

ASX / MEDIA RELEASE

20 NOVEMBER 2020

STRONG PERFORMANCE IN A COVID-19 ENVIRONMENT

Melbourne: Orica (ASX: ORI) today announced statutory Net Profit After Tax for the 12 months ended 30 September 2020 of \$168 million, down 31% on the prior corresponding period (pcp), and underlying EBIT of \$605 million, down 9% on the pcp. Underlying earnings per share decreased by 23% to 75.7 cents per share.

Orica Managing Director Alberto Calderon said: *“Our FY20 financial result demonstrates the resilience of our operating and financial performance in the face of the global pandemic.*

“After a strong first half that delivered growth in volumes, revenue and earnings, COVID-19 temporarily disrupted our strategic momentum. Despite this, I am pleased to report that we achieved all the major initiatives, and passed all the key strategic milestones, that we set ourselves for the year.

“These initiatives included the successful acquisition of Exsa, which has brought greater diversification into both copper and gold and reduced our exposure to coal, and Burrup commencing production of high quality ammonium nitrate. We also completed the rollout of our SAP project which standardises end-to-end processes from an enterprise system supporting the entire organisation, enabling fact-based and real-time data-driven analysis and insight.

“Furthermore, we achieved our global adoption targets for our world-leading suite of digital solutions. We now have 87 sites benefiting from our BlastIQ platform, a number which we expect to double on average for several years, and we have now completed over 1,000 wireless blasts since launching WebGen in 2017. We are confident that the deployment of our new WebGen 200 product, and achieving critical mass, will drive ongoing profitable growth.

“At the same time, we significantly increased the strength of our balance sheet through a very timely capital raising and US Private Placement, both of which were oversubscribed.

“The realisation of all these key objectives through a challenging period has further solidified our platform for future growth.”

New greenhouse gas emission target

After reducing operational Scope 1 and Scope 2 greenhouse gas emissions by nine per cent over the financial year, Mr Calderon announced a step change target for the company.

“Over the past year we have made good progress in reducing our impact on the environment, having met or exceeded many of our sustainability targets. Today though, I am very proud to announce our new target on our journey to decarbonise Orica – a reduction of our Scope 1 and 2 emissions by at least 40 per cent by 2030¹.

“This is not just an aspirational goal. It is a very real, credible and achievable target, supported by the science and proven technology that has delivered our strong recent track record in meeting emissions targets.

“We will achieve this new goal by reducing emissions from our industrial processes, increasing efficiency, partnering with government and civil society to drive adoption of low-emissions technology and by leveraging our expertise in innovation to support emerging technologies.”

...cont over/

Capital Management and Dividends

Orica's gearing 36.4% remains within the company's target range of 30-40%.

The Board has declared an unfranked final ordinary dividend of 16.5 cents per share, bringing the full year dividend to 33.0 cents per share. The final dividend is payable on 15 January 2021 to shareholders registered at the close of business on 1 December 2020.

Mr Calderon said *"Our strong result, healthy Balance Sheet and confidence in the future have enabled us to maintain a dividend, reduced to reflect continuing uncertainty in our operating environment."*

Outlook

Given the ongoing global uncertainty, EBIT in the 2021 financial year is expected to be skewed towards the second half, subject to COVID-19 recovery. Our focus will remain on realising initial benefits from our strategic priorities and solid, established growth platform.

Mr Calderon said: *"While the COVID situation means the year ahead cannot be predicted with any great certainty, the impacts are temporary."*

With most of our customers operations returning to pre-COVID activity, we have cautious optimism about the year ahead. With continued momentum, we expect to deliver a significant increase in EBITDA and a return to EBIT growth in the year ahead."

We will stay focused on what we can control – making our operations as efficient as possible, driving our growth engines, and working hard to minimise our impact on the environment and deliver climate-resilient economic growth."

Capital expenditure in the 2021 financial year is anticipated between \$380 million and \$400 million (excluding Burrup) with a continued focus on growth capital and plant reliability.

End.

Notes

¹ From FY19 levels of existing operations. Reference baselines will be adjusted for any material acquisitions and divestments based on GHG emissions at the time of the transaction

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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 2020

Strong performance in a COVID-19 environment

Statutory net profit after tax (NPAT) attributable to the shareholders of Orica for the year ended 30 September 2020 was \$168 million, down 31% on the prior corresponding period (pcp) with underlying EBIT⁽¹⁾ of \$605 million down 9% on the pcp

Summary

- Underlying EBIT⁽¹⁾ of \$605 million, down 9% on the pcp, before individually significant items
- Underlying NPAT⁽²⁾ down 20% on the pcp, before \$131 million of individually significant items after tax
- Ammonium nitrate (AN) volumes down 1% on the pcp at 3.93 million tonnes, and down 4% on the pcp excluding Exsa volumes
- Prolonged COVID-19 impacts, with more severe impacts in developing markets
- Underlying earnings per share⁽³⁾ down 23% to 75.7 cents per share
- Net Operating cash flows⁽⁴⁾ of \$277 million and cash conversion of 74.4%
- Capital expenditure of \$472 million⁽⁵⁾ includes \$78 million of rectification works at Burrup
- Net debt⁽⁶⁾ of \$1.8 billion and gearing⁽⁷⁾ at 36.4%
- Unfranked final dividend of 16.5 cents per share

Group Results

Year ended 30 September	2020 A\$M	2019 A\$M	Change %
Sales revenue	5,611.3	5,878.0	(5%)
EBITDA ⁽⁸⁾	955.8	941.1	2%
EBIT⁽¹⁾	604.5	664.7	(9%)
Net interest expense	(149.6)	(109.7)	(36%)
Tax expense	(146.4)	(177.7)	18%
Non-controlling interests	(9.2)	(5.4)	(70%)
NPAT before individually significant items⁽²⁾	299.3	371.9	(20%)
Individually significant items after tax	(131.0)	(126.8)	(3%)
NPAT after individually significant items (statutory)	168.3	245.1	(31%)

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 2020 and 2019 financial years is presented below:

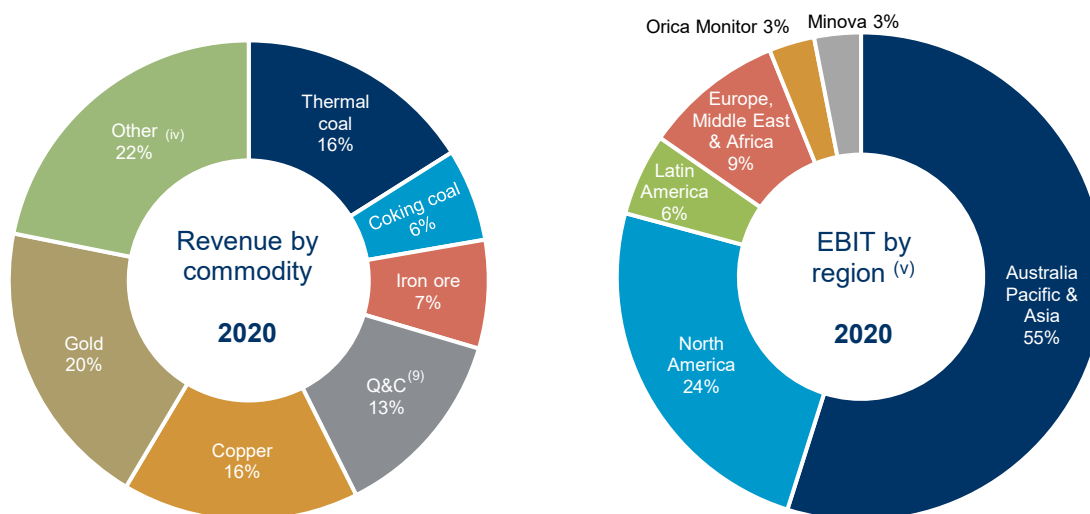
Year ended 30 September 2020 A\$M	AN Tonnes (i), (ii) ('000)	Sales Revenue (iii)	EBITDA ⁽⁸⁾	EBIT ⁽¹⁾	Capital Expenditure ⁽⁵⁾
Australia Pacific & Asia (APA)	1,763	2,193.9	518.1	369.5	169.3
North America	1,023	1,476.4	234.1	163.7	52.5
Latin America	694	895.6	70.6	36.6	16.9
Europe, Middle East & Africa (EMEA)	450	912.4	94.5	62.4	32.7
Minova	-	470.7	32.2	20.8	12.1
Orica Monitor	-	98.4	33.1	20.3	14.3
Global Support	-	635.8	(26.8)	(68.8)	174.1
Eliminations	-	(1,071.9)	-	-	-
Orica Group	3,930	5,611.3	955.8	604.5	471.9

Year ended 30 September 2019 A\$M	AN Tonnes (i) ('000)	Sales Revenue (iii)	EBITDA ⁽⁸⁾	EBIT ⁽¹⁾	Capital Expenditure ⁽⁵⁾
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
Latin America	718	969.9	66.5	43.8	29.4
Europe, Middle East & Africa (EMEA)	444	911.2	93.9	67.9	43.6
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

(i) Includes ammonium nitrate prill and solution as well as bulk and packaged emulsion

(ii) Includes 98 thousand tonnes sold from Exsa S.A. (Exsa)

(iii) Includes external and inter-segment sales



(iv) Includes Minova and Orica Monitor

(v) Excludes Global Support

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Review of Operations

Nothing is more important at Orica than keeping our people safe, as we continue to have a relentless focus on major hazards and fatality prevention. During this year of unprecedented change and disruption from bushfires, extreme weather events and the COVID-19 pandemic, our commitment to the health and wellbeing of our team and wider communities has been highlighted more than ever before.

In the early stages of the COVID-19 pandemic, crisis management teams were activated at a country, regional and global level, allowing us to respond to the rapidly changing situation in a consistent and quick manner. We continue to adapt our working practices as the situation evolves to provide for the health and safety of our people, customers and communities. Globally we have implemented controls to prevent infection in our workplaces, including temperature testing, physical distancing and sanitisation. Managing our people's psychological health has also been an important focus. Where our plants are operating, our enhanced safety and health controls are in place to protect the health and wellbeing of our people. In some areas where our leaders were unable to travel, we introduced augmented reality technology to allow remote safety verifications and technical support.

Over the past five years there has been a clear reduction in the number of serious injuries. The full year Serious Injury Case Rate reduced 29% on the pcp, underpinned by a relentless focus on Major Hazard Management. The Total Recordable Injury Frequency rate was in line with the pcp, with the vast majority of cases being minor injuries such as cuts and sprains.

Environmental programs continue to be embedded across the business, and there were no major environmental incidents during the period. Orica is on track to align corporate governance and climate risk disclosure to the recommendations of the Task Force on Climate-related Financial Disclosures.

In pursuing our strategic objectives, three milestones were successfully completed in the second half:

1. The Burrup plant commenced production in May 2020 and produced approximately 100 thousand tonnes of high quality product in the second half. The plant achieved an Overall Equipment Effectiveness (OEE) of 85% since operations commenced, with very positive feedback from customers. The plant remains a key strategic asset in a key growth market.
2. Since 30 April 2020, 96.8% of total Exsa S.A. (Exsa) shares have been acquired, and the integration of the Exsa business has progressed in line with plan. Synergies from the acquisition are expected to materialise from the 2021 financial year.
3. The largest and final phase of the SAP project was implemented in July 2020.

