

Appendix 4D

Half Year Ended 30 June 2023



Adbri Limited

Appendix 4D

Half year report ended 30 June 2023

Results for announcement to the market

Company name:	Adbri Limited
ABN:	15 007 596 018
Reporting period:	Half year ended 30 June 2023
Previous corresponding period:	Half year ended 30 June 2022
Release date:	29 August 2023

Statutory Results		%		\$M
Revenue from continuing operations	up	14.0	to	926.4
Earnings before interest, tax, depreciation and amortisation (EBITDA)	up	15.6	to	145.8
Net profit for the period attributable to members	up	3.3	to	49.7

Dividends	Amount per security (cents per share)	Franked amount per security (cents per share)
Interim ordinary dividend – current reporting period	-	-
Interim ordinary dividend – previous corresponding period	5.0	5.0
Final dividend – financial year ended 31 December 2022	-	-
Record date for determining entitlements to the interim dividend		-
Payment date for interim dividend		-

Net Tangible Assets	30 June 2023	30 June 2022
Net tangible asset backing per ordinary share ¹	\$1.60	\$1.51

Dividend Reinvestment Plan

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

¹ Assets for the purposes of the net tangible assets calculation exclude intangible assets as defined on the balance sheet.

Summary of Results

Financial highlights

- Revenue² increased to \$926.4 million, up 14.0% on 1H22
- Underlying³ EBITDA of \$149.1 million, up 20.9% on 1H22, while Statutory EBITDA was \$145.8 million, up 15.6% on 1H22
- Underlying³ EBITDA margins increased to 16.1% from 15.2%, driven by strong pricing discipline
- Underlying³ NPAT of \$52.1 million, up 12.8% on 1H22, while Statutory NPAT attributable to members of Adbri Limited of \$49.8 million, up 3.5% on 1H22
- Leverage⁴ at 2.3 times
- The Board has decided not to declare an interim dividend considering capital requirements for the Kwinana Upgrade and elevated leverage as at 30 June 2023.

Operating and strategic highlights

- Improved safety performance, with TRIFR⁵ improving 19% to 6.4 from 31 December 2022
- Implemented a decentralised business model
- Kwinana Upgrade project is over half complete as at 31 July 2023, with \$203 million invested
- Solid price traction across all product lines

² Reference Appendix 4D Note 2 Segment Reporting. Above total revenue includes freight \$75.1m (\$71.6m 1H22), royalties \$1.7m 1H23 (\$1.5m 1H22), concrete testing \$4.3m 1H23 (\$2.7m 1H22). Performance measures reported includes Group's proportionately consolidated joint operations.

³ Underlying measures exclude property (profit)/expense and significant items.

⁴ Leverage ratio is (net debt/2)/underlying EBITDA.

⁵ Total Reportable Injury Frequency Rate (TRIFR) is the number of recordable injuries per million of man hours worked, including employees and contractors.

Half Year Financial Statement – Summary

For the half year ended 30 June

\$M	2023				2022			
	Statutory	Significant Items	Property (Profit)/Expense	Underlying ⁶	Statutory	Significant Items	Property (Profit)/Expense	Underlying ⁶
Revenue	926.4	-	-	926.4	812.4	-	-	812.4
Earnings before interest, tax, depreciation and amortisation ("EBITDA")	145.8	3.1	0.2	149.1	126.1	8.8	(11.6)	123.3
Depreciation and amortisation	(67.0)	-	-	(67.0)	(55.1)	-	-	(55.1)
Earnings before interest and tax ("EBIT")	78.8	3.1	0.2	82.1	71.0	8.8	(11.6)	68.2
Net finance cost ⁷	(10.8)	-	-	(10.8)	(10.1)	-	-	(10.1)
Profit before tax	68.0	3.1	0.2	71.3	60.9	8.8	(11.6)	58.1
Income tax expense	(18.3)	(0.9)	(0.1)	(19.3)	(12.8)	(2.6)	3.5	(11.9)
Net profit after tax	49.7	2.2	0.1	52.0	48.1	6.2	(8.1)	46.2
Attributed to:								
Members of Adbri Ltd (NPAT)	49.8	2.2	0.1	52.1	48.1	6.2	(8.1)	46.2
Non-controlling interests	(0.1)	-	-	(0.1)	-	-	-	-
Net profit attributable to members (NPAT)	49.7	2.2	0.1	52.0	48.1	6.2	(8.1)	46.2

Underlying measures exclude property (profit)/expense and significant items to enhance comparability of operating performance between the periods.

Significant items

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. The following table outlines those significant items.

