ORICA

ASX RELEASE

2 NOVEMBER 2018

EARNINGS DOWN 3% WITH STRONG SECOND HALF MITIGATING FIRST HALF WEAKNESS

Melbourne: Orica (ASX: ORI) has reported a statutory net loss after tax for 2018 of $48 million. Excluding individually significant items, net profit after tax was $324 million, down 16% on the prior year. Earnings before interest and tax were $618 million, down 3% on the prior year.

Orica CEO, Alberto Calderon, said, “We have returned the business to revenue growth, reflecting improved market demand, new contract wins and an increase in higher value-add product sales. While earnings in the first half were clearly disappointing, we responded quickly to the issues within our control to lift earnings before interest and tax by 46% in the second half. The temporary technical issues with the Burrup ammonium nitrate plant have been resolved and permanent repairs are expected to make the plant fully available for use in the first half of our 2020 financial year.

“Growth in demand for our technology-based offerings has continued, with revenue growth from new technologies as a proportion of total revenues up by more than 30% in 2018. While this still represents a modest proportion of sales, our new technologies have been an important element in winning new contracts. Improved customer satisfaction rates and a lift in market share in key regions also underlines progress toward our longer-term transformation. The acquisition of GroundProbe during the year has significantly expanded our digital capability and customer offering and contributed positively to earnings”.

Capital Management and Dividends

Debt reduced considerably in the second half to bring gearing to 35.7% at year end, well within our targeted range of 35% to 45%. This represents a three percentage point increase on the prior year, following the acquisition of GroundProbe, the impairment of Minova and an increase in environmental provisions.

The Board has declared a final ordinary dividend of 31.5 cents per share, unfranked. The dividend represents a payout ratio of 60% and brings the total dividend for the financial year to 51.5 cents per share. The final dividend is payable on 7 December 2018 and shareholders registered as at the close of business on 13 November 2018 will be eligible for the dividend.

Outlook

Mr Calderon expressed his confidence in the outlook for the coming year, saying, “We are well placed to deliver improved earnings in 2019.

“Increased demand is expected to translate to earnings growth in each of our regional businesses, with the exception of Latin America.

“We are finding new ways to lift returns on our asset base and expect increased utilisation rates at our manufacturing operations to improve financial performance in the coming year and beyond. Capital efficiency and cost management will continue to be prioritised.

“Customer adoption of new technologies and conversion to more modern, less commoditised products and services is expected to continue, supporting our market share and margins“.

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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 year ended 30 September 2018

Earnings down 3% with strong second half mitigating first half weakness

Statutory net profit after tax (NPAT) attributable to the shareholders of Orica was a loss of $48 million; NPAT before individually significant items(1) was $324 million, down 16% on the prior corresponding period (pcp)

EBIT before individually significant items(2) was $618 million, down 3% on the pcp

EBIT(2) in the second half was up 46% on the first half, and up 14% on the second half of the 2017 financial year

Summary

- Ammonium nitrate (AN) volumes up 5% on the pcp at 3.82 million tonnes
- Sales revenue increased by 7% from higher volumes and favourable mix
- Individually significant items of $372 million include non-cash items of $353 million from the first half
- Net operating and investing cash outflows(3) of $63 million include the acquisition of GroundProbe(4)
- Capital expenditure of $322 million(5), up 5% on the pcp
- Net debt(6) of $1.6 billion and gearing(7) at 36%
- Final dividend of 31.5 cents per share, bringing the full year dividend to 51.5 cents per share

Group Results

Year ended 30 September	2018 A$M	2017 A$M	Change %
Sales revenue	5,373.8	5,039.2	*7%*
EBITDA(8)	885.0	896.3	*(1%)*
EBIT(2)	**618.1**	**635.1**	*(3%)*
Net interest expense	(121.3)	(71.7)	*(69%)*
Tax expense	(158.0)	(164.0)	*4%*
Non-controlling interests	(14.6)	(13.2)	*(11%)*
NPAT before individually significant items(1)	**324.2**	**386.2**	*(16%)*
Individually significant items after tax	(372.3)	-	*(100%)*
NPAT after individually significant items (statutory)	**(48.1)**	**386.2**	*(112%)*

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

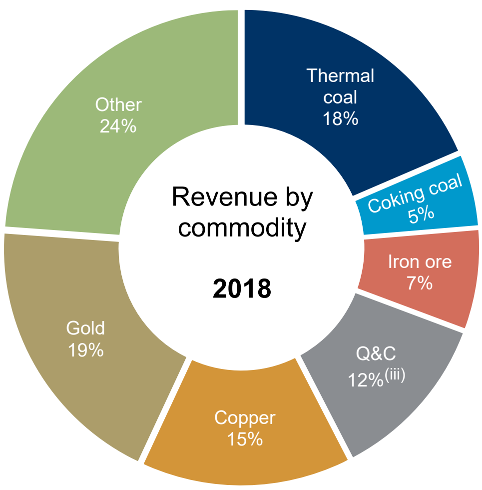
Business Summary

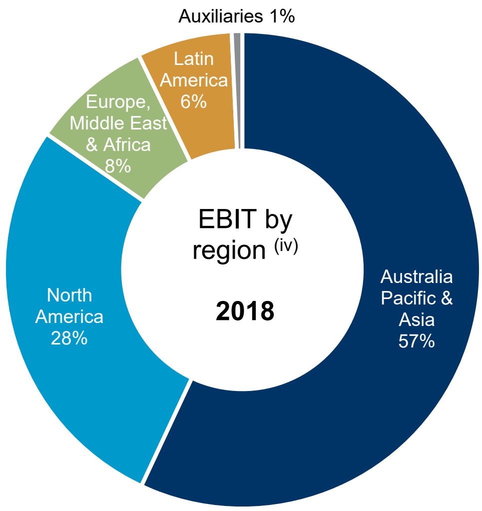
A summary of the performance of the segments for the 2018 and 2017 financial years is presented below:

Year ended 30 September 2018 A$M	AN Tonnes (i) ('000)	Sales Revenue (ii)	EBITDA	EBIT	Capital Expenditure
Australia Pacific & Asia (APA)	1,626	1,944.2	505.5	381.9	109.7
North America	1,112	1,430.3	226.8	185.6	38.6
Europe, Middle East & Africa (EMEA)	462	807.2	78.8	54.8	35.5
Latin America	618	899.8	67.1	43.2	21.7
Minova	-	519.0	6.2	(2.3)	8.5
Auxiliaries	-	66.7	10.5	4.8	5.7
Global Support	-	1,041.6	(9.9)	(49.9)	102.4
Eliminations	-	(1,335.0)	-	-	-
Orica Group	**3,818**	**5,373.8**	**885.0**	**618.1**	**322.1**

Year ended 30 September 2017 A$M	AN Tonnes (i) ('000)	Sales Revenue (ii)	EBITDA	EBIT	Capital Expenditure
Australia Pacific & Asia	1,424	1,725.9	492.2	367.6	147.7
North America	1,121	1,362.8	223.8	187.5	48.0
Europe, Middle East & Africa	468	812.2	98.2	74.5	23.6
Latin America	637	915.9	86.7	61.3	20.7
Minova	-	455.6	22.2	13.1	9.0
Auxiliaries	-	20.3	3.6	3.1	2.4
Global Support	-	990.6	(30.4)	(72.0)	54.6
Eliminations	-	(1,244.1)	-	-	-
Orica Group	**3,650**	**5,039.2**	**896.3**	**635.1**	**306.0**

(i) Includes ammonium nitrate prill and solution as well as bulk and packaged emulsion
(ii) Includes external and inter-segment sales





Note: The above charts exclude Global Support and Eliminations
(iii) Quarry and Construction
(iv) Minova is excluded due to negative EBIT result

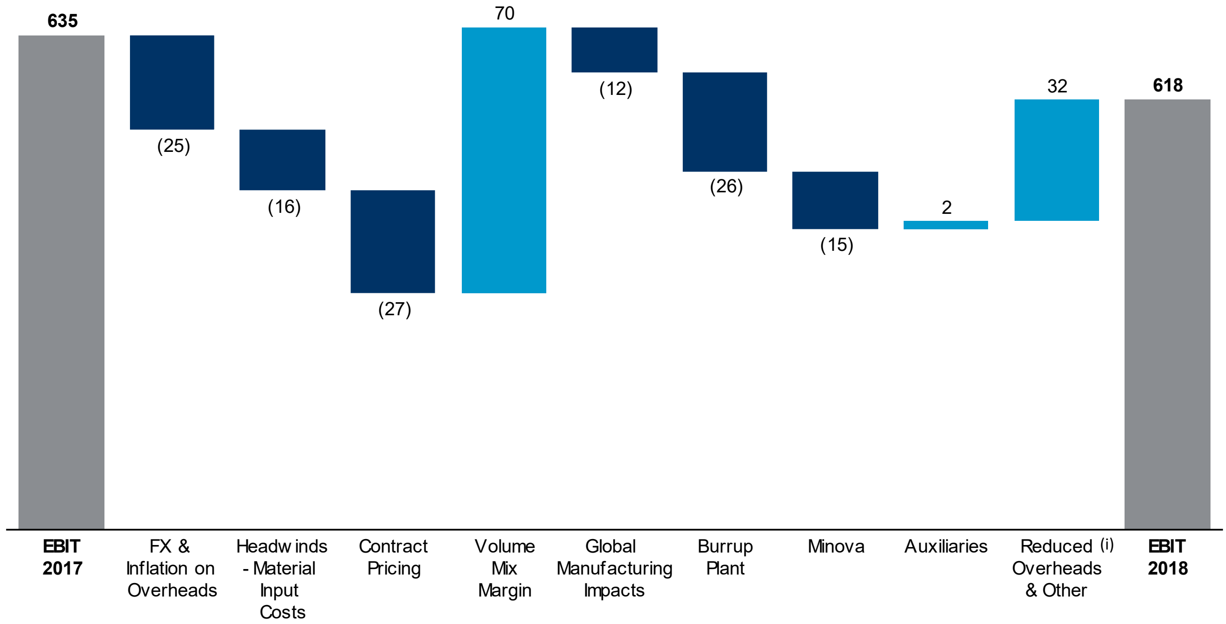
Review of Operations

Safety is our priority and we achieved our most important target of no fatalities in 2018. The work we have done to prioritise major hazard identification and verification aims to eliminate fatalities, serious injury and illness. While our Total Recordable Injury Frequency Rate increased from 2.0 cases per million hours worked to 2.4 cases per million hours worked, the severity of injuries has reduced. More work and continued vigilance is needed but we are confident every part of the organisation maintains this as a high priority and we are on the right path to making Orica a safer place to work.

AN volumes were up 5% on the pcp, reflecting strong demand from both new and existing customers, particularly in Indonesia and Australia. Sales revenue increased by 7% on the pcp to $5.4 billion from higher volumes and favourable mix.

EBIT of $618 million was down 3% on the pcp. The benefit of volume growth was offset by known headwinds and contract pricing. EBIT was further impacted by unplanned maintenance shutdowns at Yarwun and Kooragang Island as well as operational issues at the Burrup plant, resulting in increased sourcing and plant administration costs. This was compounded by a partial loss of a customer contract in Latin America.

A$M



(i) Includes savings on business improvement implementation costs

Key items in the above chart:

FX & Inflation on Overheads
Inflation on fixed cost overheads had an adverse effect of $26 million. The impact from foreign exchange was marginal at $1 million.

