

ASX ANNOUNCEMENT

29 SEPTEMBER 2021

INDIVIDUALLY SIGNIFICANT ITEMS IMPACTING FY21 AND ACCOUNTING STANDARDS CHANGES

Melbourne: Orica (ASX: ORI) today provided the following update to the Australian Securities Exchange ahead of its 2021 full year results announcement on 11 November 2021.

1. FY21 second half individually significant items

A summary of the expected individually significant items for the second half is outlined below. The net impact of these items in the second half of FY21 is expected to be a reduction in statutory net profit after tax of between \$345 million and \$370 million.

The expected impact of these second half significant items is summarised below:

Description	After-tax impact (\$m)	Comments
Non-core land sales	~70	Sale of Lot 9 Botany, New South Wales. Cash proceeds received 7 September 2021.
Goodwill impairment EMEA	(145 – 155)	Non-cash impairment of goodwill following a review of carrying value.
Burrup impairment	(260 – 270)	Non-cash impairment of goodwill and assets following a review of carrying value.
Restructuring costs	(10 – 15)	Further redundancy costs in the second half as part of the global restructuring project.
TOTAL	(345 – 370) ¹	

1. Final outcome is subject to closing foreign exchange rates at 30 September 2021

This brings significant items for the full year to a reduction in the statutory net profit after tax of approximately \$342 million to \$367 million when considering the \$3 million after-tax gain recognised in the first half.

Cash gain on sale of non-core land holdings

As announced at the 2021 half year results, Orica has embarked on a process to sell non-core land holdings and was successful in the sale of the Villawood site, New South Wales in March 2021 for a cash consideration of \$65 million. Orica has since completed the sale of Lot 9 at Botany, New South Wales on 7 September 2021 for a cash consideration of \$75 million, bringing total cash proceeds from land sales for the full year to \$140 million. This will result in an after-tax gain of approximately \$70 million in the second half of the year and will be treated as a significant item.

Non-cash impairment of assets

As part of Orica's periodic impairment testing, and in the context of the ongoing challenging market conditions, a non-cash impairment charge is expected on the goodwill in the EMEA segment. The expected impact is approximately \$145 million to \$155 million after-tax.

Following the impairment recognised by Yara Pilbara Nitrates (Pty) Ltd, the joint venture company that operates the Burrup plant, Orica has reviewed the carrying value of its 50% shareholding. This has resulted in Orica recognising a non-cash impairment of approximately \$260 million to

ORICA INDIVIDUALLY SIGNIFICANT ITEMS IMPACTING FY21 AND ACCOUNTING STANDARDS CHANGES

\$270 million after-tax, which includes a full impairment of the goodwill associated with this investment.

Impact of IFRIC configuration and customisation costs in a cloud computing arrangement

Following the International Financial Reporting Standards Interpretations Committee (IFRIC) guidance in April 2021, configuration and customisation costs relating to Software as a Service (SaaS) platforms are required to be expensed.

Orica's accounting policy has historically been to capitalise costs related to cloud computing arrangements as intangible assets in the Balance Sheet. The IFRIC guidance will be accounted for as a change in accounting policy in accordance with AASB 108 Accounting Policies, Changes in Accounting Estimates and Errors, which requires retrospective application.

Configuration and customisation costs related to SaaS elements of the new SAP system incurred in FY20, that are now required to be expensed, will be presented as Individually Significant Items below EBIT based on the size and non-recurring nature. Going forward, future costs related to SaaS software platforms will be expensed within EBIT on the basis that these costs will be regularly incurred in future years and the amounts are not expected to be material.

As a result, the impact of the retrospective application on the FY20 income statement is treated as a significant item in the prior year (FY20) of approximately \$85 million to \$95 million after-tax.

The impact to opening retained earnings and the impact of the restatement on the FY20 balance sheet due to the retrospective application is as follows:

FY20 Balance sheet restatement	Debit (\$m)	(Credit) (\$m)
Property, plant & equipment		(13)
Intangible Assets		(336)
Deferred Tax Asset	104	
Retained Earnings	245	

2. 2021 full year performance

Business performance has continued to improve in the second half with second half ammonium nitrate (AN) volumes higher than the first half, as indicated at the 2021 half year results announcement.

Lower depreciation and amortisation in the FY21 income statement associated with the abovementioned SaaS accounting policy change of approximately \$40 million will be partially offset by SaaS related software capitalised costs incurred in FY21 of approximately \$20 million, which will now be expensed. This will result in an additional net EBIT benefit of approximately \$20 million.

All continuous manufacturing AN plants have been operating well during the second half. A planned turnaround at the Carseland plant commenced in September, with completion expected in October 2021.

Orica maintains a strong liquidity position underpinned by material undrawn committed debt facilities and cash holdings. Gearing and Interest Cover remain at levels that provide significant headroom against debt covenants.

We remain focused on maintaining a robust balance sheet, which is expected to be further strengthened by the proceeds from non-core asset sales.

Orica Managing Director and CEO Sanjeev Gandhi said, *"I am pleased with the progress that we have made in the last six months on stabilising the business. We remain well on target to deliver a result in line with expectations. The positive business environment will give us momentum to continue to improve our core business and deliver profitable growth which is the focus of our refreshed strategy. I am looking forward to sharing more details with you at our full year results."*

ANALYST CONTACT

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

MEDIA CONTACT

Andrew Valler
Mobile: +61 437 829 211
Email: andrew.valler@orica.com

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