ADBRI

Appendix 4D

Half Year Ended 30 June 2022

Adbri Limited
Appendix 4D
Half year report ended 30 June 2022
Results for announcement to the market

Company name:	Adbri Limited
ABN:	15 007 596 018
Reporting period:	Half year ended 30 June 2022
Previous corresponding period:	Half year ended 30 June 2021
Release date:	22 August 2022

Statutory Results		**%**		**$M**
Revenue from continuing operations	up	8.0	to	812.4
Earnings before interest and tax (EBIT)	down	19.6	to	71.0
Net profit for the period attributable to members	down	15.0	to	48.1

Dividends	**Amount per security (cents per share)**	**Franked amount per security (cents per share)**
Interim ordinary dividend – current reporting period	5.0[1]	5.0
Interim ordinary dividend – previous corresponding period	5.5	5.5
Final dividend – financial year ended 31 December 2021	7.0	7.0

Record date for determining entitlements to the interim dividend	22 September 2022
Payment date for interim dividend	5 October 2022

Net Tangible Assets	**30 June 2022**	**30 June 2021**
Net tangible asset backing per ordinary share	**$1.51**	$1.46

Dividend Reinvestment Plan

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

[1] As disclosed to the ASX on 22 August 2022, an interim dividend of 5.0 cents per share has been approved by the Board of Directors.

Summary of Results

Financial Highlights

- Revenue increased to $812.4 million, up 8.0% on 1H21 driven primarily by strong construction and mining sector demand and improved pricing across most products
- Statutory NPAT of $48.1 million, down 15.0% on 1H21
- Underlying net profit after tax (NPAT)[2] (including property profits[3]) of $54.3 million, down 1.3% on 1H21 impacted by: operational challenges associated with extreme wet weather events on the east coast of Australia; as anticipated lower lime volumes, higher raw materials, power, shipping, transport and fuel costs; partially offset by out-of-cycle price increases and profit on property, plant and equipment sales
- Underlying NPAT, excluding property profits on the compulsory sale of the Rosehill land of $8.1 million after tax, totalled $46.2 million
- Cost-out program delivered circa $7.5 million in gross savings for 1H22, only partially offsetting inflationary pressures
- Underlying EBITDA margins declined from 17.7% to 16.6%, mainly due to impact of wet weather and higher pricing lagging inflationary costs. Excluding property profits, underlying EBITDA margins declined from 17.7% to 15.2%
- Robust balance sheet and liquidity during a period of significant capital investment to drive future returns – gearing (net debt[4]/equity) of 43.2% and leverage ratio[5] of 2.0x are within the Board's target range, whilst interest cover[6] is well above the required ratio within banking covenants. Funding for the Zanows acquisition and Kwinana Upgrade project have lifted gearing and leverage ratios. Significant, $259.0 million, headroom remains in our financing facilities
- A fully franked interim dividend of 5.0 cents per share, down from 5.5 cents per share in 1H21, has been approved equating to 70.6% dividend payout ratio of underlying NPAT (excluding property profits)

Operating and Strategic Highlights

- Safety performance, Total Reportable Injury Frequency Rate (TRIFR)[7] of 6.4, an 8.6% improvement on 1H21, but up 1.6% from 31 December 2021. Improvement in lead indicators demonstrates proactive safety culture
- Increased volumes across many of our product lines as strong demand continued in the construction and mining sectors, despite significant disruption due to severe weather events on the east coast of Australia
- Completion and integration of key acquisitions (Zanows, Milbrae and B&A Sands) extending our vertically integrated footprint
- Launch of Net Zero Emissions Roadmap, including new medium-term 2030 targets
- Completion of the Brisbane International Airport apron works, our first major airside project in recent times and a key part of our expansion into the infrastructure sector
- Infrastructure growth journey continues with 29% win ratio on tenders bid and awarded for 1H22. Order book increased by circa 30% since 31 December 2021
- Moorebank and Kewdale surplus land sales processes initiated. Rosehill land compulsorily acquired
- Kwinana Upgrade project 25% complete at the end of 1H22, with procurement approximately 75% committed and the project is on track for commissioning in mid-2023. Taking into consideration known inflationary and supply chain pressures, the project cost is expected to be circa 15% higher than originally forecast.

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[2] Underlying measures include property profits and exclude significant items. Significant items are one-off restructuring, rationalisation and acquisitions costs.
[3] Property profits relate to gain on Rosehill land compulsorily acquired and exclude post-tax gain on disposal of plant and equipment of $5.9 million, which is included in statutory and underlying profit.
[4] Net debt is calculated as total borrowings less cash and cash equivalents. Lease liabilities recognised under AASB 16 are excluded from net debt.
[5] Leverage ratio - net debt/rolling 12 months underlying EBITDA (includes property profits and excludes significant items).
[6] Interest cover – rolling 12 months underlying EBITDA/12 months interest (includes property profits and excludes significant items).
[7] Total Reportable Injury Frequency Rate (TRIFR) is the number of recordable injuries per million of man hours worked. Adbri's TRIFR includes employees and contractors.

