



ASX ANNOUNCEMENT

Results for the half year ended 31 March 2023

11 MAY 2023

Orica's strategic focus delivers 32% increase in underlying EBIT to \$323 million, and NPAT of \$123 million

Melbourne: Orica (ASX: ORI) today announced a Statutory Net Profit After Tax (NPAT) attributable to the shareholders of Orica for the half year ended 31 March 2023 of \$123 million; and underlying earnings before interest and tax (EBIT) of \$323 million, up 32% on the prior corresponding period (pcp).

HY2023 FINANCIAL RESULT HIGHLIGHTS

- Statutory NPAT⁽¹⁾ of \$122.6 million (pcp: Statutory Net Loss After Tax of \$84.6 million), including \$40.9 million significant items expense⁽⁸⁾ after tax
- Underlying EBIT⁽²⁾ of \$322.6 million, up 32% on the pcp, before individually significant items
- Underlying earnings per share⁽³⁾ of 36.0 cents, flat with the pcp
- RONA⁽⁴⁾ of 12.4%, up from 11.4% in FY2022
- Interim dividend of 18.0 cents per ordinary share, unfranked, representing a payout ratio⁹ of 50%
- Strong earnings performance has continued into the first half of FY2023. Earnings increased in all regions versus the pcp attributable to embedded commercial discipline, strong customer demand, manufacturing utilisation and increased earnings from advanced technology offerings.
- Axis acquisition successfully completed
- US Private Placement notes successfully refinanced, extending the drawn debt maturity profile

CEO Commentary

Reflecting on the positive first half performance, Orica Managing Director and CEO Sanjeev Gandhi said:

Strategy and Performance

"As we continue to successfully execute our strategy, Orica has delivered another set of improved results. The 32% increase in underlying earnings reflects the embedded commercial discipline across our business and the focus on quality of earnings. Our teams worked hard to bring forward recontracting in the second half of the last financial year, the benefits of which we are seeing flow into these first half results.

"The external market conditions, while challenging, have highlighted the strength of our people and unmatched global asset and product portfolio, which has enabled us to adapt and manage volatile external operating conditions. Sustained high commodity prices have fuelled demand for our products and services, and driven customers to Orica's specialised products and technology offerings to deliver further productivity gains and support their sustainability goals.

"With the completion of the Axis acquisition and growth in our existing Digital Solutions vertical, we have created a new reporting segment that provides increased transparency. The Digital Solutions segment includes Orebody Intelligence; Blast Design and Execution; and GroundProbe. The Axis integration is progressing well and has opened up new international markets for the business.

Safety and Sustainability

“Our number one priority is to keep our people, customers and communities safe every day and I am pleased to report we have achieved our key safety and environmental targets for the half, including the Serious Injury Case Rate, loss of containment and potable water intensity. The investigations into the two tragic fatalities we reported last year have been completed, and subsequent actions and learnings have been implemented across our global operations.

“During the half, maintenance turnarounds were completed safely at our Kooragang Island, Yarwun and Bontang manufacturing facilities in Australia and Indonesia.

“The Safeguard reforms which were passed in the Australian Parliament in March this year have brought renewed policy confidence and investment certainty for Orica on our decarbonisation plans. We share the Government’s goal of reducing industrial emissions as soon as possible. Orica’s voluntary corporate emissions reduction goals include plans that represent real abatement and real decarbonisation on site, having already delivered a net 14% reduction in our overall emissions since 2019.

“Milestones have been achieved for these tangible emissions reduction projects during the first half. Most notably at Kooragang Island we successfully commissioned tertiary catalyst technology for Nitric Acid Plant 1, with the technology being deployed at the remaining two plants by the end of the year. With the renewed investment certainty, Orica has completed the Final Investment Decision to deploy the same technology at the Yarwun manufacturing facility at the next suitable maintenance shutdown.”

Dividend and Capital Management

The Board has declared an interim ordinary dividend of 18.0 cents per share, unfranked, representing a payout ratio⁹ of 50%. The dividend is payable to shareholders on 3 July 2023 and shareholders registered as at the close of business on 26 May 2023 will be eligible for the interim dividend.

Return on net operating assets⁴, increased from 11.4% in FY2022 to 12.4% in the first half of the current financial year. This was driven by our improved earnings performance as a result of executing our strategy, and strong current market conditions.

In March 2023 Orica successfully completed the issuance of USD350 million of fixed-rate unsecured notes in the US Private Placement (USPP) market. This transaction extended Orica’s drawn debt maturity and there are no further refinancing requirements expected until May 2024.

Gearing remains below the target range of 30 to 40% at 26.2% as at 31 March 2023.

