MEDIA RELEASE

13 MAY 2021

MARKET FACTORS IMPACT RESULTS, FUNDAMENTALS REMAIN SOUND

Melbourne: Orica (ASX: ORI) today announced Statutory Net Profit After Tax (NPAT) attributable to the shareholders of Orica for the six months ended 31 March 2021 of $77 million, down 54 per cent on the prior corresponding period (pcp); and underlying EBIT of $152 million, down 51 per cent on the pcp. The Board has declared an unfranked interim dividend of 7.5 cents per ordinary share, payable on 9 July 2021, representing a 42% payout ratio.

Orica Managing Director and CEO Sanjeev Gandhi said: *"Our first half financial results are in line with our February market update and reflect the impact of various market factors. As we detailed in the update, ongoing COVID-19 disruptions, geopolitical issues and unfavourable foreign exchange movements impacted us in the half.*

"As we address these challenges, we have maintained our disciplined approach to our balance sheet and capital management, while delivering a step up in cash generation and controlling our levels of debt and gearing.

"Operationally, we continued to focus on what we can control, making good progress on many core strategic fronts, including growing uptake of our high margin digital solutions, the successful integration of Exsa, Burrup operating in line with our plans and further stabilisation of our SAP platform.

"At the same time, we are advancing our strategy to become an even safer, more responsible and more sustainable organisation. Our major decarbonisation projects are progressing to plan and we are on track to meet our industry-leading emissions targets. Most importantly, it was a half with no fatalities and no significant environmental incidents."

Orica also announced today that it intends to run a sale process for the Minova business, which provides ground control solutions for the mining, civil / tunnelling, geotechnical and construction industries.

Mr Gandhi said: *"While Minova has delivered a substantially improved performance in recent times, it has been identified as non-core. Therefore, we will consider selling at an appropriate price."*

Outlook

Commenting on the full year outlook, Mr Gandhi said: *"While the factors that impacted us in the first half are expected to largely reverse over time, and the fundamentals of our business remain sound, we remain cautious about the short-term outlook.*

"It has been encouraging to see volumes start to increase at the end of the half. While we expect a better second half than the first, given uncertainties remain around market factors, we expect the second half EBIT to be lower than the pcp.

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"We will continue to focus on what we can control and remain on track to achieve a number of strategic targets including contributions from new technology and realising the financial and synergistic benefits from our Exsa acquisition.

"At the same time, we are reducing overhead and manufacturing costs, accelerating speed to market of our world-leading technology, and continuing to optimise our operating model, our SAP platform and our global initiating systems manufacturing network.

"We have a refreshed management team in place who are energised and focused, and we move forward with a clear set of strategic priorities, well-positioned for recovery as external conditions stabilise."

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ABOUT ORICA

Orica (ASX: ORI) is the world's largest provider of commercial explosives and innovative blasting systems to the mining, quarrying, oil and gas and construction markets, a leading supplier of sodium cyanide for gold extraction, and a specialist provider of ground support services in mining and tunnelling.

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

Orica Limited

Results for the half year ended 31 March 2021

Market factors impact results, fundamentals remain sound

Statutory net profit after tax (NPAT) attributable to the shareholders of Orica for the half year ended 31 March 2021 was $77 million, down 54% on the prior corresponding period (pcp) with underlying EBIT(1) of $152 million, down 51% on the pcp

Summary

- Underlying EBIT(1) of $152 million, down 51% on the pcp, before individually significant items, in line with the market update on 26 February 2021
- Statutory NPAT of $77 million was down 54% on the pcp
- Ammonium nitrate (AN) volumes down 1% on the pcp at 1.94 million tonnes; and down 9% on the pcp excluding volumes from the Exsa business acquired on 30 April 2020
- Underlying earnings per share(2) down 58% on the pcp to 18.1 cents per share
- Net operating cash flows(3) of $158 million up 46% on the pcp and cash conversion of 138.6% up 75.7 percentage points on the pcp
- Capital expenditure of $152 million(4), down 45% on the pcp from lower spend on Burrup, SAP and sustaining capital
- Net debt(5) of $1.7 billion and gearing(6) at 35.4%
- Unfranked interim dividend of 7.5 cents per ordinary share, within target payout ratio at 42%

Group Results

Half year ended 31 March	2021 A$M	2020 A$M	Change %
Sales revenue	2,623.2	2,880.3	(9%)
EBITDA(7)	361.5	479.7	(25%)
EBIT(1)	**151.8**	**308.6**	**(51%)**
Net interest expense	(41.6)	(63.0)	34%
Tax expense before individually significant items	(35.3)	(78.5)	55%
Non-controlling interests before individually significant items	(1.5)	(1.9)	21%
NPAT before individually significant items(8)	**73.4**	**165.2**	**(56%)**
Individually significant items after tax	3.3	-	100%
NPAT after individually significant items (statutory)	**76.7**	**165.2**	**(54%)**

