonnage of alternative raw material use by 20%.

Review of Operations (continued)

Renewable electricity

Adbri has a strategy of using renewable electricity to lower its carbon footprint. Over 55% of total Group electricity requirements were sourced from a renewable energy provider in 2020. In addition, Adbri commenced the process of assessing viability of solar arrays at our sites.

Our strategic initiatives have remained consistent:

1. Cost reduction and operational improvement;
2. Targeting downstream integration and diversification;
3. Increased exposure to infrastructure;
4. Maximising value from land holdings; and
5. Transformation of the lime business.

1. Cost reduction and operational improvement

The Group is focussed on being the lowest cost producer servicing the Australian domestic market. The efficient operation of our major assets, with a focus on reducing our carbon footprint, are priorities which require capital investment, leading to increased operational and financial performance in the long-term.

Cement manufacture within the Australian market is constrained by domestic kiln and grinding capacity. This necessitates the use of imports to supplement domestic production to meet the needs of a growing Australian population. Domestic manufacture has the obvious cost advantage of close proximity to key markets. To maintain this advantage, Adbri remains focussed on delivering the most cost and carbon efficient product offering to its customer base.

To this end, the Group initiated a cost reduction program in late 2019, which in 2020 delivered net savings of \$15.5 million. This program of work continues to deliver cost savings into 2021, through ongoing and new initiatives including: natural gas costs savings, procurement savings and operational efficiencies which are on target to deliver further net savings of \$10.0 million for 2021.

In 2020, the Group announced a major upgrade project to its cement operations in Western Australia. The Kwinana Upgrade Project is projected to deliver future cash cost savings of circa \$19.0 million in its first full year of operation, with an expectation of higher savings once fully commissioned and optimised.

In addition to the reduction in carbon emissions, increased use of RDF will translate to further cost savings in the future.

In July 2021, the Group secured a long-term gas deal with Senex, locking in an important portion of its gas requirements in South Australia, through to 2029, as part of a considered risk-based energy sourcing strategy. Due to the timing of this strategy, this deal, in combination with increased RDF usage and with other favourable energy arrangements, is expected to deliver approximately \$15.0 million in annualised savings compared to 2020 by 2025.

In addition to the items discussed above, the Group is undertaking a major review of its Birkenhead operations, with a view to finding efficiencies and savings of over \$10.0 million per annum across the complete manufacturing and supply chain, from the Klein Point raw materials quarry right through to delivery to market of final products.

Finally, the Group is continuing to develop its supplementary cementitious materials (SCMs) strategy, which will deliver earnings benefits over the next 5 years.

Review of Operations (continued)

The graphic below consolidates the projected cost savings and operational improvements from these various programs, with a combined target of almost \$100 million^{(1),(2)} in gross earnings benefits over the next 5 years, exclusive of cost headwinds.

Key Assumptions:

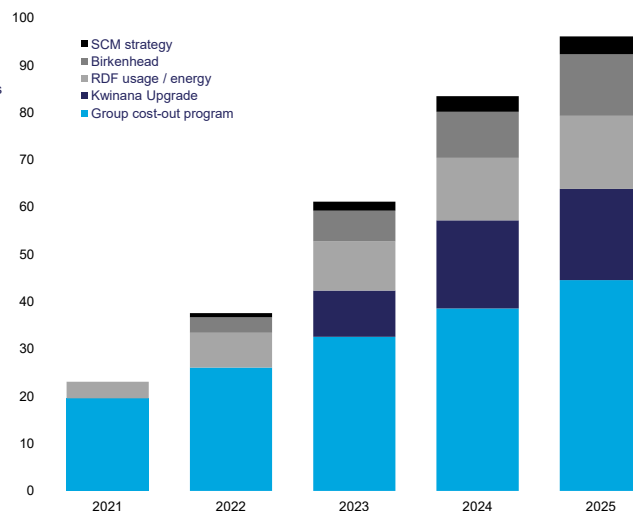
Group cost-out program – 2020 delivered \$35.5 million in gross savings. 2021 baseline a further ~\$20 million in cost savings. Future incremental savings projected at ~\$6 million per annum targeting organisational structure, operational technology savings, pallet cost recovery and process benchmarking for concrete and aggregates

Kwinana Upgrade – modelled estimates for project business case include cost savings on reduced labour, transportation, power, repairs and maintenance and other operational efficiencies

RDF usage/energy – baseline energy cost savings sourced in 2021 rising to 2023 and secured through to 2029. RDF savings targeting 50% RDF usage by 2025 versus current run-rate of 39%. Current EPA licencing allows up to 45%. Targeted RDF usage partially relies on alternate source of RDF, which the kiln is currently not licenced to use

Birkenhead process benchmarking – targeting \$10/t – from quarrying activities, through to production and delivery to customer. Early benchmarking suggests that opportunities exist to deliver this level of saving