Mr Gandhi said: *“Proactive debt management further strengthens our financial position. Our prudent balance sheet positions Orica well to manage the volatile external environment, supporting further business growth and delivering improved shareholder returns.”*

Full Year 2023 Outlook

- The strength of Orica’s performance is expected to continue in the second half.
- The seasonality of earnings will be less skewed to the second half compared with FY2022.
- Previous expectations of EBIT improvement drivers remain:
 - Anticipated growth in global commodities demand
 - Continued commercial discipline
 - Increased adoption of advanced technology offerings, and contributions from the recently acquired Axis Mining Technology business
- Orica continues to remain cautious of external challenges from geopolitics, inflationary pressures, higher energy costs, and supply chain dislocations. The business will continue ongoing cost efficiency initiatives to reduce the impact from these pressures.
- Capital expenditure is expected to be within \$400 million to \$420 million, higher than pcp due to sustainability and sustenance projects. Depreciation and amortisation is expected to be in line with the pcp.
- Focus on the balance sheet and cash flow optimisation continues, with gearing anticipated to remain below the target range of 30 – 40%. The inventory value is expected to reduce by the end of FY2023 should current lower ammonia prices persist.
- Net finance costs are expected to increase on FY2022 due to higher interest rates. The second half is anticipated to be in line with the first half of FY2023.
- The effective tax rate is expected to be at the lower end of the guided range of 30 – 32%.

Commenting on the full year 2023 outlook, Mr Gandhi said: *“We are all deeply committed to our strategy and as we continue to execute it, we expect the strong performance to continue. External challenges are expected to persist, and our teams will continue working hard to mitigate the impact of these on our business.*

“Demand for critical minerals remains strong driven by the global energy transition. We expect increased customer activity to continue, as well as increased demand for our products and services and breakthrough technology solutions. While the ammonia landscape has changed during the half, the security of supply is still a challenge globally, one that Orica will continue to navigate with the strength of our global manufacturing and supply network.

“As our business works to fulfil Orica’s purpose, to sustainably mobilise the earth’s resources, we strive to continue helping our customers achieve their goals and delivering value for our shareholders and broader stakeholders.”

Refer to the disclaimer about forward looking statements on page 17.

Market Briefing

Orica will provide a market briefing at 11:00am (AEST) today, 11 May 2023. A webcast of the briefing will be available at: <https://edge.media-server.com/mmc/p/2hnmbfjt>

For further information

Investors

Delphine Cassidy
Mobile: +61 419 163 467
Email: delphine.cassidy@orica.com

Media

Andrew Valler
Mobile: +61 437 829 211
Email: andrew.valler@orica.com

About Orica

Orica (ASX: ORI) is one of the world’s leading mining and infrastructure solutions providers. From the production and supply of explosives, blasting systems, mining chemicals and geotechnical monitoring to our cutting-edge digital solutions and comprehensive range of services, we sustainably mobilise the earth’s resources.

Operating for nearly 150 years, today our 12,000+ global workforce supports customers across surface and underground mines, quarry, construction, and oil and gas operations.

Sustainability is integral to our operations. We have set an ambition to achieve net zero emissions by 2050 and are committed to playing our part in achieving the goals of the Paris Agreement.

For more information about Orica, visit: www.orica.com

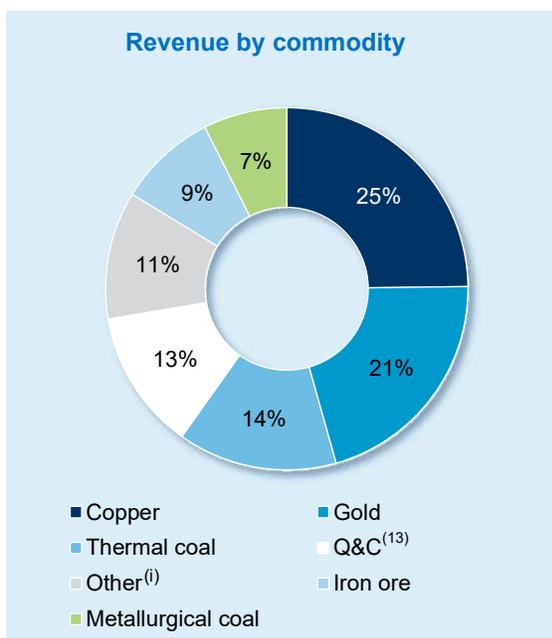
For personal use only

GROUP RESULTS

Half year ended 31 March	2023 A\$M	2022 A\$M	Change %
Sales revenue from continuing operations	3,998.4	3,046.0	31%
EBITDA from continuing operations ⁽¹²⁾	505.3	409.0	24%
EBIT from continuing operations	322.6	230.2	40%
EBIT from Minova (discontinued operations)	-	14.7	(100%)
Total EBIT⁽²⁾	322.6	244.9	32%
Net interest expense	(82.1)	(43.3)	(90%)
Tax expense before individually significant items	(72.1)	(65.4)	10%
Non-controlling interests before individually significant items	(4.9)	(7.0)	
NPAT before individually significant items⁽¹¹⁾	163.5	129.2	27%
Individually significant items after tax attributable to Orica Shareholders ⁽⁸⁾	(40.9)	(213.8)	
NPAT after individually significant items (statutory)	122.6	(84.6)	

Note: numbers in this report are subject to rounding and stated in Australian dollars unless otherwise noted

Group commodity exposure



(i) Includes revenue from Digital Solutions

Fundamentals remain strong across commodities, driving high demand for Orica products and services in most markets.

