Orica Limited

Results for the half year ended 31 March 2022

12 MAY 2022

Improved first half result driven by better market conditions and refreshed strategy

Melbourne: Orica (ASX: ORI) today announced a Statutory Net Loss After Tax (NLAT) attributable to the shareholders of Orica for the half year ended 31 March 2022 of $85 million; and underlying EBIT of $245 million, up 58 per cent on the prior corresponding period (pcp) (1).

KEY FINANCIALS

- Statutory NLAT of $85 million (pcp: Statutory Net Profit After Tax of $79 million), including $214 million significant items after tax
- Underlying EBIT(1),(2) of $245 million, up 58 per cent on the pcp, before individually significant items
- Ammonium nitrate (AN) volumes of 2.0 million tonnes up 5 per cent on the pcp
- Underlying earnings per share(1),(3) of 36.1 cents, up 94 per cent on the pcp
- Net debt(6) of $1.6 billion and gearing(7) at 38.3 per cent, within target range
- Unfranked interim dividend of 13.0 cents per ordinary share, representing a payout ratio of 41 per cent

Orica's 2022 half year results reflect significantly improved performance on the pcp.

Orica Managing Director and CEO Sanjeev Gandhi said: *"Our first half result reflects the relentless efforts of our team in improving performance, in line with our refreshed strategy that we outlined in November 2021. Focusing on three value drivers that aligns with Orica's strengths, the refreshed strategy aims* to *deliver solutions and technology that drive productivity and innovation for customers and provide enduring value to shareholders and other stakeholders.*

"The strength of our global manufacturing and supply network has enabled us to meet our customers' needs, as we continue to navigate through difficult operating conditions."

Dividend and Capital Management

The Board has declared an unfranked interim ordinary dividend of 13.0 cents per share, representing a payout ratio of 41 per cent. The dividend is payable to shareholders on 8 July 2022 and shareholders registered as at the close of business on 1 June 2022 will be eligible for the dividend.

Orica's gearing of 38.3 per cent remains within the target range of 30 to 40 per cent.

Mr Gandhi said: *"We maintained a disciplined approach to our balance sheet and capital management which resulted in our gearing ratio remaining within target range, despite the expected increase in trade working capital from rising input costs."*

Outlook

Subject to market conditions, the strengthened performance is expected to continue into the second half of the 2022 financial year.

Commenting on the 2022 full year outlook, Mr Gandhi said: *"We expect steady commodity growth, particularly in gold, copper and quarry and construction in the second half which will continue to drive demand for our products and services.*

"We expect the momentum in earnings from the underlying businesses to continue, despite the planned exit from our operations in Russia, the supply chain challenges associated with Russia-Ukraine, and the divestment of Minova."

A focus on balance sheet and cash flow optimisation will be maintained, with gearing expected to be within the target range. Capital expenditure in the 2022 financial year is expected to be between $340 million and $360 million.

For further information

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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 innovative digital solutions and comprehensive range of services, we sustainably mobilise the earth's resources.

Operating for over 145 years, today our 13,000+ 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

Disclaimer
This announcement is in summary form and is not necessarily complete. It should be read together with Orica's Half Year Report and other announcements lodged with the Australian Securities Exchange, which are available at www.asx.com.au

This announcement 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 commodity price volatility, input cost volatility, geopolitical and social issues, foreign currency exchange fluctuations and COVID-19 related issues.

While 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 announcement, subject to disclosure obligations under the applicable law and ASX listing rules.

Other
Non-International Financial Reporting Standards (Non-IFRS) information
This announcement 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 2022 Half Year Results presentation includes non-IFRS reconciliations. Forecast information has been estimated on the same measurement basis as actual results.

REVIEW OF OPERATIONS

Safety

Safety remains the top priority at Orica.

The first half of the 2022 financial year was fatality free. While the serious injury case rate (SICR) is tracking slightly above the pcp, our focus continues to be on achieving improvements in our safety performance. The major hazards management program is the primary program aimed at fatality prevention. Good progress continues to be made on verifying applicable major hazards across all operational sites. Our 3-year program to formally verify every major hazard key control at every applicable site remains on track.

Safety Leadership Interactions aligned to Major Hazards have continued to increase with over 10,000 such interactions recorded in the first half. This provides opportunities for open discussion between leaders and our people about fatality prevention and our safety expectations in the work environment.

Sustainability

Orica has continued to mitigate greenhouse gas (GHG) emissions and implement the decarbonisation pathway to meet our 2030 target and 2050 net zero ambition. In the first half of this financial year, the installation of tertiary abatement technology at the Carseland plant in Canada was completed and is operating successfully. Installation of similar tertiary abatement technology is expected to be completed at Kooragang Island in Australia over the next 12 months. In addition, Orica has commenced a pre-feasibility study for accelerating decarbonisation at the Yarwun plant in Australia.