\$M	2023			2022		
	Gross	Tax	Net	Gross	Tax	Net
Corporate restructuring and strategic initiatives	3.1	(0.9)	2.2	4.2	(1.2)	3.0
Acquisition expenses	-	-	-	4.6	(1.4)	3.2
Total significant items	3.1	(0.9)	2.2	8.8	(2.6)	6.2

⁶ Underlying measures exclude property (profit)/expense and significant items.

⁷ Net finance cost is the finance costs shown gross in the income statement offset by interest income included in other income.

Corporate restructuring and strategy costs

Corporate restructuring and strategy costs of \$3.1 million were recognised in the period (\$4.2 million in 1H22). Strategic initiative expenses primarily relate to one-off advisory costs in relation to initiatives currently being analysed by the Group.

Acquisition expenses

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

Property (profit)/expense

The (profit)/expense from the Group's long-term land sales program are excluded from underlying profit measures given the non-recurring nature of land sales. The following table summarises the property (profit)/expense recognised in the periods.

\$M	2023			2022		
	Gross	Tax	Net	Gross	Tax	Net
Property (profit) / expense	0.2	(0.1)	0.1	(11.6)	3.5	(8.1)

Prior year property profit relates to the gain recognised on the compulsorily acquired Rosehill land and excludes a post-tax gain on disposal of plant and equipment of \$5.9 million, which is included in underlying statutory profit.

Review of Operations

Safety

Safety remains of utmost importance at Adbri. We continue to embed our 'Work Safe, Home Safe' culture throughout our workplaces, placing a heightened emphasis on contractor engagement and employee psychological wellbeing. Our 1H23 TRIFR was 6.4, demonstrating a 19% improvement compared to December 2022.

Encouragingly, our lead indicators continued to improve, with visible leadership walks and critical control verifications up 80% and 44% respectively on 1H22.

Demand overview

Strong demand for Adbri's products continued across our diverse geographical footprint

In 1H23 Adbri experienced continued strong demand for its products, reflecting our significant customer focus and the strength of our offerings in the market. The commercial and engineering & infrastructure sectors were strong, particularly in the east coast markets, driving higher demand for concrete and aggregates compared to 1H22.

Cement volumes remained steady in line with 1H22, up 1.7%, primarily fuelled by robust demand in New South Wales and the South Australian mining sector. The Western Australian, Victorian and Northern Territory markets softened slightly due to infrastructure project timing, closure of a Western Australia mining operation and changes to customer mix.

Adbri remains the largest domestic lime producer in Australia. Demand for domestically manufactured lime decreased as several non-alumina lime operations consolidated their businesses and a process trial in the alumina sector concluded. Pleasingly, we have renewed or extended a number of lime supply contracts over the past six months.

Earnings overview

Reconciliation of underlying profit measures

The Board considers that the reconciliation of 'underlying' earnings improves understanding of the Company's normalised operational performance and longer-term trends. 'Underlying' measures of profit exclude significant items of revenue and expenses, such as the profits from the Group's long-term land sales program, costs related to restructuring, rationalisation and acquisitions. A detailed reconciliation between statutory and underlying profit measures is provided on page 4 of this report.

Significant improvement in earnings

Revenue increased 14.0% driven by strong price growth across most product lines and geographies and supported by modest volume growth.

Underlying⁸ EBITDA was \$149.1 million, up 20.9% against 1H22 (1H22 \$123.3 million) and underlying⁸ EBITDA margins increased to 16.1% from 15.2%. Underlying⁸ net profit after tax (NPAT) was \$52.1 million, up 12.8% on 1H22 (1H22 \$46.2 million). This improved performance was supported by strong pricing and cost discipline, noting 1H22 benefited from \$8.4 million (\$5.9 million after tax) gain on disposal of plant and equipment related to the compulsory acquisition of the Group's concrete plant at Rosehill, New South Wales by Sydney Metro.

Statutory EBITDA was \$145.8 million, up 15.6% against 1H22, while Statutory NPAT was \$49.8 million, up 3.5% against 1H22. This was driven by improved performance during the period. There were no property profits realised in 1H23. In 1H22 the Group benefited from an \$11.6 million gain (\$8.1 million after tax), from the compulsory acquisition of the Group's concrete plant in Rosehill, New South Wales by Sydney Metro.

The earnings contribution from joint ventures and joint operations was up 7.9% on 1H22, reflecting continued strong demand for products.

Free cash flow of \$(91.7) million in 1H23 was in line with expectations, versus \$(66.4) million in 1H22, driven by improved operational performance and primarily offset by the \$83.4 million capital expenditure incurred on the Kwinana Upgrade project in 1H23.