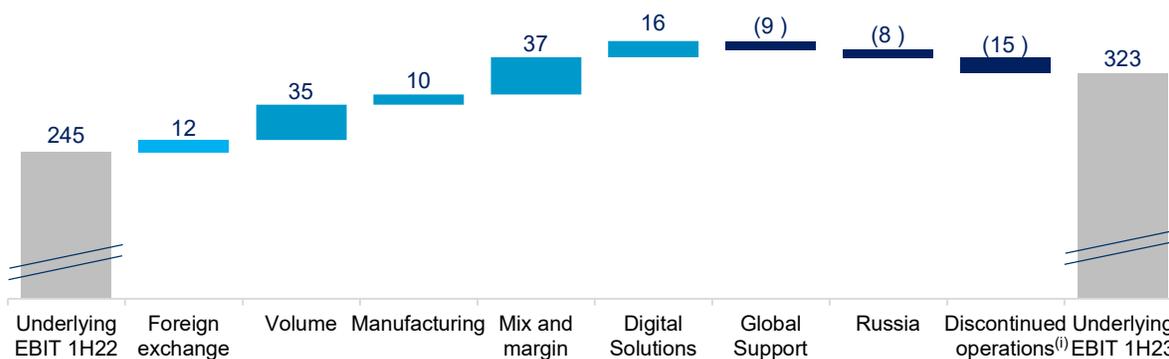
Copper exposure grew the strongest versus the prior corresponding period (pcp), driven by high demand in Latin America and business expansion in Africa.

The proportion of thermal coal revenue reduced versus the pcp mostly due to the strength of other commodities.

The weak economic outlook in Western Europe and extreme winter weather in North America negatively impacted Quarry and Construction (Q&C) activity.

For personal use only

1H2022 to 1H2023 EBIT (A\$M)



(i) Change in underlying EBIT contribution from discontinued operations

Financial performance

The improved half year result reflects commercial discipline, higher utilisation of manufacturing plants, and increased earnings from digital technology offerings.

Foreign exchange

In the first half of FY2023 the Australian dollar depreciated against key foreign currencies, resulting in a favourable impact to EBIT on translation of foreign currency denominated earnings.

Volume

Ammonium nitrate (AN) volumes increased 5% on the pcp excluding the impact of Russia volumes (2% including the impact of Russia) from increased mining activity driven by strong commodity prices, and Orica’s ability to provide security of supply to customers in a tight supply market.

Electronic blasting systems (EBS) volumes were up 6% on the pcp as new contracts ramped up and customers continued the shift away from conventional detonators. EBS accounted for 21% of the volume uplift contribution in EBIT.

Manufacturing

Manufacturing performance improved as a result of increased volumes at the large continuous plants in Australia and Indonesia.

The pcp result included costs for alternate sourcing of Ammonia Nitrate (AN) during the Carseland plant turnarounds in North America which have not been repeated in the first half of the 2023 financial year.

Mix and margin

EBIT growth across the regions was led by sustained commercial discipline, a continued shift to premium products and greater technology penetration.

The benefit of the high level of recontracting which occurred in the second half of FY2022 flowed into the first half FY2023 results.

Digital Solutions

Customers’ desire for productivity gains and efficiency improvements, as well as increasing Environmental, Social and Governance (ESG) obligations is increasing customer demand for our products and solutions.

Growth in adoption of digital technologies, the introduction of new solutions, and contribution from the newly acquired Axis Technologies business, grew earnings in the new Digital Solutions segment.

Global Support

Global Support costs increased versus the pcp primarily due to inflation, increased employment costs and a provision against a specific doubtful debtor.

Russia

Following the sanctions placed on Russia, Orica completed the exit of its operating business in Russia in September 2022. There has been no contribution from the Russia operations in FY2023.

Discontinued operations

The Minova business sale was completed in the first half of FY2022 and therefore there are no earnings contributions from discontinued operations in FY2023.