Headwinds - Material Input Costs
Contracted increases in gas and third party AN prices, effective from the second quarter of the pcp, reduced margins by $16 million.

Contract Pricing
Contract renewals have continued to align pricing with prevailing market prices. The impact of contract pricing for the year was lower than previously expected due to the deferral of some contract renegotiations to the 2019 financial year. We remain focused on maintaining a balanced outlook between retaining profitable market share and securing plant loading.

Volume, Mix & Margin
New business and improved demand from existing customers, particularly in Indonesia and Australia, drove an increase in AN volumes of 5%. A higher proportion of emulsion product sales also contributed positively to EBIT.

Sales of Electronic Blasting Systems (EBS) grew across most regions, with a combined increase of 12% in EBS volumes compared to the pcp. Total initiating system sales volumes were flat on the pcp.

Global Manufacturing Impacts
The Global Manufacturing result in APA was reduced by unplanned maintenance shutdowns at Yarwun and Kooragang Island manufacturing plants in the first half, which led to unrecovered labour and operational costs as well as higher short term third party product purchases. Operations at Gyttorp were also reduced as the site recovers from the explosion in May 2017.

Burrup Plant
Our joint venture operating partner, Yara, has been addressing technical issues over the past 12 months. Orica's engineers are working onsite, together with Yara to resolve these issues. While it was previously anticipated that the plant would be operational by the end of the 2018 financial year, the replacement of some key components is expected to delay production until the first half of the 2020 financial year. All nine new replacement heat exchangers and the absorption tower are currently expected to be installed in the second half of 2019 calendar year. It is anticipated that this installation will take around two months.

Depreciation and amortisation will commence when the plant is available for use, expected to be in the first half of the 2020 financial year. The plant is expected to be essentially loaded from the 2020 financial year.

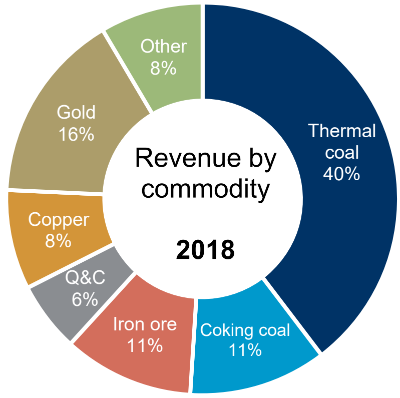
The negative EBIT impact in 2018 from the Burrup plant represents both the continued increased sourcing costs as well as the commencement of administration overhead costs in anticipation of the plant operating.

Minova
Adjusting for the profit from the divestment of a business in the pcp of $8 million, EBIT declined $7 million despite increases in volume and revenue, due to unfavourable mix and cost pressures.

Reduced Overheads & Other
This comprises lower implementation costs and fees on business improvement activities and the early benefit from reduced people costs following the restructuring activity that took place during the year. Following the increased provision on the Botany groundwater treatment plant taken in the first half, all related costs are now offset against the provision.

Australia Pacific & Asia

Year ended 30 September	2018	2017	Change
Total AN & emulsion volumes ('000 tonnes)	1,626	1,424	*14%*
Emulsion as a % of total volumes	*62%*	*61%*	*1pt*
Total sales revenue (A$M)	1,944.2	1,725.9	*13%*
EBITDA (A$M)	505.5	492.2	*3%*
EBIT (A$M)	381.9	367.6	*4%*



Commodity exposure

Thermal coal represents the largest commodity exposure in the APA region. More stringent emissions reduction requirements in North Asia have resulted in an increased demand for higher grade thermal and coking coal exported from Australia. Gold and iron ore conditions remained stable.

EBIT performance drivers

Volumes and mix

Explosives volumes were 14% higher than the pcp, underpinned by stronger demand in Indonesia and Australia, from both new contracts and organic growth from existing customers. The already strong growth in the first half improved further in the second half, led by strengthening in the Pilbara and Queensland from mine ramp ups and recent contract wins. Indonesia benefited from higher volumes from new contracts, improved demand from existing customers, and sales to competitors.

Sales of EBS were up 30% on the pcp from increased demand and customer conversion. Cyanide volumes were relatively flat on the pcp, impacted by the maintenance shutdown at the Yarwun cyanide plant in the first half.

Margin and price

The ongoing challenges at the Burrup plant resulted in incremental costs of $26 million, including additional sourcing costs as alternate AN products were sourced from various locations across the region to meet supply commitments, as well as the commencement of administration costs in anticipation of the plant operating.

The negative impact of contract pricing was lower than expected for the year, due to some contract negotiations being deferred to the 2019 financial year.

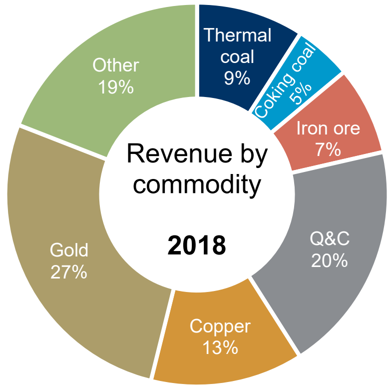
Unplanned maintenance shutdowns at the Yarwun and Kooragang Island manufacturing plants in the first half resulted in unrecovered labour and operational costs as well as higher short term third party sourcing to cover lost production. This adversely impacted the Australian business, offsetting much of the benefit from increased volume and improved mix. In line with expectations, Kooragang Island's gas costs were up $8 million in the first half due to the roll through of a contracted price increase which came into effect in January 2017.

Outlook

EBIT in APA is expected to grow, despite the delayed commencement of the Burrup plant, with market share increasing from recent profitable contract wins. Continued growth in EBS products and a focus on new technology offerings, enabling productivity improvements, will further support growth in the region. Deferred contract renegotiations will take effect in the 2019 financial year.