Net debt⁹ is at \$672.9 million versus \$576.4 million as at 31 December 2022. This increase reflects higher capital spend primarily related to the Kwinana Upgrade project. Funding for the Kwinana Upgrade project has lifted the leverage ratio¹⁰ to

⁸ Underlying measures exclude property (profit)/expenses and significant items.

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 Leverage ratio is (net debt/2)/underlying EBITDA (excludes property profits and significant items) for the 6-month period ended 30 June 2023.

2.3x, which is above the Group's target ratio. However, the Group maintains significant covenant headroom and substantial liquidity to manage through the elevated investment period.

The Board has decided not to declare an interim dividend given the ongoing capital requirements over the next 12 months primarily related to the Kwinana Upgrade project and the elevated leverage.

Cement

Steady demand with improved pricing

Cementitious revenue increased by 8.4%, reflecting improved pricing across all sectors. New South Wales had a strong first half with more favourable weather conditions experienced than 1H22. Cementitious sales volumes were stable, up 1.7% on 1H22.

The implementation of significant price increases in 2022 positively benefited the half year, resulting in an increase in the national average selling price of cement. Inflationary pressures, driven by energy and raw material inputs, continue to influence production costs.

During the half year, we successfully completed a trial to increase the use of refuse derived fuel (RDF) at our Birkenhead plant in South Australia. This trial forms an integral part of our EPA application to permanently increase alternative fuel usage rate, further reducing our reliance on natural gas.

Lime

Positive price traction

Lime revenue increased by 4.0%, primarily driven by improved pricing. The forecast lower Australian production of alumina and gold in 2022-23¹¹ has been reflected in the lower sales of lime in 1H23, down 7.3%.

Pleasingly, we renewed or extended a number of lime supply contracts during the period, which demonstrates the value domestic lime production brings to our customers.

The average selling price of lime increased, largely attributed to new contract pricing and existing contract escalations. Management of inflationary pressures remains a priority.

Concrete

Strong demand across all sectors

Concrete revenue increased by 23.1%, with strong demand across all sectors.

Concrete sales volumes were up 3.0% overall. In New South Wales volumes were higher than 1H22, attributed to continued strong demand across all sectors, as well as improved weather conditions. Queensland experienced slightly lower sales with truck and labour availability constraining supply.

The demand for concrete from the infrastructure sector remains strong with key projects secured during the half year including the Gold Coast Light Rail project, M12 Central Package in New South Wales and Tramways contract in Victoria.

We continued to build on the strong pricing disciplines that were established in 2022, resulting in the national average selling price increasing. This helped mitigate rising raw material and operational costs.

Aggregates

Record aggregate volumes

Aggregate revenue increased by 30.3% with strong pricing and volume outcomes achieved.

Aggregate sales volumes were at record levels, up 12.5%, supported by strong infrastructure demand from projects in Queensland and New South Wales, including the Western Sydney Airport.

Aggregate prices have increased across all products and all regions, aligning with the robust pricing discipline implemented in 2022. While inflationary pressures impacting our quarry operations have shown signs of moderating, production costs remain elevated.

¹¹ Department of Industry, Science, Energy and Resources' "Resource and Energy Quarterly June 2023".

Masonry

Strong demand for supply and install contracting service

Masonry revenue was up 11.2%, driven by improved pricing and an increase in contracting revenue. However, overall sales volumes declined by 3.3%, primarily due to reduced demand from the retail paving and landscaping market sector.

We anticipate retail sales will continue to be challenged in 2H23, in line with consumer confidence trends. However, our contracting business is expected to maintain a steady pipeline of projects in the commercial and residential sectors. Notable projects completed in the half year included multiple stages within the Ripley subdivision in South East Queensland.

National average selling price increased for masonry, in spite of a change in product mix toward lower value commercial products. Our focus on pricing discipline and operational efficiency programs supports the ongoing performance of the business.

Joint ventures and operations (JVOs)

Solid contribution by joint ventures to earnings

Joint ventures and operations contributions to earnings were up 7.9% on 1H22, reflecting increased demand experienced by a number of JVO partners.