Supplementary Cementitious Materials – 5-year target to increase tonnage used by 20%. Target is subject to market demand and supply



(1) Assumptions based on Management's assessment current at the date of this document which may change subject to risks and uncertainties including, but not limited to, Government licensing and regulations, market supply and demand, availability of kiln/incinerator fuels and supplementary cementitious materials, changing market conditions, costs and pricing, completion of capital projects and availability of funding
(2) Gross cost efficiencies are exclusive of cost headwinds and do not represent a forecast

2. Targeting downstream integration and diversification

The Group continues to identify opportunities to grow the business and to build-out its vertically integrated position. In July 2021, our Mawsons joint venture agreed to acquire the Milbrae concrete, aggregates and crushing business in regional New South Wales, subject to completion. This acquisition adds an additional seven concrete plants and 13 quarries in regional locations which are complementary to the Mawsons business. Regional growth is expected to be an important avenue through which the Company will grow its revenue streams, particularly in a post-COVID world. Macromonitors predicts growth for concrete in the NSW regional markets to be 14% over the next 3 years.

The Group's Scotchby Pocket quarry, which received final operational approval in July 2019, continues to ramp-up to full capacity. It is located in close proximity to growth markets on Queensland's Sunshine Coast which ensure a cost competitive offering can be made to secure the strong pipeline of infrastructure projects coming up for tender.

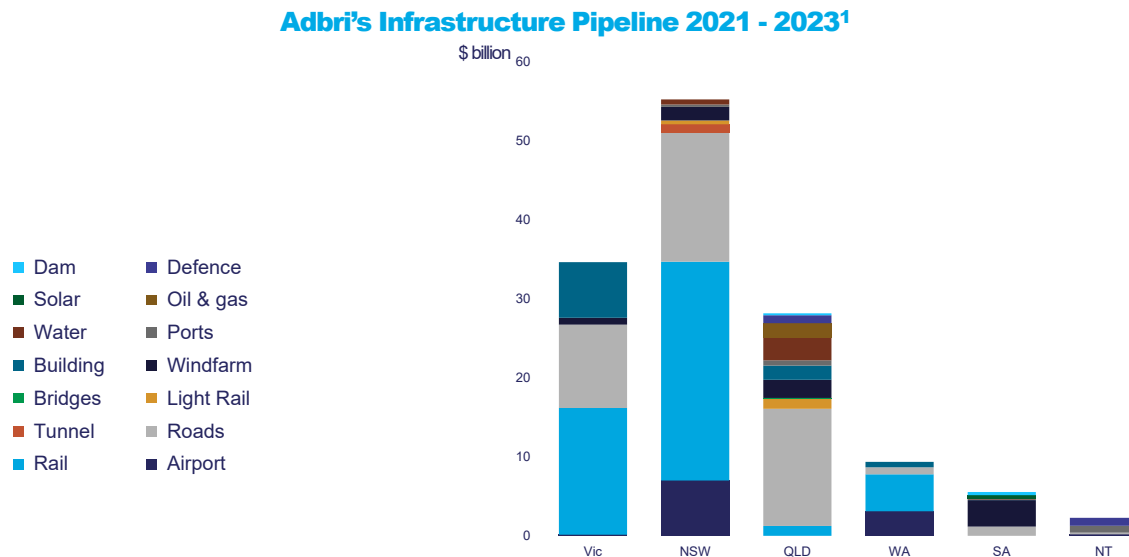
Further, the Group continues to actively pursue quarry opportunities to build out its integrated position in the Queensland and Victorian markets.

Planning for the Badgerys Creek site continues, with development approval for a concrete plant targeted for early 2022.

3. Increased exposure to infrastructure

Government stimulus at the local, state and federal level through funding for infrastructure projects will provide strong demand support for construction materials well into the future. The pipeline for infrastructure within Adbri's contestable markets is expected to exceed \$130 billion over the next two years, see graph depicted below, and over \$300 billion over the next 8 years.

Review of Operations (continued)



(1) Adbri analysis of infrastructure announcements. Data relates to projects within contestable market areas for the Group

Adbri's vertically integrated footprint and cost competitive offering place the Company in a strong position to secure new work in the infrastructure sector. This pipeline includes major projects such as Sydney Metro West, Western Sydney Airport, Sydney Airport, Western Sydney Airport link M12 Connector, Port Botany Rail Duplication, North East Link, Melbourne Airport Link, Tindal Airbase, Coomera Connector and Main South Road duplication in South Australia.

Over the past 12 months, the Group has secured supply of materials to the following infrastructure projects:

- Bruce Highway Cooroy to Curra, Qld
- Camp Kerr Army Base Road Upgrade, Qld
- Brisbane Airport, International Apron Pavement Rectification, Qld
- Tramworks Replacement, Vic
- Osborne North Development Project, SA
- Tindal Airbase, NT
- Western Access Road, NT
- Alice Springs Airport, NT
- US Ordinance Building, NT

Our dedicated team have prioritised bidding on projects where we expect to have a competitive advantage. Of projects bid in the past 6 months, 35% of contested concrete and aggregate volumes have been successfully won from project bidding, a significant success rate in this highly competitive sector.

