

ASX / MEDIA RELEASE

1 NOVEMBER 2019

CONTINUED MOMENTUM IN PROFITABLE GROWTH

Melbourne: Orica (ASX: ORI) today announced statutory Net Profit After Tax for the 12 months ended 30 September 2019 of \$245 million (FY18 \$48 million loss) and NPAT before individually significant items of \$372 million, up 15% on the prior corresponding period (pcp). Underlying earnings per share increased by 14% to 97.9 cents per share.

Orica Managing Director Alberto Calderon said: "Our FY19 financial result provides evidence of the continuing uplift in our operating and financial performance.

"Orica's manufacturing and cost performance is improving across the board. Volumes are growing and our market-leading technology solutions are gaining traction with customers. Our growth drivers are starting to deliver.

"All of our regions are performing strongly with Europe, Middle East & Africa reporting a particularly pleasing result in FY19 following focused efforts to improve this business. Increased penetration of our technology-based blasting solutions and contract wins have driven sales revenue 9% higher for the period.

"The increase in Australia Pacific & Asia volumes was led by 6% growth in Australia, with market share in the region continuing to increase.

"Consistent with our previous updates, progress on rectification at Burrup continues in line with our plan, and the plant is expected to make a positive contribution to earnings from the second half of FY20.

"We are particularly pleased with the ongoing strong performance of our GroundProbe business which continues to deliver results ahead of expectations. We anticipate this exceptional business will deliver 20% Return on Net Assets (RONA) over the next three years. After several years of management focus the Minova business has also delivered a significantly improved result in this period."

Capital Management and Dividends

Orica's gearing (34.9%) remains comfortably within the company's revised target range of 30-40%.

The Board has declared a final ordinary dividend of 33.0 cps (5.0 cents franked), bringing the full year dividend to 55.0 cps. The final dividend is payable on 13 December 2019 to shareholders registered at the close of business on 13 November 2019.

Outlook

The outlook for FY20 and beyond is positive. Orica anticipates higher earnings in FY20 underpinned by increased demand and product mix across all regions and the further take-up of our market-leading technology. Earnings contributions expected from the Burrup plant will feed in to higher earnings from the second half. It is expected earnings will be skewed to the second half of the year.

"While there are many external factors that can impact our performance, Orica's efforts to improve every aspect of operations within our control is starting to deliver results. We are optimistic this early momentum will be maintained and grow in the years ahead," Mr Calderon said.

FY20 capital expenditure is anticipated between \$370 million and \$390 million (excluding Burrup) with a continued focus on growth capital and plant reliability.

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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 2019



Continuing momentum in profitable growth

Statutory net profit after tax (NPAT) attributable to the shareholders of Orica for the year ended 30 September 2019 was \$245 million; NPAT before individually significant items⁽¹⁾ was \$372 million, up 15% on the prior corresponding period (pcp)

Summary

- EBIT⁽²⁾ of \$665 million, up 8% on the pcp with strong business performance across all regions and improvement in manufacturing operations
- Underlying earnings per share⁽³⁾ up 14% to 97.9 cents per share
- Ammonium nitrate (AN) volumes up 4% on the pcp at 3.97 million tonnes
- Sales revenue of \$5.9 billion increased by 9% from higher volumes and services, increased penetration of advanced products and favourable foreign exchange movements
- Strong performance from technology, GroundProbe™ and Minova
- Individually significant items of \$127 million after tax, largely arising in the first half of this year
- Net operating and investing cash inflows⁽⁴⁾ of \$378 million
- Capital expenditure of \$424 million⁽⁵⁾ includes \$37 million on rectification works at Burrup
- Net debt⁽⁶⁾ of \$1.6 billion and gearing⁽⁷⁾ at 34.9%
- Final dividend of 33.0 cents per share (5.0 cents franked), bringing the full year dividend to 55.0 cents per share

Group Results

Year ended 30 September	2019 A\$M	2018 A\$M	Change %
Sales revenue	5,878.0	5,373.8	9%
EBITDA ⁽⁸⁾	941.1	885.0	6%
EBIT⁽²⁾	664.7	618.1	8%
Net interest expense	(109.7)	(121.3)	10%
Tax expense	(177.7)	(158.0)	(12%)
Non-controlling interests	(5.4)	(14.6)	63%
NPAT before individually significant items⁽¹⁾	371.9	324.2	15%
Individually significant items after tax	(126.8)	(372.3)	66%
NPAT after individually significant items (statutory)	245.1	(48.1)	