Financial Summary

Statutory basis

$M	2022	2021	% change pcp fav/ (unfav)
	6 months ended 30 June 2022		
Revenue	**812.4**	752.3	**8.0**
Earnings before interest, tax, depreciation and amortisation ("EBITDA")	**126.1**	135.4	**(6.9)**
Depreciation, amortisation and impairments	**(55.1)**	(47.1)	**(17.0)**
Earnings before interest and tax ("EBIT")	**71.0**	88.3	**(19.6)**
Net finance cost[8]	**(10.1)**	(9.6)	**(5.2)**
Profit before tax	**60.9**	78.7	**(22.6)**
Income tax expense	**(12.8)**	(22.1)	**42.1**
Net profit after tax	**48.1**	56.6	**(15.0)**
Non-controlling interests	**–**	–	**–**
Net profit attributable to members (“NPAT”)	**48.1**	56.6	**(15.0)**
Basic earnings per share (EPS) (cents)	**7.4**	8.7	
Ordinary dividends per share – fully franked (cents)	**5.0**	5.5	
Net debt[9]	**553.9**	411.9	

Underlying basis[10]

$M	2022	2021	% change pcp fav/ (unfav)
	6 months ended 30 June 2022		
Revenue	**812.4**	752.3	**8.0**
EBITDA	**134.9**	133.1	**1.4**
Depreciation and amortisation	**(55.1)**	(47.1)	**(17.0)**
EBIT	**79.8**	86.0	**(7.2)**
Net finance cost	**(10.1)**	(9.6)	**(5.2)**
Profit before tax	**69.7**	76.4	**(8.8)**
Income tax expense	**(15.4)**	(21.4)	**28.0**
Net profit after tax	**54.3**	55.0	**(1.3)**
Non-controlling interests	**–**	–	**–**
NPAT	**54.3**	55.0	**(1.3)**
Basic earnings per share (cents)	**8.3**	8.4	
Underlying EBITDA margin (%)	**16.6**	17.7	
Leverage ratio[11] (times)	**2.0**	1.5	
Interest cover (EBITDA/interest) (times)	**14.1**	14.1	
Gearing[12] (%)	**43.2**	33.3	
Net debt/net debt plus equity (%)	**30.2**	25.0	
Underlying ROFE[13] (%)	**9.3**	11.0	

[8] Net finance cost is the net of finance costs shown gross in the consolidated income statement and interest income included in Other gains/(losses).
[9] Net debt is calculated as total borrowings less cash and cash equivalents. Lease liabilities recognised under AASB 16 are excluded from net debt.
[10] Underlying measures include property profits and have been adjusted for significant items. An explanation and reconciliation to statutory results is provided on pages 9 - 10.
[11] Leverage ratio – net debt/rolling 12 months underlying EBITDA.
[12] Gearing – net debt/equity.
[13] Underlying return on funds employed – 12 months underlying EBIT/average monthly funds employed (net assets excluding cash, borrowings and lease liabilities).

Review of Operations

Safety

Adbri's commitment to providing a safe workplace is unwavering. Our 1H22 TRIFR was 6.4, an 8.6% improvement on 1H21, but up 1.6% from December 2021. Our lead indicators continued to show promising results with a 67.0% increase in visible leadership walks up on 1H21, demonstrating a proactive safety culture.

Demand overview

Demand for Adbri's products continued to be strong in 1H22 despite disruptions from extreme wet weather events across New South Wales and Queensland. Adbri's diverse geographical footprint and reliability as a domestic supplier of construction and industrial materials ensured volumes were buoyant across most product lines.

Residential, commercial and infrastructure sectors were strong in east coast markets and in South Australia, driving higher demand for concrete and aggregates compared to the prior comparative period (pcp). This was only curtailed by extreme weather events. Subdivisions and infrastructure projects in South Australia also created demand for lower grade aggregates.

Cement volumes were higher than the pcp, with a key driver being demand from the mining sector in South Australia and Western Australia. The lower margin Victorian market also experienced strong demand for cement, driven by residential and commercial construction activity.

Demand for domestically manufactured lime increased, with customers seeking certainty of supply from local manufacturers due to supply chain challenges. This partially offset the anticipated reduction in demand due to Alcoa's lower contract volumes. Adbri continues to be the key supplier of lime and cement to the mining sector in South Australia, Western Australia and the Northern Territory.

Earnings overview

Revenue increased 8.0% as a result of higher volumes and higher average selling prices for most of our product lines.

Underlying EBITDA[14] (including property profits) increased 1.4% against the pcp (1H22 $134.9 million versus 1H21 $133.1 million), due to an increase in property, plant and equipment profits, higher sales volumes and pricing, partially offset by the impacts of extreme wet weather events, and cost inflation. In particular, raw materials, transport, shipping, fuel and power costs increased. Underlying EBIT[14] was 7.2% lower versus pcp (1H22 $79.8 million versus 1H21 $86.0 million) reflecting increased depreciation and amortisation from recent investing activity.

Underlying NPAT[14] (including property profits) decreased 1.3% versus pcp (1H22 $54.3 million versus 1H21 $55.0 million). Statutory NPAT decreased 15.0% versus pcp (1H22 $48.1 million versus 1H21 $56.6 million), inclusive of significant items which included $4.2 million for stamp duty on acquisitions made in the period.

The earnings contribution from joint ventures and joint operations was down 7.3% on the pcp, primarily due to higher repairs and maintenance, wet weather events, shipping, fuel, power and demurrage costs.

Notwithstanding these headwinds, Management have implemented a pricing strategy to reduce the impact from higher raw material, transportation, fuel, power and operating costs. In addition, the Group is on target to deliver on its projected circa $10.0 million of gross cost savings program for the full year, only partially offsetting cost inflation.

Net debt is at $553.9 million versus $437.4 million as at 31 December 2021. This increase reflects higher capital spend including the Kwinana Upgrade project and settlement of the Zanows acquisition.

Dividend of 5.0 cents, reflects a 70.6% payout ratio of underlying earnings excluding property profits.