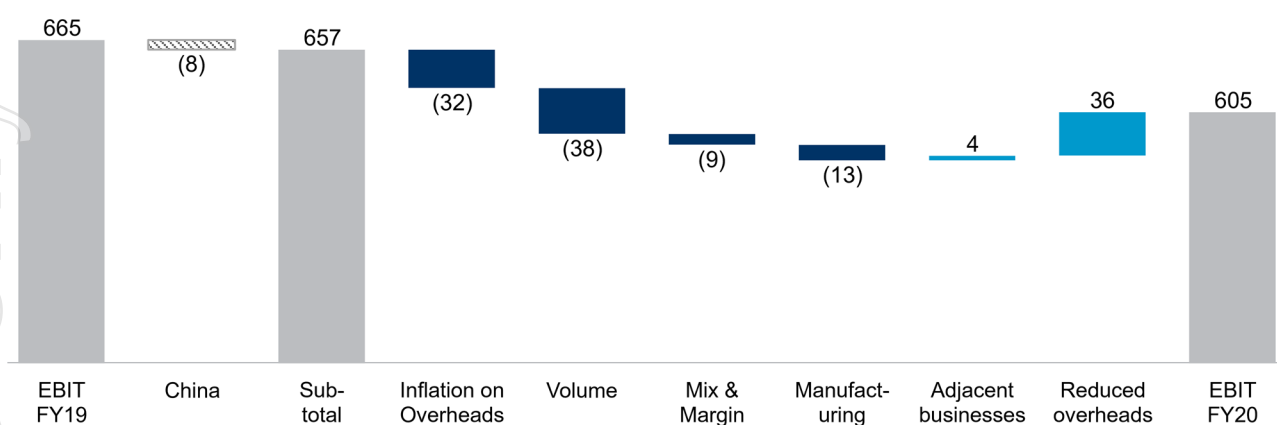
The achievement of these strategic objectives through a challenging period has further solidified Orica's platform for future growth.

Following a strong first half, momentum into the second half was disrupted by the COVID-19 pandemic which led to lockdowns and lower levels of mining activity in many countries across our markets. As a result, full year AN volumes were down 4% on the pcp, excluding 98 thousand tonnes sold by the recently acquired Exsa business since acquisition in May 2020. Including Exsa, AN volumes were down 1% on the pcp. While volume growth in Australia remained strong through the pandemic and mining activity in the United States of America (USA) was resilient, other geographical regions were impacted to varying degrees, and most severely in developing countries. Other structural impacts affecting the business include weakening and uncertain coal markets – particularly in the USA and Indonesia.

Sales revenue decreased by 5% on the pcp to \$5.6 billion. This was largely the result of lower second half volumes, further impacted by decreased revenue from Minova, negative pricing in competitive markets and the impact of an ownership structure change of the China business which is no longer consolidated in Orica's results.

EBIT of \$605 million was down 9% on the pcp after solid first half growth. In addition to reduced volumes, EBIT was impacted by the change in ownership structure of the China business. Higher gas costs on the east coast of Australia reduced EBIT by \$12 million. Reductions in some sales prices in the current price sensitive environment along with lower recoveries of plant fixed costs due to reduced sales volumes further impacted EBIT. These factors were partly offset by growth in adjacent businesses and benefits from reduced overheads and management initiatives implemented to mitigate COVID-19 impacts.

FY19 to FY20 EBIT (A\$M)

**Key items in the chart above:****China, (\$8 million)**

As previously reported, a new joint venture with Guizhou Jiulian Industrial Explosives was formed in the second half of the 2019 financial year. While the results from China subsidiaries were consolidated until June 2019, the joint venture's net profit after tax is no longer consolidated and is now treated as an after tax 49% equity accounted investment.

Inflation on Overheads, (\$32 million)

Inflation on fixed overhead costs had an adverse impact of \$32 million.

Volume, (\$38 million)

Excluding Exsa, total AN volumes decreased by 4% on the pcp. Although volumes in most developed countries remained strong with mining activities continuing as essential services, many developing markets suffered severely from government mandated lockdowns and reduced mining activity.

Cyanide volumes were strong in a tighter global market, particularly with growth from new customers in Peru and Asia. Offsetting this was the non-repeat of spot sales in Mexico in the pcp.

Initiating systems volumes were down on the pcp, with conventional detonator volumes impacted across the year by customer site disruptions, mine plan changes or closures. Conventional detonator sales in China in the pcp which are no longer consolidated in Orica's volumes due to the ownership structure change were offset by the inclusion of Exsa volumes in the second half.

Mix & Margin, (\$9 million)

Pricing has been under pressure following the consolidation of gold customers affecting margins most significantly in the USA and Africa. Latin America was also affected by contract extension negotiations occurring in a price sensitive environment. Australian east coast margins were reduced by higher gas costs.

This was partly offset by improved product mix from an ongoing shift towards electronic blasting system (EBS) and emulsion products, and favourable foreign exchange (FX).

Manufacturing, (\$13 million)

Manufacturing reliability and performance continued to be strong with OEE at our continuous AN plants above 80%, however lower demand in the second half and heightened safety protocols due to COVID-19 at plants impacted fixed costs and associated recoveries.

Adjacent businesses, +\$4 million

The Minova result increased from the pcp, from improved pricing and demand for higher value products, together with a continued focus on manufacturing cost efficiencies and overhead cost reduction.

Following a strong first half, the Orica Monitor result was reduced by a shift from radar sales to leases due to customer capital constraints.

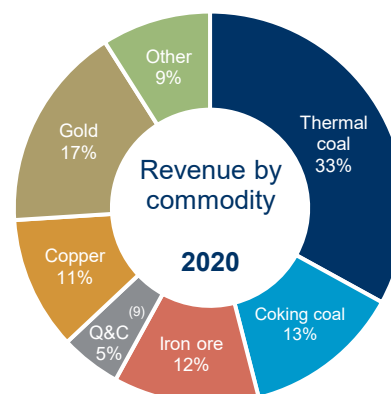
Reduced overheads, +\$36 million

Overheads were reduced compared to the pcp, including from management initiatives implemented to mitigate COVID-19 impacts in the second half, reduced non-billable labour overheads and a reduction in discretionary spend.

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Australia Pacific & Asia

Year ended 30 September	2020	2019	Change
Total AN & Emulsion Volumes ('000 tonnes)	1,763	1,682	5%
Total sales revenue (A\$M)	2,193.9	2,106.0	4%
EBITDA ⁽⁸⁾ (A\$M)	518.1	508.9	2%
EBIT ⁽¹⁾ (A\$M)	369.5	382.7	(3%)



Commodity exposure

A significant reduction in thermal coal demand in Indonesia and lower sales in India led the decreased thermal coal exposure compared to the pcp. Coking coal exposure increased from new business and expansion from existing customers on the east coast of Australia. Contribution from gold increased on the pcp from both higher cyanide sales and strengthened explosives demand in gold markets, while copper exposure increased from the ramp up of new business in Mongolia.