Other key decarbonisation technologies are being pursued with the signing of an MoU with Origin to progress a joint feasibility study into the viability of a potential green hydrogen production facility at Kooragang Island and the signing of a green hydrogen and ammonia MoU with the H2U Group in Gladstone. Leveraging the Yarwun manufacturing plant, Orica has also signed an agreement with Alpha's First HPA Project to open new opportunities in high-growth future facing industries such as eMobility. Additionally, Orica continues to collaborate and partner with our suppliers, customers, and communities on the path towards sustainability.

Customers

Market conditions were favourable for most Orica customers in the first half, with high commodity prices and easing COVID-19 restrictions driving an uplift in mining activity. Constrained ammonium nitrate (AN) supply following export bans from Russia, and elevated energy prices in Europe, has led to significant disruptions in the AN market. Orica was well placed to manage a shift in AN trade flows, having secured alternative sources early to cover customer needs to the extent possible.

Although operating conditions continue to be challenging, Orica is dedicated to working towards meeting our customers' needs. This includes increasing production at our continuous manufacturing and initiating system plants, navigating through global supply chain issues and delivering innovative solutions digitally to improve productivity.

People

In the first half of the 2022 financial year, a survey of Orica people was undertaken to assess engagement and inclusion. The results demonstrated a workforce that is engaged, energised, and enabled. Our safety culture is a key strength with Orica consistently performing above global benchmarks. In addition, our inclusion index score is on par with high performance norms and above the global manufacturing and mining norms.

Over the next 12 months, we will focus on a few impactful and achievable global actions, designed to develop, and retain our talented people while creating a simpler and more efficient organisation.

Strategy

In November 2021, Orica launched its refreshed strategy to deliver solutions and technology that drive productivity and innovation for customers and provide enduring value to shareholders and other stakeholders.

The refreshed strategy focuses on three value drivers aligned with Orica’s strengths - smarter solutions, optimised operations, and partnering for progress.

These drivers will be applied across the four business verticals:

1. Mining;
2. Digital solutions;
3. Mining chemicals; and
4. Quarry and construction

Good progress has been made on the rollout of the refreshed strategy in the first half of this financial year.

As industry leader in blasting technology and solutions, the mining vertical remains the core of Orica’s business. Highlights included the accelerated penetration of core and flagship technology including the rollout of 4D™, the new variable density bulk explosives system which has real-time matching of explosives energy to geology changes, and the announcement of the first commercial trial of Avatel™, the world’s first blast automation technology.

Progress has also been made on the application process to build a 30 thousand tonne ammonia storage tank at Kooragang Island. This will enhance our network advantage on the east coast of Australia and enables options for lower carbon inputs including green ammonia.

Orica successfully continued the divestment of non-core assets, with the sale of Minova and Orica Nitro AB.

The digital solutions vertical focuses on executing end to end digital workflows across the mining value chain from orebody intelligence, to blast design and execution, to downstream measurement and processing. The adoption and commercialisation of digital solutions across customer sites, OrePro™, BlastIQ™ and FragTrack™, continues to accelerate and is ahead of plan.

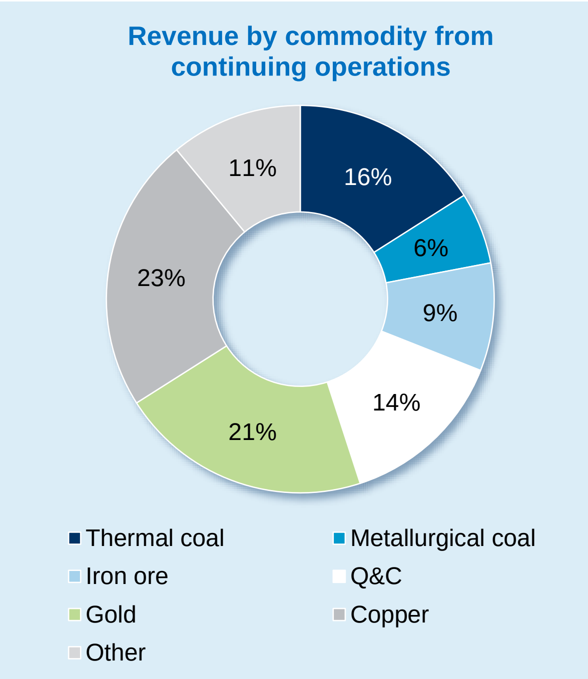
In the mining chemicals vertical, cyanide production and sales volumes were higher than the pcp supported by the strong mining activity in the gold market. As one of the leading producers of emulsifiers in the world, Orica has made good progress on commercialising emulsifier products for customer use.

GROUP RESULTS

Year ended 31 March	2022 A$M	Restated [1] 2021 A$M	Change %
Sales revenue from continuing operations	3,046.0	2,404.2	*27%*
EBITDA from continuing operations[12]	409.0	330.0	*24%*
EBIT from continuing operations	**230.2**	**147.9**	***56%***
EBIT from Minova (discontinued operations)	14.7	7.2	*104%*
Total EBIT[2]	**244.9**	**155.1**	***58%***
Net interest expense	(43.3)	(41.6)	*(4%)*
Tax expense before individually significant items	(65.4)	(36.3)	*(80%)*
Non-controlling interests before individually significant items	(7.0)	(1.5)	
NPAT before individually significant items[11]	**129.2**	**75.7**	***71%***
Individually significant items after tax attributable to Orica Shareholders	(213.8)	3.3	
NPAT after individually significant items (statutory)	**(84.6)**	**79.0**	

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

Group commodity exposure



Prices across all commodities grew on the pcp, driving increased demand for Orica products and services in most markets.