4. Maximising value from land holdings

Adbri's Executive team has increased its focus on the development of the Group's surplus land holdings. During the period, a request for proposal was issued to major reputable property developers, to assist with the identification of relevant partners for the development of the Group's land portfolio. The team is currently evaluating these proposals which indicate the presence of a substantial value creation opportunity for the Group.

Review of Operations (continued)

In coming months, the Group will select development partners for its larger land holdings and will also evaluate options to maximise the value of its land portfolio over the long-term. Market conditions will impact values and timing of realisation, with greater certainty for near term projects.

Further to this, a sale process has commenced in relation to the Company's Hilltop Land in Geelong, with a sale anticipated in late 2021 or early 2022. The Company is also well progressed on valuation outcomes for the compulsory acquisition of its Rosehill concrete site.

5. Transformation of the lime business

The Group continues to develop its options to increase its exposure to the quicklime market and will be better positioned to articulate its preferred strategy in late 2021. Management are pursuing the development of feasibility studies for several exciting prospects for our Western Australian lime business including:

- the development of a lime kiln operation in Kalgoorlie;
- the development of a lime kiln operation in Bunbury;
- the reactivation of a lime kiln operation in Kwinana; and
- the development of our various associated land holdings.

During the period, the Company secured 3-year contracts for the supply of 75,000 tonnes p.a. of lime to Northern Star and 20,000 tonnes p.a. of lime to Boddington.

As previously announced, the Alcoa contract was to terminate on 30 June, 2021. However, a formal agreement has been reached with Alcoa to supply lime to their Wagerup facility until the end of September 2021, with commercial discussions well advanced for continuation of supply until the end of January 2022. Consequentially, kiln 5 is now expected to be mothballed in 4Q 2021.

Financial Review

Cash flow and working capital

Operating cash flow of \$76.8 million declined \$39.5 million compared to 1H20, largely due to the one-off benefit in the prior year of COVID-19 stimulus measures, with the temporary deferral of GST and PAYG payments, that boosted 1H20 cash flow by circa \$30 million. The measure reversed in 2H20 following payment of the deferred liabilities and was not repeated in 1H21.

Higher receipts from customers reflects increased revenue and effective working capital initiatives which remained a focus of the Group, resulting in a decline in debtor days from 46.7 days at June 2020 to 40.6 days at June 2021. Inventory balances reduced moderately from last year, while trade creditors increased \$8.0 million due to increased trading activity.

Capital expenditure declined relative to the prior comparative period, decreasing from \$73.2 million to \$67.6 million. Capital spend for the period was split between stay-in-business capital of \$51.8 million and development capital of \$15.8 million. Stay-in-business capital included the larger than usual annual shut-down of the Birkenhead operation that included replacement of part of the kiln shell, in addition to expenditure for the Accolade dry-dock.

Development capital included initial spending on the Kwinana Upgrade Project which will see activity ramp-up in 2H21 following the award of key contracts with subcontractors and equipment suppliers.

In 1H20, the Group drew down on its finance facilities in response to COVID-19, to provide liquidity, that resulted in a cash inflow of \$319.5 million. Borrowings were largely repaid in early 2H20, with the Group's borrowings reverting to more normal levels. Financing cash outflow in 1H21 of \$29.9 million reflects the payment of dividends, offset by the underlying free cash flow for the half year.

Review of Operations (continued)

Net debt and dividends

Net debt of \$411.9 million represents a leverage ratio of 1.5 times underlying EBITDA and 33.3% gearing. Both credit metrics are within the mid-range of the Board's target range and reflect the strong balance sheet of the Group.

The Board has approved an interim dividend of 5.5 cents per share, fully franked, for the period ending 30 June 2021. This represents a payout ratio of 65.3% on underlying earnings which is at the conservative end of the Company's target range.

Finance cost and tax

Net finance costs declined \$0.3 million to \$9.6 million. Interest and finance charges declined \$1.8 million as a result of lower borrowings, compared to the prior corresponding period, when the Group drew down all borrowings to maintain liquidity in the initial stages of the COVID-19 pandemic. Interest income similarly decreased because of lower cash held compared to the prior corresponding period.

Reported income tax expense increased from \$9.7 million to \$22.1 million due to an increase in pre-tax profits and the higher contribution to earnings from wholly-owned Group operations, resulting in the effective income tax expense rate increasing from 25.0% to 28.1%.

Reconciliation of underlying profit

The Board considers that the depiction of "underlying" earnings improves understanding of the Company's operational performance and longer-term trends. "Underlying" measures of profit exclude significant items of revenue and expenses, such as the costs related to restructuring, rationalisation and acquisitions, to highlight the underlying financial performance across reporting periods. Profits from the Group's long-term land sales program are included in underlying profit despite the timing being difficult to predict.