JVOs	Earnings (Adbri share)			Performance drivers
	1H23	1H22	%	
ICL	8.4	7.9	6.3	Improved demand in New South Wales and Victoria
Mawsons	2.8	2.9	(3.4)	Construction activity supported demand
Sunstate	2.4	2.5	(4.0)	Performance impacted by inflationary cost pressures with price increases helping offset some of the challenges
Other JVs ¹²	1.2	(0.1)	-	Improved sales volumes
Joint operations	2.9	3.2	(9.4)	Demand for Batesford Quarry's agricultural lime moderated to normalised levels
TOTAL	17.7	16.4	7.9	

1H23 priorities

Adbri's purpose of *Building a Better Australia* is underpinned by our promise to be *Always Ready*. During 1H23, we progressed a number of initiatives to support the improvement in Adbri's operational and financial performance, aligned to our pillars of safety, customer focus, inclusivity and sustainable growth. This included:

Kwinana Upgrade project

The Kwinana Upgrade is a critical project for Adbri that will strengthen cement milling operations in Western Australia.

In April 2023, we announced a revised total project cost estimate of between \$385 million - \$420 million¹³. We have continued to make significant construction progress, with the project 51.3% complete as at 31 July 2023. Post period end we executed a significant contract with SIMPEC for structural, mechanical, piping, electrical and instrumentation services.

The project continues to support solid long-term returns and we are targeting key commissioning to commence in Q2 2024, and operational in Q3 2024.

Business organisation redesign

We completed our business structure redesign to maximise the value of our integrated business model. This has seen us adopt a decentralised organisational structure. Several key initiatives were completed in the half, and further complementary key projects underway, included:

¹² Includes Aalborg Portland Malaysia, B&A Sands and Peninsula

¹³ Excluding capitalised interest and accounting adjustments

- Commenced various business optimisation reviews of our lime operations with the view to improve asset performance and customer offering. While these reviews are underway, we have paused the definitive feasibility study of a lime kiln at Kalgoorlie. The reviews are inter-related and anticipated to be completed by the end of 2023.
- Key feed study projects to increase Birkenhead operation's milling capacity and increase blending capability to enhance our lower carbon product offering.
- Improved systems and processes associated with customer experience, mitigating risk and enhanced business performance based on a decentralised and empowered organisational structure.
- Ongoing development of lower embodied carbon products such as Futurecrete® and Type GL cement.
- Leveraged strength and capability of the Adbri brand through the creation of a common Adbri brand in South Australia - Adbri Cement, Adbri Concrete, Adbri Quarries, Adbri Masonry.
- Onboarding of key technical and commercial executives including Chief Sustainability & Innovation Officer, Chief Financial Officer and Chief Commercial Officer to enhance capability.

Property

The Group continues to look for opportunities to recycle assets surplus to operational requirements including:

- Badgerys Creek, New South Wales - the 10-hectare site located within the Western Sydney Aerotropolis precinct is currently marketed for sale.
- Batesford, Victoria – assessment of options underway to maximise value of the significant land holding (approximately 540 hectares) close to the Geelong CBD.
- Progressed the sale of a number of small land holdings in Western Australia and Queensland.

Sustainability

We continue to progress our Net Zero Emissions Roadmap, aligned to our goal of net zero emissions by 2050. Progress during the half year included:

- Reduce emissions:
 - Alternative fuels – applied to EPA South Australia to increase refuse derived fuel (RDF) usage at Birkenhead enabling up to 100% natural gas substitution in the calciner, following a successful trial. If approved, this would divert up to an additional 80,000 tonnes of refuse from landfill each year and reduce GHG emissions by approximately a further 13,000 tonnes annually.
 - Increased supplementary cementitious materials – continued to supply Type GL cement into New South Wales and South Australia as part of a soft launch of this lower carbon product. In excess of 220,000m³ and 20,000m³ of concrete containing Type GL cement have been placed across a range of applications since March 2022. We have now converted the majority of Hy-Tec Sydney concrete plants to Type GL use, representing approximately 15% of the Port Kembla grinding terminal's production. Recently, plant trials of Type GL were conducted at Northern Cement, and we are expecting to start field trials in Q3 2023. Planning has commenced to start limited field trials of Type GL in Victoria.
- Create new products:
 - Futurecrete® – launched a branded lower carbon concrete range that can use up to 65% supplementary cementitious materials to reduce the embodied carbon in concrete.
 - Environmental Product Declarations (EPDs) – released eight EPDs covering a selection of our cement, lime, concrete and masonry products. Pleasingly, our cement EPD demonstrates that Birkenhead Type GP cement has the lowest embodied carbon of any known Type GP cement in Australia.
- Collaborate:
 - Safeguard Mechanism reform – actively engaged with Government throughout the consultation period to gain recognition of the importance of domestic cement and lime manufacturing. Adbri is confident the legislation as at 1 July 2023 will not have a material impact on earnings. We will continue to engage with the Government to pursue funding opportunities such as the Government's \$400 million targeted funding for industries providing critical inputs to clean energy industries.
 - Carbon Border Adjustment Mechanism (CBAM) – we will continue to collaborate with key partners in support of the Government's commitment to commission a review of the feasibility of a CBAM, with particular consideration for cement (including clinker) and lime.