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

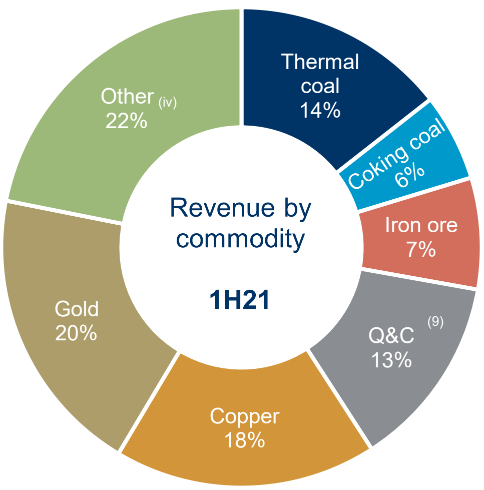
Business Summary

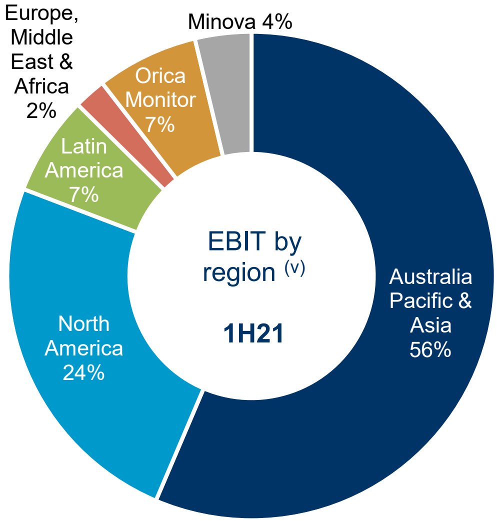
A summary of the performance of the segments for the March 2021 and March 2020 half years is presented below:

Half year ended 31 March 2021 A$M	AN Tonnes (i), (ii) ('000)	Sales Revenue (iii)	EBITDA(7)	EBIT(1)	Capital Expenditure(4)
Australia Pacific & Asia (APA)	787	1,007.5	193.1	108.7	73.4
North America	506	627.0	79.2	47.0	24.0
Latin America	443	447.0	35.3	12.7	8.6
Europe, Middle East & Africa (EMEA)	202	414.2	20.3	4.1	11.9
Minova	-	219.1	12.8	7.2	6.1
Orica Monitor	-	53.3	19.3	13.0	3.7
Global Support	-	-	1.5	(40.9)	23.9
Eliminations	-	(144.9)	-	-	-
Orica Group	**1,938**	**2,623.2**	**361.5**	**151.8**	**151.6**

Half year ended 31 March 2020 A$M	AN Tonnes (i) ('000)	Sales Revenue (iii)	EBITDA(7)	EBIT(1)	Capital Expenditure(4)
Australia Pacific & Asia (APA)	814	1,057.6	243.4	169.5	117.6
North America	559	801.0	130.3	95.2	24.5
Latin America	319	455.8	34.5	21.6	10.4
Europe, Middle East & Africa (EMEA)	258	490.0	49.4	32.4	17.9
Minova	-	263.0	16.9	11.1	5.7
Orica Monitor	-	51.9	15.6	9.4	7.2
Global Support	-	474.0	(10.4)	(30.6)	94.6
Eliminations	-	(713.0)	-	-	-
Orica Group	**1,950**	**2,880.3**	**479.7**	**308.6**	**277.9**

(i) Includes ammonium nitrate prill and solution as well as bulk and packaged emulsion
(ii) Latin America includes 160 thousand tonnes sold from Exsa S.A. (Exsa)
(iii) Includes external and inter-segment sales





(iv) Includes Minova and Orica Monitor
(v) Excludes Global Support

Review of Operations

As always, the most important priority throughout the half was the safety of Orica's people, partners and communities. Teams continued to focus on embedding the Major Hazard Management (MHM) program across the organisation, and continued to verify key safety controls, with over 4,800 verifications completed in the half. One component of the program, 'MHM Stop', in which frontline staff are empowered to halt work if they recognise a key control is not in place, has proven successful with 'Stops' occurring in all regions and in several manufacturing operations.

While the Serious Injury Case Rate (SICR) is tracking above target for the year to date, there was a significant improvement in the second quarter (excluding COVID-19). The SICR covers a range of injury types, from life-changing injuries to sprains and strains which require work restrictions during recovery.

In response to the COVID-19 pandemic, management focused on prevention and mitigation strategies through clearly established operational protocols. Key controls for both operations and office environments continued to be implemented, and senior leaders continue to monitor these controls closely to maintain elevated levels of protection.

The first half financial and operational performance reflected the impacts from a range of market factors from which the business is expected to largely recover, although the timing is unclear.

Despite the external challenges, good progress was made on many core strategic fronts, including maintaining strong market share, growing uptake of high margin digital solutions, the successful integration of Exsa, Burrup operating in line with plans and further stabilisation of the SAP platform.

Sustainability is being further embedded into critical business priorities. Scope 1 and Scope 2 operational greenhouse gas emissions were down 15% on the pcp, major decarbonisation projects are progressing in line with plans and the company is currently on track to meet emissions targets. At the Kooragang Island site on the east coast of Australia, a $39 million project to install particulate emissions technology is progressing, while a broader decarbonisation project was scoped with pre-feasibility completed in April 2021. Meanwhile, plans to install tertiary catalyst abatement technology to reduce greenhouse gas emissions at the Carseland site in Canada in late 2021 are on track.