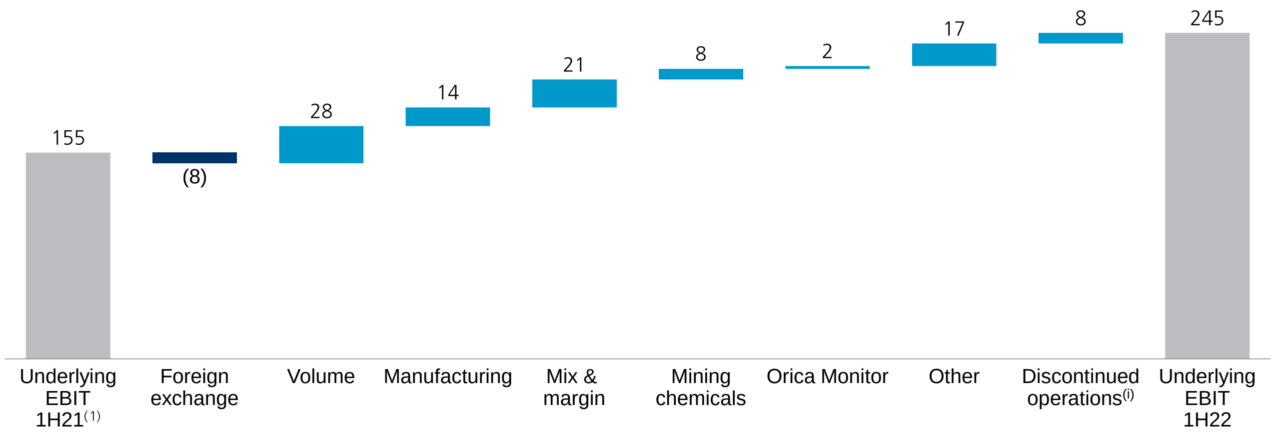
The commodity mix from continuing operations which excludes Minova remained consistent other than for copper, which was driven by strong recovery in customer demand, particularly in Latin America.

There was a slight increase in demand for thermal coal in North America and Indonesia, with demand in Australia remaining flat.

Activity in the quarry and construction sector remained strong, particularly in the USA supported by the U.S. infrastructure bill, and in the Nordics and Western Europe as post COVID-19 activity picks up.

(i) Excludes Minova; previously included in the “Other” category
(ii) Includes Orica Monitor

1H21 to 1H22 EBIT (A$M)



(i) Change in underlying EBIT contribution from Discontinued operations

Financial performance

The improved first half result reflects solid volume growth and the associated benefit to manufacturing, improved pricing, favourable product mix, and the benefit of cost saving initiatives.

Foreign exchange

In the first half of 2022 the Australian dollar appreciated against certain currencies, resulting in an unfavourable impact to EBIT on translation of foreign denominated earnings. The largest impact was in the EMEA segment.

Volume

Total ammonium nitrate (AN) volumes increased 5 per cent on the pcp from new and recovered volumes in Australia and Brazil, and higher demand from customers in Asia, Peru, and Canada.

Electronic blasting systems (EBS) volumes were up on the pcp. Conventional detonators were in line with pcp.

Manufacturing

Manufacturing performance improved as a result of increased volumes at the large continuous plants in Australia and Indonesia, partially offset by higher costs for alternate sourcing of AN during the Carseland plant turnaround in North America. The pcp result included costs incurred from an incident at the La Portada manufacturing plant in Latin America which have not been repeated in the 2022 financial year.

Mix & margin

Improved margin was led by strengthened pricing initiatives across all regions, an increase in customers shifting to premium products and supplier cost initiatives across Australia and Latin America.

This was partly offset by a rise & fall lag from the increase in ammonia input costs that has adversely impacted EBIT in Australia and Asia. While most such costs are ultimately passed on through sales prices, there is a time delay between rising input costs and their recovery given the steep increase in ammonia input costs in the first half of 2022.

Mining Chemicals

Cyanide volumes were 33 per cent up on the pcp from new business and higher demand from existing customers in Australia, and spot sales in Mexico.

Orica Monitor

The Orica Monitor result was up on the pcp from improved pricing and sales growth.

Other

A reduction in overhead costs across the business following the operating model restructuring activities implemented late in the 2021 financial year and a continued focus on cost reduction activities in the first half of 2022 contributed to the positive impact.

Discontinued Operations

Improved performance resulted in Minova delivering a better result in the first five months of the year.