Cement

Revenue – robust demand from all sectors except NSW

National cement revenue increased by 7.5%. Mining drove demand in South Australia, Northern Territory and Western Australia, supplemented by demand from the commercial, infrastructure and residential sectors. Supplementary cementitious

[14] Underlying measures include property profits and exclude significant items.

materials sales were also strong into Victoria. New South Wales sales were substantially lower, impacted by wet weather and the loss of previously contracted volumes to a recently established competing import terminal.

The average selling price of cement increased by 1.9%, lagging inflation. Consequently, out-of-cycle price increases were implemented in August to offset further cost inflation.

Lime

Revenue – strong demand for locally manufactured lime

As anticipated, revenue for lime decreased by 7.8% during the half. This was driven by a reduction in the Alcoa supply contract.

The impact of this decrease was better than anticipated due to growth in the number of customers returning to locally manufactured lime to mitigate supply chain challenges. Adbri's position as a domestic manufacturer of lime continues to drive the Group's lime volume recovery program, with new and renegotiated contracts being secured at improved average selling prices. This resulted in an 8.7% increase in net selling price versus pcp, partially offsetting lower volumes and higher production costs.

Concrete and Aggregates

Revenue – volume growth across most sectors and regions

Revenue for Concrete and Aggregates was up 11.3% on the pcp as demand for construction materials increased.

Concrete sales volumes were up 5.6%, despite wet weather in New South Wales and Queensland. This volume increase was supported by strong demand from the residential, commercial and infrastructure sectors. Victoria saw a 13.0% increase in volumes on the pcp driven by residential and commercial demand. Despite extreme wet weather in New South Wales, that resulted in a third of working days lost, residential and civil sectors remained strong. Queensland demand was strong across all segments, while South Australian residential demand peaked. The Northern Territory commercial and infrastructure sectors provided the greatest opportunities to offset a slowing residential sector.

Concrete price rises were implemented in the first half, with the average selling price up by 2.8% on the pcp. However, inflationary costs outstripped pricing which impacted profitability. Additional out-of-cycle price rises have been implemented in late June and July 2022 to counter rising costs.

Aggregate sales volumes were up 15.7%, driven by sales of low grade aggregates into infrastructure projects in the Queensland and South Australian markets. Aggregate prices have increased, however higher volumes of low-grade aggregates reduced the average selling price for the period.

Inflationary pressure in the form of unprecedented fuel, transport and electricity costs impacted margins. Adbri remains active in its price management strategy, with another out-of-cycle price increase to be implemented in September, which will help mitigate cost inflation.

Demand for concrete and aggregates remains high with a strong forward order book for the remainder of the year across all sectors.

Masonry

Revenue – strong growth in contracting business

National masonry revenue was up 3.8% driven by higher pricing and an increase in contracting revenue. Sales volumes in Queensland, Victoria, South Australia, Tasmania and Western Australia were consistent with the pcp, while wet weather impacted New South Wales and volumes were down 14.8%.

Average selling price increased by 4.2%, to partially offset rising fuel, pallet and raw material costs. Future price increases have been communicated to customers to counter further cost headwinds.

Adbri's masonry contracting business has grown strongly, with sales revenue increasing 36.9% versus pcp, driven by a range of residential and infrastructure projects. Works were completed on the Intermodal Freight Hub at Wagga Wagga, and we will look to expand our presence in the contracting sector as it continues to be a strong component of our business. In 2H22, Adbri will also re-establish its masonry contracting business in Victoria.

In 1H22, we ceased production at the Moorebank site to optimise our existing masonry asset portfolio. The vacant land on which the Moorebank site operated is now subject to a sales process, forming part of our strategy to realise value from our surplus land holdings.

Joint ventures and operations

Joint ventures and operations contributions to earnings were down on the comparative period by 7.3%, mainly due to increased operational costs (fuel, repairs, stripping and demurrage), and wet weather.

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

ICL's contribution to net profit before tax decreased by 8.1%, with earnings of $7.9 million, down $0.7 million from the comparative period, mainly due to the impact of wet weather in New South Wales, which impacted demand and demurrage costs, as well as the loss of Gunlake volumes. Fuel costs also impacted transportation costs.

Batesford Quarry Joint Venture (50%)

Batesford's contribution to earnings increased by 12.5%, largely due to strong agricultural lime sales. Price increases have been implemented across all products lines.

Sunstate Cement Limited (Sunstate) (50%)

Sunstate's contribution to earnings increased 4.2% resulting in marginally higher earnings compared to $2.4 million in the prior period, as a result of shareholder demand and supply to Southern Cross Cement.

Mawsons Group (Mawsons) (50%)

Mawsons' contribution to earnings decreased 17.1% largely due to higher fuel and repairs and maintenance costs particularly with respect to the newly acquired Milbrae business. Milbrae's H1 performance was well below projections due to a reduction in mining activity and backlog repairs and maintenance work undertaken during integration. An improvement in earnings is expected in H2.

B&A Sands Joint Venture (50%)

B&A Sands', trading as Metro Quarry Sands, contribution to earnings was a loss of $0.3 million, largely driven by one-off repairs and maintenance and stripping costs. The joint venture is implementing operational changes to improve productivity and efficiency.

Strategic initiatives

Adbri's strategy is built on our purpose of ***Building a Better Australia.***

As part of our commitment to sustainable growth, we released our Net Zero Emissions Roadmap in May 2022. This Roadmap establishes new medium-term greenhouse gas (GHG) emissions targets on the path to net zero emissions by 2050. It also prioritises three key actions: reduce emissions, create new products and collaborate with key partners. We are committed to reporting our progress annually in our Sustainability Report.

