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Alberto Calderon: Good morning all. Thank you for joining us here in the room, on the phone and on the webcast. I will ask you to quickly glance at the disclaimer.

Nothing is more important to Orica than keeping our people safe, making sure that every single 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 confirm that the Major Hazard key controls were 100% effective, 100% of the time. As you are already aware, we have complemented our traditional Total Recordable Injury Frequency rate measure with a new metric called Serious Injury Case rate. This measure 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.

The small increase in our TRIFR performance is due to an increase in low severity injuries, with the vast majority of these events being at the lower end of the severity spectrum. We will continue to work on reducing the severity of injuries and illness in the business.

Environmental programs continue to be embedded across the business. There has been a 6% reduction in Scope 1 and Scope 2 greenhouse gas emissions, and intensity continues to improve against [2018] levels.

Our approach to risk also remains strong, with the recent risk culture index score outperforming all global benchmarks. During the year we also conducted an organisational health survey with the majority of our staff around the world participating in the survey. Some of the key findings included our workforce is positive and engaged, and our safety culture is strong.

Turning to our 2019 financial performance, this is a pleasing set of results for Orica, with improvements in all of our financial metrics. Importantly it demonstrates the continued momentum in profitable growth. AN volumes were up 4%, to 3.97 million tonnes through new business and higher demand in Latin America, Australia, Canada and the CIS.

EBIT was significantly up by 8% to $665 million, in line with market expectations.

Each of the regions, particularly EMEA, delivered a strong result, as I previously flagged, we're expecting Minova and GroundProbe to outperform, and they both have.

Importantly, we are beginning to see the benefits of our investment in technology-based products. I will talk more about each of these shortly.

Our balance sheet remains strong. Chris will talk more about it later.

RONA, return on net assets, one of our key measures, has improved to 13.5% from 12.5% in [2018], so about a point, but that's not easy to do. The Board has declared a final dividend of $0.33 per share, franked at $0.05 per share. This takes the total dividend for 2019 year to $0.55 per share, an increase of $0.035 per share from the last financial year.

Turning to the performance of each of the regions. Volumes - so we start with Australia Pacific and Asia, volumes were up across most regions in APA, underpinned by growth and higher activity in the Pilbara and strong demand from the coal segment in Australia. Our AN share in APA, which includes direct sales plus sales to competitors, has risen from 31% in fiscal year 2018, to an expected and mostly contracted 37% in fiscal year 20, based on volumes already contracted, as I said.

EBS volumes were up by around 10% from increased demand and customer conversion, particularly in Indonesia.

We continue to make good progress on the introduction of our technology-based products. I'm pleased to say that we reached the key milestone a few weeks ago. We successfully completed the world's largest open-cut strata blast here in Australia, using around 2000 WebGen units in one single blast. I will go through this later in the presentation.

As mentioned in the previous results, we expected the last of the material contract prices renewals to be completed this year. Improved volume and mix, increased services from existing and new customers, and a higher cyanide contribution, have offset that impact.

The ongoing Burrup sourcing and increased arbitration costs have also negatively impacted EBIT. Despite this, EBIT margin has improved from the first half. The outlook for this region remains strong. The Australian AN market is tight until Burrup is fully commissioned, and is then expected to be in balance within the next two years. Pricing is expected to remain strong. The forward sales book is highly contracted, at over 75% in fiscal year 2021, providing a platform for margin improvement through our value-added contracts, at about 86% for this year.

We expect EBIT margin overall to increase in fiscal year 2020, and beyond, following the removal of the temporary impact of price rests, continued manufacturing reliability improvement, increased penetration of our new technologies, and Burrup coming online in the second half of 2020.

Burrup. Burrup rectification works are continuing in line with the schedule which we previously advised to the market. Since the last update to the market in July, the main construction contractor was appointed and mobilised on site in late July.

The TAN plant was then shut down, allowing construction work to commence in August. All the defective major equipment, heat exchangers, absorption column and drying drums, have been dismantled and removed from the plant. High quality replacement equipment has been sourced from European suppliers. All replacement heat exchangers are on site with installation nearing completion.