For personal use only

ORICA RESULTS FOR THE HALF YEAR ENDED 31 MARCH 2023

Business Summary

A summary of the performance of the segments for the 2023 and 2022 years is presented below:

Half year ended 31 March A\$M	2023			2022 (restated ¹⁰)		
	External sales revenue	EBITDA ⁽¹²⁾	EBIT ⁽²⁾	External sales revenue	EBITDA ⁽¹²⁾	EBIT ⁽²⁾
Australia Pacific & Asia (APA)	1,560.6	307.9	222.1	1,186.5	244.0	156.2
North America	888.0	94.3	59.2	705.2	84.6	56.3
Latin America	898.2	52.9	28.4	664.9	47.3	25.0
Europe, Middle East & Africa (EMEA)	551.9	39.6	26.9	420.3	26.4	11.2
Digital Solutions	99.7	39.6	26.9	69.1	21.3	11.3
Global Support	-	(29.0)	(40.9)	-	(14.6)	(29.8)
Continuing Operations	3,998.4	505.3	322.6	3,046.0	409.0	230.2
Minova (Discontinued Operations)	-	-	-	231.1	14.7	14.7
Total	3,998.4	505.3	322.6	3,277.1	423.7	244.9

For personal use only

Australia Pacific & Asia

Half year ended 31 March	2023	2022 (restated ¹⁰)	Change
External sales revenue (A\$M)	1,560.6	1,186.5	32%
EBITDA ⁽¹²⁾ (A\$M)	307.9	244.0	26%
EBIT ⁽²⁾ (A\$M)	222.1	156.2	42%
Total AN & Emulsion Volumes ('000 tonnes)	885.3	846.6	5%

Market conditions

Commodity prices and mining activity across the region remains robust, despite the impact of wet weather on the east coast of Australia.

Customers continue to seek productivity gains, more efficient operations and sustainability outcomes, which is driving increased interest and adoption of premium products and new technology.

Demand in gold and copper has been strong, however mining activity has been mixed in Australia; gold activity continued to increase while copper slightly softened as volumes were impacted by wet weather on the east coast. We expect this to partly recover in the second half as weather improves and commodity prices remain strong. Thermal coal activity increased, particularly in Australia, Indonesia and India.

Segment performance

The 42% increase in EBIT on the pcp was driven by contract improvements, increased AN and EBS volumes and a shift to premium products. The benefit of the high level of recontracting in FY2022 flowed into the first half results.

In Australia, even with sustained wet weather on the east coast, sales volumes grew versus the pcp due to high customer demand, leading to strong earnings.

Growth in Asia remains strong, particularly in Indonesia. Improvements to contracts have lifted earnings as well as average contract tenures.

The business continues to diversify its portfolio and increase the exposure to Future Facing Commodities and Q&C. Technology penetration has been a key enabler to Orica's value proposition in these segments.

In manufacturing, turnarounds were completed safely at Yarwun, Kooragang Island (KI) and Bontang. The KI turnaround included the successful installation of Tertiary Catalyst Abatement technology for NAP 1. There has been a controlled shutdown at the Burrup plant late in the first half following an operational incident at an ancillary facility. One of Orica's strongest competitive advantages is its strong and flexible global supply network, as such at this point in time, there is no impact to customer supply.

North America

Half year ended 31 March	2023	2022 (restated ¹⁰)	Change
External sales revenue (A\$M)	888.0	705.2	26%
EBITDA ⁽¹²⁾ (A\$M)	94.3	84.6	12%
EBIT ⁽²⁾ (A\$M)	59.2	56.3	5%
Total AN & Emulsion Volumes ('000 tonnes)	570.5	525.4	9%

Market conditions

While market fundamentals for most commodities in the region remain strong, activity in USA and Canada has been impacted by extreme winter weather, together with a hurricane in Eastern Canada in late December. Mining activity in Mexico has remained stable.

Domestic gas pricing has reduced, however this has yet to materially impact thermal coal demand.

Q&C activity remains robust in the United States, supported by government infrastructure investment.

Logistic networks across the United States and Canada were constrained during the period due to extreme winter weather and availability. This together with access to labour remain ongoing challenges for the region, particularly as activity increases into the spring season.

Segment performance

North America delivered a resilient earnings performance despite challenges caused by extreme winter weather in the United States and Canada, and industrial action impacting supply in Mexico.

EBIT grew 5% on the pcp. Earnings were improved by increased AN and EBS sales volumes from the ramp up of new contracts, and favourable foreign exchange, however this was largely offset by increased freight costs and higher cost alternate sourcing requirements due to the industrial action in Mexico. Depreciation increased versus the pcp following the Carseland plant turnarounds in 2022.

Revenue increased versus the pcp due to a ramp up of new contracts. The proportion of revenue from Q&C reduced against other commodities as activity was adversely impacted by extreme winter weather.

The Carseland AN Manufacturing plant continues to perform well following the turnaround completed at the end of last year. Tertiary catalyst abatement technology continues to reduce emissions in line with expectations.

Technology growth is ahead of plan supported by conversion to WebGen™ 200 and strong demand for nitrate reducing products including Fortis™ Protect and Centra™ Gold HV.