Business Summary

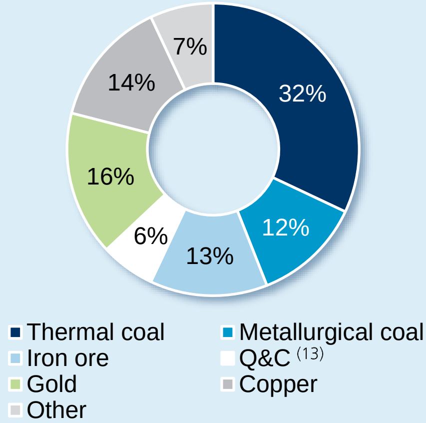
A summary of the performance of the segments for the 2022 and 2021 half years is presented below:

Half year ended 31 March A$M	2022			2021		
	External sales revenue	EBITDA (12)	EBIT (2)	External sales revenue	EBITDA (1), (12)	EBIT (1), (2)
Australia Pacific & Asia (APA)	1,194.2	244.0	155.0	942.7	194.5	110.1
North America	707.0	83.7	55.3	576.2	79.8	47.6
Latin America	667.4	47.3	24.9	430.8	36.0	13.4
Europe, Middle East & Africa (EMEA)	420.2	25.9	10.6	402.3	20.9	4.7
Orica Monitor	57.2	22.5	14.5	52.2	19.3	13.0
Global Support	-	(14.4)	(30.1)	-	(20.5)	(40.9)
Continuing Operations	**3,046.0**	**409.0**	**230.2**	**2,404.2**	**330.0**	**147.9**
Minova (Discontinued Operations)	231.1	14.7	14.7	219.0	12.8	7.2
Total	**3,277.1**	**423.7**	**244.9**	**2,623.2**	**342.8**	**155.1**

Australia Pacific & Asia

Half year ended 31 March	2022	Restated[1] 2021	Change
External sales revenue (A$M)	1,194.2	942.7	*27%*
EBITDA[1,12] (A$M)	244.0	194.5	*25%*
EBIT[1,2] (A$M)	155.0	110.1	*41%*
Total AN & Emulsion Volumes ('000 tonnes)	847	787	*8%*

External revenue by commodity



Market conditions

Elevated commodity prices and strong mining activity in the region drove high demand for ammonium nitrate (AN), electronic blasting systems (EBS), cyanide and blasting services. This increased demand, coupled with commercial discipline enabled improved pricing.

Across the region there was growth in the metals sector, primarily driven by iron ore in the Pilbara region and increased activity in gold and copper markets. Demand in the coal sector in Indonesia increased, however, has remained flat in Australia.

Tight global supply of ammonia has led to a significant increase in ammonia prices and cost inflation continued to increase sharply.

Higher demand for labour from strong mining activity, along with COVID-19 related absenteeism, created labour shortages at mine sites in some markets.

Adverse weather from significant rainfall and flooding in Queensland and New South Wales resulted in the temporary halt /reduction of customer operations in the first half.

Segment performance

The 41 per cent increase in EBIT on the pcp was largely driven by increased AN, EBS and cyanide volumes, pricing improvements and improved manufacturing fixed cost recovery which offset the ammonia costs pass through lag.

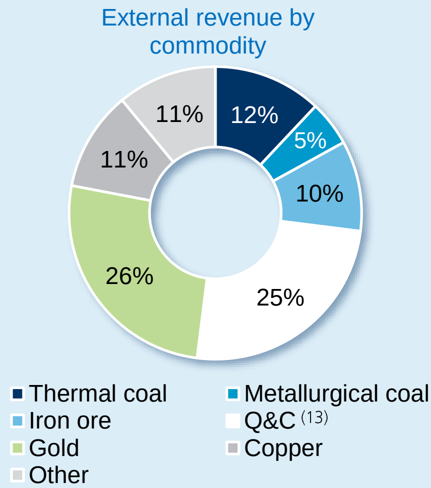
The region saw strong volume growth across all products. Favourable market conditions for customers and wet weather conditions in Eastern Australia led to a shift towards more premium products, particularly in the coal sector.

Pricing improvements have been realised in contract renewals and new contracts. However, EBIT continues to be constrained due to the lag in passing through rising inflation, freight, and ammonia costs through contractual arrangements with customers.

The Kooragang Island and Yarwun continuous manufacturing plants operated slightly below full capacity mainly due to weather-related outages and the planned Yarwun turnaround which was completed in November 2021. The Bontang plant operated at full capacity.

North America

Half year ended 31 March	2022	Restated [1] 2021	Change
External sales revenue (A$M)	707.0	576.2	*23%*
EBITDA[1,12] (A$M)	83.7	79.8	*5%*
EBIT[1,2] (A$M)	55.3	47.6	*16%*
Total AN & Emulsion Volumes ('000 tonnes)	525	506	*4%*



Market conditions

Operating conditions in North America were strong across the region during the first half.

Mining activity continues to recover towards pre COVID-19 levels, with labour shortages in a highly inflationary environment being the major constraint.

Natural gas prices in the region remained elevated, leading to higher demand for thermal coal, particularly in the United States and Canada.

Quarry and construction markets in the USA (supported by the U.S. infrastructure bill) and in Canada, improved year on year. Demand for gold, particularly in Canada, increased and demand for other commodities was strong, driving higher market prices.

All commodity sectors were impacted by global supply chain challenges including increased freight costs and some raw material and product shortages.