Performance drivers

COVID-19

Mining was deemed an essential service in Australia, and together with effective contingency planning, this allowed supply to customers to continue, largely uninterrupted. Negative impacts were broadly limited to increased supply chain and manufacturing costs together with deferred supply at a small number of customer sites in the last quarter. In contrast, the situation in Asia was more severe, particularly in Indonesia where customer activities were either reduced or temporarily shut down as a result of COVID-19.

Volume

Explosives volumes were strong in Australia despite COVID-19 effects in the second half and impacts from bushfires and extreme weather in the first half. The growth in an increasingly challenging coal market was underpinned by contract wins and sales to competitors. Volumes were up in the Pilbara region due to a strong iron ore market. Softening in the Indonesian thermal coal market led to a reduction in explosives volumes in Asia, partly offset by the ramp up of new customer activity in Mongolia.

EBS volume growth momentum continued from further customer conversion in Australia. New business in Mongolia and the Philippines partly offset the effect of reduced conventional detonator sales in China in the pcp which are no longer consolidated in Orica's volumes due to the ownership structure change.

Cyanide volumes increased on the pcp from new business in Asia and higher demand in Australia.

Technology-based product sales grew on the pcp, albeit constrained by new trial delays as specialists required to manage implementations could not be mobilised to sites due to COVID-19 limitations.

EBIT

Excluding the \$8 million impact from the ownership structure change of the China business, EBIT decreased 1% on the pcp. The region continued to drive increased uptake of advanced products which, in combination with management cost initiatives, partially mitigated several challenges faced during the period. Beside COVID-19, these included extreme weather events in the first half and a new gas supply contract effective from January 2020.

The Burrup plant commenced production in May 2020, manufacturing high quality product in line with expectations, driving an improvement in sourcing costs on the pcp.

Adjusting for the depreciation expense recognised in accordance with AASB 16 Leases from 1 October 2019, EBITDA decreased 3% on the pcp.

North America

Year ended 30 September	2020	2019	Change
Total AN & Emulsion Volumes ('000 tonnes)	1,023	1,128	(9%)
Total sales revenue (A\$M)	1,476.4	1,590.5	(7%)
EBITDA ⁽⁸⁾ (A\$M)	234.1	236.9	(1%)
EBIT ⁽¹⁾ (A\$M)	163.7	192.1	(15%)

Revenue by commodity 2020

Commodity	Percentage
Gold	25%
Q&C ⁽⁹⁾	23%
Other	17%
Thermal coal	11%
Copper	11%
Iron ore	8%
Coking coal	5%

Commodity exposure

The varying performance across the region resulted in a significant shift in commodity exposure compared to the pcp. Revenue contribution from Quarry & Construction (Q&C) markets in the USA increased, supported by strong government funding for small to medium sized infrastructure projects. This was offset by lower gold exposure due to prolonged customer mine closures and a slowdown in activity due to COVID-19 in Mexico.

Performance drivers

COVID-19

Mining in the USA was deemed an essential service early in the COVID-19 pandemic, allowing ongoing operations. In contrast, mining was deemed non-essential in Quebec, Canada leading to mandated shutdowns in March and April. The ramp up since April has been slow, with limitations from strict safety protocols on sites. Mexico was the worst impacted market in the region as mining was also deemed non-essential and many mines were shut in April and May. Although mines have since begun reopening, overall activity continues to be constrained as the pandemic remains widespread across the country.

Volume

Explosives volumes reduced by 9% on the pcp due to negative COVID-19 impacts in Canada and Mexico and continued geopolitical issues in Mexico. This was partly offset by slight explosives volume growth in the USA, following a strong first half in the Q&C sector. Second half Q&C volumes reflected a decline in larger infrastructure projects, offset by increased demand in small to medium sized projects. Abundant supplies of natural gas and resulting lower gas prices in the USA have shifted demand away from thermal coal, thus impacting explosives demand.

Both EBS and conventional detonators were down on the pcp as a result of COVID-19 shutdowns and the negative thermal coal impact in the USA while conventional detonator volumes across the region were impacted by temporary mine closures and production slowdowns.

Uptake of WebGen™ wireless detonators and BlastIQ™ technology further improved on the pcp, however further trials have been temporarily delayed due to COVID-19.

EBIT

In addition to COVID-19 related volume reductions, results decreased on the pcp due to lower recoveries of fixed costs in the manufacturing plants, and the previously reported pricing impact from gold customer consolidation in the USA. Lower explosives volumes in Mexico and the non-repeat of cyanide sales in the pcp further contributed to the lower EBIT result.

These were partially offset by ongoing cost efficiency improvements across the region, positive FX movements and initial benefits from the closure of the Hallowell plant.

Adjusting for the depreciation expense recognised in accordance with AASB 16 Leases from 1 October 2019, EBITDA decreased 10% on the pcp.

Latin America

Year ended 30 September	2020	2019	Change
Total AN & Emulsion Volumes ('000 tonnes)	694	718	(3%)
Total sales revenue (A\$M)	895.6	969.9	(8%)
EBITDA ⁽⁸⁾ (A\$M)	70.6	66.5	6%
EBIT ⁽¹⁾ (A\$M)	36.6	43.8	(16%)

Revenue by commodity 2020

Commodity	Percentage
Copper	51%
Gold	26%
Other	7%
Thermal coal	7%
Iron ore	6%
Q&C	3% ⁽⁹⁾

Commodity exposure

A significant shift in the region's commodity exposure reflects the inclusion of Exsa revenue from May 2020, resulting in greater exposure to copper and gold and a corresponding relative reduction in revenue contribution from thermal coal. This shift towards gold and copper was further increased by new contracts and strong cyanide demand. Lower explosives volumes to a customer in Colombia, following a change to their business model, also reduced the region's exposure to thermal coal.

Performance drivers

COVID-19

The Peruvian market was among the worst affected by COVID-19 with widespread partial or complete suspension of operations on customer mine sites driving a significant impact to the region's result. Colombia was also heavily impacted by government quarantine measures, which together with lower commodity prices, and significantly reduced coal demand, led to temporary mine and quarry closures. In Chile, mining was deemed as an essential service which partially mitigated the COVID-19 impact in the mining sector.