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

Business Summary

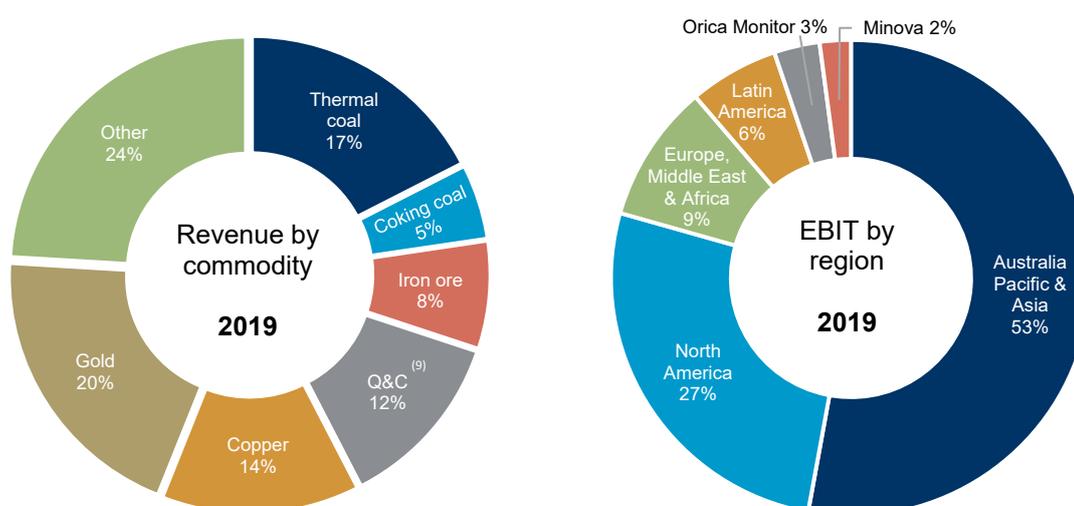
A summary of the performance of the segments for the 2019 and 2018 financial years is presented below:

Year ended 30 September 2019 A\$M	AN Tonnes (i) ('000)	Sales Revenue (ii)	EBITDA ⁽⁸⁾	EBIT ⁽²⁾	Capital Expenditure
Australia Pacific & Asia (APA)	1,682	2,106.0	508.9	382.7	159.1
North America	1,128	1,590.5	236.9	192.1	39.5
Europe, Middle East & Africa (EMEA)	444	911.2	93.9	67.9	43.6
Latin America	718	969.9	66.5	43.8	29.4
Minova	-	595.1	24.3	15.2	7.6
Orica Monitor	-	97.2	30.9	22.3	12.7
Global Support	-	1,210.4	(20.3)	(59.3)	132.1
Eliminations	-	(1,602.3)	-	-	-
Orica Group	3,972	5,878.0	941.1	664.7	424.0

Year ended 30 September 2018 A\$M	AN Tonnes (i) ('000)	Sales Revenue (ii)	EBITDA ⁽⁸⁾	EBIT ⁽²⁾	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
Orica Monitor	-	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

(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

Review of Operations

Nothing is more important to Orica than keeping our people safe. Making sure that every Orica site remains fatality free is our primary goal. Once again, there have been no fatalities across the Group.

During the year, a global pilot for the Major Hazards Management process was launched which seeks to take the day-to-day management of Major Hazards to the next level. In the 2019 financial year over 9,300 key control verifications were conducted. Results consistently confirmed that the major hazard key controls were 100% effective, 100% of the time.

The traditional total recordable injury frequency rate (TRIFR) measure has been complemented with a new metric called Serious Injury Case Rate (SICR). This measure includes personal injury and illness incidents that result in an actual serious impact. It enables a better understanding of the severity of injuries and illness in the business and drives a focus on investigations, improvement opportunities and learning in these areas. During this financial year the SICR performance has been stable on previous years.

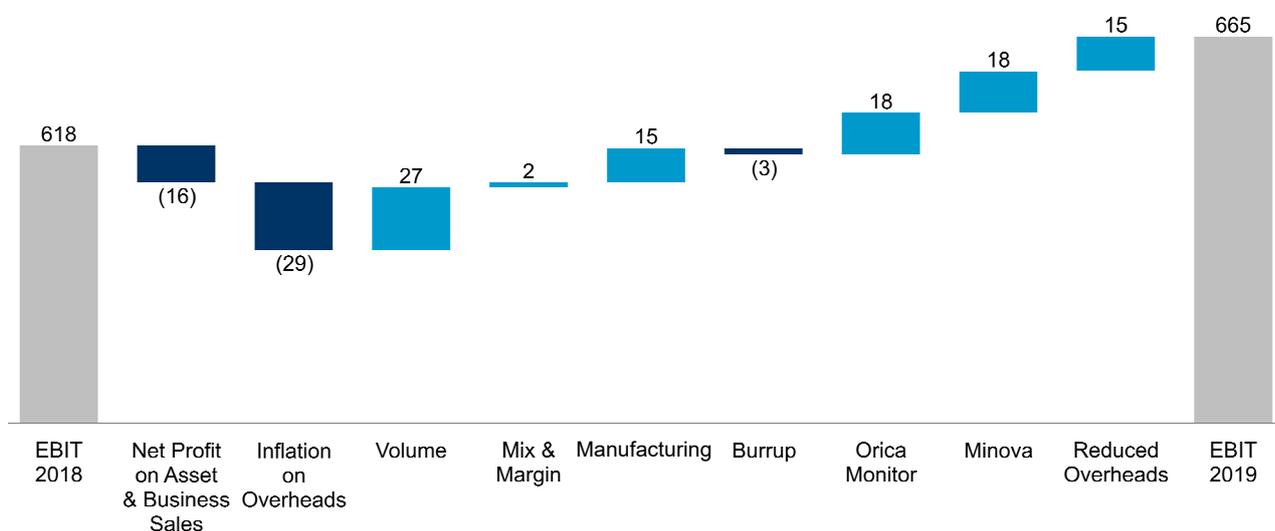
TRIFR increased slightly during the year due to an increase in low severity injuries, with the vast majority of these events being at the lower end of the severity spectrum.