Segment performance

The 16 per cent EBIT increase on the pcp was largely driven by improved pricing, increased AN and cyanide sales volumes, and lower regional overhead costs.

AN volumes across all commodities increased from higher demand and increased customer activity. Earnings growth was partially limited by supply constraints in the United States due to the short North American AN market.

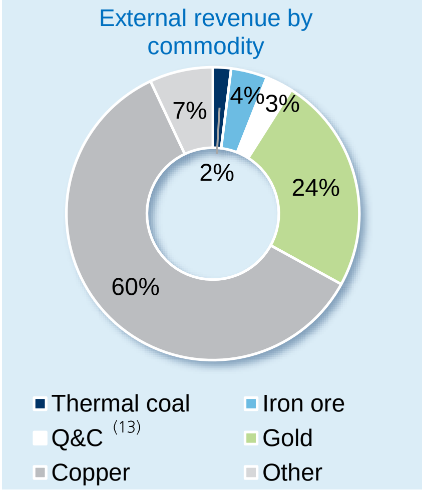
Improved contract pricing together with a favourable product mix offset the impact from higher alternative sourcing costs during the Carseland plant turnaround.

Supply chain challenges from raw material shortages, inflationary pressure and increased gas and freight costs were mostly mitigated by efficiency and cost reduction initiatives.

The Carseland AN manufacturing plant is now operating at full capacity following the planned major maintenance turnaround completed in October 2021. Tertiary abatement technology has been installed at the plant reducing unabated carbon emissions, in line with Orica's decarbonisation plans.

Latin America

Half year ended 31 March	2022	Restated (1) 2021	Change
External sales revenue (A$M)	667.4	430.8	*55%*
EBITDA[1,12] (A$M)	47.3	36.0	*32%*
EBIT[1,2] (A$M)	24.9	13.4	*86%*
Total AN & Emulsion Volumes ('000 tonnes)	476	443	*7%*



Market conditions

Mining activity in the region, particularly in copper and gold, has seen strong recovery in the first half, driven by higher commodity prices.

Security of supply for customers was paramount as AN trade flows into Latin America from Russia were constrained due to the Russia-Ukraine conflict. Alternative AN sourcing initiatives were put in place to continue servicing customers.

Increases in ammonia prices and sea freight costs along with cost inflation continued to drive higher AN prices. Improved pricing discipline and changes to rise and fall clauses were implemented.

Segment performance

The significant increase in EBIT on the pcp was largely driven by increased AN and EBS volumes, supply chain benefits and improved pricing. Exsa has been a considerable contributor to the region's improved performance.

Strong customer demand drove high AN volume growth against the pcp across all commodities, particularly in copper and gold. Demand for premium products and electronic blasting systems also increased on the pcp, as higher commodity prices offset previous customer cost constraints.

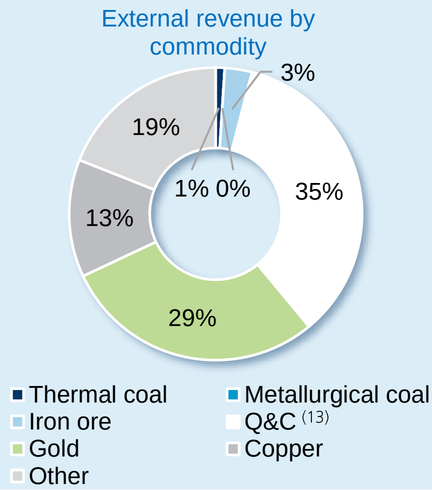
Supply initiatives including negotiating improved supplier terms, and changes to shipment loadings and movements also contributed to the region's improved performance.

Pricing initiatives have been implemented to reflect increased AN prices. AN previously supplied from Russia was largely replaced with product from alternative sources, albeit at higher costs.

Rise and fall pass throughs have been moved from quarterly to monthly on some contracts, and terms in many customer contracts were updated to include clauses for the pass through of freight costs.

Europe, Middle East & Africa

Half year ended 31 March	2022	Restated (1) 2021	Change
External sales revenue (A$M)	420.2	402.3	*4%*
EBITDA[1,12] (A$M)	25.9	20.9	*24%*
EBIT[1,2] (A$M)	10.6	4.7	*126%*
Total AN & Emulsion Volumes ('000 tonnes)	192	202	*(5%)*



Market conditions

European gas prices increased significantly during the half, leading to the closure of several ammonia plants in the region and driving a tightening of AN supply. In contrast, the oil shale market in Estonia has improved following softness in recent periods, as gas prices have increased.

Russia enforced quotas on AN exports from December 2021, followed by a ban from February 2022. The Russia-Ukraine conflict has created further uncertainty around activity in Russia and the surrounding region with significant disruption to AN and energy trade flows. Mining activity in Russia decreased towards the end of the first half.

Following the sanctions placed on Russia, Orica will exit from operations in Russia in the second half and related assets have been fully impaired in the first half.

Copper and gold mining activity in Africa remained strong, along with improvements in quarry and construction in the Nordics and Western Europe as post COVID-19 activity picks up.