Progress of sustainability initiatives during the half year period included:

- Collaboration with key partners, including Calix, HILT CRC and SmartCrete CRC has continued
- Adbri joined a new collaboration with AGL on a green hydrogen energy hub study in South Australia
- Installation of 99kW solar system at Stapylton, bringing our total installed capacity at 30 June 2022 to 8.0MW

During the half, Adbri continued to execute against our strategic priorities to deliver business improvement and growth. These strategic priorities include:

- Reduce cost and improve operational efficiency
- Transform the Lime business
- Grow Concrete and Aggregates
- Enhance capability in infrastructure
- Actively manage land holdings

Reduce cost and improve operational efficiency

We continue to focus on increasing the use of alternative fuels, with the substitution rate for refuse derived fuel at Birkenhead increasing from around 35.0% at the end of 2021 to 39% at the end of the half. This in turn reduced our reliance on natural gas and exposure to the energy market.

At period end, 25% of the Kwinana Upgrade project works have been completed, committed procurement is now approximately 75% complete and the project is on schedule for commissioning in mid-2023. Taking into consideration known inflationary and supply chain pressures, the project cost is expected to be circa 15% higher than originally forecast.

The cost reduction program has delivered $7.5 million in gross cost savings and is on-track to deliver an expected circa $10.0 million for the year. However, inflationary pressures, driven by economic and geopolitical events, have outweighed the benefits of these activities. Out-of-cycle price increases continue to be applied to reduce the impact of cost inflation.

Transform the Lime business

The Group continues to successfully execute its lime recovery strategy to build volumes from new and existing customers. Lime volumes for the half were 446 kilotonnes, indicating an annual run rate of around 890 kilotonnes.

Lime pricing is expected to grow as customers, who had previously relied on imports, turn to domestically manufactured supply. Adbri's strength as an Australian manufacturer of lime continues to be a point of difference to mitigate supply chain risks being experienced across the world.

The definitive feasibility study for the Kalgoorlie lime kiln is progressing, with mine planning and front-end engineering design underway. The study is anticipated to be completed in 1H23.

Grow Concrete and Aggregates

Following flooding and subsequent settlement delay, integration of the Zanows' concrete and quarries acquisition in South East Queensland has now been successfully completed.

The Group continues to integrate Milbrae concrete and quarries operations in regional New South Wales into our Mawsons joint venture. The performance of this joint venture has been impacted by higher fuel, repairs, and maintenance costs, as we set a new operating standard for these sites.

The B&A Sands' acquisition in Victoria has been integrated and provides our concrete business with security of sand supply. The joint venture incurred higher stripping and repairs and maintenance costs that impacted profitability during the period.

After a slower than expected start from these acquisitions, we expect they will improve in 2H22.

Enhance capability in infrastructure

During the period, we completed the Brisbane International Airport apron works that involved the supply of 19,200 cubic metres of concrete. This was our first major airside project in recent times and a key part of our expansion into the infrastructure sector.

During the half we also supplied 230,000 tonnes of quarry material and 2,000 cubic metres of concrete to the RAAF Base Tindal Western Access Road in the Northern Territory. Total volumes for the RAAF project will be in the vicinity of 700,000 tonnes of quarry products and 70,000 cubic metres of concrete, utilising 25,000 tonnes of our Northern Cement product.

Our infrastructure growth journey continues, with a 29% win ratio on tenders submitted and awarded in 1H22. Our infrastructure order book has increased by circa 30% since 31 December 2021.

Actively manage land holdings

Adbri continues to actively manage its surplus land holdings. During the period, the sale of Rosehill was completed as part of the Government's compulsory land acquisition program, while the sale of a small parcel of land at Kewdale, Western Australia, is anticipated to be settled in 2H22.

The Group is also progressing with the sale of the Moorebank masonry site in New South Wales, which was decommissioned in 1H22. We anticipate a sale agreement to be formalised in the latter half of the calendar year.

Rehabilitation of the Batesford quarry in Victoria is progressing in parallel with the assessment of development options with the local council and potential partners.

Financial Review

Cash flow and working capital

Operating cash flow of $68.0 million declined $8.8 million compared to 1H21, largely due to lower earnings and an increase in working capital due to higher turnover levels. The Group continues to closely monitor the trading activity of its customers in the building and construction sector, to minimise counterparties credit risk.

Inventory balances increased moderately from last year, while trade creditors increased $27.9 million due to increased trading activity.

Capital expenditure increased relative to the pcp, from $67.6 million to $115.1 million. Capital spend for the period was split between stay-in-business capital of $67.8 million (up $16.0 million on the prior comparative period) and development capital of $47.3 million (up $31.5 million on the prior comparative period).

Stay-in-business capital spend included $14.0 million for the replacement concrete site and plant following compulsory acquisition of the Group's concrete site and plant at Rosehill, New South Wales by Sydney Metro. Included in the development capital spend is $35.1 million for the Kwinana Upgrade project.

Business acquisition payments of $57.0 million relate to the acquisition of Zanows' concrete and quarries, completed on 1 April 2022.

Property disposal proceeds mainly comprise of $37.5 million received from Sydney Metro for the compulsory acquisition of the Rosehill land and cost reimbursement.

In 1H22, the Group drew down $68.5 million, from its borrowing facilities mainly to fund the Zanows acquisition and capital spend on the Kwinana Upgrade project. Financing cash outflows in 1H22 also reflect the payment of the 2021 final dividend of $45.7 million.

Net debt and dividends

Net debt increased by $116.5 million over the reporting period to $553.9 million at 30 June 2022, representing a leverage ratio[15] of 2.0 times underlying EBITDA [16] and gearing of 43.2%, while interest cover[17] was 14.1 times underlying EBITDA. Excluding property profits, interest cover was 13.1 times underlying EBITDA. These key credit metrics remain investment grade and within banking covenants. The gearing ratio is within the Board's target range of 25% - 45%. The leverage ratio is at the higher end of the Board's target range of 1.0 – 2.0 times as anticipated during the construction period of the Kwinana Upgrade project.