There were no significant environmental incidents(10) during the half.

Customer feedback in the half has been positive, with the global Net Promoter Score trending higher as customers embrace new technology offerings and continue to recognise the quality of Orica products.

Progress towards achieving diversity and inclusion targets has continued, with women now representing 32% of senior management(11).

Orica continues to focus on its core mining and infrastructure businesses, and intends to run a sale process for the Minova business.

Orica's new chief executive, supported by a refreshed management team, is energised and focused on what can be controlled, resetting the business to position it for recovery as market conditions stabilise.

Comparison: 1H20 to 1H21

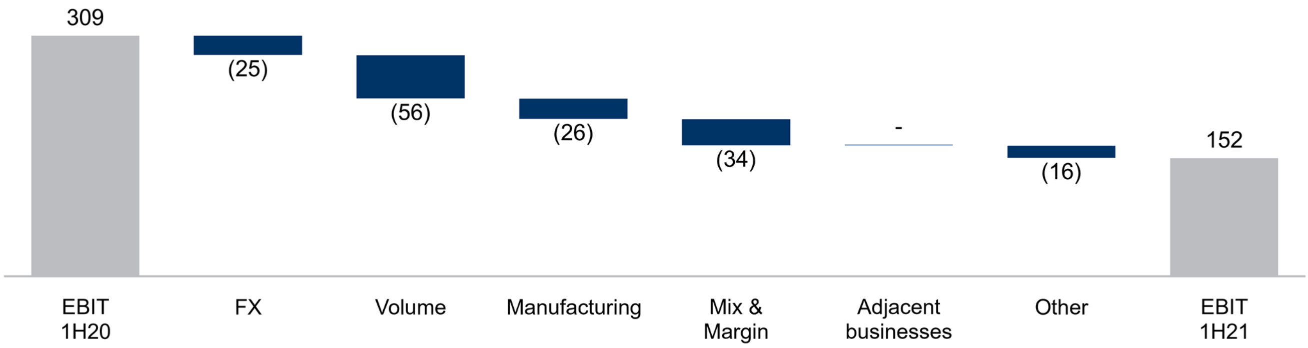
AN volumes, excluding 160 thousand tonnes sold by the recently acquired Exsa business, were down 9% on the pcp due to ongoing challenges from COVID-19 and geopolitical issues. While considerable, these market factors are largely temporary in nature and some improvement is expected during the course of the second half of the 2021 financial year. Including Exsa, AN volumes were down 1% on the pcp.

Sales revenue decreased by 9% on the pcp to $2.6 billion, impacted by lower volumes and unfavourable foreign exchange (FX) variances.

EBITDA of $362 million was down 25% on the pcp, largely from lower volumes in high margin markets, the non-repeat of carbon credits in Canada and adverse FX movements. Further impacting the EBITDA result were incremental SAP costs and arbitration costs in relation to the Burrup plant rectification works, as previously announced to the market on 26 February 2021.

Depreciation and amortisation increased by $39 million on the pcp, largely attributable to the inclusion of the Burrup plant, the SAP system and Exsa.

1H20 to 1H21 EBIT (A$M)



Key items in the chart above:

Foreign exchange (FX)*, ($25 million)*

The Australian dollar has appreciated significantly against most of Orica's major trading currencies on the pcp, negatively impacting EBIT across all operational segments.

Volume*, ($56 million)*

Excluding Exsa, total AN volumes decreased by 9% on the pcp. The most significant driver of reduced explosives volumes on the pcp was the impact COVID-19 has had on our customers across various markets, most notably in Asia, Latin America, Europe and the Middle East. Social unrest in Peru and strikes in Chile further impacted product volumes and services activity in Latin America. Australian trade tensions with China affected the high margin thermal coal market on the Australian East Coast. This was offset by increased volume from iron ore customers in the Pilbara region at lower margins. Exsa, acquired on 30 April 2020, contributed 160 thousand tonnes in this half.

Electronic Blasting System (EBS) volumes, excluding Exsa, were slightly up on the pcp from strengthening in the Australian quarries market and increased demand from customers in the USA and Nordics. Conventional detonator volumes were down on the pcp.

Cyanide volumes were stable across all markets except Africa where a customer contract was lost.

Manufacturing, *($26 million)*

Lower demand for explosives, mainly on the Australian East Coast, resulted in an under recovery of continuous plant fixed costs. In addition, an incident at the lead azide plant in La Portada, Chile resulted in incremental detonator component sourcing costs in the Americas.

Mix & Margin, *($34 million)*

In Asia, higher ammonia prices drove a temporary EBIT impact resulting from a lag in the pass through of input costs to customers.

Margin in Canada was impacted by the non-repeat of carbon credits.

Product mix in Latin America was affected by a temporary shift in customer demand as customers focused on lower cost, entry level products. Improvement was evident in March as customers began to revert to previous buying patterns.

A continued increase in global freight and supply chain costs across the business also adversely impacted the result. This was in part due to COVID-19 restrictions and regulatory pressures which impacted product costs.