Financial review

Cash flow

Operating cash flow of \$78.0 million improved \$10.0 million compared to 1H22, largely due to improved trading performance.

Capital expenditure increased relative to 1H22, from \$115.1 million to \$173.0 million. Capital spend for the period was split between stay-in-business capital of \$75.4 million (up \$7.6 million on 1H22) and development capital of \$97.6 million (up \$50.3 million on 1H22), with 85.4% related to the Kwinana Upgrade project.

There were no business acquisition payments during the half, whilst \$57.0 million in 1H22 related to the acquisition of Zanows' concrete and quarries business that completed on 1 April 2022.

Property, plant and equipment disposal proceeds of \$3.3 million mainly comprise of the sale of mobile plant and equipment in the ordinary course of the business. 1H22 benefitted from \$37.5 million received from Sydney Metro for the compulsory acquisition of the Rosehill land and cost reimbursement.

In 1H23, the Group drew down \$61.3 million from its borrowing facilities mainly to fund the capital spend on the Kwinana Upgrade project.

Net debt and dividends

Net debt increased by \$96.5 million over the reporting period to \$672.9 million at 30 June 2023, representing a leverage ratio¹⁴ of 2.3 times underlying¹⁵ EBITDA and interest cover¹⁶ of 13.8 times underlying EBITDA. The leverage ratio is outside the Board's target range of 1.0 – 2.0 times as anticipated during the construction period of the Kwinana Upgrade project. Adbri is well within banking covenant thresholds.

During the half, Adbri established a \$100.0 million master asset finance agreement to underpin investment in mobile equipment across the Group. This facility diversifies the company's debt profile.

The Group's bank debt facilities are \$940.0 million within a weighted average term to 3.8 years as at 30 June 2023.

The Board has decided not to declare an interim dividend given the ongoing capital requirements over the next 12 months primarily related to the Kwinana Upgrade project and the elevated leverage position at 30 June 2023.

Finance cost and tax

Net finance costs increased by \$0.7 million to \$10.8 million. Interest and finance charges increased by \$2.5 million because of increased borrowings and multiple interest rate increases in the half. This was partially offset by a \$1.8 million increase in interest income.

Income tax expense increased from \$12.8 million to \$18.3 million due to an increase in pre-tax profits. The effective tax rate increased from 21.0% to 26.9%, due to the recognition of previously unrecognised capital losses on planned property sales in 1H22.

2023 outlook

We expect demand for our products to remain strong throughout the second half of the year with trading conditions similar to the first half, notwithstanding a slight softening in residential and retail sectors.

The benefits of price increases and cost discipline are expected to continue in 2H23, in an environment of continued elevated inflationary pressures, and as such we anticipate 2H23 EBITDA to be moderately higher than 1H23.

We anticipate total capital expenditure for the year to be between \$330.0 million and \$350.0 million.

¹⁴ Leverage ratio is (net debt/2)/underlying EBITDA for the 6-month period (excludes property profits and significant items).

¹⁵ Underlying measures exclude property profits and significant items.

¹⁶ Interest cover is underlying EBITDA for the 6-month period (excludes property profits and significant items) / net finance costs.

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 2023.

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)

Ms Samantha Hogg (Deputy Chair and Lead Independent Director)

Ms Rhonda Barro

Mr Dean Jenkins

Ms Emma Stein

Mr Geoff Tarrant

Mr Michael Wright

Dr Vanessa Guthrie AO (until 28/02/2023)

Review of operations

A review of the operations of the Group during the half year ended 30 June 2023 is set out on pages 6 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 section 306(3) of the *Corporations Act 2001*.