The Group's funding facilities were extended in early 2022, increasing the weighted average term to 4.6 years as at 30 June 2022, with a slight improvement in pricing.

The Board has approved an interim dividend of 5.0 cents per share, fully franked, for the period ending 30 June 2022. This represents a payout ratio of 70.6% on underlying earnings excluding property profits.

Finance cost and tax

Net finance costs increased by $0.5 million to $10.1 million. Interest and finance charges increased by $1.2 million as a result of higher borrowings, compared to the pcp, and interest rate increases in the second quarter. Interest income increased generally in line with the increased interest rates in the second quarter.

Statutory income tax expense decreased from $22.1 million to $12.8 million due to a decrease in pre-tax profits and favourable deferred tax movements related to current and planned property sales, resulting in the effective income tax expense rate decreasing from 28.1% to 21.0%.

Reconciliation of underlying profit (including property)

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.

[15] Leverage ratio - net debt/rolling 12 months underlying EBITDA (includes property profits and excludes significant items).
[16] Underlying measures include property profits and exclude significant items.
[17] Interest cover – rolling 12 months underlying EBITDA (includes property profits and excludes significant items) /12 months interest.

Half year ended 30 June $M	2022 Profit before tax	2022 Income tax	2022 Profit after tax	2021 Profit before tax	2021 Income tax	2021 Profit after tax
Statutory profit	**60.9**	**(12.8)**	**48.1**	78.7	(22.1)	56.6
Change in loss provision	**0.1**	**–**	**0.1**	(4.4)	1.3	(3.1)
Corporate restructuring and strategy costs	**4.1**	**(1.2)**	**2.9**	2.1	(0.6)	1.5
Acquisition expenses	**4.6**	**(1.4)**	**3.2**	–	–	–
Underlying profit (including property)	**69.7**	**(15.4)**	**54.3**	76.4	(21.4)	55.0
Property profits*	**(11.6)**	**3.5**	**(8.1)**	**–**	**–**	**–**
Underlying profit (excluding property)	**58.1**	**(11.9)**	**46.2**	76.4	(21.4)	55.0

* 1H22 property profits relate to gain on Rosehill land compulsorily acquired and exclude post-tax gain on disposal of plant and equipment of $5.9 million, which is included in statutory profit.

Corporate restructuring and strategy costs

Redundancies and one-off corporate costs of $0.7 million were recognised in the period ($2.1 million in pcp). Strategy costs relate to one-off advisory costs in relation to strategic projects including our land, lime and Net Zero strategy initiatives currently being considered by the Group.

Acquisition expenses

These costs relate to one-off stamp duty and incidental costs on acquisitions during the period.

2022 Outlook

The uncertainty in the current economic and operating environment makes it difficult to provide quantitative guidance at this time. Subject to these uncertainties, demand for our products from the residential, infrastructure, commercial and mining sectors is expected to remain strong in 2H22. Further out-of-cycle price increases will assist Adbri in actively managing inflationary pressures, with pricing traction key to our ability to deliver.

We anticipate strong demand for cement, although building and project completion timeframes are being extended due to materials and labour shortages.

Lime volumes are anticipated to be stable in H2 versus H1. Lime pricing is expected to improve with new customers seeking reliable domestic supply due to supply chain disruptions experienced by importers.

Demand is expected to remain strong for concrete and aggregates to the end of the year, and if weather abates in New South Wales, this will be buoyed by the commencement of delayed projects and flood recovery works. Softness in retail spending is expected to impact masonry demand, with increased interest rates impacting household discretionary spend.

Gross cost savings of circa $10.0 million for the year, will only partially offset ongoing cost headwinds in areas including pallets, shipping, labour, power, fuel and raw material prices.

Excluding business acquisitions, 2022 capex investment is estimated to be approximately $300.0 million, including circa 40% for the Kwinana Upgrade project.

Proceeds from land sales for Rosehill and Kewdale are expected to be in excess of $20.0 million for the year, with the compulsory acquisition of Rosehill now complete. The sale process for Moorebank has commenced.

We expect growth in underlying earnings for 2H22, driven by increased contributions from cement, concrete, aggregates, masonry, joint ventures and recent business acquisitions, subject to weather , inflationary headwinds and traction with out-of-cycle pricing. This reflects the benefits of Adbri's resilient and diversified business model, position as a local manufacturer and strong market demand.

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 2022.

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 AO (Deputy Chair and Lead Independent Director)

Mr Nick Miller (Managing Director and Chief Executive Officer)

Mr Geoff Tarrant

Ms Rhonda Barro

Ms Emma Stein

Mr Michael Wright

Ms Samantha Hogg (appointed 29/03/2022)

Mr Ken Scott-Mackenzie (until 19/05/2022)

Review of operations

A review of the operations of the Group during the half year ended 30 June 2022 is set out on pages 5 to 10 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 24.

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.

This report is made in accordance with a resolution of Directors, made pursuant to s 306(3) of the *Corporations Act 2001*.