For personal use only

Latin America

Half year ended 31 March	2023	2022 (restated ¹⁰)	Change
External sales revenue (A\$M)	898.2	664.9	35%
EBITDA ⁽¹²⁾ (A\$M)	52.9	47.3	12%
EBIT ⁽²⁾ (A\$M)	28.4	25.0	14%
Total AN & Emulsion Volumes ('000 tonnes)	452.2	475.6	(5%)

Market conditions

Mining activity in the region was stable compared to the pcp, though social and political unrest in Peru caused some logistics interruptions and impacted some mine operations.

AN prices continue to be volatile, however security of supply remains important for miners within the region due to the ongoing Russia-Ukraine conflict, and disruptions caused by the political unrest.

Customers are increasing their use of premium products and new technologies as miners are looking for solutions to enable productivity increases and maintaining their license to operate, particularly amongst gold and copper miners.

Segment performance

The increase in EBIT on the pcp was driven by commercial discipline, improved product mix and technology penetration. This is despite social unrest and flooding in the region suppressing volumes sold. Security of supply remains a competitive advantage in the region.

Technology adoption and demand for premium products continues to grow within the region. There have been increased trials and commercial adoption of WebGen™ 200, and migration of customers to premium Fortis™ bulk systems.

Orica continued to leverage its global make-and-buy network to ensure supply continuity to customers. Increased focus is being placed on managing AN price volatility.

Global manufacturing optimisation plans continue in the region. Lurin is being transformed into a global Initiating Systems (IS) hub, with the synergies from the Exsa acquisition being delivered ahead of business case expectations. Increased EBS manufacturing capacity was commissioned in the region.

Europe, Middle East & Africa

Half year ended 31 March	2023	2022 (restated ¹⁰)	Change
External sales revenue (A\$M)	551.9	420.3	31%
EBITDA ⁽¹²⁾ (A\$M)	39.6	26.4	50%
EBIT ⁽²⁾ (A\$M)	26.9	11.2	140%
Total AN & Emulsion Volumes ('000 tonnes)	173.2	192.1	(10%)

Market conditions

Robust commodity prices are driving strong gold and copper mining activity across Africa, while the southern Europe mining market is stable.

The weak economic outlook in Western Europe continues to impact Q&C activity.

The ongoing impact of the Russia-Ukraine conflict is causing significant disruption and volatility to ammonia, ammonium nitrate and energy trade flows. However, recent European gas price reductions are lowering the production cost of ammonia and changing the ammonia landscape in the region.

Segment performance

The significant improvement in EBIT on the pcp, notwithstanding the loss of Russia volumes and earnings, was driven by new contract wins and growth in Africa, improved product mix, profit on sale of land, and favourable foreign exchange.

Initiating Systems continues to have a favourable shift towards EBS. However, IS volumes and AN volumes reduced versus the pcp due to loss of the Russia business.

Earnings from new technology grew versus the pcp driven by Cyclo™ and WebGen™ 200 sales. Technology adoption is supported in the region from increased ESG objectives of customers in addition to desired efficiency gains.

Orica continues to leverage its supply chain strength and ability to source AN, which benefited earnings in the first half. The flexibility of the supply chain will help the region manage the recent changes to the ammonia landscape as production increases in the region.

Revenue from gold and copper customers increased as Orica's exposure to Africa grows.

For personal use only

Digital Solutions (new reporting segment)

Half year ended 31 March	2023	2022 (restated ¹⁰)	Change
External sales revenue	99.7	69.1	44%
EBITDA ⁽¹²⁾	39.6	21.3	86%
EBIT ⁽²⁾	26.9	11.3	138%

In line with Orica's strategy to grow the Digital Solutions vertical, a new reporting segment has been created from the 2023 financial year, comprising three categories; Orebody Intelligence (Axis Mining Technology, HIG and RIG), Blast Design and Execution solutions (BDE), and GroundProbe (previously reported within the Monitor segment).

As orebodies are increasingly becoming harder to find and exploit against a backdrop of high commodity prices, and as ESG obligations and commitments increase globally, demand for software, sensors and data science is increasing. Demand is increasing for both discrete products and end-to-end workflows. 65% of the segment revenue is from recurring contracts such as product leasing, software as a service, monitoring services and care plans, supporting the resilience of earnings. The customers of the segment are diversified geographically and across commodities.

Improvement in earnings versus the pcp was driven by 30% growth in adoptions and introduction of new technology solutions, high customer retention, and the acquisition of Axis.

The acquisition of Axis Mining Technology was completed in October 2022. Integration of the business is progressing to plan. Orica's ownership, to date, has opened new international markets for the business in North America and Brazil. Benefits from new contract wins with major drillers are expected to flow from the second half of FY2023. Integration costs will continue to impact the business in the second half.

GroundProbe's second manufacturing plant, in Tucson, USA, is now operational and the first radar units have been delivered to customers. This facility doubles the production capacity for the business, reduces landed costs, and improves speed to global markets.

Global Support

Half year ended 31 March	2023	2022 (restated ¹⁰)	Change
EBIT ⁽²⁾	(40.9)	(29.8)	(37%)

Global Support costs increased versus the pcp primarily due to inflation, increased employment costs and a provision against a specific doubtful debtor.