Volume

Although first half results in the region were strong, the prolonged and severe government mandated restrictions to mining activity heavily impacted second half volumes. Explosives volumes were also impacted by the change in a major Colombian customer's business model, shifting their requirements from explosives products towards the provision of services. This was partly offset by new emulsion sales to a customer in the copper sector in Peru, and the inclusion of Exsa sales volumes of 98 thousand tonnes.

EBS sales excluding Exsa were in line with the pcp, following positive customer conversion in the first half. Conventional detonator volumes decreased due to customer site disruptions and fewer competitor sales.

Cyanide volumes were higher than in the pcp from new customer wins in Brazil and Argentina, together with higher demand from existing customers in Peru.

EBIT

Following a strong first half, the significant COVID-19 impact to the region in the second half was partly mitigated by management initiatives such as business rightsizing, improved procurement costs, reduced fixed costs, leveraging augmented reality technology to ensure ongoing service delivery and a reduction in discretionary spend.

Improved cyanide pricing partly offset negative explosives pricing impacts which occurred as a result of contract negotiations in the current price sensitive market.

The integration of the newly acquired Exsa business is progressing in line with plan despite challenges from COVID-19 and significant disruptions to mining activity in Peru. This has enabled the achievement of major milestones such as the production of Orica branded products and the commencement of bulk AN imports. The Exsa business delivered a neutral underlying EBIT result in the 2020 financial year.

Adjusting for the depreciation expense recognised in accordance with AASB 16 *Leases* from 1 October 2019, EBITDA decreased 5% on the pcp.

Europe, Middle East & Africa

Year ended 30 September	2020	2019	Change
Total AN & Emulsion Volumes ('000 tonnes)	450	444	1%
Total sales revenue (A\$M)	912.4	911.2	-
EBITDA ⁽⁸⁾ (A\$M)	94.5	93.9	1%
EBIT ⁽¹⁾ (A\$M)	62.4	67.9	(8%)

Revenue by commodity 2020

Commodity	Percentage
Q&C ⁽⁹⁾	36%
Gold	25%
Other	24%
Copper	8%
Thermal coal	2%
Iron ore	2%
Coking coal	3%

Commodity exposure

Despite a slowdown in infrastructure projects in the Nordics, Q&C remained the most significant commodity for the region during the year. Gold exposure decreased on the pcp, having been particularly impacted by COVID-19 in Africa, partly offset by pricing benefits from a tightening in global cyanide markets. Exposure to the phosphate market remained strong as a result of continued demand in the Commonwealth of Independent States (CIS).

Performance drivers

COVID-19

Early impacts from COVID-19 commenced in April 2020, with lockdowns enforced at customer mine and quarry sites in Belgium, Spain, Portugal and parts of the Nordics in the second half.

Mining activity impacts were varied across Africa, delaying growth in the key strategic market. Total lockdowns were mandated in South Africa and Namibia, and restrictions were imposed in many other countries across the continent. Two customer mines were closed for care and maintenance in the Democratic Republic of Congo.

Volume

Explosives volumes in the first half were led by key growth markets in the CIS and across Africa, driven both by new contract wins and higher demand from existing customers. Although COVID-19 disrupted growth momentum, full year explosives volumes increased on the pcp in both the CIS and Africa. Explosives volumes in Europe were impacted by a decline in the Estonian oil shale market which led to customer plant closures. Postponed government spending on new projects in Norway resulted in lower tunnelling and construction activity.

EBS volumes increased on the pcp, from positive customer conversion in Norway, partly offset by negative product mix in Africa. Conventional detonator volumes were significantly impacted in the second half due to COVID-19 business disruptions across the region.

Cyanide volumes were lower than the pcp due to customer cost pressures in Africa.

EBIT

After a strong first half, EBIT in the second half was lower than the pcp, with mining activity significantly slowed by the COVID-19 pandemic. A continued shift from conventional detonators to EBS in Norway was offset by a negative mix shift towards conventional detonators in Africa, driven by a customer's price-led procurement strategy. Unfavourable FX movements on trade working capital further impacted EBIT.

Overall, a tightening in global cyanide demand led to a pricing benefit. This, together with management initiatives and a continued focus on cost efficiency partly offset the negative COVID-19 impact.

Adjusting for the depreciation expense recognised in accordance with AASB 16 *Leases* from 1 October 2019, EBITDA decreased 6% on the pcp.

Minova

Year ended 30 September	2020	2019	Change
Steel products ('000 tonnes)	115	156	(26%)
Resins & Powders ('000 tonnes)	111	123	(10%)
Total sales revenue (A\$M)	470.7	595.1	(21%)
EBITDA ⁽⁸⁾ (A\$M)	32.2	24.3	33%
EBIT ⁽¹⁾ (A\$M)	20.8	15.2	37%

Performance drivers

Revenue was significantly impacted in the second half by COVID-19 related lockdowns in South Africa and India. Revenue was also driven lower by a reduction in steel surcharges and softer coal sector activity in the USA due to low natural gas prices.

In contrast, EBIT increased on the pcp due to pricing and supply chain improvements, manufacturing cost efficiencies together with the successful turnaround of the business which has continued a focus on overhead cost reduction.

Orica Monitor

Year ended 30 September	2020 A\$M	2019 A\$M	Change
EBIT ⁽¹⁾	20.3	22.3	(9%)

Performance drivers

The Orica Monitor segment comprises GroundProbe and Nitro Consult businesses.

GroundProbe sales were impacted in the second half by an increase in customers opting to lease radars over purchasing radars in a capital constrained environment. Remote geotechnical modelling revenue continues to rise, growing 28% on the pcp.

Despite a favourable EBITDA result on the pcp, EBIT was lower due to a greater depreciation expense on the larger GroundProbe radar lease fleet. Following restructuring activity in underperforming areas of the business in the first half, Nitro Consult delivered a positive full year EBIT result.

Global Support

Year ended 30 September	2020 A\$M	2019 A\$M	Change
EBIT ⁽¹⁾	(68.8)	(59.3)	(16%)

Global Support costs increased on the pcp, notably from arbitration costs associated with the Burrup plant.