Mr Raymond Barro
Chairman

22 August 2022

Consolidated income statement

For the half year ended 30 June 2022

$M	Notes	2022	2021
Revenue from continuing operations	3	**812.4**	752.3
Cost of sales		**(553.1)**	(490.1)
Freight and distribution costs		**(163.9)**	(141.4)
Change in loss provision		**(0.3)**	6.2
Gross profit		**95.1**	127.0
Other gains/(losses)	3	**22.1**	1.4
Marketing costs		**(10.7)**	(10.8)
Administration costs		**(48.0)**	(44.0)
Finance costs	3	**(10.8)**	(9.8)
Share of net profits of joint venture and associate entities	6	**13.2**	14.9
Profit before income tax		**60.9**	78.7
Income tax expense		**(12.8)**	(22.1)
Profit for the half year		**48.1**	56.6
Profit is attributable to:			
Owners of Company		**48.1**	56.6
Non-controlling interests		**–**	–
		48.1	56.6

	Cents	Cents
Earnings per share for profit from continuing operations attributable to the ordinary equity holders of the Company:		
Basic earnings per share	**7.4**	8.7
Diluted earnings per share	**7.3**	8.7

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 2022

$M	2022	2021
Net profit for the half year	**48.1**	56.6
Other comprehensive income		
Items that may be reclassified to profit or loss		
Exchange differences on translation of foreign operations	**–**	(0.1)
Changes in the fair value of cash flow hedges	**16.0**	6.2
Income tax relating to these items	**(4.8)**	(1.8)
Items that will not be reclassified to profit or loss		
Actuarial gain/(loss) on retirement benefit obligation	**(0.5)**	1.3
Income tax expense/(credit) relating to these items	**0.1**	(0.4)
Other comprehensive income/(loss) for the half year, net of tax	**10.8**	5.2
Total comprehensive income for the half year	**58.9**	61.8
Total comprehensive income for the half year is attributable to:		
Owners of the Company	**58.9**	61.8
Non-controlling interests	**–**	–
	58.9	61.8

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

Consolidated balance sheet

As at 30 June 2022

$M	Notes	30 June 2022	31 December 2021
Current assets			
Cash and cash equivalents		**77.2**	124.7
Trade and other receivables		**261.1**	223.4
Inventories		**160.0**	153.9
Current tax assets		**18.0**	14.3
Assets held for sale	9	**15.1**	14.0
Total current assets		**531.4**	530.3
Non-current assets			
Receivables		**78.3**	87.7
Retirement benefit asset		**6.4**	7.0
Investments accounted for using the equity method		**225.2**	215.0
Property, plant and equipment		**1,181.3**	1,088.2
Right-of-use assets		**71.8**	72.6
Intangible assets		**296.7**	282.1
Other non-current assets	10	**18.4**	–
Total non-current assets		**1,878.1**	1,752.6
Total assets		**2,409.5**	2,282.9
Current liabilities			
Trade and other payables		**215.1**	187.2
Lease liabilities		**5.2**	4.8
Provisions		**44.0**	36.8
Other current liabilities		**3.8**	1.3
Total current liabilities		**268.1**	230.1
Non-current liabilities			
Borrowings		**631.1**	562.1
Lease liabilities		**76.7**	76.7
Deferred tax liabilities		**91.9**	81.3
Provisions		**59.5**	63.7
Total non-current liabilities		**859.2**	783.8
Total liabilities		**1,127.3**	1,013.9
Net assets		**1,282.2**	1,269.0
Equity			
Share capital		**741.2**	741.2
Reserves		**14.9**	3.7
Retained earnings		**523.8**	521.8
Capital and reserves attributable to owners of the Company		**1,279.9**	1,266.7
Non-controlling interests		**2.3**	2.3
Total equity		**1,282.2**	1,269.0

Consolidated statement of changes in equity

For the half year ended 30 June 2022

	Attributable to owners of Adbri Limited					
$M	**Contributed equity**	**Reserves**	**Retained earnings**	**Total**	**Non-controlling interests**	**Total equity**
Balance at 1 January 2022	**741.2**	**3.7**	**521.8**	**1,266.7**	**2.3**	**1,269.0**
Profit for the half year	**–**	**–**	**48.1**	**48.1**	**–**	**48.1**
Other comprehensive income/(loss)	**–**	**11.2**	**(0.4)**	**10.8**	**–**	**10.8**
Total comprehensive income/ (loss) for the half year	**–**	**11.2**	**47.7**	**58.9**	**–**	**58.9**
Transactions with owners in their capacity as owners:						
Dividends provided for or paid	**–**	**–**	**(45.7)**	**(45.7)**	**–**	**(45.7)**
Employee equity participation share plan	**–**	**–**	**–**	**–**	**–**	**–**
	–	**–**	**(45.7)**	**(45.7)**	**–**	**(45.7)**
Balance at 30 June 2022	**741.2**	**14.9**	**523.8**	**1,279.9**	**2.3**	**1,282.2**
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/(loss)	–	4.3	0.9	5.2	–	5.2
Total comprehensive income/(loss) 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

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 2022

$M	Notes	2022	2021
Cash flows from operating activities			
Receipts from customers (inclusive of goods and services tax)		**789.7**	799.1
Payments to suppliers and employees (inclusive of goods and services tax)		**(712.4)**	(703.3)
Joint venture distributions received		**6.5**	4.4
Interest received		**0.7**	0.2
Interest paid		**(7.6)**	(9.8)
Other income		**2.1**	1.2
Income taxes paid		**(18.3)**	(15.0)
Income tax refunds		**7.3**	–
Net cash inflow from operating activities		**68.0**	76.8
Cash flows from investing activities			
Payments for property, plant, equipment and intangibles		**(115.1)**	(67.6)
Payment for acquisition of businesses, net of cash acquired		**(57.0)**	–
Proceeds from sale of property, plant and equipment		**38.2**	1.7
Loans to joint venture entities		**(0.5)**	–
Net cash (outflow) from investing activities		**(134.4)**	(65.9)
Cash flows from financing activities			
Proceeds from issues of shares		**–**	1.1
Drawdown/(repayment) of borrowings		**68.5**	20.0
Lease payments		**(3.9)**	(3.7)
Dividends paid to Company's shareholders	4	**(45.7)**	(47.3)
Net cash inflow/(outflow) from financing activities		**18.9**	(29.9)
Net (decrease)/increase in cash and cash equivalents		**(47.5)**	(19.0)
Cash and cash equivalents at the beginning of the financial year		**124.7**	94.0
Effects of exchange rate changes on cash and cash equivalents		**–**	(0.3)
Cash and cash equivalents at end of period		**77.2**	74.7

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 2022

1 Basis of preparation of half year report

This condensed consolidated interim financial report for the half year reporting period ended 30 June 2022 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 2021 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 corresponding interim reporting period.