Mr Raymond Barro
Chairman

29 August 2023

Consolidated income statement

For the half year ended 30 June

\$M	Notes	2023	2022
Revenue from continuing operations	3	926.4	812.4
Cost of sales		(624.8)	(553.4)
Freight and distribution costs		(180.1)	(163.9)
Gross Profit		121.5	95.1
Other income	3	7.9	22.1
Marketing costs		(10.8)	(10.7)
Administration costs		(52.1)	(48.0)
Finance costs	3	(13.3)	(10.8)
Share of net profits of joint venture and associate entities	6	14.8	13.2
Profit before income tax		68.0	60.9
Income tax expense		(18.3)	(12.8)
Profit for the half year		49.7	48.1
Profit is attributable to:			
Owners of Company		49.8	48.1
Non-controlling interests		(0.1)	-
		49.7	48.1

	Cents	Cents
Earnings per share for profit from continuing operations attributable to the ordinary equity holders of the Company:		
Basic earnings per share	7.6	7.4
Diluted earnings per share	7.6	7.3

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

\$M	2023	2022
Net profit for the half year	49.7	48.1
Other comprehensive income		
<i>Items that may be reclassified to profit or loss</i>		
Changes in the fair value of cash flow hedges	(0.4)	16.0
Income tax	0.2	(4.8)
<i>Items that will not be reclassified to profit or loss</i>		
Actuarial gain / (loss) on retirement benefit obligation	0.2	(0.5)
Income tax (credit)/expense	(0.1)	0.1
Other comprehensive income / (loss) for the half year net of tax	(0.1)	10.8
Total comprehensive income for the half year	49.6	58.9
Total comprehensive income for the half year is attributable to:		
Owners of the Company	49.7	58.9
Non-controlling interests	(0.1)	-
	49.6	58.9

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

Consolidated balance sheet

\$M	Notes	30 June 2023	31 December 2022
Current assets			
Cash and cash equivalents		105.2	139.9
Trade and other receivables		277.8	248.5
Inventories		170.3	172.9
Current tax assets		21.4	15.4
Assets held for sale	9	38.6	18.9
Total current assets		613.3	595.6
Non-current assets			
Receivables		83.0	81.5
Retirement benefit asset		6.6	6.6
Investments accounted for using the equity method		236.1	226.5
Property, plant and equipment		1,316.1	1,218.5
Right-of-use assets		72.6	71.5
Intangible assets		307.9	307.8
Non-current financial assets	10	15.5	17.4
Total non-current assets		2,037.8	1,929.8
Total assets		2,651.1	2,525.4
Current liabilities			
Trade and other payables		209.1	215.9
Lease liabilities		5.8	5.4
Provisions		40.7	39.8
Borrowings	11	4.2	-
Other current liabilities		6.9	5.8
Total current liabilities		266.7	266.9
Non-current liabilities			
Borrowings	11	773.9	716.3
Lease liabilities		79.4	77.4
Deferred tax liabilities		118.5	100.5
Provisions		58.6	61.2
Total non-current liabilities		1,030.4	955.4
Total liabilities		1,297.1	1,222.3
Net assets		1,354.0	1,303.1
Equity			
Share capital	5	742.5	741.2
Reserves		13.6	13.8
Retained earnings		595.8	545.9
Capital and reserves attributable to owners of the Company		1,351.9	1,300.9
Non-controlling interests		2.1	2.2
Total equity		1,354.0	1,303.1

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

\$M	Notes	Attributable to owners of Adbri Limited				Non-controlling interests	Total equity
		Contributed equity	Reserves	Retained earnings	Total		
Balance at 1 January 2023		741.2	13.8	545.9	1,300.9	2.2	1,303.1
Profit for the half year		–	–	49.8	49.8	(0.1)	49.7
Other comprehensive income/(loss)		–	(0.2)	0.1	(0.1)	-	(0.1)
Total comprehensive income/(loss) for the half year		–	(0.2)	49.9	49.7	(0.1)	49.6
Transactions with owners in their capacity as owners:							
Executive performance share plan	5	0.2	–	–	0.2	–	0.2
Employee equity participation share plan	5	1.1	–	–	1.1	–	1.1
		1.3	–	–	1.3	–	1.3
Balance at 30 June 2023		742.5	13.6	595.8	1,351.9	2.1	1,354.0
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)
Executive performance share plan	5	–	–	–	–	–	–
Employee equity participation share plan	5	–	–	–	–	–	–
		–	–	(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

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

Consolidated statement of cash flows

For the half year ended 30 June

\$M	Notes	2023	2022
Cash flows from operating activities			
Receipts from customers ¹⁷		1,000.6	789.7
Payments to suppliers and employees ¹⁷		(911.0)	(712.4)
Joint venture distributions received		6.5	6.5
Interest received		1.1	0.7
Interest paid		(16.5)	(7.6)
Other income		3.6	2.1
Income taxes paid (net of refunds)		(6.3)	(11.0)
Net cash inflow from operating activities		78.0	68.0
Cash flows from investing activities			
Payments for property, plant, equipment and intangibles		(173.0)	(115.1)
Payment for acquisition of businesses, net of cash acquired		-	(57.0)
Proceeds from sale of property, plant and equipment		3.3	38.2
Loans to joint venture entities		-	(0.5)
Net cash (outflow) from investing activities		(169.7)	(134.4)
Cash flows from financing activities			
Drawdown of borrowings		61.3	68.5
Lease payments		(4.5)	(3.9)
Dividends paid	4	-	(45.7)
Net cash inflow from financing activities		56.8	18.9
Net (decrease) in cash and cash equivalents		(34.9)	(47.5)
Cash and cash equivalents at the beginning of the financial year		139.9	124.7
Effects of exchange rate changes on cash and cash equivalents		0.2	-
Cash and cash equivalents at end of period		105.2	77.2