North America

Year ended 30 September	2018	2017	Change
Total AN & emulsion volumes ('000 tonnes)	1,112	1,121	*(1%)*
Emulsion as a % of total volumes	*48%*	*45%*	*3pts*
Total sales revenue (A$M)	1,430.3	1,362.8	*5%*
EBITDA (A$M)	226.8	223.8	*1%*
EBIT (A$M)	185.6	187.5	*(1%)*



Commodity exposure

The gold sector in North America, the most significant commodity exposure for the region, has remained steady, aided by firm prices and stable customer operations. Activity in the Q&C sector was down in the first half, impacted by extreme weather conditions and tightening in the skilled labour market, however experienced strong growth during the summer period in the second half of the year. Copper remained strong, despite prices softening from recent highs, with longer term demand expected to outweigh supply.

EBIT performance drivers

Volume and mix

Overall explosives volumes were slightly down on the pcp, driven by a decline in the USA where a joint venture partner sourced bulk AN directly from the manufacturer from the second quarter of the pcp. Excluding the impact of joint venture partner sourcing, AN volumes were strong, increasing 5% on the pcp. Explosives volumes in Canada saw positive volume growth, from indirect channels as well as from the re-start of several customers' coal mines in Western Canada. Explosives volumes also increased in Mexico, buoyed by the full year benefit of contracts won in the second half of the pcp.

Higher customer uptake on advanced products led to improved product mix, however increased sales through indirect channels in Canada offset some of this impact.

Initiating system volumes, across both EBS and conventional initiating systems, increased on the back of new business and customer production increases in Canada and Mexico.

Margin and price

Despite the oversupplied market, pricing headwinds were controlled and better than expectations. A known contractual increase in third party AN sourcing costs in the USA adversely impacted the first half cost base, relative to the pcp, by $8 million. This largely offset the net benefit from the non-repeat of alternate sourcing cost headwinds experienced primarily in the second half of the pcp, from the extended turnaround of the Carseland plant and a temporary supply shortage of non-electric detonators from lower component production in Latin America.

The completion of the Carseland plant turnaround in the pcp drove an increase in depreciation expense.

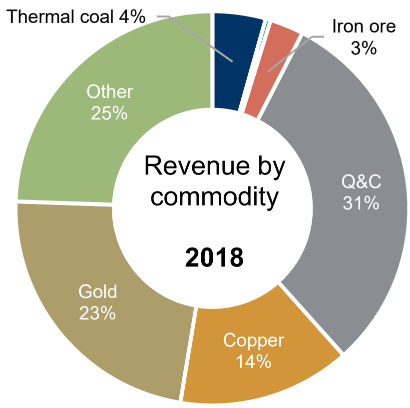
Income from associates declined on the pcp, largely driven by contract losses and unfavourable weather conditions in the USA in the first half which impacted our joint venture partners' margin. Second half performance was stronger, aligned with improving market conditions.

Outlook

Volume and EBIT growth are expected to be steady in the 2019 financial year, despite the oversupply of AN which is driving ongoing competitive pressure on pricing. Increased penetration of new technology offerings will help drive EBIT growth.

Europe, Middle East & Africa

Year ended 30 September	2018	2017	Change
Total AN & emulsion volumes ('000 tonnes)	462	468	*(1%)*
Emulsion as a % of total volumes	*90%*	*89%*	*1pt*
Total sales revenue (A$M)	807.2	812.2	*(1%)*
EBITDA (A$M)	78.8	98.2	*(20%)*
EBIT (A$M)	54.8	74.5	*(26%)*



Commodity exposure

The region is well diversified across geographies, commodities and customers. Exposure to gold was impacted by a carry-over of oversupply and aggressive pricing of cyanide by Chinese and Korean suppliers in the pcp.

EBIT performance drivers

Volumes and mix

Explosives volumes were 1% below the pcp, with varied growth across the region. Activity in the Commonwealth of Independent States (CIS) was up, underpinned by the ramp up of new contract wins in Russia and Kazakhstan, particularly in the second half. Sales in the Middle East were marginally up on the pcp and remain challenged by the impact of the embargo between the Arab States and Qatar. Sales volumes in Southern Africa were down through a combination of customer mine plan changes, mine closures and poor drill availability. Continued political and economic uncertainty in Turkey unfavourably impacted results with volumes down 15% on the pcp.

Increased market penetration of EBS was achieved in West Africa (gold miners) and the Nordics (Q&C). This was offset by lower sales of conventional initiating systems in Turkey and lower mining activity in East Africa. Overall initiating system volumes were lower but with improved product mix across the portfolio given greater sales of advanced products.

Cyanide volumes were significantly behind the pcp, resulting from a contract loss in the Democratic Republic of Congo and a customer mine closure in Egypt, both occurring in the second half of the pcp.

Margin and price

EBIT was 26% lower than the pcp due to unfavourable results in the first half. Manufacturing performance was down on the pcp, particularly at Gyttorp as the site recovers from the explosion in May 2017, negatively affecting the first half results. One-off items in the first half included the relocation of the regional head office. In addition, the pcp included the benefit of profit on divestment of businesses.

Across the year, EBIT from services was down on the pcp, driven by mine plan changes and operational delays at customer sites in Africa.

Overall, prices held stable on the pcp, however the contribution from Turkey was impacted by significant deterioration in the Turkish lira.