Segment performance

The increase in EBIT on the pcp was largely driven by positive product mix benefits and supply chain benefits.

AN volumes decreased due to disrupted mining activity in the region. The disruption was caused by social unrest in West Africa and Kazakhstan, and delayed contract ramp ups. Initiating system volumes grew strongly with a favourable mix shift towards electronic blasting systems in the Nordics and Africa.

Supply to the region was secured from alternative sources following the initial quotas put in place by the Russian authorities effective December 2021. This positioned Orica well to ensure ongoing security of supply to its customers in a challenging supply environment.

The Australian dollar appreciated against currencies in the EMEA region, resulting in an unfavourable impact to EBIT on translation of foreign denominated earnings.

Orica Monitor

Half year ended 31 March	2022 A$M	2021 A$M	Change
External sales revenue	57.2	52.2	*10%*
EBITDA(12)	22.5	19.3	*17%*
EBIT(2)	14.5	13.0	*12%*

The strengthened Orica Monitor result was driven by improved pricing, growth in radar sales and further penetration of new customer sites. Synergies are being achieved by leveraging the wider Group's existing customers. In addition, there was strong growth in recurring contracts from leases, care plans and geotechnical remote monitoring support services, particularly in Brazil where a new regional geotechnical support services office was opened.

With further growth in radar volumes expected to continue, a second assembly line is being planned outside of Australia to double production, reduce landed cost and improve speed to global markets.

Growth is also expected from the broadening and integration of Orica Monitor's sensors and software suite with Orica Digital Solutions end-to-end digital workflows.

Global Support

Half year ended 31 March	2022 A$M	2021 A$M	Change
EBIT(2)	(30.1)	(40.9)	*26%*

The reduction in Global Support costs was driven by cost reduction initiatives.

Net interest expense

Net interest expense of $43 million is in line with the pcp.

Half year ended 31 March	2022 A$M	Restated [1] 2021 A$M	Variance A$M
Net interest expense excluding unwinding of discount on provisions and lease interest	(47.2)	(47.5)	0.3
Unwinding of discount on provisions	9.6	12.1	(2.5)
Lease interest	(5.7)	(6.2)	0.5
Net interest	**(43.3)**	**(41.6)**	**(1.7)**

Tax expense

The effective tax rate before individually significant items of 32.4 per cent is in line with the pcp.

Group Cash Flow

Half year ended 31 March	2022 A$M	Restated [1] 2021 A$M	Variance A$M
Net operating cash flows[4]	(156.7)	139.4	(296.1)
Net investing cash flows[14]	(31.4)	(119.1)	87.7
Net operating and investing cash flows	**(188.1)**	**20.3**	**(208.4)**
Dividends – Orica Limited	(48.2)	(50.2)	2.0
Dividends – non-controlling interest shareholders	(4.4)	(5.7)	1.3
Adjusted net cash flows	**(240.7)**	**(35.6)**	**(205.1)**
Movement in borrowings and other net financing cash flows[15]	163.4	128.6	34.8
Net cash inflow / (outflow)[16]	**(77.3)**	**93.0**	**(170.3)**

Net operating cash flows

Net cash generated from operating activities was negative due to an increase in working capital, partly offset by higher earnings.

Net investing cash flows

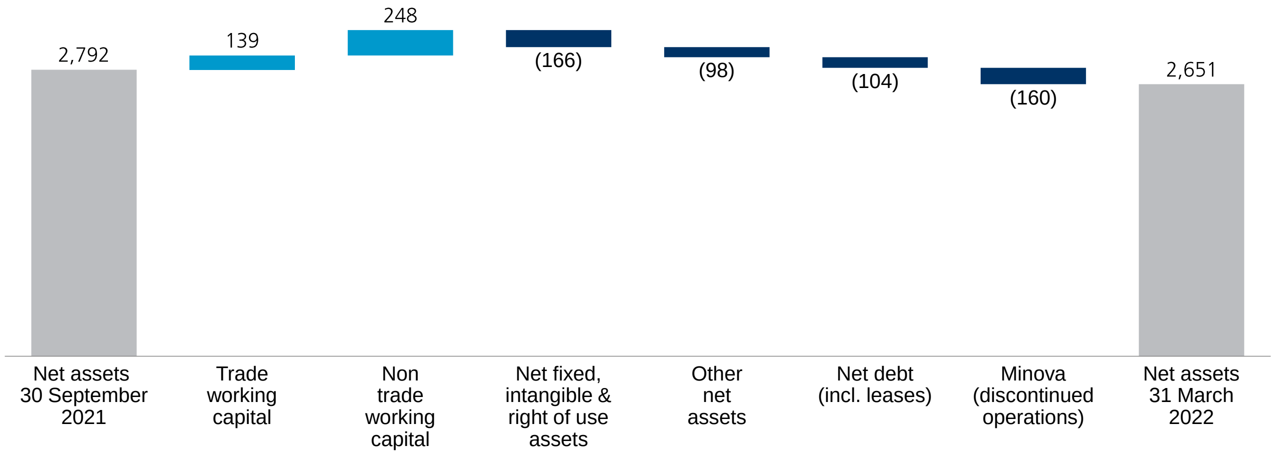
The reduction in net investing cashflows against pcp largely relates to the cash inflows from the sale of Minova and Nitro Consult AB.