Adjacent businesses, *in line with pcp*

The Orica Monitor result increased on the pcp, with a positive mix shift in GroundProbe products and increased demand offsetting supply chain challenges resulting from COVID-19. The Nitro Consult result was strong, driving increased revenue and margins.

The Minova result of $7 million was lower than the pcp but solid in the context of a difficult market. Minova continues to perform well following diversification into infrastructure and hard rock mining segments, and expansion into growing markets such as India and Canada.

Other, *($16 million)*

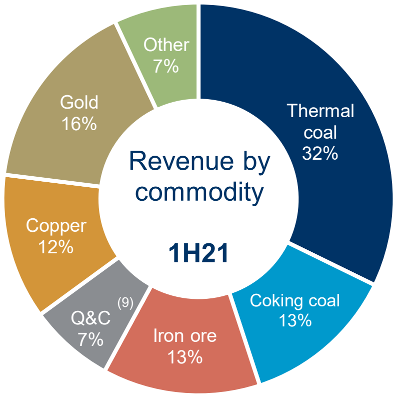
The increase in other costs was driven largely by costs associated with the SAP stabilisation process and arbitration proceedings relating to the Burrup plant.

Depreciation and amortisation of the SAP system stepped up in the half.

This was partially offset by gains on asset sales.

Australia Pacific & Asia

Year ended 31 March	2021	2020	Change
Total AN & Emulsion Volumes ('000 tonnes)	787	814	*(3%)*
Total sales revenue (A$M)	1,007.5	1,057.6	*(5%)*
EBITDA[7] (A$M)	193.1	243.4	*(21%)*
EBIT[1] (A$M)	108.7	169.5	*(36%)*



Volumes

AN volumes in the Pilbara region increased in a strong iron ore market, which supported the loading of the Burrup plant. Volumes on the Australian East Coast coal market were significantly reduced, resulting from lower exports due to trade tensions with China. Furthermore, the magnitude of the AN volume reduction from heavy rains and floods in March was similar to the impact of bushfires and extreme weather in the pcp. The softening of the Indonesian thermal coal market was partly a result of ongoing COVID-19 disruptions.

Initiating system volumes increased on the pcp, with higher EBS demand in the Q&C sector in Australia.

WebGen™ sales growth was positive in the underground segment as site access restrictions began to ease.

Cyanide volumes were in line with the pcp, with increased sales from a new contract in Australia offset by lower demand in Indonesia.

EBIT

Although total volumes and revenue in the region have been relatively resilient to COVID-19, the decline in EBIT reflects market weakness in higher margin areas, particularly the Australian East Coast, offset by increased volume in lower margin sales in the Pilbara.

EBIT in Asia was impacted by unfavourable FX movements and ammonia cost increases which will only be passed through to customers in the second half.

Depreciation of the Burrup plant commenced on 1 October 2020 following commissioning of the plant.

Planned manufacturing plant turnarounds were completed at Kooragang Island and Yarwun in the half, on schedule and in line with plan, with no major turnarounds planned in the second half.

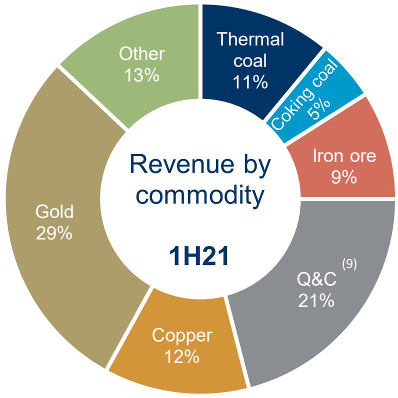
Positive business fundamentals

Technology products and services growth is expected to improve, supported by a new technology-based contract which was effective from January 2021. WebGen™ trials have recommenced in Australia and the BlastIQ™ digital blast optimisation suite is increasingly being requested in tender responses.

Excluding the uncertainty from geopolitical issues, underlying demand is expected to increase, and will drive improvement in the recovery of fixed costs at continuous manufacturing plants.

North America

Half year ended 31 March	2021	2020	Change
Total AN & Emulsion Volumes (‘000 tonnes)	506	559	*(9%)*
Total sales revenue (A$M)	627.0	801.0	*(22%)*
EBITDA[7] (A$M)	79.2	130.3	*(39%)*
EBIT[1] (A$M)	47.0	95.2	*(51%)*



Volumes

AN volumes reduced by 9% on the pcp, with volumes in Mexico remaining low due to COVID-19, continued mothballed mines and the impact of a contract loss in the previous financial year. Volumes in the USA were lower than the pcp from declining coal production and a reduction in indirect sales via a third-party distributor.

Growth of both EBS and conventional detonators was strong in the USA, however in Canada EBS volumes were down on the pcp due to the timing of seismic projects and a contract loss.

Technology adoption in Canada continues to increase with a strong uplift in WebGen™ wireless detonators in underground mining.

EBIT

The results were negatively affected by foreign exchange movements and the non-repeat of carbon credits previously received in Canada.

Detonator sourcing costs were driven temporarily higher by component shortages following an incident at the lead azide plant in La Portada.

Services activity in Mexico remained limited by distancing requirements at customer mines due to COVID-19.