The new absorption column was delivered to site in September, and installation is close to completion. All four drying drums are on site and are being installed. Construction works are being undertaken seven days a week, including night shifts, with the workforce expected to peak at around 350. The key objective is to ensure that the plant is capable of reliable and continuous operation from the second half of 2020. We expect the plant to produce around 150,000 tonnes in fiscal year 20, and fiscal year 21 production is forecast at around 290,000 tonnes, based on our current contracts.

Our optimism around the role the plant will play remains unchanged. We expect the plant to deliver a positive EBIT following the commencement of operations in the second half of 2020, as previously announced. The plant remains a strategic asset located in the Pilbara region, to take advantage of the local market.

North America. This region has delivered a steady contribution this year, and during the last years. AN volumes in Canada were up by over 7%, with strong demand in Canada. However, AN volumes in Mexico were significantly impacted by community issues at a key customer site that the market is well aware of. This most problematic community issue now seems to be resolved, so we should expect to see an improvement in 2020.

EBS detonator sales increased by around 7%, predominantly in Canada and Mexico, due to a shift into more advanced products. The introduction of WebGen in the Canadian underground segment continued with a number of service-based contracts signed.

EBIT for the region was up 3%. Together with strong volume growth, EBIT in Canada benefited from favourable product mix, as the incremental volumes were largely of higher-margin emulsion products. Improved product mix, successful conversion of new technology trials, and higher services across the region also contributed to this increase in EBIT. The continuing community issues in Mexico offset some of the foreign exchange gains.

Looking forward, new market growth across the gold, copper and Q&C sectors, along with a continuous focus on technology offerings, and further overhead cost efficiency, we continue to drive a strong EBIT performance.

Europe, Middle East and Africa. The positive momentum from the second half of '18 for EMEA has continued into this year. 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, have offset lower activity in Turkey which was adversely impacted by continued political and economic uncertainty. EBS remains extremely strong in this region, with a 20% increase from last year from higher market penetration in Africa and the Nordics.

There has been a significant 24% EBIT improvement this year from EBS growth, higher volumes in CIS and Africa, and further sustainable overhead cost reductions offset by additional investment in technology. We expect this growth to continue into fiscal year 2020.

Latin America. The improved business performance in Latin America is pleasing. Volumes were up 16% from last year, underpinned by strong growth in Colombia and Peru. This growth more than offset the decline in Chile from a partial contract loss in the second half of last year, that the market is well aware of.

EBIT was slightly ahead of last year, despite the contract loss in Chile and continued competitive pricing pressures on explosives. The improved business performance was achieved through stronger contribution in Colombia and Peru, from improved AN volumes, increased customer activity and higher service revenue. Overhead efficiencies from strategic initiatives also contributed positively to the result. Looking forward, we expect the high gold price to support volume growth for explosives and cyanide.

Renewed customer focus and engagement will drive increased product and technology penetration. The new management team have worked hard on effective cost control, and this will continue to deliver overhead efficiencies in the region.

GroundProbe's earnings were ahead of the investment case expectation, and delivered over a 10% RONA in the 2019 financial year. EBIT performance was supported by higher demand for services and radars, entry into the tunnel markets as well as a non-repeat of acquisition costs in 2018.

Going forward, EBIT is expected to grow, benefiting from further expansion of laser products into the mining and civil industries, deployment of a new premium radar and continued growth through geotechnical support services.

GroundProbe remains on track to deliver 15% RONA in the 2020 fiscal year, and we remain confident that this will increase to 20% within the next two years thereafter.

Minova. Good progress, finally, has been made on the turnaround with initiatives undertaken to increase revenues, improve margins and production efficiency, and reduce overheads. Revenue has materially increased in the USA, Canada and Australia due to a combination of increased market share, increased pricing, higher demand from existing customers, and increased steel and chemical sales.

EBIT increased significantly in 2019. Higher volumes, improved pricing, lower fixed manufacturing costs from plant rationalisation, and sustainable overhead reduction contributed to this improvement.

Looking forward, we expect the growth momentum to continue into the 2020 fiscal year. Growth from new sectors, including hard rock, oil and gas, tunnelling and infrastructure and across expanded service offerings will deliver additional revenue and contribution.

I will now hand you over to Chris, to take you through the financials.