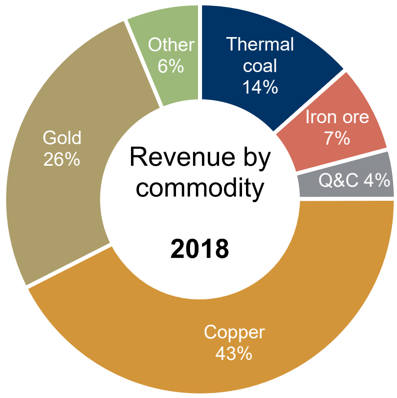
EBIT in the second half strengthened significantly, largely from higher explosives volumes in the CIS and increased initiating system volumes across the region.

Outlook

Momentum from the second half is expected to continue into the 2019 financial year with EBIT growth to be underpinned by volume growth.

Latin America

Year ended 30 September	2018	2017	Change
Total AN & emulsion volumes ('000 tonnes)	618	637	(3%)
Emulsion as a % of total volumes	*69%*	*68%*	*1pt*
Total sales revenue (A$M)	899.8	915.9	(2%)
EBITDA (A$M)	67.1	86.7	(23%)
EBIT (A$M)	43.2	61.3	(30%)



Commodity exposure

Copper remained the most significant commodity for the region, maintaining a strong outlook given an anticipated global deficit. Gold continued to be strong, with new areas of exploration opening, and was the fastest growing commodity exposure for the Latin America region.

EBIT performance drivers

Volume and mix

Explosives volumes were 3% lower than the pcp, predominantly due to lower sales in Colombia from reduced consumption following operational delays at a customer site. In Chile favourable customer mine plan changes drove an increase in AN volumes. This was despite a partial contract loss in the second half which impacted AN and EBS sales, as well as services margin. Ongoing instability in Venezuela led to a complete halt in cash trading activity.

Despite the stability in gold activity and pricing, cyanide volumes decreased by 16% on the pcp, given mine plan changes, and the wind-down of a customer mine in Peru as it moves towards closure in the next two to three years.

Margin and price

The significant fall in EBIT was impacted by one-off costs associated with the partial contract loss in Chile, continued competitive pricing pressure, and the halt in trading activity in Venezuela. A shift in volumes towards lower margin customers also compounded the EBIT reduction.

Continued high inflation resulted in increased overhead costs across the region.

Other income in the pcp included a $3 million profit on sale of assets in Chile.

Outlook

An operational review of the Latin America business is underway following the appointment of a new President with extensive global experience. The outlook for new business wins is positive, albeit in a highly competitive market. Competitor pricing pressure is expected to continue while the AN market remains oversupplied. Cost control and right-sizing the business will continue to be a core focus.

Minova

Year ended 30 September	2018	2017	Change
Steel products ('000 tonnes)	142	129	*10%*
Resins & powders ('000 tonnes)	109	127	*(14%)*
Total sales revenue (A$M)	519.0	455.6	*14%*
EBITDA (A$M)	6.2	22.2	*(72%)*
EBIT (A$M)	(2.3)	13.1	*(118%)*

Revenue increased 14% compared to the pcp, aided by higher steel product sales.

The EBIT result in the pcp included the $8 million profit from the divestment of a business in China.

Margins have been impacted by a change in product mix from proportionately higher sales of steel products with coal customers in Australia Pacific and the Americas, raw material costs and lower demand for higher margin injection chemicals.

EBIT in the second half strengthened, largely driven by pricing initiatives which became fully effective in the half and overhead cost reductions.

An impairment charge of $204 million was recognised in the first half of the year.

Looking forward, Minova will continue to drive revenue growth from new sectors and across expanded products and services. The benefits of overhead cost reductions that commenced during the year will continue to materialise. Positive EBIT in the last quarter of the year is expected to carry into the 2019 financial year.

Auxiliaries

Year ended 30 September	2018	2017	Change
EBIT (A$M)	4.8	3.1	*55%*

Auxiliaries represent a newly created segment, comprising Nitro Consult AB (Nitro Consult) and the GroundProbe business which was acquired in January 2018. Nitro Consult and GroundProbe are highly complementary, driving a strong value proposition to customers.

The full year Auxiliaries EBIT result includes acquisition costs of $6 million. Integration has been successfully completed, and the positive contribution is slightly ahead of expectations.

Since its acquisition, GroundProbe has benefited from Orica's global customer base, and going forward is expected to further leverage these customer relationships to drive growth in conjunction with an extended product offering.

Global Support

Year ended 30 September	2018	2017	Change
EBIT (A$M)	(49.9)	(72.0)	*31%*

Global Support EBIT was 31% favourable to the pcp. Costs associated with the ongoing business improvement activities were lower than the pcp as the programme is in a mature state. Following the increased provision on the Botany groundwater treatment plant taken in the first half, all related costs are now offset against the provision.

Net interest expense

Statutory net interest expense of $121 million was higher than the pcp due to $30 million of interest associated with the Burrup plant being capitalised in the pcp. After adjusting for capitalised interest and the unwind of the discount effect on provisions, net interest expense of $118 million increased from the pcp primarily as a result of higher net debt levels impacted by the acquisitions in the first half.

Year ended 30 September	2018 A$M	2017 A$M	Change
Statutory net interest expense	121.3	71.7	69%
Adjusted for:			
Capitalised interest	4.8	30.8	*(84%)*
Unwinding of discount on provisions	(7.9)	(1.0)	*690%*
Adjusted net interest expense	**118.2**	**101.5**	***16%***

Tax expense

An effective rate of 31.8% (pcp 29.1%) was higher due to reduced profitability in jurisdictions where the tax rate is below 30% and reduced foreign deductions. This was partially offset by an increase in non-taxable gains on the disposal of assets compared to pcp.