The following table reconciles underlying earnings measures to statutory results.

Half year ended 30 June \$million	2021			2020		
	Profit before tax	Income tax	Profit after tax	Profit before tax	Income tax	Profit after tax
Statutory profit	78.7	(22.1)	56.6	38.8	(9.7)	29.1
Impairment	-	-	-	20.5	(6.2)	14.3
Change in loss provision	(4.4)	1.3	(3.1)	0.1	-	0.1
Corporate restructuring costs	2.1	(0.6)	1.5	5.9	(1.8)	4.1
Underlying profit	76.4	(21.4)	55.0	65.3	(17.7)	47.6

Impairment

In the prior corresponding period, the Group recognised a pre-tax non-cash impairment charge of \$20.5 million primarily associated with the proposed cessation of the Alcoa contract in July 2021 and consequential placement of kiln 5 assets at Munster into care and maintenance.

Review of Operations (continued)

Change in loss provision

In late 2017, Adbri became aware of certain financial discrepancies which related to transactions whereby it had been underpaid for products supplied. The Group completed its analysis with the assistance of forensic accountants KPMG and recognised a provision for doubtful debts and costs in its 2017 results. The Group recovered funds following successful litigation resulting in cash receipts of \$8.4 million (net of GST) and recognising a net credit of \$4.4 million to profit before tax after deducting the carrying value of the related debtors balance and recovery costs.

Corporate restructuring costs

Redundancies and one-off corporate costs of \$2.1 million were recognised in the period (\$5.9 million in prior comparative period including a provision of \$5.0 million to improve operational efficiency in response to the proposed closure of kiln 5 at Munster).

2021 Outlook

Government stimulus measures are anticipated to benefit demand for construction materials in 2H21. The Company has shown resilience, with sales volumes in line with, or ahead of, Company expectations during July and August across all jurisdictions except New South Wales and South Australia, which were both interrupted by COVID-19 restrictions.

The Group's cost-out program is likely to deliver slightly better than anticipated savings due to securing of low-cost energy contracts, which will benefit the second half as well as earnings well into the future. The Group's cost programs are targeted to deliver approximately \$100 million in gross cost savings over the next 5 years, exclusive of cost headwinds.

Earnings in the second half of the year are traditionally higher than the first half due to seasonality. However, 2H21 earnings will be impacted by the reduction of lime volumes to Alcoa, the anticipated commencement of a competing cement import terminal in New South Wales and COVID-19 impacts including, limitations on construction activity and increased costs caused by the delayed return of the Accolade from its drydock in Singapore.

Capital expenditure is expected to increase in 2H21 through spending on the Kwinana and Accolade projects, with full year expenditure expected to be approximately \$200 million.

Surplus land sales are anticipated to deliver \$20 - 30 million in proceeds over the next two years, including the Geelong Hilltop land expected to be sold in late 2021 or early 2022.

The uncertainty brought about by the Delta strain of COVID-19 makes it difficult to provide any further update on the Group's financial outlook at this time.

Directors' report

The Directors present their report on the consolidated entity ("the Group") consisting of Adbri Limited ("the Company") and the entities it controlled at the end of, or during, the half year ended 30 June 2021.

Directors

The Directors of the Company at any time during or since the end of the half year and up to the date of this report are:

Mr Raymond Barro (Chairman)
Dr Vanessa Guthrie (Deputy Chair and Lead Independent Director)
Mr Ken Scott-Mackenzie
Mr Geoff Tarrant
Ms Rhonda Barro
Ms Emma Stein
Mr Michael Wright (appointed 25 June 2021)

Review of operations

A review of the operations of the Group during the half year ended 30 June 2021 is set out on pages 4 to 12 of this report.

Auditor's independence declaration


A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 27.

Rounding of amounts

The Company is of a kind referred to in ASIC Corporations (Rounding in Financial / Directors' Reports) instrument 2016/191, relating to the 'rounding off' of amounts in the Directors' report and financial report. In accordance with that instrument, amounts in the Directors' report and financial report have been rounded off to the nearest one hundred thousand dollars unless otherwise stated.

25 August 2021

This report is made in accordance with a resolution of Directors.



