

ASX RELEASE

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EXPECTED NON-CASH ADJUSTMENTS IN FIRST HALF RESULTS

Melbourne: Orica (ASX: ORI) advises that it expects to recognise approximately \$191 million (\$134 million after tax) in non-cash adjustments in its 2019 first half results announcement scheduled for 9 May 2019.

Write-down of the Burrup Technical Ammonium Nitrate (TAN) plant defective components

Rectification works at the TAN plant are progressing in line with expectations. As these rectification and capital works have progressed over the last six months the company has identified a number of assets that need to be replaced or repaired and must recognise the reduced value of plant and equipment that is classified as defective, in line with the accounting standards (AASB 116 Property Plant and Equipment). It also includes capitalised costs directly attributable to the construction of the plant. Accordingly, Orica expects to recognise a non-cash impact of approximately \$155 million (\$109 million after tax) in its 2019 half year results.

As previously disclosed, these defective components are scheduled to be replaced with newly manufactured replacement components in the second half of the 2019 calendar year, with the plant expected to be commissioned in the first half of the 2020 financial year. The value of these replacement components and any directly attributable costs will be capitalised in future periods.

The accounting recognition of the defective components does not affect Orica's view of the long term commercial and strategic value of the Burrup TAN plant. The plant remains an important element of Orica's domestic supply strategy being a 30-plus-year asset positioned in the heart of the Pilbara where the strip ratios are expected to grow at a 3%-plus CAGR over the next five years. Following the securing of several substantial contracts over the past 18 months and the contract profile, it is expected that the plant will be essentially loaded in 2020.

The plant's utilisation in the 2019 financial year will be lower than the previously anticipated 20 per cent, however, the overall Group outlook for the 2019 financial year remains unchanged from November 2018, with the earnings expected to be weighted approximately 45/55 to the second half.

Impairment of IT and Other Assets

As Orica implements the final stages of its new SAP operating system, \$36 million (\$25 million after tax) of IT and other assets which are no longer being utilised by the business will be impaired in the first half.

ANALYSTS CONTACT

Delphine Cassidy
Mobile: +61 (0) 419 163 467
Email: delphine.cassidy@orica.com

MEDIA CONTACT

Ben Wilson
Mobile: +61 (0) 407 966 083

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, please visit: www.orica.com