Environmental programs continue to be embedded across the business. There were no breaches of environmental permits and licences. During the year, there was a 6% reduction in Scope 1 and Scope 2 greenhouse gas (GHG) emissions and intensity continues to improve against 2018 levels.

AN volumes were up by 4% on the pcp, supported by strong demand led by Latin America. Sales revenue increased by 9% on the pcp to \$5.9 billion from higher volumes and services, increased penetration of advanced products and favourable foreign exchange movements.

EBIT of \$665 million was up 8% on the pcp. This was driven by higher volumes and services, the non-repeat of unplanned maintenance shutdowns that occurred in the pcp, the impact of strong returns from GroundProbe™ and the turn-around in Minova's performance. Cyanide also continues to be a strong contributor. These benefits were partly offset by the impact of prices on previously reported contract renewals and the continued impact of sourcing costs in the Pilbara.

A\$M



Key items in the above chart:

Net profit on asset & business sales were down on the pcp due to larger one-off transactions in the second half of 2018.

Inflation on fixed overhead costs had an adverse effect of \$29 million.

Volume

Total AN volumes improved by 4% through new business and higher demand from existing customers in Latin America, Australia Pacific & Asia, Canada and the CIS, partly offset by lower volumes in Mexico and Turkey.

Sales volumes of higher margin advanced Electronic Blasting Systems (EBS) were up 7% with improvement across most regions. Total detonator sales volumes were down as a result of a reduction in conventional detonator volumes.

Mix & Margin

Improved service margins were realised in most regions particularly in Australia, Indonesia, Middle East and the CIS driven by growth in new and existing customers.

This was offset by the impact of prices on previously reported contract renewals.

Manufacturing

Manufacturing performance improved overall as unplanned maintenance shutdowns impacting Australia in the pcp did not recur, and overall efficiency improved at initiating system plants in the EMEA region. This was partly offset by a planned turnaround at the Yarwun cyanide plant, disruption of utilities supply at Bontang in the first half, lower EBS production at Brownsburg following a strategic decision to reduce inventory, and a temporary outage at Carseland in the second half.

Burrup

Orica is continuing to work closely with its joint venture partner, Yara, to resolve technical issues with the plant, and rectification work is on track within plan. The plant produced 40 thousand tonnes of AN prill in the second half of 2019 during a testing phase. The plant is now shut down for installation of critical components and is scheduled to commence operations in the second half of 2020 financial year.

The Pilbara region continued to incur significant sourcing and freight costs as rectification works at the Burrup plant are being completed. Furthermore, ongoing administrative overheads as well as costs associated with the arbitration proceedings continue to be incurred.

Orica Monitor

GroundProbe™ representing the majority of Orica Monitor's earnings, outperformed its investment case expectation and achieved over 10% RONA in the first full year of ownership.

Minova

Minova derived revenue from new sectors and across an expanded product and services range, predominantly in the Americas and Australia Pacific. The benefits of the restructuring activities have seen a reduction in overhead costs. The focus will remain on increasing product penetration and growth in new geographies and sectors.

Reduced Overheads

Benefits from recent restructuring activity reduced overheads compared to the pcp. This was partly offset by increased costs associated with technology roll-out and temporary costs to support the SAP project.

Australia Pacific & Asia

Year ended 30 September	2019	2018	Change
Total AN & Emulsion Volumes ('000 tonnes)	1,682	1,626	3%
Total sales revenue (A\$M)	2,106.0	1,944.2	8%
EBITDA ⁽⁸⁾ (A\$M)	508.9	505.5	1%
EBIT ⁽²⁾ (A\$M)	382.7	381.9	Nil

Revenue by commodity 2019

Commodity	Percentage
Thermal coal	37%
Iron ore	12%
Coking coal	11%
Gold	16%
Other	9%
Copper	9%
Q&C	6%

Commodity exposure

Thermal coal remains the most significant commodity for the region. Activity in the coal and iron ore markets remains strong as demand for high quality products continues, while the gold market has been supported by stable prices.

Performance drivers

Volume

Explosives volumes were up on the pcp, underpinned by growth and higher activity in the Pilbara and metals segments, strong demand from existing customers (particularly coal in Australia), and increased sales to competitors.

EBS volumes were higher from increased demand and customer conversion, particularly in Indonesia. Sales of conventional detonators were lower than the pcp, notably in the Philippines due to temporary permitting issues in the first half.