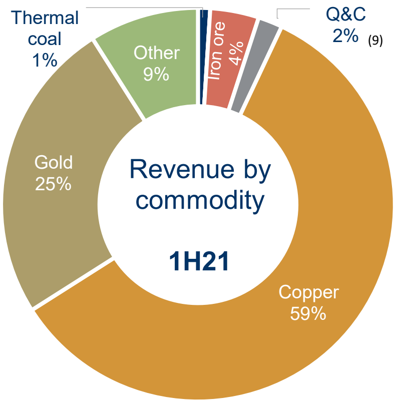
Positive business fundamentals

The outlook for key commodities such as gold, copper and iron ore remains strong, with high commodity prices driving increased production. Q&C activity in the USA is also expected to grow as infrastructure projects and residential construction increase.

The adoption of new technology in the region also continues to strengthen, underpinned by both new adoptions and increased usage from existing technology customers across WebGen™ and digital solutions such as FRAGTrack™ and BlastIQ™.

Latin America

Half year ended 31 March	2021	2020	Change
Total AN & Emulsion Volumes ('000 tonnes)	443	319	*39%*
Total sales revenue (A$M)	447.0	455.8	*(2%)*
EBITDA[7] (A$M)	35.3	34.5	*2%*
EBIT[1] (A$M)	12.7	21.6	*(41%)*



Volumes

Excluding Exsa, AN volumes were down 11% on the pcp. The most significant decline was in Colombia where low demand for thermal coal resulted in mine closures and brought customer activity to a near standstill, while demand in Chile was impacted by strike action. In Peru, volumes were impacted by social unrest in the country, however there was an increase on the pcp in lower margin entry level products. Exsa contributed 160 thousand AN tonnes in the half.

EBS sales, excluding Exsa, were down on the pcp due largely to mine closures in Colombia. Conventional detonator volumes excluding Exsa also decreased as a result of strikes and a contract loss in Chile.

Despite COVID-19 challenges, WebGen™ technology was successfully introduced in the underground sector during the half.

Cyanide volumes were in line with the pcp.

EBIT

Excluding Exsa, EBIT was down on the pcp largely due to lower volumes, unfavourable FX and negative product mix. Services were also lower in Chile and Argentina due to reduced activity and a contract loss.

Management initiatives relating to supply chain and overhead costs, including from business rightsizing, partially mitigated the downside.

The Exsa business performed in line with the business case despite challenges across the region. The increase in depreciation and amortisation was attributable to the inclusion of Exsa with effect from 1 May 2020.

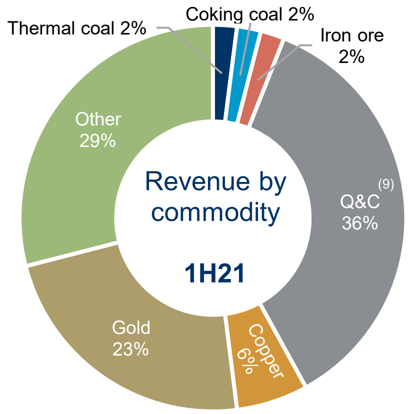
Positive business fundamentals

Alongside new contract wins in Brazil and Chile and strong overall customer retention in a highly competitive market, demand from existing customers is beginning to improve as some mining activity in Colombia recommences and product mix in Peru is starting to recover.

The outlook for key commodities such as copper is strong in the region, and synergies from Exsa are expected to be realised in line with plan despite the difficult market conditions in the first half.

Europe, Middle East & Africa

Half year ended 31 March	2021	2020	Change
Total AN & Emulsion Volumes ('000 tonnes)	202	258	*(22%)*
Total sales revenue (A$M)	414.2	490.0	*(15%)*
EBITDA[7] (A$M)	20.3	49.4	*(59%)*
EBIT[1] (A$M)	4.1	32.4	*(87%)*



Volumes

AN volumes were significantly affected by second and third waves of COVID-19 across the region. Projects in the United Arab Emirates and Norway were delayed due to suspended government spending as COVID-19 affected tunnelling and construction activity. Estonia continued to be impacted by a decline in demand for electricity from oil shale driven power plants. Volumes in the CIS were in line with the pcp, having been largely resilient to COVID-19, however at lower margins than Europe and the Middle East.

EBS volumes were slightly higher than the pcp from increased demand from a customer in the Nordics.

Cyanide volumes were lower than the pcp as a result of a customer contract loss.

EBIT

The volume decline in higher margin markets, together with reduced services in Africa led to a lower EBIT result.

Manufacturing cost recoveries were affected by lower volumes, while freight costs were higher than the pcp.

Material FX variances impacted the CIS, with strengthening of the Australian Dollar against the Russian Ruble and Kazakhstani Tenge.

Positive business fundamentals

The market challenges the business has faced are largely temporary, and in many cases caused by COVID-19 impacts. WebGen™ trials are recommencing after significant delays and the vaccine rollout across parts of the region is expected to support business recovery going forward.