Group Cash Flow

Year ended 30 September	2018 A$M	2017 A$M	Variance A$M
Net operating cash flows	614.7	466.4	148.3
Net investing cash flows	(552.0)	(254.8)	(297.2)
Net operating and investing cash flows(3)	**62.7**	**211.6**	**(148.9)**
Dividends – Orica Limited	(143.2)	(157.9)	14.7
Dividends – non-controlling interest shareholders	(13.5)	(7.1)	(6.4)
Adjusted net cash flows	**(94.0)**	**46.6**	**(140.6)**
Movement in borrowings and other net financing cash flows(9)	75.9	162.7	(86.8)
Net cash flows(10)	**(18.1)**	**209.3**	**(227.4)**

Performance highlights

The Group delivered net operating and investing cash outflows of $63 million. Group cash conversion(11) improved slightly from the pcp at 71%.

Net operating cash flows

Net cash generated from operating activities was underpinned by earnings across the year and lower net income tax payments. Significant improvement was delivered in the second half of the year with performance finishing ahead of the pcp.

Net investing cash flows

Net investing cash outflows comprised acquisitions and capital expenditure. Payments for the purchase of businesses/controlled entities and investments was $264 million, comprising predominantly $208 million for the acquisition of GroundProbe and $46 million for a 5% increase in our Burrup joint venture interest.

Capital expenditure of $322 million included spend on the new SAP system as the project rollout progresses, as well as ongoing investment in the global Mobile Manufacturing Unit (MMU™) fleet. Other key capital expenditure includes maintenance shutdowns at the Kooragang Island and Yarwun plants in Australia.

Debt Management and Liquidity

	2018 A$M	2017 A$M	Variance A$M
Interest bearing liabilities	2,162.9	1,957.8	205.1
Less: cash and cash equivalents	514.6	516.9	(2.3)
Net debt[6]	1,648.3	1,440.9	207.4
Gearing %[7]	35.7%	32.7%	3.0pts

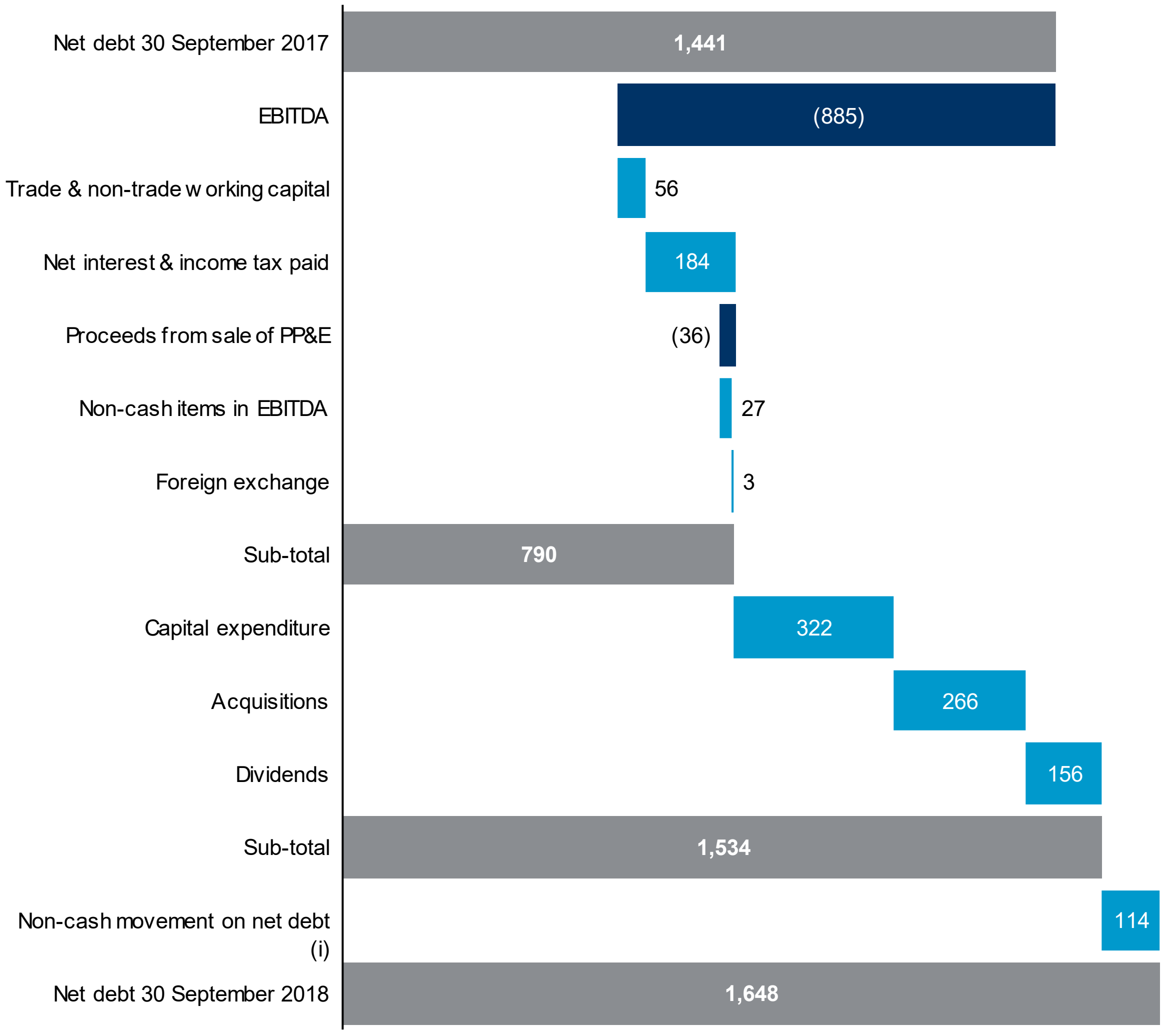
Interest bearing liabilities of $2,163 million comprise $1,947 million of US Private Placement bonds and $216 million of committed and other bank facilities. The average duration of drawn debt is 5.0 years (2017: 6.1 years).