There has been further introduction of technology based products. A key milestone for our WebGen™ wireless detonators was the world's largest open-cut stratablast using ~2,000 units in a single blast.

Cyanide volumes were ahead of the pcp, as a result of higher sales to existing customers as well as incremental spot sales.

EBIT

EBIT is marginally ahead of the pcp as the impact of previously reported pricing on contract renewals was offset by favourable volumes and conversion to EBS, higher uptake of services and an initial adoption of new technology products. Investment in manufacturing plants and the non-repeat of unplanned maintenance shutdowns enabled improved manufacturing reliability.

Burrup continues to be impacted by the ongoing costs associated with sourcing volumes for the Pilbara customers and increased costs associated with arbitration proceedings.

Outlook

Volumes are expected to strengthen in the next financial year due to higher demand in Australia and new contracts in the Pilbara. Positive EBIT contribution is expected from the Burrup plant in the second half of the 2020 financial year and EBIT margins are anticipated to improve once Burrup reaches full production.

North America

Year ended 30 September	2019	2018	Change
Total AN & Emulsion Volumes ('000 tonnes)	1,128	1,112	1%
Total sales revenue (A\$M)	1,590.5	1,430.3	11%
EBITDA ⁽⁸⁾ (A\$M)	236.9	226.8	4%
EBIT ⁽²⁾ (A\$M)	192.1	185.6	3%

Commodity	Percentage
Gold	29%
Q&C	18%
Other	18%
Copper	11%
Thermal coal	10%
Iron ore	9%
Coking coal	5%

Commodity exposure

Demand in the gold market in North America improved on the pcp from growth in Canada and continued strong demand in the USA. The Q&C market remained steady despite unfavourable weather conditions and a tightening in the skilled labour market, while demand from copper was lower due to production issues at a number of mines. Demand for thermal coal remains stable, while iron ore improved in the USA and Canada, aided by firmer prices.

Performance drivers

Volume

Explosives volumes were slightly ahead of the pcp, with higher sales in Canada offset by lower volumes in Mexico due to community issues at a key customer site.

EBS volumes were up 7%, largely driven by an increase in demand in Canada and Mexico due to a shift into more advanced products, while conventional detonator sales were down on the pcp.

The introduction of our WebGen™ wireless detonators in the Canadian underground segment continued with a number of service based contracts signed.

EBIT

EBIT across the region benefitted from improved emulsion and EBS mix, notably in Canada, higher services activity in the USA, spot sales of cyanide in Mexico and foreign exchange gains. The temporary outage at the Carseland plant and a strategic decision to temporarily lower EBS production at the Brownsburg plant to reduce inventory levels offset some of the gains in the second half.

Joint venture operations in North America performed well.

Outlook

Volumes are expected to grow driven by the gold, copper and Q&C sectors despite the ongoing competitive pressure. Services growth, continued focus on technology offerings as well as further overhead efficiencies are expected to continue to improve EBIT.

Europe, Middle East & Africa

Year ended 30 September	2019	2018	Change
Total AN & Emulsion Volumes ('000 tonnes)	444	462	(4%)
Total sales revenue (A\$M)	911.2	807.2	13%
EBITDA ⁽⁸⁾ (A\$M)	93.9	78.8	19%
EBIT ⁽²⁾ (A\$M)	67.9	54.8	24%

Revenue by commodity 2019

Commodity	Percentage
Q&C	38%
Gold	25%
Other	23%
Copper	9%
Thermal coal	1%
Coking coal	2%
Iron ore	2%

Commodity exposure

Sales into the Q&C markets were strong and ahead of the pcp, underpinned by growth in the Middle East, while activity in the gold and copper sector increased from higher demand in Africa and Russia. Other revenue includes diversified sales across numerous geographies and markets including phosphate, natural gas, nickel and zinc.

Performance drivers

Volume

Explosives volumes were below the pcp due to lower activity in Turkey which was adversely impacted by continued political and economic uncertainty. This was partly offset by higher and profitable demand in the CIS, particularly new contract wins in Kazakhstan and Russia, growth in Africa and higher sales in the Middle East.

EBS volumes were 20% ahead of the pcp as conversion continues to progress with higher market penetration in Africa and the Nordics. This was partially offset by lower demand of conventional detonators across Europe.

EBIT

EBIT improved on the pcp, underpinned by strong growth in the CIS from new and existing rock-on-ground customers, higher EBS detonator sales across most of the region, services growth from increased customer activity in Africa and new projects in the Middle East.

Manufacturing also favourably supported results due to improved operational efficiency at initiating system plants.

Outlook

Momentum from the second half of 2019 is expected to continue into 2020. Geographically, growth will be underpinned by targeted expansion in new CIS territories and increased market share in Africa. Overall, strategic focus remains on expanding the placement of higher energy products and new technologies as well as improved overhead efficiencies.