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

¹⁷ Inclusive of goods and services tax

Notes to the financial statements

For the half year ended 30 June 2023

1 Basis of preparation of half year report

This condensed consolidated interim financial report for the half year reporting period ended 30 June 2023 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 2022 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 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 2023.

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 or revised Accounting Standards and amendments which became applicable from 1 January 2023 have been adopted by the Group. Those new or revised standards and amendments had no material impact on the Group's operations or its financial statements for the half year ended 30 June 2023.

New standards not yet applicable are not expected to have a material impact on the Group.

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
- 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 2023

2 Segment reporting (continued)

b) Segment information provided to Chief Executive Officer (CEO)¹⁸

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

\$M	Cement, Lime, Concrete & Aggregates	Masonry	Unallocated	Total
2023				
Total segment operating revenue	824.5	79.3	-	903.8
Inter-segment revenue	(58.5)	-	-	(58.5)
Revenue from external customers	766.0	79.3	-	845.3
Depreciation and amortisation	(60.8)	(2.9)	(3.3)	(67.0)
Underlying ¹⁹ EBITDA	158.1	4.3	(13.3)	149.1
Underlying EBITDA including property (profit)/expense	157.9	4.3	(13.3)	148.9
Share of net profits of joint ventures and associate entities accounted for using the equity method	14.8	-	-	14.8
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 EBITDA	129.1	4.8	(10.6)	123.3
Underlying EBITDA including property (profit) / expense	140.7	4.8	(10.6)	134.9
Share of net profits of joint ventures and associate entities accounted for using the equity method	13.2	-	-	13.2

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

Revenues of \$151.4 million (2022: \$120.9 million) are derived from a single customer. These revenues are attributable to the Cement, Lime, Concrete and Aggregates segment.

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	2023	2022
Total segment operating revenue	903.8	776.0
Inter-segment revenue elimination	(58.5)	(39.4)
Freight revenue	75.1	71.6
Other product revenue	4.3	2.7
Royalties	1.7	1.5
Revenue from continuing operations	926.4	812.4

The performance of the operating segments is based on a measure of Underlying EBITDA including property profits. This measurement basis excludes the effect of net interest. A reconciliation of the Underlying EBITDA to operating profit before income tax is provided as follows:

¹⁸ The CEO being the Chief Operating Decision Maker per AASB 8.

¹⁹ Underlying measures exclude property (profit)/expense and significant items.

Notes to the financial statements (continued)

For the half year ended 30 June 2023

2 Segment reporting (continued)

(b) Segment information provided to Chief Executive Officer (CEO)²⁰ (continued)

\$M	2023	2022
Underlying ²¹ EBITDA	149.1	123.3
Depreciation and amortisation	(67.0)	(55.1)
Significant items (refer pages 4 - 5)	(3.1)	(8.8)
Property (profit)/expense (refer page 5)	(0.2)	11.6
Net finance cost	(10.8)	(10.1)
Profit before income tax	68.0	60.9

3 Operating profit/(loss)

\$M	2023	2022
Revenue from continuing operations		
Revenue from contracts with customers	924.7	810.9
Royalties	1.7	1.5
Total revenue from continuing operations	926.4	812.4
Other income		
Net profit related to sale of property, plant and equipment	1.3	19.3
Rental income	0.8	0.9
Interest from joint venture and other parties	2.5	0.7
Miscellaneous income	3.3	1.2
Total other income	7.9	22.1
Revenue and other income	934.3	834.5
Finance costs		
Interest and finance charges	14.8	9.2
Unwind of the discount on leases	1.5	1.3
Unwinding of the discount on restoration provisions and retirement benefit obligation	1.2	1.0
Gross finance costs	17.5	11.5
Interest capitalised in respect of qualifying assets	(4.2)	(0.7)
Total finance costs recognised in the income statement	13.3	10.8
Less interest income	(2.5)	(0.7)
Net finance costs	10.8	10.1

²⁰ The CEO being the Chief Operating Decision Maker per AASB 8.