Undrawn committed bank facilities are $1,383 million, with total committed debt facilities of $3,545 million providing for a strong liquidity position.

Gearing is at 35.7% and since September 2017, has increased by 3.0 percentage points, largely due to acquisitions, the impairment of Minova and the increase in the environmental provision in the year.

The chart below illustrates the movement in net debt from September 2017.

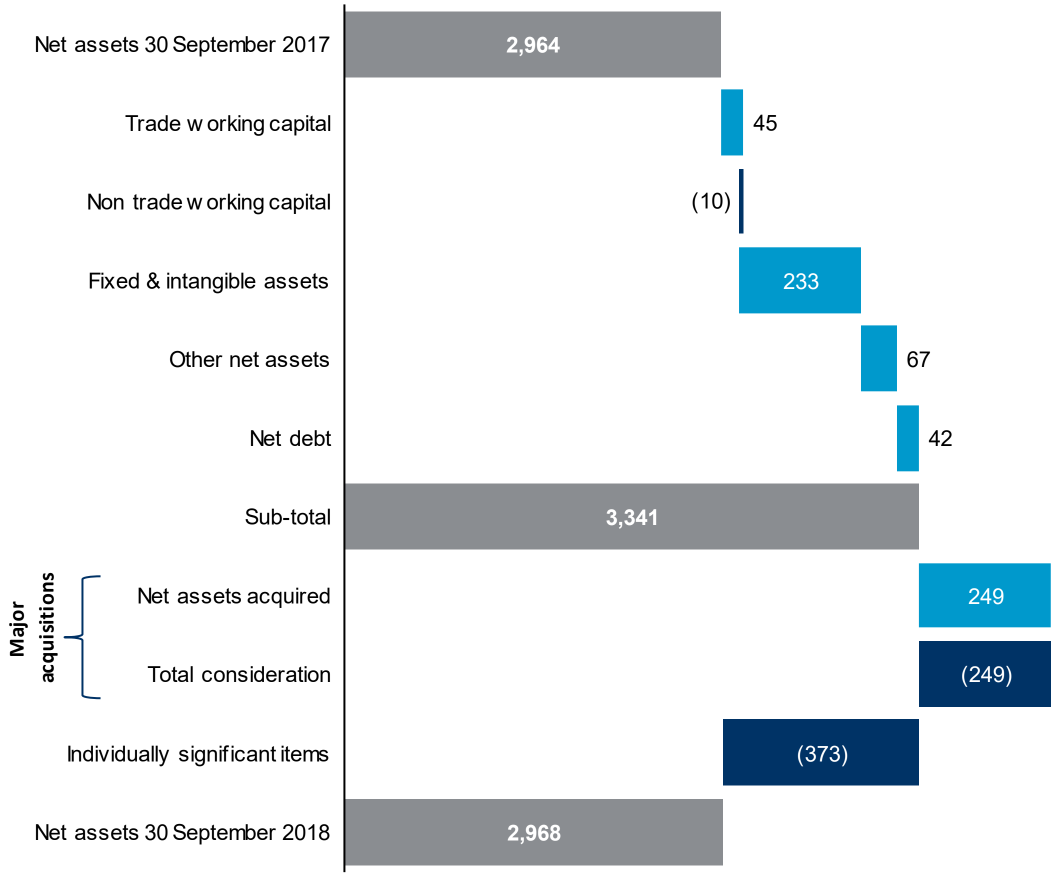
Movement in net debt (A$M)



(i) Non-cash movements on net debt comprise foreign exchange translation

Group Balance Sheet

Movement in net assets (A$M)



Performance highlights

Trade working capital [(12)] overall increased by $45 million, excluding acquired assets, from the pcp. A reduction of $79 million has been achieved in the second half, through a focus on working capital management.

Fixed & intangible assets increased by $233 million on the pcp, excluding acquired assets and significant items, as net additions outweighed the depreciation and amortisation expense, together with foreign exchange translation impacts.

Dividend

The Board has declared an unfranked final ordinary dividend of 31.5 cents per share. The dividend represents a payout ratio[13] of 60% and brings the full year payout ratio to 60%.

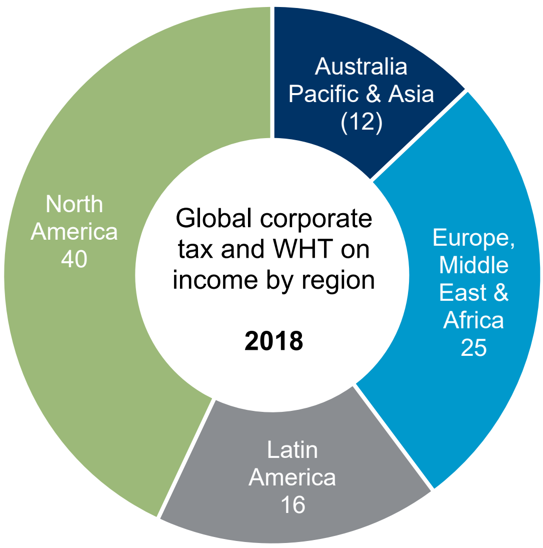
The dividend is payable to shareholders on 7 December 2018 and shareholders registered as at the close of business on 13 November 2018 will be eligible for the final dividend. It is anticipated that dividends in the near future will be franked at a rate of no more than 20%.

Tax contribution summary

In 2018, Orica paid $69 million (2017: $189 million) globally in corporate income taxes and $56 million (2017: $48 million) globally in payroll taxes. Orica collected and remitted $124 million (2017: $120 million) globally in GST/VAT.

The charts show 2018 corporate income tax paid/(refunded) in each region (including withholding tax (WHT) and trade taxes), and an analysis of total tax paid by type.