Latin America

Year ended 30 September	2019	2018	Change
Total AN & Emulsion Volumes ('000 tonnes)	718	618	16%
Total sales revenue (A\$M)	969.9	899.8	8%
EBITDA ⁽⁸⁾ (A\$M)	66.5	67.1	(1%)
EBIT ⁽²⁾ (A\$M)	43.8	43.2	1%

Revenue by commodity 2019

Commodity	Percentage
Copper	42%
Gold	25%
Thermal coal	17%
Other	7%
Iron ore	6%
Q&C	3%

Commodity exposure

Copper remains the most significant commodity for the region with demand steady from the pcp. The thermal coal market was higher from increased demand in Colombia. In contrast, the gold sector was down due to lower demand in Peru.

Performance drivers

Volume

Explosives volumes were up on the pcp, underpinned by strong growth in Colombia and Peru. Volumes in Colombia were supported by higher demand and the non-recurrence of unfavourable weather conditions in the pcp. Demand was higher in Peru from increased customer activity and a major new copper customer contract. This was partly offset by the volume decline in Chile from a partial contract loss in the second half of the 2018 financial year.

EBS sales were strong and in line with the pcp. Conventional detonator volumes were down on the pcp, with lower demand in Chile partly offset by higher sales in Colombia.

Cyanide volumes were down on the pcp due to mine plan changes at a customer site in Peru.

EBIT

EBIT was slightly ahead of the pcp despite the partial contract loss in Chile and continued competitive pricing pressure on explosives. The improved business performance was achieved through stronger contribution in Colombia and Peru. This was driven by AN volume growth, albeit at lower margins, higher service revenue and new technology. Overhead efficiencies from strategic initiatives also contributed positively to the result.

Outlook

The higher gold price is expected to support volume growth for explosives and cyanide. Renewed customer focus and engagement will drive increased product and technology penetration. Effective cost control will continue to deliver overhead efficiencies in the region.

Orica Monitor

Year ended 30 September	2019 A\$M	2018 A\$M	Change
EBIT ⁽²⁾	22.3	4.8	>100%

Performance drivers

The Orica Monitor segment comprises GroundProbe™ and Nitro Consult businesses.

GroundProbe's™ earnings were ahead of the investment case expectations and delivered over 10% RONA in the 2019 financial year. EBIT performance was supported by higher demand for services and radars, entry into the tunnels market as well as the non-repeat of acquisition costs in the pcp.

Going forward, EBIT is expected to grow benefitting from further expansion of laser products into the mining and civil industries, deployment of the new premium 'SSR-Omni' radar and continued growth through Geotechnical Support Services.

Minova

Year ended 30 September	2019	2018	Change
Steel products ('000 tonnes)	156	142	10%
Resins & Powders ('000 tonnes)	123	109	13%
Total sales revenue (A\$M)	595.1	519.0	15%
EBITDA ⁽⁸⁾ (A\$M)	24.3	6.2	>100%
EBIT ⁽²⁾ (A\$M)	15.2	(2.3)	>100%

Performance drivers

Significant progress has been made on the turnaround with initiatives undertaken to increase revenues, improve margins and production efficiency, and reduce overheads.

EBIT is ahead of the pcp due to higher revenues, lower fixed manufacturing costs from plant rationalisation and sustainable overhead reduction. Revenues have materially increased in the USA, Canada and Australia due to a combination of increased market share, higher demand from existing customers and increased steel and injection chemical sales.

Looking forward, Minova will continue to drive revenue growth from new sectors (hard rock, oil & gas, tunnelling and infrastructure) and across expanded service offerings.

Global Support

Year ended 30 September	2019 A\$M	2018 A\$M	Change
EBIT ⁽²⁾	(59.3)	(49.9)	(19%)

Benefits from recent restructuring activity delivered reduced costs compared to the pcp. This was offset by the non-repeat of higher asset sales in the second half of 2018.

Net interest expense

The adjusted net interest expense of \$108 million is down on the pcp as a result of lower average net debt levels and lower financing costs.

Year ended 30 September	2019 A\$M	2018 A\$M	Change
Statutory net interest expense	109.7	121.3	10%
Adjusted for:			
Capitalised interest	7.5	4.8	56%
Unwinding of discount on provisions	(9.3)	(7.9)	(18%)
Adjusted net interest expense	107.9	118.2	9%

Tax expense

The effective rate of 32.0% is in line with pcp.

Group Cash Flow

Year ended 30 September	2019 A\$M	2018 A\$M	Variance A\$M
Net Operating cash flows	746.4	614.7	131.7
Net Investing cash flows	(368.4)	(552.0)	183.6
Net Operating and Investing cash flows⁽⁴⁾	378.0	62.7	315.3
Dividends – Orica Limited	(177.2)	(143.2)	(34.0)
Dividends – non-controlling interest shareholders	(18.0)	(13.5)	(4.5)
Adjusted net cash flows	182.8	(94.0)	276.8
Movement in borrowings and other net financing cash flows ⁽¹⁰⁾	(301.5)	75.9	(377.4)
Net cash flows⁽¹¹⁾	(118.7)	(18.1)	(100.6)

Performance highlights

The Group delivered net operating and investing cash inflows of \$378 million.