The Group has adopted all the new and revised Accounting Standards and Interpretations issued by the Australian Accounting Standards Board (AASB) that are relevant to its operations and effective for an accounting period that begins on or after 1 January 2022.

The Group 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, financial report and notes to the financial statements. In accordance with that instrument, amounts in the Directors' report, financial report and notes to the financial statements have been rounded off to the nearest one hundred thousand dollars unless otherwise stated.

New and revised Accounting Standards and amendments thereof and interpretations are applicable for the current year, but not relevant to the Group:

- AASB 2020-8 *Amendments to Australian Accounting Standards – Interest Rate Benchmark Reform – Phase 2*
- AASB 2021-3 *Amendments to Australian Accounting Standards – Covid-19-Related Rent Concessions beyond 30 June 2021*

The above new and revised Accounting Standards and amendments have had no material impact on the Group's operations or its financial statements for the half year ended 30 June 2022.

2 Segment reporting

(a) Description of segments

Management have 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; and
- Masonry

The operating segments, Cement, Lime, Concrete and Aggregates individually meet the quantitative thresholds required by AASB 8 *Operating Segments* 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.

Masonry 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'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 2022

2 Segment reporting (continued)

(b) Segment information provided to the Managing Director/Chief Executive Officer (MD/CEO)

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

$M	Cement, Lime, Concrete & Aggregates	Masonry	Unallocated	Total
2022				
Total segment operating revenue	**704.5**	**71.5**	**–**	**776.0**
Inter-segment revenue	**(39.4)**	**–**	**–**	**(39.4)**
Revenue from external customers	**665.1**	**71.5**	**–**	**736.6**
Depreciation and amortisation	**(49.6)**	**(2.6)**	**(2.9)**	**(55.1)**
Underlying EBIT[18]	**91.1**	**2.2**	**(13.5)**	**79.8**
Share of net profits of joint ventures and associate entities accounted for using the equity method	**13.2**	**–**	**–**	**13.2**
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[18]	100.5	3.0*	(17.5)*	86.0
Share of net profits of joint ventures and associate entities accounted for using the equity method	14.9	–	–	14.9

* Prior year reported figure realigned to reflect revised corporate costs allocation methodology

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:

$M	2022	2021
Total segment operating revenue	**776.0**	734.4
Inter-segment revenue elimination	**(39.4)**	(45.0)
Freight revenue	**71.6**	59.4
Other product revenue	**2.7**	2.5
Royalties	**1.5**	1.0
Revenue from continuing operations	**812.4**	752.3

The performance of the operating segments is based on a measure of Underlying EBIT[18] including 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:

[18] Underlying measures include property profits and exclude significant items.

Notes to the financial statements (continued)

For the half year ended 30 June 2022

2 Segment reporting (continued)

(b) Segment information provided to the Managing Director/Chief Executive Officer (MD/CEO) (continued)

$M	2022	2021
Underlying EBIT[19]	**79.8**	86.0
Significant items (refer pages 9 - 10)	**(8.8)**	2.3
Net finance cost	**(10.1)**	(9.6)
Profit before income tax	**60.9**	78.7

3 Operating profit/(loss)

$M	2022	2021
Revenue from continuing operations		
Revenue from contracts with customers	**810.9**	751.3
Royalties	**1.5**	1.0
Total revenue from continuing operations	**812.4**	752.3
Other gains/(losses)		
Net profit/(loss) related to sale of property, plant and equipment	**19.3**	(0.8)
Rental income	**0.9**	0.8
Interest revenue	**0.6**	0.2
Miscellaneous income	**1.2**	1.2
Interest from joint ventures	**0.1**	–
Total other gains/(losses)	**22.1**	1.4
Revenue and other gains/(losses)	**834.5**	753.7
Finance costs		
Interest and finance charges	**9.2**	8.0
Unwind of the discount on leases	**1.0**	1.5
Unwinding of the discount on restoration provisions and retirement benefit obligation	**1.3**	0.6
Gross finance costs	**11.5**	10.1
Interest capitalised in respect of qualifying assets	**(0.7)**	(0.3)
Total finance costs recognised in the income statement	**10.8**	9.8
Less interest income	**(0.7)**	(0.2)
Net finance costs	**10.1**	9.6

4 Dividends

$M	2022	2021
Dividends paid during the half year		
2021 final dividend of 7.0 cents per fully paid ordinary share, franked at 100% paid on 11 April 2022 (2020 final dividend of 7.25 cents, franked at 100%).	**45.7**	47.3
Total dividends – paid in cash	**45.7**	47.3
Since the end of the half year the Directors have approved the payment of an interim ordinary dividend of 5.0 cents (2021: 5.5 cents) per fully paid ordinary share franked at 100% (2021: 100%). The aggregate amount of the proposed dividend expected to be paid on 5 October 2022, representing 70.6% of underlying NPAT (excluding property profits) and 68.0% of statutory NPAT, not recognised as a liability at the end of the half year, is:	**32.6**	35.9

[19] Underlying measures include property profits and exclude significant items

Notes to the financial statements (continued)

For the half year ended 30 June 2022

5 Equity

Securities issued – Issue of ordinary shares during the half year.