²¹ Underlying measures exclude property (profit)/expense and significant items.

Notes to the financial statements (continued)

For the half year ended 30 June 2023

4 Dividends

\$M	2023	2022
Dividends paid during the half year		
The Board recommended that no payment of a final dividend in respect of the year end 31 December 2022 be made (2021 final dividend of 7.0 cents, franked at 100%)	-	45.7
Total dividends – paid in cash		45.7
Since the end of the half year the Board has recommended that no payment of an interim ordinary dividend be made (2022: 5.0 cents, franked at 100%). The aggregate amount of the previous financial year's proposed interim dividend paid out, not recognised as a liability at the end of the half year, is:	-	32.6

5 Equity

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

	2023 Shares	2022 Shares	2023 \$M	2022 \$M
Issue of deferred shares under the executive STI scheme	132,080	-	0.2	-
Employee share scheme issue	569,908	-	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.

Name of joint arrangement/associate	Nature of relationship	Ownership interest	
		2023 %	2022 %
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	2023	2022
Contribution to net profit before tax		
Sunstate Cement Ltd	2.4	2.5
Independent Cement and Lime Pty Ltd	8.4	7.9
Other joint ventures and associates	4.0	2.8
Share of net profits of joint ventures and associate entities	14.8	13.2
Profit from joint operations	2.9	3.2
Total profit from joint arrangements and associates	17.7	16.4

Notes to the financial statements (continued)

For the half year ended 30 June 2023

7 Contingencies

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

\$M	2023	2022
Guarantees		
Bank guarantees	41.2	33.4

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 2022, Management has 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:

- Recently enacted reforms, by the Australian Government, to safeguard mechanisms that set legislated limits, known as baselines, on the greenhouse gas emissions of Australia's largest industrial facilities.
- Group's market capitalisation falling below its net assets during the half year.

As at the end of half year, the Group's market capitalisation is above its net assets.

9 Assets held for sale

\$M	2023	2022
Land	36.9	17.1
Buildings	0.1	0.2
Property, plant and equipment	1.6	1.6
Total	38.6	18.9

10 Non-current financial assets

Other non-current assets are made up of:

\$M	2023	2022
Fair value of interest rate swaps	15.5	17.4

Notes to the financial statements (continued)

For the half year ended 30 June 2023

11 Borrowings

\$M	2023	2022
Current		
Borrowings – secured asset finance facility	4.2	-
	4.2	-
Non-current		
Borrowings - bank facility	746.8	716.3
Borrowings - secured asset finance facility	27.1	-
	773.9	716.3

In order to diversify funding facilities and reduce refinancing risk, effective 11 April 2023, the Group has entered into a \$100.0 million structured asset loan facility agreement. Collateral for drawdowns made from this facility is a cohort of items of plant and equipment owned by the Group.

12 Events occurring after the reporting period

Since the half year ended 30 June 2023, the Board has decided not to declare an interim dividend.

Post half year end, Cockburn Cement Limited, an Adbri subsidiary, finalised a contract with SIMPEC for the remaining structural, mechanical, piping, electrical and instrumentation support services valued at \$105 million for the Kwinana Upgrade project. This contract is within scope of Adbri's cost estimate for the Kwinana Upgrade project.

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 2023 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 section 303(5) of the *Corporations Act 2001*.



Mr Raymond Barro
Chairman

29 August 2023

Deloitte.

Deloitte Touche Tohmatsu
ABN 74 490 121 060
Quay Quarter Tower
50 Bridge St
Sydney, NSW 2000
Australia
Tel: +61 9322 7000
www.deloitte.com.au

29 August 2023

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 financial report of Adbri Limited for the half year ended 30 June 2023, 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 faithfully



DELOITTE TOUCHE TOHMATSU



Jason Thorne
Partner
Chartered Accountants

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Deloitte Touche Tohmatsu
 ABN 74 490 121 060
 Quay Quarter Tower
 50 Bridge St
 Sydney, NSW 2000
 Australia
 Tel: +61 9322 7000
 www.deloitte.com.au

Independent Auditors' 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 2023, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows 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 accompanying half-year financial report of the Group does not comply with the Corporations Act 2001, including:

- Giving a true and fair view of the Group's financial position as at 30 June 2023 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.

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 auditor independence requirements of the Corporations Act 2001 and 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.

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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 2023 and 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.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU



Jason Thorne
Partner
Chartered Accountants
Sydney, 29 August 2023



Penny Woods
Partner
Chartered Accountants
Adelaide, 29 August 2023