For personal use only

Net interest expense

Net interest expense of \$82 million was \$39 million higher than the pcp. Unwinding of discount on provisions was \$16m higher than the pcp, primarily due to an increase in the discount rate applied to remeasure long-term provisions as at 31 March 2022. Net interest expense excluding the impact of the unwind of discount on provisions and lease interest was \$70 million, \$23 million higher than the pcp, primarily as a result of higher interest rates on interest bearing liabilities.

Half year ended 31 March	2023 A\$M	2022 A\$M	Variance A\$M
Net interest expense excluding unwinding of discount on provisions and lease interest	(69.8)	(47.2)	(22.6)
Unwinding of discount on provisions	(5.9)	9.6	(15.5)
Lease interest	(6.4)	(5.7)	(0.7)
Net interest	(82.1)	(43.3)	(38.8)

Tax expense

The effective tax rate before individually significant items of 30.0% is lower than pcp of 32.4% mainly due to a reduction in non-deductible interest and increased profits in jurisdictions where the statutory tax rate is lower than 30.0%.

Group Cash Flow

Half year ended 31 March	2023 A\$M	2022 A\$M	Variance A\$M
Net operating cash flows	1.5	(156.7)	158.2
Net investing cash flows	(368.3)	(31.4)	(336.9)
Net operating and investing cash flows	(366.8)	(188.1)	(178.7)
Dividends – Orica Limited	(79.7)	(48.2)	(31.5)
Dividends – non-controlling interest shareholders	(1.0)	(4.4)	3.4
Adjusted net cash flows	(447.5)	(240.7)	(206.8)
Movement in borrowings and other net financing cash flows ⁽¹⁴⁾	(124.7)	163.4	(288.1)
Net cash inflow / (outflow)⁽¹⁵⁾	(572.2)	(77.3)	(494.9)

Net operating cash flows

Net cash generated from operating activities of \$1.5 million is a result of higher earnings being offset by cash outflows attributed to increased inventory holdings to support the growth of the business and to ensure reliability and security of supply for our customers, as well as cash outflows for borrowing costs and income taxes.

Net investing cash flows

Net investing cash outflows were higher than the pcp predominantly due to up-front consideration paid for the Axis acquisition on completion, and proceeds received for the sale of the Minova business in the prior period. A deposit was received during the first half of FY2023 for the potential sale of stage one Deer Park non-operational industrial land; the finalisation of the sale is subject to completion requirements.

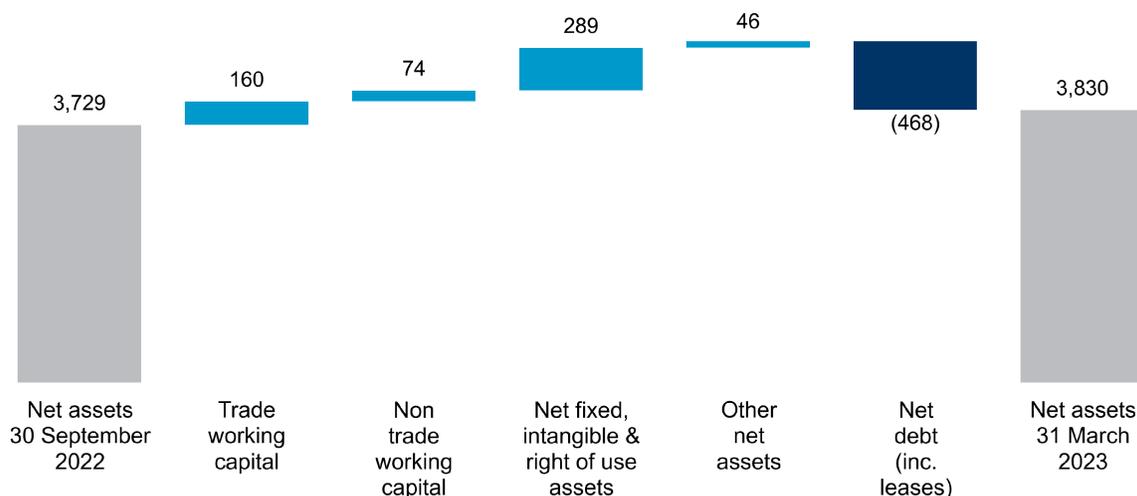
Net financing cash flows

Cash generated from financing activities predominantly comprises \$93 million of net repayment on debt facilities and \$29 million payment for the principal portion of leases. The prior year cash inflows of \$163 million comprises \$201 million of net borrowings from debt facilities, partly offset by \$29 million of principal portion of leases.