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Net interest expense

The net interest expense of \$150 million increased on the pcp as a result of a higher unwinding of discount on provisions (non-cash), primarily as a result of a material decline in the discount rate applied to remeasure provisions as at 30 September 2020, combined with the recognition of interest expense on leases in accordance with AASB 16 Leases, effective from 1 October 2019.

Year ended 30 September	2020 A\$M	2019 A\$M	Variance A\$M
Net interest expense excluding unwinding of discount on provisions and lease interest	(88.8)	(100.4)	11.6
Unwinding of discount on provisions	(48.2)	(9.3)	(38.9)
Lease interest	(12.6)	n/a	(12.6)
Net interest	(149.6)	(109.7)	(39.9)

Tax expense

The effective rate of 32% is in line with pcp.

Group Cash Flow

Year ended 30 September	2020 A\$M	2019 A\$M	Variance A\$M
Net Operating cash flows ⁽⁴⁾	277.4	746.4	(469.0)
Net Investing cash flows ⁽¹⁰⁾	(660.4)	(368.4)	(292.0)
Net Operating and Investing cash flows	(383.0)	378.0	(761.0)
Dividends – Orica Limited	(179.4)	(177.2)	(2.2)
Dividends – non-controlling interest shareholders	(11.3)	(18.0)	6.7
Adjusted net cash flows	(573.7)	182.8	(756.5)
Movement in borrowings and other net financing cash flows ⁽¹¹⁾	1,126.6	(296.3)	1,422.9
Net cash flow inflow / (outflow)⁽¹²⁾	552.9	(113.5)	666.4

Performance highlights

Net Operating cash flows

Net cash generated from operating activities was impacted by an increase in working capital and lower earnings.

Net Investing cash flows

The increase in investing cash flows relates largely to the acquisition of Exsa and capital expenditure.

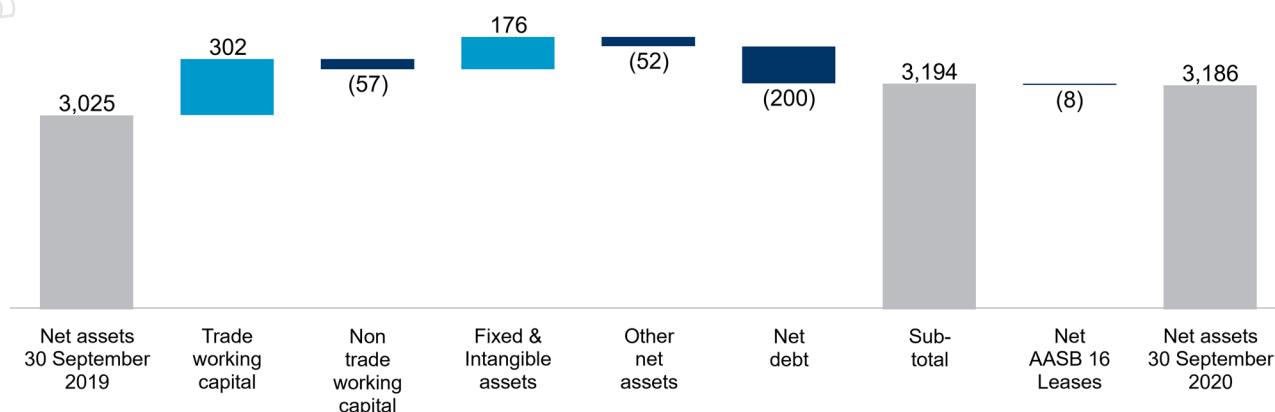
Movement in borrowings and other net financing cash flows

The cash inflow comprises \$505 million in new equity through the equity raising in February 2020 to fund the Exsa acquisition and net borrowings of \$682 million from debt facilities which includes the recent US Private Placement in June of \$725 million.

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Group Balance Sheet

Movement in net assets (A\$M)



Performance highlights

Trade working capital ⁽¹³⁾ increased by \$302 million on the pcp, including acquired Exsa trade working capital and significant items. Debtors increased by \$156 million. The impact of initial billing delays following the implementation of the SAP system has materially contributed to the increase. Creditors decreased by \$124 million as a consequence of softer trading conditions caused by COVID-19 and a planned alignment of payment terms following the SAP system implementation. Inventory increased by \$22 million on the pcp due to Exsa; excluding Exsa underlying inventory was down \$34 million in response to lower demand due to COVID-19.

Non trade working capital ⁽¹⁴⁾ was impacted by increased environmental and decommissioning provisions including significant items, partly offset by higher non trade debtors.

Fixed & Intangible assets increased by \$176 million from the pcp due to additions of \$511 million and acquired Exsa assets of \$254 million which were partly offset by disposals of \$6 million, depreciation and amortisation expense and impairment charges totalling \$377 million, as well as a foreign exchange translation impact of \$206 million.

Other net assets decreased by \$52 million from the pcp, driven by the revaluation of financial instruments resulting from strengthening of the Australian Dollar.

AASB 16 Leases which became effective from 1 October 2019 resulted in a net \$8 million decrease in net assets from 30 September 2019.

Balance Sheet Strength

Orica's Balance Sheet remains healthy, with significant headroom against both the gearing and interest cover debt covenants. Undrawn committed bank facilities of \$1,510 million, complemented by cash of \$921 million provides for a strong liquidity position.

Proactive pre-financing and refinancing of committed bank facilities, complemented by the recent US Private Placement bond issue results in limited near term refinancing requirements. Cash proceeds resulting from the bond issue are reflected in cash on hand at 30 September 2020. The bond issue was undertaken to refinance an existing October 2020 maturity (\$469 million).

As we continue to face a period of uncertainty in the COVID-19 environment, Orica has remained focused on cash preservation. This includes placing a hold on discretionary spend and reviewing capital expenditure for opportunities for deferment.

Our strong financial position provides flexibility to invest for the future and positions Orica well for when normalised mining growth returns.