Movement in borrowings and other net financing cash flows

Net cash inflow of $163 million comprises $200 million of net borrowings from existing debt facilities, partly offset by the repayment of $29 million of the principal portion of lease liabilities and $8 million in other financing cash flows.

Group Balance Sheet

Movement in net assets (A$M)



Trade working capital **(17)** was $139 million higher than the pcp. Trade debtors increased by $28 million driven by higher sales revenue, partially offset by improved collections. Inventory increased by $173 million mainly due to rising input prices and an increased inventory level to mitigate global AN supply risks. Trade creditors increased by $62 million driven by increased purchase activity associated with higher sales volumes and higher input costs.

Non trade working capital liability was lower by $248 million due to a reduction in the defined benefits provisions of $70 million as a result of an increase in discount rates and the sale of Nitro Consult AB; and a reduction in environmental and decommissioning provisions of $38 million caused by payments from provisions and an increase in discount rate. Other receivables increased by $101 million mainly due to prepaid inventory to mitigate global AN supply risks and the final receivable from the Minova sale. Other payables decreased by $39 million.

Net fixed, intangible & right of use assets decreased by $166 million against pcp. The additions of $203 million were more than offset by depreciation and amortisation expense of $179 million, impairment charges of $81 million, disposals of $13 million, and foreign exchange translation of $96 million.

Other net assets *decreased* by $98 million from the pcp, driven largely by the revaluation of financial instruments resulting from the strengthening of the Australian Dollar, and a decrease in net deferred tax assets.

Net debt (incl. leases) liability was higher $104 million pcp due to $57 million decrease in cash and cash equivalents and $67 million increase in borrowings. This was partially offset by $20 million decrease in lease liabilities.

Minova (discontinued operations) net assets decreased by $160 million with the disposal of the business.

Debt Management and Liquidity

	31 March 2022	30 September 2021	Variance
Net debt – continuing operations[6] (A$M)	(1,645.4)	(1,521.4)	(124.0)
Net debt – held-for-sale[6] (A$M)	-	42.4	(42.4)
Lease liabilities – continuing operations (A$M)	(230.8)	(250.8)	20.0
Lease liabilities – held-for-sale (A$M)	-	(9.6)	9.6
Net debt including lease liabilities – continuing operations (A$M)	(1,876.2)	(1,772.2)	(104.0)
Net debt including lease liabilities – held-for-sale (A$M)	-	32.8	(32.8)
Gearing % - excluding Lease liabilities [7] (%)	38.3%	34.6%	3.7 pts

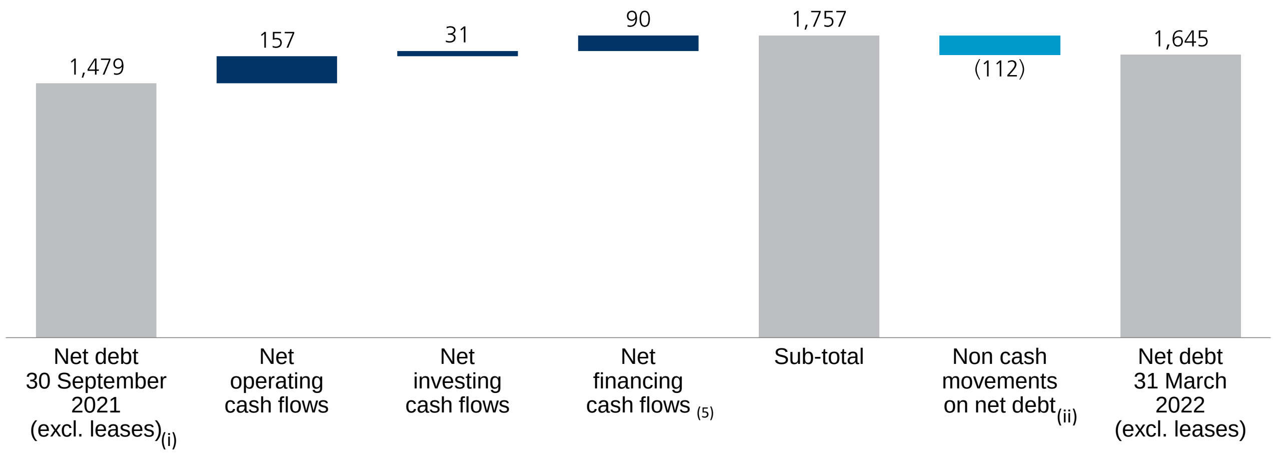
Interest bearing liabilities of $2,140 million comprise $1,938 million of US Private Placement bonds and $202 million of committed and other bank facilities. The average tenor of drawn debt is 4.7 years (September 2020: 5.4 years).

Cash of $494 million provides for a strong liquidity position, complemented by undrawn committed bank facilities of $1,167 million.