For personal use only

Group Balance Sheet

Movement in net assets (A\$M)



Trade working capital ⁽¹⁶⁾ was higher by \$160 million. Trade debtors decreased by \$74 million driven by improved collections, partially offset by higher sales revenue. Inventory increased by \$154 million due to increased inventory holdings to support the growth of the business and to ensure reliability and security of supply for our customers. Inventory value is expected to reduce by the end of FY2023 should current lower ammonia prices persist. Trade creditors decreased by \$79 million driven by a change in vendor mix with lower payment term in order to secure supply in the tight market conditions.

Non trade working capital ⁽¹⁷⁾ net liability was lower by \$74 million. The movement was driven by an increase in indirect tax refunds of \$48 million and the proceeds receivable for the sale of the Türkiye businesses of \$8 million.

Net fixed, intangible & right of use assets increased by \$289 million this period, driven by the impact of the Axis acquisition.

Other net assets increased by \$46 million driven by the purchase and revaluation of an equity interest in the ASX listed company Alpha HPA.

Net debt (incl. leases) liability was \$468 million higher. The significant drivers were the upfront consideration paid for Axis of \$256 million, capital expenditure during the period of \$148 million, and dividends paid of \$81 million.

For personal use only

Debt Management and Liquidity

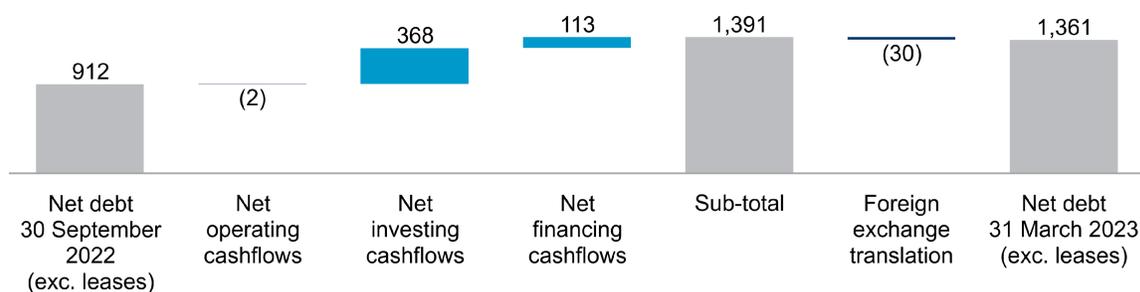
As at	31 March 2023	30 September 2022	Variance
Interest bearing liabilities - excluding lease liabilities	2,042.1	2,167.5	(125.4)
Less: Cash and cash equivalents	(681.1)	(1,255.3)	574.2
Net debt ⁽⁶⁾	1,361.0	912.2	448.8
Lease liabilities	259.0	239.5	19.5
Net debt – including lease liabilities	1,620.0	1,151.7	468.3
Gearing % - excluding Lease liabilities ⁽⁷⁾	26.2%	19.7%	6.5%

Interest bearing liabilities of \$2,042 million comprise \$2,002 million of US Private Placement bonds and \$40 million of committed and other bank facilities. The average tenor of drawn debt at 31 March 2023 was 6.4 years (September 2022: 4.3 years).

Cash of \$681 million provides for a strong liquidity position, complemented by undrawn committed bank facilities of \$1,439 million.

Gearing excluding lease liabilities at 26.2% is below the Group's target range of 30 to 40% and is well below the 57.5% covenant default measure. The interest cover ratio at 5.2x is well above the minimum 2.0x requirement.

The chart below illustrates the movement in net debt from 30 September 2022.

Movement in net debt (A\$M)


Individually significant items

Half year ended 31 March 2023	Gross A\$M	Tax A\$M	Net A\$M
Loss on sale of Türkiye businesses	(73.5)	0.8	(72.7)
Axis Group earnout	(13.3)	-	(13.3)
Individually significant items	(86.8)	0.8	(86.0)
Non-controlling interests in individually significant items	45.5	(0.4)	45.1
Individually significant items attributable to shareholders of Orica	(41.3)	0.4	(40.9)

Sale of Türkiye businesses

In November 2022, Orica completed the sale of its Türkiye businesses for proceeds of USD12.75 million (\$19.0 million). Upon completion, as required by Australian Accounting Standards, the associated debit foreign currency translation reserve (FCTR) balance of \$91.7 million after tax (of which \$45.1 million is attributable to non-controlling interests) is recognised in the profit and loss.

The net impact attributable to shareholders of Orica, of \$27.6 million after tax, has been recognised as a significant item for the first half of FY2023.

Axis Group Acquisition Earnout

In October 2022, Orica finalised its acquisition of Axis Mining Technology. The purchase price comprised \$255.8 million paid on completion plus potential earn out payments of up to \$90.0 million based on the achievement of cumulative EBITDA generated from 1 October 2022 to 31 December 2024 and contingent on certain key management remaining employed by Orica during the earn-out period. The earnout is payable in early 2025.

An accrual of \$13.3 million has been recognised as a significant item for the first half of FY2023 for the earnout.