Net Operating cash flows

Net cash generated from operating activities was underpinned by stronger earnings for the year and an improvement in working capital across the group. A refund following the successful resolution of the thin-capitalisation matter with the Australian Taxation Office was received during the year.

Net Investing cash flows

Net investing cash outflows comprised capital expenditure of \$424 million including continued spend on the new SAP system as the project approaches completion, spend on manufacturing plants to improve reliability, rectification works at Burrup and investment in technology products.

Net investing cash flows in the pcp included the purchase of GroundProbe™.

Movement in borrowings

During the year, \$302 million was repaid on borrowings, in particular the current portion of the US Private Placement and non-current bank loans.

Debt Management and Liquidity

As at 30 September	2019 A\$M	2018 A\$M	Variance A\$M
Interest bearing liabilities	(2,033.2)	(2,162.9)	129.7
Less: Cash and cash equivalents	412.6	514.6	(102.0)
Net debt ⁽⁶⁾	(1,620.6)	(1,648.3)	27.7
Gearing % ⁽⁷⁾	34.9%	35.7%	

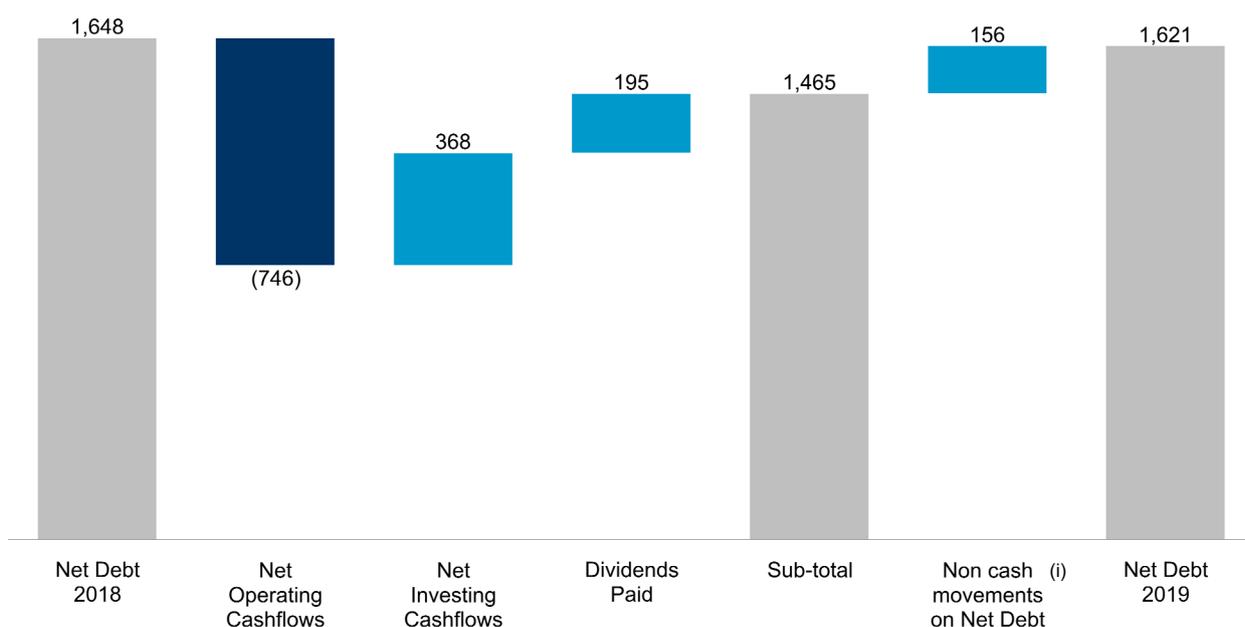
Interest bearing liabilities of \$2,033 million comprise \$1,971 million of US Private Placements and \$62 million of committed and other bank facilities. The average tenor of drawn debt is 4.7 years (2018 5.0 years).

Undrawn committed bank facilities of \$1,534 million, with total committed debt facilities of \$3,563 million provides for a strong liquidity position.

Gearing at 34.9% is at the mid-point of the Group's targeted range of 30-40%.

The chart below illustrates the movement in net debt from September 2018.