Debt Management and Liquidity

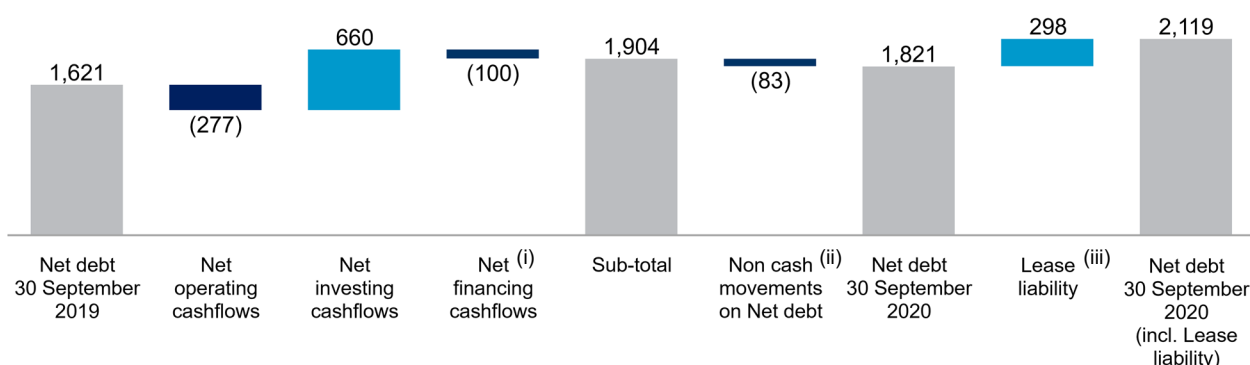
As at 30 September	2020 A\$M	2019 A\$M	Variance A\$M
Interest bearing liabilities - excluding lease liabilities	(2,741.0)	(2,032.8)	(708.2)
Less: Cash and cash equivalents	920.5	412.6	507.9
Net debt ⁽⁶⁾	(1,820.5)	(1,620.2)	(200.3)
Lease liabilities	(298.7)	(0.4)	(298.3)
Net debt – including lease liabilities	(2,119.2)	(1,620.6)	(498.6)
Gearing % - excluding Lease liabilities	36.4%	34.9%	1.5pts

Interest bearing liabilities of \$2,741 million comprise \$2,588 million of US Private Placements and \$153 million of committed and other bank facilities. The average tenor of drawn debt is 5.0 years (2019 4.7 years).

Gearing excluding lease liabilities at 36.4% is within the Group's target range of 30-40%.

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

Movement in net debt (A\$M)



(i) Includes debt of \$155 million assumed on acquisition of Exsa and subsequently paid down by Orica

(ii) Non-cash movements on Net debt comprise foreign exchange translation

(iii) Commenced 1 October 2019 under AASB 16 Leases

Individually significant items

Financial year ended 30 September 2020	Gross A\$M	Tax A\$M	Net A\$M
Initiating systems network optimisation	(80.1)	13.0	(67.1)
Impairment expense	(63.4)	18.7	(44.7)
Operating model restructuring	(26.9)	7.7	(19.2)
Individually significant items attributable to shareholders of Orica	(170.4)	39.4	(131.0)

Initiating systems network optimisation

As part of the network optimisation program within our strategic priorities, the Minden, Hallowell (USA) and Tappen (Canada) plants will cease production. The resulting expense includes an impairment to Property, Plant and Equipment (\$33 million), increase in environmental and decommissioning provision (\$28 million), redundancies (\$8 million) and inventory write offs (\$11 million).

Impairment expense

The impairment review and the transition to the new SAP operating system led to the identification of \$63 million of legacy IT assets that would no longer be utilised by the business.

Operating model restructuring

Headcount reductions as part of the ongoing review of the organisational structure resulted in redundancy costs of \$27 million.

Dividend

Our strong result, healthy Balance Sheet and confidence in the future have enabled us to maintain a dividend, reduced to reflect continuing uncertainty in our operating environment.

The Board has declared a final ordinary dividend of 16.5 cents per share, unfranked. The dividend represents a payout ratio ⁽¹⁵⁾ of 50%. This brings the full year dividend to 33.0 cents per share, and a full year payout ratio of 45%.

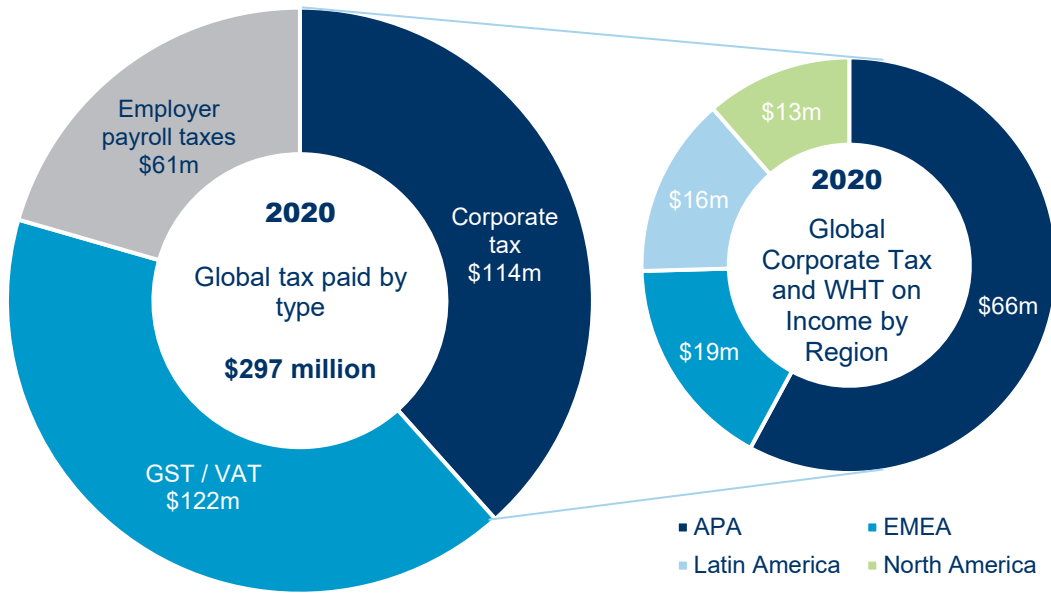
The dividend is payable to shareholders on 15 January 2021 and shareholders registered as at the close of business on 1 December 2020 will be eligible for the final dividend. It is anticipated that dividends in the near future will be franked at no more than 20%.

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Tax contribution summary

In the 2020 financial year, Orica paid \$114 million (2019 \$107 million) globally in corporate income taxes and \$61 million (2019 \$60 million) globally in payroll taxes. Orica collected and remitted \$122 million (2019 \$109 million) globally in GST / VAT.