Minova

Half year ended 31 March	2021	2020	Change
Steel products ('000 tonnes)	57.8	63.0	(8%)
Resins & Powders ('000 tonnes)	53.2	60.4	(12%)
Total sales revenue (A$M)	219.1	263.0	(17%)
EBITDA(7) (A$M)	12.8	16.9	(24%)
EBIT(1) (A$M)	7.2	11.1	(35%)

Revenue was impacted by a decline in the US coal market and the geopolitical tension between Australia and China. A decline in resin bulk revenue in Australia due to customer cost reductions and customer losses was partially offset by a strong increase in volumes in Canada from the hard rock market and new customer gains.

EBIT was impacted by unfavourable FX movements, and increased raw material and freight costs. This was partially offset by initiatives to reduce fixed costs.

Despite challenging market conditions, the underlying business and contract retention remained strong. The risk of structural declines in global thermal coal markets is being mitigated by diversification towards infrastructure and hard rock mining, together with expansion into growing markets such as India and Canada, and new product development.

The business remains EBIT and cash flow positive with turnaround plans continuing to be a focus.

Orica Monitor

Half year ended 31 March	2021 A$M	2020 A$M	Change
EBIT(1)	13.0	9.4	38%

The Orica Monitor segment comprises GroundProbe and Nitro Consult businesses.

GroundProbe sales were in line with the pcp despite COVID-19 challenges, with increased demand for radar systems and remote geotechnical services. EBIT improved on the pcp from positive mix as high margin leases and premium radar sales increased. The forward order book is strong, with radar manufacturing now returned to full capacity.

The Nitro Consult EBIT result improved on the pcp, with both increased revenue and a reduction in costs.

Global Support

Half year ended 31 March	2021 A$M	2020 A$M	Change
EBIT(1)	(40.9)	(30.6)	(33%)

Global Support costs increased on the pcp from arbitration costs associated with the Burrup plant and SAP stabilisation costs.

Net interest expense

Net interest expense of $42 million decreased on the pcp primarily as a result of an increase in the discount rate applied to remeasure long-term provisions as at 31 March 2021. Net interest expense, excluding the impact of unwinding of discount on provisions and lease interest, declined $5 million primarily as a result of a decline in interest rates.

Half year ended 31 March	2021 A$M	2020 A$M	Variance A$M
Net interest expense excluding unwinding of discount on provisions and lease interest	(47.5)	(52.1)	4.6
Unwinding of discount on provisions	12.1	(4.9)	17.0
Lease interest	(6.2)	(6.0)	(0.2)
Net interest	**(41.6)**	**(63.0)**	**(21.4)**

Tax expense

The effective tax rate before individually significant items of 32.0% is in line with the pcp.

Group Cash Flow

Half year ended 31 March	2021 A$M	2020 A$M	Variance A$M
Net Operating cash flows(3)	158.1	107.7	50.4
Net Investing cash flows(12)	(137.8)	(262.4)	124.6
Net Operating and Investing cash flows	**20.3**	**(154.7)**	**175.0**
Dividends – Orica Limited	(50.2)	(116.7)	66.5
Dividends – non-controlling interest shareholders	(5.7)	(6.7)	1.0
Adjusted net cash flows	**(35.6)**	**(278.1)**	**242.5**
Movement in borrowings and other net financing cash flows(13)	128.6	1,016.0	(887.4)
Net cash inflow / (outflow)(14)	**93.0**	**737.9**	**(644.9)**

Performance highlights

Net Operating cash flows

Net cash generated from operating activities was higher due to improved debtor collections, following stabilisation of customer billing activity. This was partly offset by a reduction in earnings and an increase in inventory as a result of lower customer demand.

Net Investing cash flows

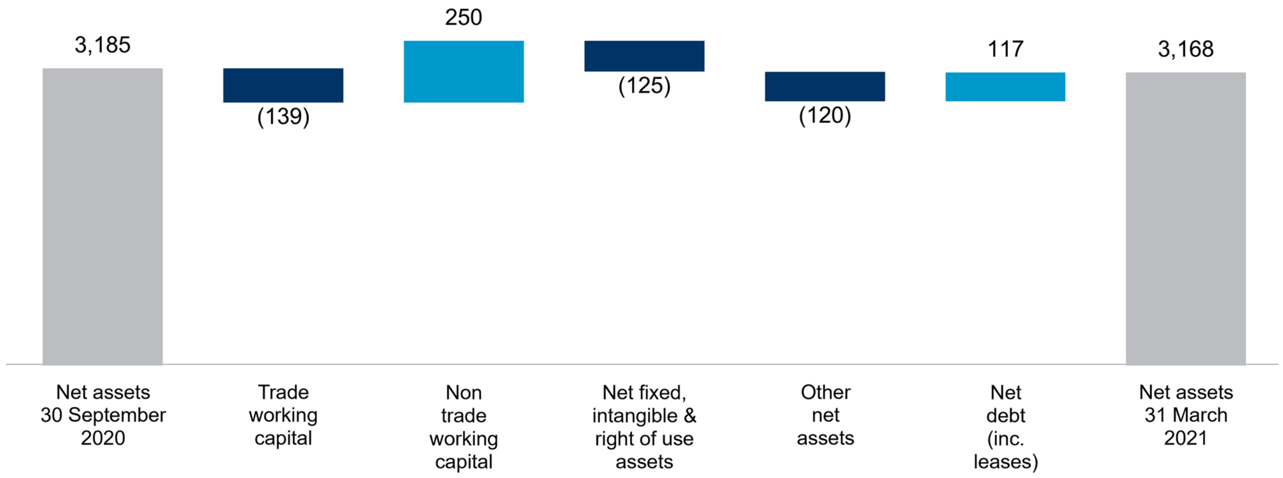
The decrease in investing cash flows relates largely to a decrease in SAP system and Burrup spend as well as lower sustaining capital in the first half.