Raymond Barro
Chairman

Consolidated income statement

For the half year ended 30 June 2021

\$million	Notes	2021	2020
Revenue from continuing operations	3	752.3	700.7
Cost of sales		(490.1)	(457.7)
Freight and distribution costs		(141.4)	(136.8)
Change in loss provision		6.2	(1.2)
Gross profit		127.0	105.0
Other gains / (losses)	3	1.4	4.6
Marketing costs		(10.8)	(11.1)
Administration costs		(44.0)	(39.9)
Finance costs	3	(9.8)	(11.2)
Impairment	8	-	(20.5)
Share of net profits of joint venture and associate entities	6	14.9	11.9
Profit before income tax		78.7	38.8
Income tax expense		(22.1)	(9.7)
Profit for the half year		56.6	29.1
Profit is attributable to:			
Owners of Company		56.6	29.1
Non-controlling interests		-	-
		56.6	29.1
		Cents	Cents
Earnings per share for profit from continuing operations attributable to the ordinary equity holders of the Company:			
Basic earnings per share		8.7	4.5
Diluted earnings per share		8.7	4.4

The above consolidated income statement should be read in conjunction with the accompanying notes.

Consolidated statement of comprehensive income

For the half year ended 30 June 2021

\$million	2021	2020
Net profit for the half year	56.6	29.1
Other comprehensive income		
<i>Items that may be reclassified to profit or loss</i>		
Exchange differences on translation of foreign operations	(0.1)	0.7
Changes in the fair value of cash flow hedges	6.2	0.8
Income tax relating to these items	(1.8)	(0.2)
<i>Items that will not be reclassified to profit or loss</i>		
Actuarial gain / (loss) on retirement benefit obligation	1.3	(3.3)
Income tax (expense) / credit relating to these items	(0.4)	1.0
Other comprehensive income / (loss) for the half year, net of tax	5.2	(1.0)
Total comprehensive income for the half year	61.8	28.1
Total comprehensive income for the half year is attributable to:		
Owners of the Company	61.8	28.1
Non-controlling interests	-	-
	61.8	28.1

The above consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

Consolidated balance sheet

As at 30 June 2021

\$million	30 June 2021	31 December 2020
Current assets		
Cash and cash equivalents	74.7	94.0
Trade and other receivables	226.7	200.7
Inventories	151.3	152.1
Current tax assets	5.4	5.7
Assets held for sale	16.6	-
Total current assets	474.7	452.5
Non-current assets		
Receivables	45.7	45.6
Investments accounted for using the equity method	208.3	197.8
Property, plant and equipment	1,075.3	1,059.1
Right-of-use assets	80.7	82.7
Intangible assets	281.7	281.1
Retirement benefit asset	5.1	4.1
Total non-current assets	1,696.8	1,670.4
Total assets	2,171.5	2,122.9
Current liabilities		
Trade and other payables	180.0	172.0
Lease liabilities	4.0	3.9
Provisions	38.0	37.7
Other current liabilities	3.8	7.7
Total current liabilities	225.8	221.3
Non-current liabilities		
Borrowings	486.6	466.1
Lease liabilities	84.3	84.8
Deferred tax liabilities	72.7	63.7
Provisions	64.5	65.0
Total non-current liabilities	708.1	679.6
Total liabilities	933.9	900.9
Net assets	1,237.6	1,222.0
Equity		
Share capital	741.2	740.1
Reserves	(1.9)	(6.2)
Retained earnings	496.0	485.8
Capital and reserves attributable to owners of the Company	1,235.3	1,219.7
Non-controlling interests	2.3	2.3
Total equity	1,237.6	1,222.0

The above consolidated balance sheet should be read in conjunction with the accompanying notes.

Consolidated statement of changes in equity

For the half year ended 30 June 2021

\$million	Attributable to owners of Adbri Limited				Non-controlling interests	Total equity
	Contributed equity	Reserves	Retained earnings	Total		
Balance at 1 January 2021	740.1	(6.2)	485.8	1,219.7	2.3	1,222.0
Profit for the half year	-	-	56.6	56.6	-	56.6
Other comprehensive income	-	4.3	0.9	5.2	-	5.2
Total comprehensive income for the half year	-	4.3	57.5	61.8	-	61.8
Transactions with owners in their capacity as owners:						
Dividends provided for or paid	-	-	(47.3)	(47.3)	-	(47.3)
Employee equity participation share plan	1.1	-	-	1.1	-	1.1
	1.1	-	(47.3)	(46.2)	-	(46.2)
Balance at 30 June 2021	741.2	(1.9)	496.0	1,235.3	2.3	1,237.6
Balance at 1 January 2020	739.0	0.2	455.7	1,194.9	2.4	1,197.3
Profit for the half year	-	-	29.1	29.1	-	29.1
Other comprehensive income / (loss)	-	1.3	(2.3)	(1.0)	-	(1.0)
Total comprehensive income for the half year	-	1.3	26.8	28.1	-	28.1
Deferred hedging gains and losses and cost of hedging transferred to the carrying value of inventory purchased in the period	-	0.4	-	0.4	-	0.4
Transactions with owners in their capacity as owners:						
Dividends provided for or paid	-	-	(32.6)	(32.6)	-	(32.6)
Employee equity participation share plan	1.1	0.1	-	1.2	-	1.2
	1.1	0.1	(32.6)	(31.4)	-	(31.4)
Balance at 30 June 2020	740.1	2.0	449.9	1,192.0	2.4	1,194.4