Gearing excluding lease liabilities at 38.3 per cent is within the Group's target range of 30 to 40 per cent and is well below the 57.5 per cent covenant default measure. The interest cover ratio at 5.4x is well above the minimum 2.0x requirement.

The chart below illustrates the movement in net debt from 30 September 2021.

Movement in net debt (A$M)



(i) The net debt balance at 30 September 2021 includes Minova cash of $42 million
(ii) Impact of foreign exchange translation

Individually significant items

Half year ended 31 March 2022	Gross A$M	Tax A$M	Net A$M
Impairment expense	(156.1)	(1.8)	(157.9)
Gain on sale of Nitro Consult AB	19.5	-	19.5
Individually significant items from continuing operations	**(136.6)**	**(1.8)**	**(138.4)**
Non-controlling interests in individually significant items	18.3	-	18.3
Individually significant items attributable to shareholders of Orica from continuing operations	**(118.3)**	**(1.8)**	**(120.1)**
Individually significant items from Minova (discontinued operations)	(85.0)	(8.7)	(93.7)
Individually significant items attributable to shareholders of Orica	**(203.3)**	**(10.5)**	**(213.8)**

Included within the $203 million above, is $14 million of positive cash inflow and the remaining adverse impact of $217 million is non-cash in nature.

Impairment expense

Russia
A decision has been made to exit from our operations in Russia, which has resulted in an impairment of $80 million after tax. The FCTR balance relating to Russia will release to the income statement upon executing the exit in the second half.

Turkey
The significant decline in the local economy and the devaluation of the Lira has resulted in the impairment of Orica's investment in Turkey. The total impairment charge is $33 million after tax, of which $18 million is attributable to non-controlling interest.

EMEA Goodwill
Following the impairments for Russia and Turkey the future cash flows for EMEA were reviewed, resulting in the remaining $45 million of goodwill being impaired.

Sale of Nitro Consult AB

On 7 March 2022 Orica completed the sale of Nitro Consult AB, recording a net profit after tax of $20 million including $1 million gain on release of non-cash foreign currency translation reserve.

Sale of Minova

On 28 February 2022 Orica completed the sale of the Minova business to Aurelius Group. Cash of $149 million was received at completion. A further $28 million for debt and working capital true ups is expected to be received in the second half of the financial year. Orica recorded a cash net profit on sale of $11 million, offset by the release of $96 million of non-cash foreign currency translation reserve and tax of $9 million, resulting in a net statutory loss after tax of $94 million.

Dividend

The Board has declared an interim dividend on ordinary shares of 13.0 cents per share, unfranked. The dividend represents a payout ratio [19] of 41 per cent.

The dividend is payable to shareholders on 8 July 2022 and shareholders registered as at the close of business on 1 June 2022 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 2021

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

	2021 A$M	2020 A$M
Total income (i)	2,303	2,820
Taxable income (ii)	111	87
Statutory tax rate (iii)	30%	30%
Tax liability	33	26
Offset reductions (iv)	(33)	(26)
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 (significant exempt dividends in 2020)
(iii) Australian Statutory tax rate
(iv) Offset reductions relating to foreign income tax and research and development offsets

2022 Full Year Outlook

- Momentum in EBIT from the ongoing businesses is expected to continue in the second half. There will be no further contribution from Russia operations or Nitro Consult AB.
- Previous expectations of drivers of margin improvement on the pcp remain:
  - Volume growth, in line with global GDP growth.
  - Increased adoption of advanced technology offerings, particularly digital and monitoring solutions.
  - Key strategic initiatives driving supply chain efficiencies.
  - Sustainable overhead cost reductions, net of inflation.
  - Pricing discipline expected to broadly mitigate rising input costs and pass-through lag.
- Capital expenditure expected to be within $340 million to $360 million range.
- Continuing focus on balance sheet and cash flow optimisation, with gearing expected at higher end of stated range of 30 – 40%.

Footnotes

The following footnotes apply to this results announcement:

(1) Restated to reflect application of IFRIC Interpretation Configuration or Customisation Costs in a Cloud Computing Arrangement

(2) 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

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

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

(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) March 2022 total interest-bearing liabilities – excluding lease liabilities less cash and cash equivalents, as disclosed in Note 10(a) within Appendix 4D – Preliminary Final Report.

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

(8) Achieving this ambition will require effective government policy frameworks, supportive regulation and financial incentives, and access to new low-carbon technologies operating at commercial scale. Material means the scope 1 and scope 2 greenhouse gas (GHG) emissions embodied in purchased ammonia and ammonium nitrate included in Orica's scope 3 reporting category of purchased goods and services. These comprise around two-thirds of Orica's scope 3 emissions footprint

(9) On 12 December 2015, parties to the United Nations Framework Convention on Climate Change (UNFCCC) reached a landmark agreement to combat climate change and to accelerate and intensify the actions and investments needed for a sustainable low carbon future. This is known as the Paris Agreement

(10) Includes nickel, lithium minerals, cobalt, zinc, potash, phosphate rock

(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 plus depreciation and amortisation expense

(13) Quarry and construction

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

(15) 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

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

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

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

(19) Dividend amount / NPAT before individually significant items

For further information

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