Movement in borrowings and other net financing cash flows

The cash inflow comprises $159 million of net borrowings from debt facilities, partly offset by $31 million payment for the principal portion of leases. The prior year cash inflow reflects the capital raising to fund the Exsa acquisition and drawdowns from credit lines as part of COVID-19 contingency planning.

Group Balance Sheet

Movement in net assets (A$M)



Performance highlights

Trade working capital (15) was $139 million lower than for 30 September 2020. Trade debtors decreased by $152 million driven by improved billing and collection following enhancements to the SAP system. Trade creditors were in line with 30 September 2020 while inventory increased by $15 million due to lower customer demand.

Non trade working capital (16) liability was lower due to reduction in defined benefit obligations from an increase in discount rates and lower non-trade creditors, partly offset by an increase in environmental and decommissioning provisions.

Net fixed, intangible & right of use assets decreased by $125 million from 30 September 2020 due to depreciation and amortisation expense of $210 million, foreign exchange translation impact of $90 million, disposals of $22 million, partly offset by additions of $197 million.

Other net assets decreased by $120 million from 30 September 2020, driven by the revaluation of financial instruments in response to the strengthening of the Australian Dollar, partly offset by an increase in net deferred tax assets.

Debt Management and Liquidity

	31 Mar 2021 A$M	30 Sep 2020 A$M	Variance A$M
Interest bearing liabilities - excluding lease liabilities	(2,723.0)	(2,741.0)	18.0
Less: Cash and cash equivalents	988.8	920.5	68.3
Net debt (5)	(1,734.2)	(1,820.5)	86.3
Lease liabilities	(268.5)	(298.7)	30.2
Net debt – including lease liabilities	(2,002.7)	(2,119.2)	116.5
Gearing % - excluding Lease liabilities (6)	35.4%	36.4%	*(1.0pt)*

Interest bearing liabilities of $2,723 million comprise $1,957 million of US Private Placement bonds and $766 million of committed and other bank facilities. The average tenor of drawn debt is 4.7 years (September 2020 5.0 years).

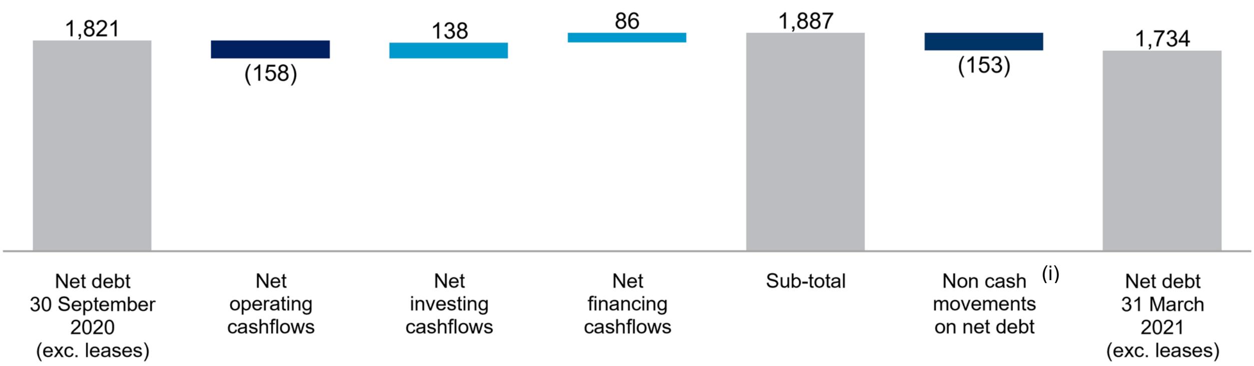
Cash of $989 million provides for a strong liquidity position, complemented by undrawn committed bank facilities of $869 million.

Gearing excluding lease liabilities at 35.4% is within the Group’s target range of 30-40% and is well below the 57.5% covenant default measure. The interest cover ratio at 4.3x also has significant headroom against the debt covenant of 2.0x.

On 2 March 2021, Standard and Poor’s (S&P) affirmed Orica’s credit rating at ‘BBB’, whilst revising the outlook to “negative” from “stable”. The revised outlook from S&P followed from Orica’s update to the market regarding factors impacting the first half earnings outlook.

The chart below illustrates the movement in net debt from 30 September 2020.

Movement in net debt (A$M)



(i) Impact of foreign exchange translation

Individually significant items

Half year ended 31 March 2021	Gross A$M	Tax A$M	Net A$M
Environmental provision expense	(39.3)	11.8	(27.5)
Operating model restructuring	(22.2)	6.5	(15.7)
Gain on sale of Villawood site	40.8	5.7	46.5
Individually significant items attributable to shareholders of Orica	**(20.7)**	**24.0**	**3.3**

Environmental provision expense

Botany Groundwater Treatment Plant (GTP)

The findings from a 2018 review of costs and operational duration of the GTP indicated that the cessation of groundwater extraction using the GTP was possible within an 18-year timeframe. This resulted in an increase to the environmental provision which was reflected in the 2018 half year financial report.