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

Consolidated statement of cashflows

For the half year ended 30 June 2021

\$million	Notes	2021	2020
Cash flows from operating activities			
Receipts from customers (inclusive of goods and services tax)		799.1	770.7
Payments to suppliers and employees (inclusive of goods and services tax)		(703.3)	(640.7)
Joint venture distributions received		4.4	1.4
Interest received		0.2	1.7
Interest paid		(9.8)	(11.7)
Other income		1.2	2.6
Income taxes paid		(15.0)	(7.7)
Net cash inflow from operating activities		76.8	116.3
Cash flows from investing activities			
Payments for property, plant, equipment and intangibles		(67.6)	(73.2)
Proceeds from sale of property, plant and equipment		1.7	2.0
Repayment of loans from other parties		-	0.1
Net cash (outflow) from investing activities		(65.9)	(71.1)
Cash flows from financing activities			
Proceeds from issue of shares		1.1	1.1
Proceeds from borrowings		20.0	355.0
Principal elements of lease payments		(3.7)	(4.0)
Dividends paid to Company's shareholders	4	(47.3)	(32.6)
Net cash (outflow) / inflow from financing activities		(29.9)	319.5
Net (decrease) / increase in cash and cash equivalents		(19.0)	364.7
Cash and cash equivalents at the beginning of the financial year		94.0	116.8
Effects of exchange rate changes on cash and cash equivalents		(0.3)	0.2
Cash and cash equivalents at end of period		74.7	481.7

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

Notes to the financial statements

For the half year ended 30 June 2021

1 Basis of preparation of half year report

This condensed consolidated interim financial report for the half year reporting period ended 30 June 2021 has been prepared in accordance with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*.

This condensed consolidated interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 31 December 2020 and any public announcements made by Adbri Limited during the interim reporting period in accordance with continuous disclosure requirements of the *Corporations Act 2001*.

The accounting policies adopted are consistent with those of the previous financial year and the corresponding interim reporting period.

2 Segment reporting

(a) Description of segments

Management has determined the operating segments that are evaluated regularly in order to assess performance.

A disaggregation of revenue using existing segments and the timing of the transfer of goods and services (at a point in time versus over time) is considered by management to be adequate for the Group's circumstances.

The two reportable segments are based on the product groupings and have been identified as follows:

- Cement, Lime, Concrete and Aggregates
- Concrete Products

The operating segments, Cement, Lime, Concrete and Aggregates individually meet the quantitative thresholds required by AASB 8 as well as meeting the aggregation criteria allowing them to be reported as one segment. In considering aggregation of these segments, management assessed revenue growth and gross margin as the economic indicators to determine that the aggregated operating segments share similar economic characteristics.

Concrete Products meets the quantitative threshold and is therefore reported as a separate segment.

Joint arrangements and associates related to the reportable segments form part of the above two reportable segments.

The major end-use of Adbri Limited's products includes residential and non-residential construction, engineering construction, industrial manufacturing and mining sectors within Australia.

Notes to the financial statements (continued)

For the half year ended 30 June 2021

2 Segment reporting (continued)

(b) Segment information provided to the Chief Executive Officer (CEO)

The segment information provided to the CEO for the reportable segments is as follows:

\$ million

	Cement, Lime, Concrete & Aggregates	Concrete Products	Unallocated	Total
2021				
Total segment operating revenue	665.5	68.9	-	734.4
Inter-segment revenue	(45.0)	-	-	(45.0)
Revenue from external customers	620.5	68.9	-	689.4
Depreciation and amortisation	(42.1)	(3.0)	(2.0)	(47.1)
Underlying EBIT (excluding property)	100.5	6.8	(21.3)	86.0
Share of net profits of joint ventures and associate entities accounted for using the equity method	14.9	-	-	14.9
2020				
Total segment operating revenue	610.3	72.0	-	682.3
Inter-segment revenue	(44.3)	-	-	(44.3)
Revenue from external customers	566.0	72.0	-	638.0
Depreciation and amortisation	(41.9)	(3.0)	(2.4)	(47.3)
Impairment	(20.5)	-	-	(20.5)
Underlying EBIT (excluding property)	90.5	4.2	(19.5)	75.2
Share of net profits of joint ventures and associate entities accounted for using the equity method	11.9	-	-	11.9

Sales between segments are carried out at arm's length and are eliminated on consolidation.