The charts show 2020 corporate income tax paid in each region (including withholding tax and trade taxes), and an analysis of total tax paid by type.



In Australia, Orica paid corporate income tax of \$33 million (2019 tax refund of \$10 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 \$16 million (2019 \$19 million) in payroll tax and \$1 million (2019 \$2 million) in fringe benefits tax. Orica collected and remitted \$50 million (2019 \$47 million) in GST and \$118 million (2019 \$106 million) in 'pay as you go' withholding taxes.

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Strategic priorities

Supporting our strategic objectives, we have a clear roadmap which focuses on moving towards leaner, more efficient operations and profitable growth, both of which are Orica's key value drivers over the medium to long term.

Exsa acquisition

The acquisition of Exsa represented a major milestone in a key strategic region with synergies to be unlocked in particular from the state-of-the-art, underutilised manufacturing facility at Lurin. Since the acquisition, Exsa plants have begun producing Orica branded product, and synergistic benefits have materialised from October 2020. The acquisition is on track to achieve over \$50 million EBITDA contribution in 2023 financial year, including approximately \$25 million in synergies.

Initiating systems network & product portfolio optimisation

The Group is undertaking a global project to rationalise its product portfolio, simplify and reduce its different technologies, and enable the optimisation of the initiating system (IS) plant network. This is expected to result in an increase in average IS plant utilisation from 48% to around 75% by 2023 and 80% by 2024.

During the 2020 financial year, the program has progressed with plant closures in North America having been announced. However, SKU rationalisation was slowed during the SAP system transition with prior momentum to be re-gained during the 2021 financial year.

Manufacturing reliability

During the year, the average OEE of all continuous AN plants exceeded the targeted 80%. The network was further strengthened by the commencement of production at the Burrup plant which will deliver an annualised EBIT of approximately \$25 million going forward. An expected increase in cyanide production and an ongoing focus on maintaining our plants' strong manufacturing reliability will continue to support our strategic objectives.

Operating model execution

With the completion of the final phase of the SAP project, benefits will begin being embedded across the business. A major component of this is an ongoing review of the organisational structure which will be streamlined and aligned with the standardised end-to-end processes and increased automation of the SAP system.

A 20% annualised cash return on investment on the SAP project of approximately \$60 million is expected by the 2023 financial year, with the improvements spread evenly over the next three years.

Technology rollout

Our penetration of new technology offerings continues, with particularly strong uptake of our digital solutions in the 2020 financial year. Although new WebGen™ trials have largely been paused due to challenges from COVID-19 in accessing mines and mobilising the relevant personnel, strong market demand remains and will continue to grow when normalised mining activity returns. The introduction of WebGen™ 200 together with achieving critical mass will drive profitable growth.

The EBIT uplift from new technology in the 2021 financial year is expected to be approximately \$15 million, subject to global recovery from COVID-19 in the second half.

Outlook

COVID-19 recovery

Timing of recovery in markets across the globe is difficult to predict. Mining continues to be considered an essential service in key markets however challenges are anticipated to be significant through at least the first half of the 2021 financial year with some potential improvement in the second half.

A pre COVID-19 run rate is expected to be realised in developed countries, while developing countries continue to battle prolonged and more severe impacts than previously anticipated.

2021 financial year

EBIT for the first half of 2021 is expected to be lower than the pcp, followed by a substantial improvement in the second half, with overall EBIT growth for the full year. This is based on current expectations that COVID-19 will continue to impact our business in the first half, but conditions will improve in the second half. Our focus will remain on controllable factors, realising initial benefits from our strategic priorities and our solid platform for growth.

Based on the current view of mining activity, AN volume, excluding Exsa, is expected to grow by approximately 1% on the 2020 financial year.

We expect the initiatives from our strategic priorities to deliver between \$40 million and \$50 million EBIT benefit in the 2021 financial year, weighted more to the second half from:

- Initiating systems network & product portfolio optimisation
- Operating model execution
- Technology rollout

Exsa AN volumes for the 2021 financial year are expected to be approximately three times that of the pcp, given a full year of contribution. Realisation of synergies is expected to start ramping up in the second half of the 2021 financial year.

Positive EBIT contribution is expected from Burrup in its first full year of production.

Capital expenditure is expected to be \$380 million to \$400 million, excluding Burrup but including capital required for the newly acquired Exsa business. We will maintain our focus on our balance sheet strength and liquidity position.

Depreciation and amortisation expense is expected to increase by around 30%, largely attributable to depreciation from Burrup, the SAP system and Exsa.

Integrated within our strategic priorities is our objective of moving towards a decarbonised environment and achieving climate-resilient economic growth.

Footnotes

The following footnotes apply to this results announcement:

- (1) 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
- (2) 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
- (3) Basic earnings per share before individually significant items as disclosed in Note 2 within Appendix 4E – Preliminary Final Report
- (4) Equivalent to net cash flows from operating activities, as disclosed in the Statement of Cash Flows within Appendix 4E – Preliminary Final Report
- (5) Comprises spend on property, plant and equipment and intangible assets, on an accruals basis for the 2020 financial year to align with SAP reporting, and on a cash basis in prior years
- (6) Total interest bearing liabilities – excluding lease liabilities less cash and cash equivalents, as disclosed in Note 3 within Appendix 4E – Preliminary Final Report
- (7) Net debt / (net debt + total equity), where net debt excludes lease liabilities, 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 flows used in investing activities, as disclosed in the Statement of Cash Flows within Appendix 4E – Preliminary Final Report
- (11) 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
- (12) Equivalent to net increase/(decrease) in cash held, as disclosed in the Statement of Cash Flows within Appendix 4E – Preliminary Final Report
- (13) Comprises inventories, trade receivables and trade payables, as disclosed in the Balance Sheet within Appendix 4E – Preliminary Final Report
- (14) Comprises other receivables, other payables and provisions, as disclosed in the Balance Sheet within Appendix 4E – Preliminary Final Report
- (15) 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 2020 Full Year Results presentation includes non-IFRS reconciliations. Forecast information has been estimated on the same measurement basis as actual results.

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