A$M



In Australia, Orica received corporate income tax refunds of $42 million relating to tax on prior years and resolution of a tax dispute with the Australian Taxation Office (Orica paid tax in 2017 of $91 million). Orica also paid $19 million (2017: $17 million) in payroll tax and $2 million (2017: $2 million) in fringe benefits tax. Orica collected and remitted $43 million (2017: $48 million) in GST and $105 million (2017: $92 million) in 'pay as you go' withholding taxes.

Individually significant items

	Gross (A$M)	Tax (A$M)	Net (A$M)
Impairment of Minova business	(204.2)	0.6	(203.6)
Botany environmental provision expense	(114.7)	34.4	(80.3)
Write down of US deferred tax assets	-	(47.9)	(47.9)
Impairment of other assets	(21.2)	6.4	(14.8)
Restructuring	(35.2)	8.5	(26.7)
Individually significant items	**(375.3)**	**2.0**	**(373.3)**
Non-controlling interests in individually significant items	1.0	-	1.0
Individually significant items attributable to shareholders of Orica	**(374.3)**	**2.0**	**(372.3)**

Impairment of Minova business

Management's assessment of the performance of Minova identified indicators of impairment and required an estimate of the recoverable value to be calculated. At the interim reporting period, operating results were lower than expected as compared to the short to medium term outlook. The assessment indicated that the carrying value of Minova exceeded its recoverable value by approximately $204 million. This shortfall resulted in the carrying value of the goodwill being unsupported and therefore impaired.

The impairment charge recognised during the year resulted in the write-down in the carrying value of Minova to $119 million at 30 September 2018.

Botany environmental provision expense

The Botany environmental provision was increased by $115 million. This resulted from a detailed review of the costs and operational duration of the Groundwater Treatment Plant which is an intermediate containment measure for contamination at the Botany Industrial Park. The findings from the review indicated that the cessation of the containment measures is possible within an 18-year timeframe. As such, the provision has been increased to reflect the change in the current estimates.

Write down of US deferred tax assets

The changes to the US tax legislation, which were signed into law in December 2017, reduced the federal corporate tax rate from 35% to 21%. This change resulted in the write down of the net deferred tax asset of $48 million (encompassing the deferred tax asset write down and the impact on the deferred tax liability).

Impairment of other assets

The impairment review undertaken during the year, and the transition to a new SAP operating system, identified $21 million of IT and other assets which are no longer being utilised by the business and were impaired in the first half of the year.

Restructuring

As part of a global restructuring programme redundancy costs were recognised across all segments except Auxiliaries. This programme was undertaken over the course of the year.

Further information on these items is included in note 1(d) within Appendix 4E – Preliminary Final Report.

Outlook

Higher revenue and EBIT will be underpinned by increased demand and manufacturing improvements, with earnings skewed to the second half of the year.

Key assumptions for the 2019 financial year are:

Operations

- Global AN product volumes are expected to be ~3% higher than the 2018 financial year from North America, APA and EMEA
- Continued firming of AN pricing across most regions
- Contribution from new advanced products and services contracts in the second half
- EBIT growth expected from all regions/businesses except Latin America

Manufacturing

- Improved average utilisation rates expected in operational manufacturing plants
- ~20% utilisation rate expected at Burrup TAN plant as construction continues in order to get the plant available for use at its nameplate capacity; skewed towards second half. Marginal impact, relative to the 2018 financial year, expected in the 2019 financial year

Other

- ~$25 million negative impact from deferred contract renewals and price reset flow through (as previously disclosed); offset by business streamlining benefits
- Interest expense to be similar to the 2018 financial year

Capital

- Capital expenditure in the 2019 financial year is expected to be ~$350 million due to higher sustenance spend on manufacturing plants, continuous investment in the MMU fleet and SAP implementation ramp up
- Depreciation and amortisation expense to be ~10% higher than the 2018 financial year

Footnotes

The following footnotes apply to this results announcement:

(1) Equivalent to profit after income tax expense before individually significant items attributable to shareholders of Orica Limited disclosed in Note 1(b) within Appendix 4E – Preliminary Final Report

(2) Equivalent to profit/(loss) before financing costs and income tax and individually significant items in Note 1(b) within Appendix 4E – Preliminary Final Report

(3) Equivalent to net cash flows from operating activities and net cash flows used in investing activities as disclosed in the Statement of Cash Flows within Appendix 4E – Preliminary Final Report

(4) GP Holdco Pty Ltd and its Companies

(5) Comprises total payments for property, plant and equipment and payments for intangibles as disclosed in the Statement of Cash Flows within Appendix 4E – Preliminary Final Report

(6) Total interest bearing liabilities less cash and cash equivalents as disclosed in note 3 within Appendix 4E – Preliminary Final Report

(7) Net debt / (net debt + total equity), as disclosed in note 3 within Appendix 4E – Preliminary Final Report

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

(9) Equivalent to net cash used in financing activities (as disclosed in the Statement of Cash Flows within Appendix 4E – Preliminary Final Report) excluding dividends paid to Orica ordinary shareholders and non-controlling interests

(10) Equivalent to net (decrease) / increase in cash held disclosed in the Statement of Cash Flows within Appendix 4E – Preliminary Final Report

(11) (EBITDA add / less movement in trade working capital less sustaining capital expenditure excluding SAP project spend) / EBITDA

(12) Comprises inventories, trade receivables and trade payables disclosed in the Balance Sheet within Appendix 4E – Preliminary Final Report

(13) 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. The information contained in this presentation is not investment or financial product advice and is not intended to be used as the basis for making an investment decision. This announcement has been prepared without taking into account the investment objectives, financial situation or particular needs of any particular person.

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Before making an investment decision, you should consider, with or without the assistance of a financial adviser, whether an investment is appropriate in light of your particular investment needs, objectives and financial circumstances.

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 2018 Full 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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