The operating revenue includes revenue from external customers and a share of revenue from the joint ventures and associates in proportion to the Group's ownership interest, excluding freight, interest and royalty revenue. A reconciliation of segment operating revenue to revenue from continuing operations is provided as follows:

Notes to the financial statements (continued)

For the half year ended 30 June 2021

2 Segment reporting (continued)

(b) Segment information provided to the Chief Executive Officer (CEO) (continued)

\$million	2021	2020
Total segment operating revenue	734.4	682.3
Inter-segment revenue elimination	(45.0)	(44.3)
Freight revenue	59.4	60.5
Other product revenue	2.5	1.9
Royalties	1.0	0.3
Revenue from continuing operations	752.3	700.7

The performance of the operating segments is based on a measure of underlying Earnings Before Interest and Tax (EBIT), excluding property profits. This measurement basis excludes the effect of net interest. A reconciliation of the EBIT to operating profit before income tax is provided as follows:

\$million	2021	2020
Underlying EBIT	86.0	75.2
Significant items (refer pages 11-12)	2.3	(26.5)
Net finance cost	(9.6)	(9.9)
Profit before income tax	78.7	38.8

3 Operating profit / (loss)

\$million	2021	2020
Revenue from continuing operations		
Revenue from contracts with customers	751.3	700.4
Royalties	1.0	0.3
Total revenue from continuing operations	752.3	700.7
Other gains / (losses)		
Net (loss) / profit related to sale of property, plant and equipment	(0.8)	0.8
Rental income	0.8	0.6
Insurance recovery	-	0.6
Interest revenue	0.2	1.3
Miscellaneous income	1.2	1.3
Total other gains / (losses)	1.4	4.6
Revenue and other gains / (losses)	753.7	705.3
Impairment		
Property, plant and equipment	-	20.5

Notes to the financial statements (continued)

For the half year ended 30 June 2021

3 Operating profit / (loss) (continued)

\$million	2021	2020
Finance costs		
Interest and finance charges	8.0	9.8
Unwind of the discount on leases	1.5	1.5
Unwinding of the discount on restoration provisions and retirement benefit obligation	0.6	0.3
Gross finance costs	10.1	11.6
Interest capitalised in respect of qualifying assets	(0.3)	(0.4)
Total finance costs recognised in the income statement	9.8	11.2
Less interest income	(0.2)	(1.3)
Net finance costs	9.6	9.9

4 Dividends

\$million	2021	2020
Dividends paid during the half year		
2020 final dividend of 7.25 cents per fully paid ordinary share, franked at 100% (2019 final dividend of 5.0 cents, franked 100%) paid on 22 April 2021	47.3	32.6
Total dividends - paid in cash	47.3	32.6

Since the end of the half year the Directors have approved the payment of an interim ordinary dividend of 5.5 cents (2020: 4.75 cents) per fully paid ordinary share franked at 100% (2020: 100%). The aggregate amount of the proposed dividend expected to be paid on 6th October 2021, representing 65.3% of underlying earnings and 63.4% of reported earnings, not recognised as a liability at the end of the half year, is:

35.9	31.0
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5 Equity

Securities issued - Issue of ordinary shares during the half year

	2021 Shares	2020 Shares	2021 \$million	2020 \$million
Employee share scheme issue	361,188	543,240	1.1	1.1

6 Investments in joint arrangements and associates

Investments in joint arrangements are classified into joint ventures, which are accounted for in the consolidated financial statements using the equity method of accounting, and joint operations, which are accounted for using the proportional consolidation method. Associates are accounted for using the equity method.

Notes to the financial statements (continued)

For the half year ended 30 June 2021

6 Investments in joint arrangements and associates (continued)

Name of joint arrangement / associate	Nature of relationship	Ownership interest	
		2021 %	2020 %
Aalborg Portland Malaysia Sdn. Bhd.	Associate	30	30
Batesford Quarry	Joint operation	50	50
Burrell Mining Services JV	Joint operation	50	50
E.B. Mawson & Sons Pty Ltd and Lake Boga Quarries Pty Ltd	Joint venture	50	50
Independent Cement and Lime Pty Ltd	Joint venture	50	50
Peninsula Concrete Pty Ltd	Joint venture	50	50
Sunstate Cement Ltd	Joint venture	50	50

\$million	2021	2020
Contribution to net profit before tax		
Sunstate Cement Ltd	2.4	0.8
Independent Cement & Lime Pty Ltd	8.6	8.2
Other joint ventures and associates	3.9	2.9
Share of net profits of joint venture and associate entities	14.9	11.9
Profit from joint operations	2.8	1.4
Total profit from joint arrangements and associates	17.7	13.3

7 Contingencies

Details and estimates of maximum amounts of contingent liabilities are as follows:

\$million	2021	2020
Guarantees		
Bank guarantees	30.0	38.1

No material losses are anticipated in respect of the above contingent liabilities.

8 Impairment

Goodwill is not subject to amortisation and is tested annually for impairment or more frequently if events or changes in circumstances indicate that it may be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell, and its value-in-use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows which are largely independent of the cash flows from other assets or groups of assets known as cash-generating units 'CGUs'. Non-financial assets, other than goodwill that suffered an impairment, are reviewed for possible reversal of the impairment at each reporting date.