Dividend

The Board has declared an interim dividend on ordinary shares of 18.0 cents per share, unfranked. The dividend represents a payout ratio⁽¹⁸⁾ of 50%.

The dividend is payable to shareholders on 3 July 2023 and shareholders registered as at the close of business on 26 May 2023 will be eligible for the interim dividend.

It is anticipated that dividends in the near future will be unfranked.

Enhanced Tax Transparency Reporting

Australian Tax Transparency – Tax Return Data for the tax year 2022

Information relating to Orica’s Australian operations is provided in the table below.

	2022 A\$M	2021 A\$M
Total income (i)	2,494	2,303
Taxable income (ii)	179	111
Statutory tax rate (iii)	30%	30%
Tax liability	54	33
Offset reductions (iv)	(54)	(33)
Tax payable	-	-

- (i) Total Australian income (includes sales, exempt dividends, interest income etc.) before all expenses (for example, interest, employee costs, depreciation)
- (ii) Taxable income after allowing for all deductible expenses and tax-exempt income
- (iii) Australian Statutory tax rate
- (iv) Offset reductions relating to foreign income tax

For personal use only

Footnotes

The following footnotes apply to this results announcement:

1. Equivalent to net profit/(loss) for the year attributable to shareholders of Orica limited, as disclosed in the Income Statement within the Appendix 4D – Half Year Report
2. Equivalent to profit/(loss) before financing costs and income tax as disclosed in Note 2(b) within the Appendix 4D – Half Year Report, before individually significant items
3. Basic earnings per share before individually significant items as disclosed in in Note 3 within the Appendix 4D – Half Year Report
4. Return on net operating assets = 12 month EBIT / Rolling 12 month Average Operating Net Assets where Operating Net Assets = Property, Plant & Equipment, Intangibles, Equity Accounted Investees and working capital excluding environmental provisions, excluding Minova. This is a measurement of how efficiently Orica uses its assets.
5. Equivalent to net cash flows from financing activities (as disclosed in the Statement of Cash Flows within Appendix 4D – Half Year Report) excluding proceeds and repayment of borrowings.
6. Interest-bearing liabilities – excluding lease liabilities less cash and cash equivalents
7. Net debt / (net debt + total equity), where net debt excludes lease liabilities
8. Significant items as disclosed in Note 2(e) within the Appendix 4D – Half Year Report
9. Dividend payout ratio = Dividend amount / Underlying NPAT before individually significant items
10. Restated for change of segment reporting. Effective 1 October 2022, Orica made changes to its segment reporting to provide transparency of the growing Digital Solutions vertical, in line with Orica's refreshed strategy. Refer Note 2(a) within the Appendix 4D – Half Year Report for more details.
11. Equivalent to profit after income tax expense before individually significant items attributable to shareholders of Orica Limited, as disclosed in Note 2 (b) within Appendix 4D – Half Year Report
12. EBIT before individually significant items and depreciation and amortisation expense
13. Quarry, construction and tunnelling
14. Equivalent to net cash flows from financing activities (as disclosed in the Statement of Cash Flows within Appendix 4D – Half Year Report) excluding dividends paid to Orica ordinary shareholders and non-controlling interests
15. Equivalent to net increase/(decrease) in cash held, as disclosed in the Statement of Cash Flows within Appendix 4D – Half Year Report
16. Comprises inventories, trade receivables and trade payables, as disclosed in the Balance Sheet within Appendix 4D – Half Year Report
17. Comprises other receivables, other payables, and provisions, as disclosed in the Balance Sheet within Appendix 4D – Half Year Report
18. Dividend amount / NPAT before individually significant items

Forward-looking statements

This announcement has been prepared by Orica Limited. The information contained is for informational purposes only.

This report contains information that is based on projected and/or estimated expectations, assumptions or outcomes. Forward looking statements are subject to a range of risk factors. Orica cautions against reliance on any forward-looking statements, particularly in light of the volatile and uncertain geopolitical and economic landscape.

Orica has prepared this information based on its current knowledge and understanding and in good faith; there are risks and uncertainties involved which could cause results to differ from projections. Orica will not be liable for the correctness and/or accuracy of the information, nor any differences between the information provided and actual outcomes and reserves the right to change its projections from time to time. Orica undertakes no obligation to update any forward-looking statement to reflect events or circumstances after the date of this report, subject to disclosure obligations under the applicable law and ASX listing rules.

Non-International Financial Reporting Standards (Non-IFRS) information

This report makes reference to certain non-IFRS financial information. This information is used by management to measure the operating performance of the business and has been presented as this may be useful for investors. This information has not been reviewed by the Group's auditor. The 2023 Half Year Results presentation includes non-IFRS reconciliations. Forecast information has been estimated on the same measurement basis as actual results.

For further information**Investors**

Delphine Cassidy
Mobile: +61 419 163 467

Media

Andrew Valler
Mobile: +61 437 829 211

For personal use only