	2022 Shares	2021 Shares	2022 $M	2021 $M
Employee share scheme issue	–	361,188	–	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.

		Ownership interest	
Name of joint arrangement/associate	**Nature of relationship**	**2022 %**	**2021 %**
Aalborg Portland Malaysia Sdn. Bhd.	Associate	**30**	30
Batesford Quarry JV	Joint operation	**50**	50
Burrell Mining Services JV	Joint operation	**50**	50
B&A Sands Pty Ltd JV	Joint venture	**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

$M	2022	2021
Contribution to net profit before tax		
Sunstate Cement Ltd	**2.5**	2.4
Independent Cement and Lime Pty Ltd	**7.9**	8.6
Other joint ventures and associates	**2.8**	3.9
Share of net profits of joint ventures and associate entities	**13.2**	14.9
Profit from joint operations	**3.2**	2.8
Total profit from joint arrangements and associates	**16.4**	17.7

Notes to the financial statements (continued)

For the half year ended 30 June 2022

7 Contingencies

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

$M	2022	2021
Guarantees		
Bank guarantees	33.4	30.0

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 cashflows 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.

Following the detailed assessment carried out in December 2021, Management have reviewed the following operational and economic factors present throughout the half year, and pertinent to the Group's operations, to identify specific triggers of impairment and concluded that no specific triggers exist:

- Wet weather impacts, particularly in the east, along with rising fuel, raw material and transportation costs: whilst prospects of inclement weather remain outside Management's control, the rising costs are expected to be largely recovered through a combination of pricing and pass-through mechanisms and operational efficiency initiatives over time and through cost inflation moderation. The same applies to the Group's investment in joint ventures and associates; and
- The Group's net zero emission target: the actual associated capital expenditure and costs to achieve the target are still continuing to be refined as new technologies become available. However, it is expected that the increased spend will be recovered through future repricing of products.

In addition, the Group's market capitalisation continues to be significantly above its net assets.

9 Assets held for sale

$M	2022	2021
Land	11.6	4.7
Buildings	1.7	0.3
Property, plant and equipment	1.8	9.0
Total	**15.1**	14.0

10 Other Non-current assets

Other non-current assets are made up of:

$M	2022	2021
Fair value of interest rate swaps	18.4	–

Notes to the financial statements (continued)

For the half year ended 30 June 2022

11 Business combinations

On 1 April 2022, Hy-Tec Industries (Queensland) Pty Ltd, a wholly-owned subsidiary, completed the acquisition of the business assets of Zanows' Concrete & Quarries ("Zanows") for purchase consideration of $57.0 million (post closing adjustments).

Zanows operates a sand and gravel quarry, a hard rock quarry and two concrete plants, with approval for an additional concrete plant, located in the western region of Brisbane. The business supplies sand and aggregates internally and to a number of external customers in South East Queensland.

The initial purchase price allocation to determine acquired net assets and goodwill has been provisionally completed as at 30 June 2022, a summary is per the table below:

	$M
Recognised amounts of identifiable assets acquired and liabilities assumed:	
Plant and equipment	14.7
Quarry reserve	24.9
Land	2.1
Inventory	1.1
Remediation asset	1.9
Leave liabilities	(0.9)
Remediation provision	(1.9)
Deferred tax liabilities	(0.3)
Total identifiable net assets	**41.6**
Purchase consideration net of closing adjustments	**57.0**
Goodwill	**15.4**

In accordance with AASB 3 *Business Combinations*, the Group has 12 months from the date of acquisition to finalise the purchase price accounting and allocation of fair value to goodwill and other assets.

12 Events occurring after the reporting period

Since 30 June 2022, the directors have approved a fully franked interim dividend of 5.0 cents per share totalling $32.6 million payable on 5 October 2022. No provision for this dividend has been made in the interim financial statements for half year ended 30 June 2022.

Other than the above, no 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.

Directors' declaration

In the Directors' opinion:

(a) the financial statements and notes set out on pages 12 to 22 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 2022 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, made pursuant to s 303(5) of the *Corporations Act 2001.*

Mr Raymond Barro
Chairman

22 August 2022

Deloitte.

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Australia

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22 August 2022

The Board of Directors
Adbri Limited
Aurora Place, Level 9
88 Philip Street
SYDNEY NSW 2000

Dear Board Members

Auditor's Independence Declaration to Adbri Limited

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the Directors of Adbri Limited.

As lead audit partner for the review of the half year financial report of Adbri Limited for the half year ended 30 June 2022, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- The auditor independence requirements of the Corporations Act 2001 in relation to the review; and
- Any applicable code of professional conduct in relation to the review.

Yours sincerely

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Jason Thorne
Partner
Chartered Accountants

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Independent Auditor's Review Report to the members of Adbri Limited

Conclusion

We have reviewed the half year financial report of Adbri Limited (the "Company") and its subsidiaries (the "Group"), which comprises the consolidated balance sheet as at 30 June 2022, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of cash flows and the consolidated statement of changes in equity for the half year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the Directors' declaration as set out on pages 12 to 23.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half year financial report of the Group 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 2022 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 Act 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*. 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 ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (including Independence Standards) (the Code) that are relevant to our audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's review report.

Directors' Responsibilities 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.

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 2022 and its performance for the half year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*.

Deloitte.

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.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Jason Thorne
Partner
Chartered Accountants
Sydney, 22 August 2022

Penny Woods
Partner
Chartered Accountants
Adelaide, 22 August 2022