Notes to the financial statements (continued)

For the half year ended 30 June 2021

8 Impairment (continued)

(a) Goodwill

Goodwill is allocated to the Group's CGUs and a summary of the goodwill allocation is presented below.

\$million	30 June 2021	31 December 2020
Cement, Lime, Concrete and Aggregates segment	272.5	272.5
Concrete Products segment	-	-
	272.5	272.5

The recoverable amount of a CGU is determined based on value-in-use calculations. These calculations use cash flow projections based on latest financial forecasts approved by the Board, external forecasts of market growth rates and expected operating margins and capital expenditure. Projected cash flows are forecast for a period of greater than 5 years to incorporate the construction cycle into demand assumptions for modelling purposes.

(b) Key assumptions used for value-in use calculations

	Growth Rate ¹		Discount rate ²	
%	30 June 2021	31 December 2020	30 June 2021	31 December 2020
Cement, Lime, Concrete and Aggregates	1.3%	1.2%	10.1%	10.8%
Concrete Products	1.4%	1.4%	10.6%	11.9%

1 Weighted average growth rate used to extrapolate cash flows beyond the specific market forecast period.

2 Pre-tax discount rate applied to cash flow projections.

The Group tests annually, or when there are indicators of impairment, whether goodwill, other intangible assets with an indefinite life and other non-current assets have incurred impairment. The recoverable amounts of CGUs have been determined utilising value-in-use calculations.

Estimates and judgements are continually evaluated utilising historical experience coupled with expectations of future events that may have a financial impact on the Group and that are believed to be reasonable.

The discount rates used are pre-tax and reflect specific risks relating to relevant segments.

(c) Impairment charge

In the prior year an impairment charge was taken against specific assets to be placed into care and maintenance. The impairment charge related primarily to plant and equipment that was specifically utilised in servicing of the Alcoa contract.

The following table summarises the total impairment recorded as a result of value-in-use cash flow modelling and balance sheet review in the period by segment.

Notes to the financial statements (continued)

For the half year ended 30 June 2021

8 Impairment (continued)

(c) Impairment charge (continued)

\$million	Cement, Lime, Concrete and Aggregates	Concrete Products	Unallocated	Total
2021				
Property, plant and equipment	-	-	-	-
2020				
Property, plant and equipment	20.5	-	-	20.5
	20.5	-	-	20.5

9 Asset held for sale

\$million	2021	2020
Land	7.2	-
Property, plant and equipment	9.4	-
Total	16.6	-

10 Events occurring after the reporting period

On July 1, 2021, the Group announced our Mawsons joint venture agreed to acquire the Milbrae concrete, aggregates and crushing business in regional NSW, adding an additional 7 concrete plants and 13 quarries and providing an attractive exposure to the New South Wales regional growth corridor. The acquisition is effective from 1 July 2021, subject to completion.

No other matter or circumstance has occurred subsequent to half year end that has significantly affected, or may significantly affect, the operations of the Group, the results of those operations or the state of affairs of the Group or economic entity in subsequent financial periods.

Director's declaration

In the Directors' opinion:

- (a) the financial statements and notes set out on pages 14 to 25 are in accordance with the *Corporations Act 2001*, including:
 - (i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements, and
 - (ii) giving a true and fair view of the consolidated entity's financial position as at 30 June 2021 and of its performance for the half year ended on that date and
- (b) there are reasonable grounds to believe that Adbri Limited will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Directors.



Raymond Barro
Chairman

25 August 2021

Auditor's Independence Declaration

As lead auditor for the review of Adbri Limited for the half year ended 30 June 2021, I declare that to the best of my knowledge and belief, there have been:

- (a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- (b) no contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of Adbri Limited and the entities it controlled during the period.



M. T. Lojszczyk
Partner
PricewaterhouseCoopers

Adelaide
25 August 2021



Independent auditor's review report to the members of Adbri Limited

Report on the half-year financial report

Conclusion

We have reviewed the half-year financial report of Adbri Limited (the Company) and the entities it controlled during the half-year (together the Group), which comprises the consolidated balance sheet as at 30 June 2021, and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity, and consolidated statement of cash flows for the half-year ended on that date, significant accounting policies and explanatory notes and the directors' declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the accompanying half-year financial report of Adbri Limited does not comply with the *Corporations Act 2001* including:

1. giving a true and fair view of the Group's financial position as at 30 June 2021 and of its performance for the half-year ended on that date
2. complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Basis for conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity* (ASRE 2410). Our responsibilities are further described in the *Auditor's responsibilities for the review of the half-year financial report* section of our report.

We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional & Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to the audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

Responsibilities of the directors for the half-year financial report

The directors of the Company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that gives a true and fair view and is free from material misstatement whether due to fraud or error.

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Auditor's responsibilities for the review of the half-year financial report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 30 June 2021 and of its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.



PricewaterhouseCoopers



M. T. Lojszczyk
Partner

Adelaide
25 August 2021