Christopher Davis: Thanks, Alberto. Looking at the key financial metrics for the year, sales revenue of almost $5.9 billion was up 9% from the prior comparable period, with growth across all segments of the business, from a combination of higher volumes from increased demand and new contract wins, increased service revenue, increased penetration of technology-based products, and favourable FX.

This stronger performance is reflected in underlying EBITDA, which has increased 6%, and underlying EBIT which has increased 8% over the same period.

This reflects a stronger contribution across the Group, including from GroundProbe and Minova, which have had standout performances in the year.

Underlying NPAT of $372 million has increased 15% over the prior comparable period, driven by higher earnings. The substantial uplift in underlying NPAT has resulted in earnings per share increasing to $0.979 per share, up 14% from the 2018 financial year.

Whilst statutory NPAT of $245 million was significantly higher than last year, it has been adversely impacted by individually significant items, which I will talk to on the next slide.

The effective tax rate of 32% was in line with expectations.

The final dividend of $0.33 per share will be franked at $0.05 per share, which is approximately 15% of the final dividend. This takes the total dividend for the 2019 financial year to $0.55 per share, representing a 56% dividend payout ratio, which is within our 40% to 70% dividend payout ratio policy.

As a reminder, at the half year we recognised $134 million after tax of significant items, which included the non-cash derecognition of certain defective assets of the Burrup plant that needed to be replaced, and the non-cash impairment of IT assets that would no longer be utilised within the business, following the implementation of our single SAP project.

Earlier this year, Orica formed a new explosives initiating systems and blasting services joint venture in China, with Guizhou Jiulian Industrial Explosives. The joint venture was formed via a respective contribution of assets by both Orica and our joint venture partner. As a result of the difference between the value of the shares received in the newly-formed joint venture, and the carrying amounts of the assets contributed by Orica, a $45 million after-tax accounting gain has been recognised.

As part of our 2018 year-end results, we flagged that we had commenced a streamlining of the business across each of the operating regions, which resulted in an overall reduction in headcount. This has continued in 2019, with a further reduction in headcount, and as a result, we have accounted for the after-tax restructuring costs of $15 million as a significant item, in line with prior periods. This restructure is expected to deliver benefits of $10 million in 2020.

Finally, we continue to evaluate and update our obligations for environmental remediation of legacy sites, based on new information as it becomes available. This has resulted in a $23 million after-tax increase in the provision for environmental remediation, driven by an increase in costs and materials used in the remediation process, as well as changes in assumptions associated with phasing.

Looking at the EBIT bridge at a high level, the $16 million one-off impact relates to higher asset and business sales in 2018, that have not repeated in 2019. Inflation on overheads had an adverse impact of $29 million, which is in line with our expectations.

Volume improved by $27 million. In this respect, ammonium nitrate volumes increased 4%. This was driven by new business and higher demand from existing customers in Latin America, Australia, Canada, and the CIS countries. This was partly offset by lower volumes in Mexico due to the ongoing community issues at a customer mine site, and in Turkey as a result of continued political and economic uncertainty.

Sales volumes of our higher value, more advanced electronic blasting systems increased 7% on the prior comparable period, across most regions.

Mix and margin increased by $2 million. Increased service activity and improved margins, most notably in EMEA and the Australia Pacific, Asia business, has contributed positively to EBIT. Within the EMEA business, this has been delivered through new rock-on-ground contracts in the CIS, and higher service margins on new seismic contracts in the Middle East.

A conversion of customers to higher value products has had a favourable mix impact on the Australia Pacific, Asia business. These benefits have been offset by the impact of price on previously disclosed contract renewals, and lower margins from cyanide, due to the regional sales mix and increased spot sales into Mexico.

Global manufacturing impacts. Improved reliability and performance across the continuous and initiating system network has contributed $15 million in EBIT, compared to the prior period. This reflects the focus on operating discipline and efficiency, and the non-repeat of the unplanned maintenance shutdowns that occurred at Kooragang Island and Yarwun in the prior year.

This was partly offset by a planned turnaround at the Yarwun cyanide plant, and disruption of utility supplies at Bontang in the first half of the year. Furthermore, a deliberate slowing down of production took place in the second half of the year at Brownsburg, as a result of our strategic initiative to optimise inventory levels at the plant.