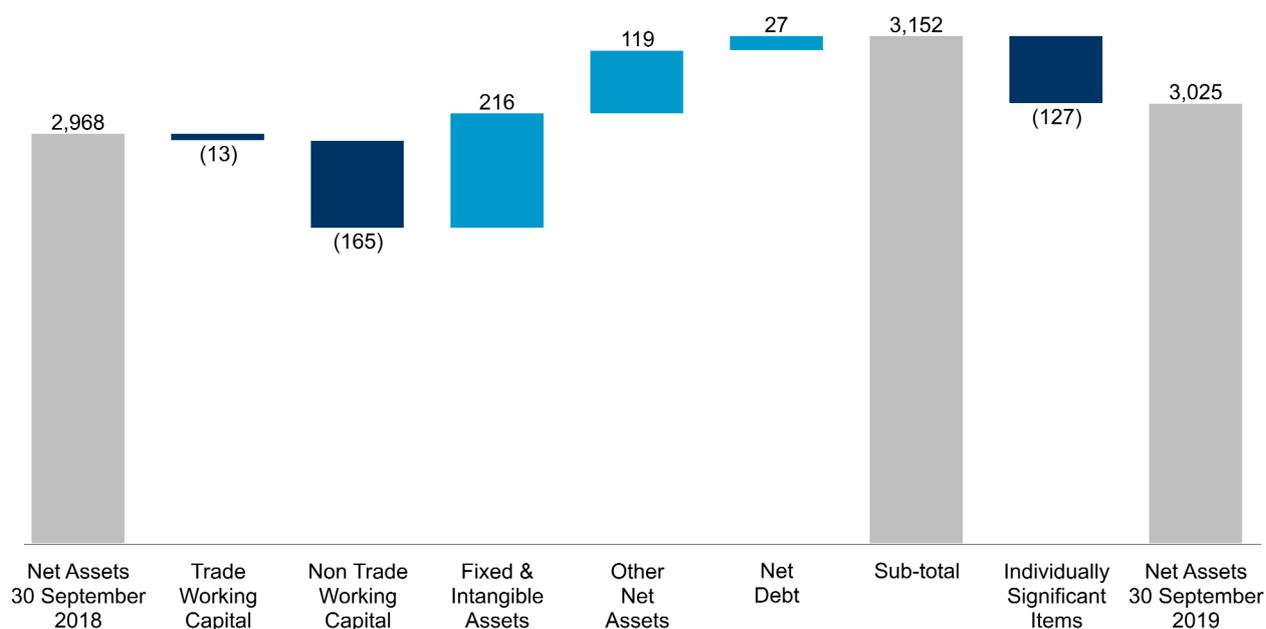
Movement in Net Debt (A\$M)



(i) Non cash movements on Net Debt include foreign exchange translation

Group Balance Sheet

Movement in Net Assets (A\$M)



Performance highlights

Trade Working Capital ⁽¹²⁾ decreased by \$13 million due to optimisation of inventory across the network and timing of shipments, partly offset by higher debtors as a result of increased sales activity.

Non Trade Working Capital ⁽¹³⁾ was impacted by the actuarial revaluation of the Group's defined benefit liabilities as a result of reduced discount rates driven by lower global interest rates, as well as an increase in non trade creditors related to accelerated spend on the SAP program.

Fixed & Intangible Assets increased by \$216 million from the pcp excluding the impact of individually significant items, in particular the write-down of Burrup assets of \$155 million in the first half. Capital additions of \$434 million were partly offset by depreciation and amortisation expense of \$276 million.

Other Net Assets increased by \$119 million from the pcp as a result of the revaluation of financial instruments, and a weaker Australian Dollar.

Dividend

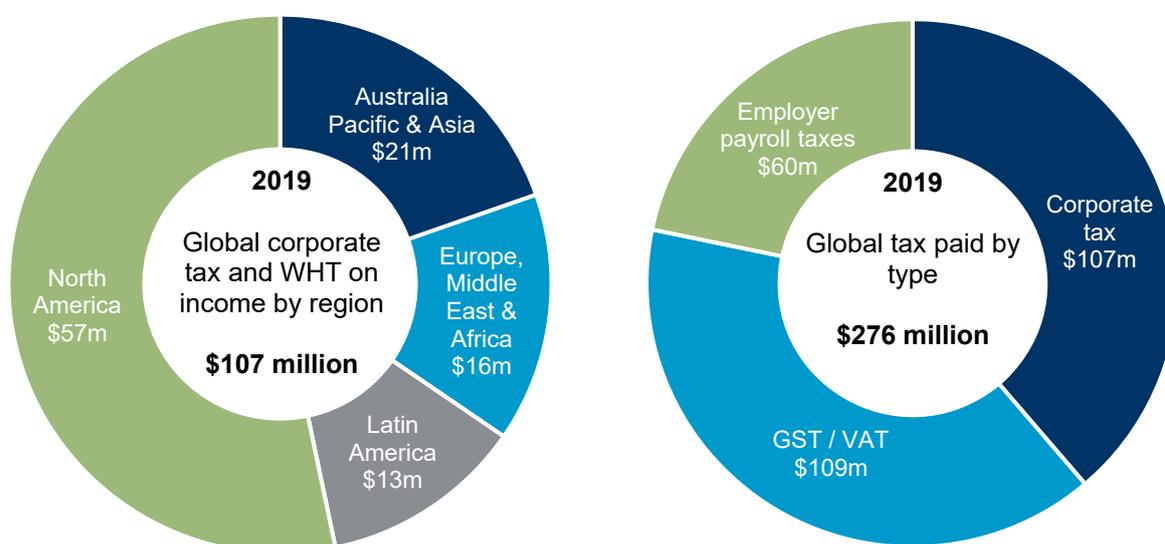
The Board has declared a final ordinary dividend of 33.0 cents per share (5.0 cents franked). The dividend represents a payout ratio⁽¹⁴⁾ of 61% and brings the full year payout ratio to 56%.