The review considered existing remediation technologies which would augment the existing 'pump and treat' methodology, with the expectation that the operating costs of the GTP would reduce. This assumption had been included as a future cost saving within the provision calculation.

One of these remediation technologies has been piloted, however the performance of the trials to date has been limited by lower biological activity than expected. It is considered unlikely that results will improve, therefore the assumption of the future cost saving has been removed from the provision calculation. This has resulted in an increase to the environmental provision with the expense included as a significant item.

Botany Hexachlorabenzene (HCB) waste

The provision increased due to a requirement for an additional shipment of waste for destruction.

Operating model restructuring

As part of the global restructuring project, further redundancy costs were recognised during the period.

Gain on sale of Villawood site

In March 2021, Orica sold its Villawood property in New South Wales. This has resulted in a gain on sale which is treated as an individually significant item. A net tax benefit was recognised in respect of the utilisation of brought forward capital losses.

Dividend

The Board has declared an interim dividend on ordinary shares of 7.5 cents per share, unfranked. The dividend represents a payout ratio [17] of 42%.

The dividend is payable to shareholders on 9 July 2021 and shareholders registered as at the close of business on 1 June 2021 will be eligible for the interim dividend.

Enhanced Tax Transparency Reporting

Australian Tax Transparency – Tax Return Data for 2020

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

	2020 A$M	2019 A$M
Total income (i)	2,820	2,174
Taxable income (ii)	87	202
Statutory tax rate (iii)	30%	30%
Tax liability	26	61
Offset reductions (iv)	(26)	(40)
Tax payable	-	21

(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 Taxable income in 2020 is significantly lower compared to 2019 mainly due to lower Australian profits, deductible foreign exchange losses and tax fixed assets written off
(iii) Australian Statutory tax rate
(iv) Offset reductions relating to foreign income tax and research and development offsets (2019 included two years of research and development offsets)

Outlook

The performance of the underlying business has improved with volumes in the second half expected to be better than the first half. There is some uncertainty from continued COVID-19 related disruptions and Australia/China trade issues.

Orica remains cautious about the short-term outlook due to the following factors which will result in second half 2021 EBIT being lower than the pcp:

1. Negative FX impact of approximately $40 million for the half, based on the current AUD/USD exchange rate; and
2. Additional SAP depreciation and operating costs of approximately $30 million for the half.

The Exsa integration and synergies remain on track to deliver $20 million for the year, of which $12 million is expected to be delivered in the second half.

Additional benefits from customer adoption of new technology are expected to more than offset increased supply chain costs.

The refreshed management team, under the leadership of the newly appointed CEO, is focused on clearly defined strategic priorities to enable the business to be well-positioned as external conditions stabilise.

Work has commenced on several key initiatives including sustainable overhead cost reduction, manufacturing optimisation and capital and cash flow optimisation. Outcomes from these initiatives, along with a strategy update will be provided at the time of the full year results announcement.

Footnotes

The following footnotes apply to this results announcement:

(1) Equivalent to profit/(loss) before financing costs and income tax as disclosed in Note 2(b) within Appendix 4D – Half Year Report, before individually significant items

(2) Basic earnings per share before individually significant items as disclosed in Note 3 within Appendix 4D – Half Year Report

(3) Equivalent to net cash flows from operating activities, as disclosed in the Statement of Cash Flows within Appendix 4D – Half Year Report

(4) Comprises spend on property, plant and equipment and intangible assets, on an accruals basis from the 2020 financial year to align with SAP reporting, and on a cash basis in prior years

(5) Total interest bearing liabilities – excluding lease liabilities less cash and cash equivalents, as disclosed in Note 9(a) within Appendix 4D – Half Year Report

(6) Net debt / (net debt + total equity), where net debt excludes lease liabilities

(7) EBIT before individually significant items plus depreciation and amortisation expense

(8) 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

(9) Quarry and construction

(10) An environmental event resulting in relatively widespread serious environmental damage, with some impairment of ecosystem function that will recover after remediation

(11) Executive Committee and their direct reports, excluding executive assistants

(12) Equivalent to net cash flows used in investing activities, as disclosed in the Statement of Cash Flows within Appendix 4D – Half Year Report

(13) Equivalent to net cash used in 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

(14) Equivalent to net increase/(decrease) in cash held, as disclosed in the Statement of Cash Flows within Appendix 4D – Half Year Report

(15) Comprises inventories, trade receivables and trade payables, as disclosed in the Balance Sheet within Appendix 4D – Half Year Report

(16) Comprises other receivables, other payables and provisions, as disclosed in the Balance Sheet within Appendix 4D – Half Year Report

(17) Dividend amount / NPAT before individually significant items

Forward-looking statements
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Past performance is no guarantee of future performance.

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 2021 Half Year Results presentation includes non-IFRS reconciliations. Forecast information has been estimated on the same measurement basis as actual results.

For further information

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