In terms of the Burrup plant, Alberto has previously given a comprehensive update on the rectification works taking place. At the half year results, we reported an adverse impact of $3 million for the half. This has remained at $3 million, with the increased administration and arbitration costs in the second half of the year being offset by lower sourcing costs, as a result of the temporary production during the testing phase of the plant.

Orica Monitor includes our GroundProbe and Nitro Consult businesses. As Alberto has already mentioned, GroundProbe has delivered a strong performance in its first full year of ownership, ahead of our investment case assumptions. Nitro Consult, a blasting consultancy business servicing the construction industry, delivered a stable EBIT contribution.

Turning to Minova. We are pleased with the turnaround of the Minova business, which has delivered an increase in EBIT of $18 million over the prior comparable period. This improvement has been driven by increased sales from new sectors, an expanded products and services range, and sustainable reductions in overhead costs.

In November, I mentioned that we expected to deliver an incremental $25 million per annum in benefits from reduced overheads, as we continued to streamline the business. At the 2019 half year results, $13 million of this benefit had already been achieved. Whilst we have successfully completed this program, and realised the $25 million benefit, we have built additional capability and increased headcount in both technology, to support further roll-outs of our technology offerings, and on a temporary basis we have increased headcount to support the implementation of our single SAP project. This has resulted in a net benefit year-on-year of $15 million in overheads.

Turning now to capital expenditure. We continue to have a disciplined approach to capital expenditure. As mentioned over the past few years, at all times we will ensure that capital allocations related to safety and environmental obligations are not restricted. All other capital requirements continue to be subject to financial metrics, and a rigorous review and approval process.

Excluding the impact of the capital required to replace the defective Burrup assets, total capital expenditure for the year is $387 million, which is above our previously-stated expectation of $350 million. The increase is driven by the timing of the ramp-up in spend on the SAP project. Additionally, increased spend has taken place on growth capital, to support both increased investment in technology and new contracts in Australia, Kazakhstan and Russia, which will contribute to an increase in future earnings.

Sustaining capital expenditure is in line with previous years, reflecting the maintenance spend at our manufacturing plants and investment in our MMU fleet.

In 2020, capital expenditure is expected to be in the range of $370 million to $390 million. Whilst this is higher than the previous guidance of $360 million, this reflects a number of attractive growth opportunities in the business that will contribute to future earnings.

I cannot emphasise enough, we remain committed to capital discipline and the maintenance of a strong balance sheet. With the improved performance in the business, and better cash generation, we will continue to look for attractive growth capital opportunities to deliver future profitable growth.

Depreciation and amortisation for 2020 is expected to be up to 15% higher, due to the commencement of depreciation on our investment in IT and our MMU fleets, as well as the impact of the commencement of depreciation on the Burrup plant in the second half of the 2020 financial year.

Importantly, this increase excludes the impact of the new lease accounting standard, which will see leases brought onto the balance sheet in 2020.

The generation of strong cashflows remains a key priority for the business. In 2019 this was no exception, with Orica generating operating cashflow of $746 million, a 21% improvement on the prior comparable period. This improved result was underpinned by stronger earnings for the year, and an improvement in working capital management across the Group.

Cash conversion at just over 101% reflects the improvement in trade working capital management during the year.

As I previously reported in the 2019 Investor Day presentation, we expect a decline in cash conversion in 2020. This will be driven by an increase in inventory levels, as a result of the Burrup rectification works, and the associated requirement to freight AN product from the east coast to the west coast of Australia, to ensure that our customer needs are met.

With the pending implementation of a single SAP system, we are also planning an appropriate increase in safety stock levels, as a conservative contingency as we migrate to a new operating environment.

Finally, with the discipline, simplification and standardisation that the new single SAP system will bring to Orica, we expect an alignment across our supplier base on contractual terms as well as an improvement in our payment processes. Importantly, the impacts on inventory are temporary in nature, with inventory levels expected to correct once Burrup and the SAP system have stabilised, and the surplus inventory is worked out of the network.

Turning to net debt and gearing. Our balance sheet remains strong. In March this year we re-negotiated $715 million of committed debt facilities, with existing Group relationship banks, including a refinancing of $340 million of 2019 maturities, and a pre-financing of a further $375 million of 2020 maturities. This positions us well to take an opportunistic approach in evaluating options to refinance our next bond maturity, due in October 2020.