The dividend is payable to shareholders on 13 December 2019 and shareholders registered as at the close of business on 13 November 2019 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 the 2019 financial year, Orica paid \$107 million (2018 \$69 million) globally in corporate income taxes and \$60 million (2018 \$56 million) globally in payroll taxes. Orica collected and remitted \$109 million (2018 \$124 million) globally in GST / VAT.

The charts below show 2019 corporate income tax paid / (refunded) in each region (including withholding tax and trade taxes), and an analysis of total tax paid by type.



In Australia, Orica received net corporate income tax refunds of \$10 million (2018 \$42 million) comprising a tax refund on the resolution of a thin capitalisation dispute with the Australian Taxation Office of \$23 million and tax payments of \$13 million. Orica also paid \$19 million (2018 \$19 million) in payroll tax and \$2 million (2018 \$2 million) in fringe benefits tax. Orica collected and remitted \$47 million (2018 \$43 million) in GST and \$106 million (2018 \$105 million) in 'pay as you go' withholding taxes.

Individually significant items

Financial year ended 30 September 2019	Gross A\$M	Tax A\$M	Net A\$M
Impairment of IT assets	(36.1)	10.8	(25.3)
Write down of property, plant and equipment	(155.0)	46.5	(108.5)
Half year ended 31 March 2019	(191.1)	57.3	(133.8)
Gain on formation of China joint venture	50.2	(4.5)	45.7
Restructuring	(21.5)	6.2	(15.3)
Environmental provisions for legacy sites	(33.5)	10.1	(23.4)
Half year ended 30 September 2019	(4.8)	11.8	7.0
Total individually significant items	(195.9)	69.1	(126.8)

Impairment of IT assets

As part of the transition to a new SAP operating system, \$36 million of IT assets were identified as no longer being utilised by the business.

Write down of property, plant and equipment

Rectification works at the Technical Ammonium Nitrate (TAN) plant on the Burrup Peninsula are progressing in line with the announced plan. As these rectification and capital works have progressed over the last year, the Group identified a number of assets that are considered to be defective, requiring replacement which resulted in a write down of \$155 million during the first half.

Gain on formation of China joint venture

A gain was recognised in connection with the formation of a new joint venture with Guizhou Jiulian Industrial Explosives. The gain arose from the difference between the value of the shares received in the newly formed joint venture and the carrying amount of the assets contributed by Orica and has been treated as an individually significant item. Whilst the results from the China subsidiaries were previously consolidated, the joint venture's results are now equity accounted. This is expected to result in less than \$10 million negative impact to EBIT in the 2020 financial year.

Restructuring

As a result of the global restructuring program, the Group incurred redundancy costs in the second half, with benefits to be realised in the 2020 financial year. These have been treated as significant items consistent with the pcp.

Environmental provisions for legacy sites

During the financial year, cost estimates for remediation of legacy sites continued to be updated with the most recent information. This resulted in a \$34 million increase in the provision from increases in labour costs, materials used in the remediation process, scope of work and time value of money.

2020 Financial Year Outlook

Continued delivery of better business performance will support further growth

Higher EBIT underpinned by technology, increased demand and mix across all regions, with earnings skewed to the second half of the year.

Key assumptions for the 2020 financial year include ⁽ⁱ⁾:

Operations

- AN product volumes expected to be ~5% higher than the 2019 financial year from already secured contracts and growth in EMEA and Canada
- Contribution from new advanced product and service contracts, and services margin growth led by targeted initiatives
- Further improvements in GroundProbe™ and Minova
- Increased operating expenditure relating to the implementation of the SAP project
- Further overhead reduction

Burrup TAN plant

- ~150 thousand tonnes, produced in second half
- Positive EBIT contribution in the second half and subsequent years

Other

- Capital expenditure expected to be between \$370 - \$390 million in the 2020 financial year (excluding Burrup) with a continued focus on growth capital and plant reliability
- Depreciation and amortisation expense to be ~15% higher than the 2019 financial year from Burrup and the SAP project (excluding impact of reclassifications from AASB 16 Leases ⁽ⁱⁱ⁾)
- Increase in trade working capital driven by higher activity, temporary inventory increases and standardised payment terms

(i) Subject to no material changes to market, economic or regulatory environments

(ii) Additional depreciation expense will offset a reduction in operating lease expenses

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, as disclosed in Note 1(b) within Appendix 4E – Preliminary Final Report
- (2) Equivalent to profit/(loss) before financing costs and income tax as disclosed in Note 1(b) within Appendix 4E – Preliminary Final Report, before individually significant items
- (3) Earnings per share before individually significant items
- (4) 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
- (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) Quarry and construction
- (10) 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
- (11) Equivalent to net decrease in cash held, as disclosed in the Statement of Cash Flows within Appendix 4E – Preliminary Final Report
- (12) Comprises inventories, trade receivables and trade payables, as disclosed in the Balance Sheet within Appendix 4E – Preliminary Final Report
- (13) Comprises other receivables, other assets, other payables and provisions
- (14) 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 2019 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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