Importantly, our current cost of funds has reduced to 4.4%, which has resulted in a lower interest cost in the financial year. Net debt has reduced slightly, and sits at $1.6 billion, despite the negative impact of $156 million of FX on our US dollar denominated debt. Our average debt - drawn debt tenure is 4.7 years.

Gearing at 34.9% is comfortably within our revised target range of 30% to 40%. We remain committed to maintaining a strong and flexible balance sheet through the cycle.

With that, I'll now hand you back to Alberto. Thank you.

Alberto Calderon: Thank you, Chris. Okay. As discussed at our recent Investor Day, Orica's two engines leverage our global leadership. Growth in the core engine remains positive. Mining of all major commodities is forecast to increase globally in the coming years.

For Orica, the material moved metric is of most importance, because our explosive products and blasting services are a critical input into this activity.

With strip ratios continuing to climb, miners have to remove increasing volumes of overburden to access the underlying valuable ore. The world is expected to extract around 3.6 billion tonnes more material in 2023, compared to what was achieved last year. However, or furthermore, ore deposits are becoming increasingly difficult to access, often found in remote, difficult to reach parts of our world, and sometimes in the harshest of settings. This is where Orica's technical expertise, logistics network, and proven experience comes into play. Best-in-class technology-based solutions and a more efficient and effective business enables creating value for our customers around the world. We will continue to focus on our growth engine, where we can expect high double-digit growth and margins well beyond what the core can achieve.

Technology is not just aspirational at Orica. We have moved from the lab to the operational site. We are now starting to see significant growth in WebGen awareness and adoption around the world, and importantly customers are realising and validating the value of the technology. Since its release, more than 325 WebGen wireless blasts have been executed globally in both the surface and underground mining. We have also secured seven commercial contacts with up to 34 demonstration sites currently active or planned for year-end, around the world.

We are also making good progress on producing the next generation WebGen 200 specifically designed for broad market application in surface mining, and a critical enabler towards full automation of the drill and blast process. Next generation WebGen 200 is expected to enter trials in mid-2020, with commercial release expected thereafter. Orica's digital fragmentation measurement technology, FRAGTrack, has been recently recognised for excellence in innovation and excellence in design, at the 2019 Hunter Manufacturing Awards. With its unique integration with the BlastIQ, FRAGTrack captures real-time fragmentation measurement data for optimising drill and blast operations, and improving downstream efficiencies in the mining process.

We have also recently released ORETrack, enabling miners to track the ore from the pit to the plant, so that better operational decisions can be made around how the ore is handled and processed. These products, plus many more, from our best-in-class technology suite.

This is the outcome of years and years of continuous investment in technology. Our ambition to drive change for the technology is underpinned by a strong track record of innovation and a long-standing commitment to R&D investment.

This investment positioned us today to deliver against the industry's blasting needs, creates value for our customers, and drives financial performance for Orica.

As mentioned earlier, we hit another important milestone with our best-in-class technology. We successfully delivered a world-record WebGen blast in October, at BMC's Poitrel Coal Mine, southeast of Moranbah in Queensland. It included wireless in-hole primers initiated by a firing command that communicates through rock, water and air. This blast holds the crown as the world's largest open-cut strata blast initiated with 1,920 WebGen 100 units, 534 holes with a sleep time of 18 days.

A quote from one of the Poitrel Mine supervisors following the blast sums it up very well, from BHP. He stated; it's really the new way forward in mine blasting, and I'm sure the rest of the world is going to grab hold of this product as well. So, we are really excited about being on the front-foot with this, and to be part of the world first.

This was really exciting for BMC's Poitrel Coal Mine, and an important milestone for Orica in surface mining.

Passing to manufacturing. Orica's global manufacturing footprint is a competitive advantage for our business. Strategically it supports our value proposition of secure and reliable supply, and enabled us to have a more agile supply chain. Improving the performance of our continuous plants has been a critical strategic priority, specifically given the benefits this will deliver as the AN market moves towards supply-demand balance, and pricing improves.

OEE performance has improved on all continuous plants over the past 12 months. Average OEE for our continuous plants is just over 81%, with the ammonia plant being 92% for the year.

For EBS, we are building capacity to support demand growth, with new manufacturing sites in Australia and Colombia. Furthermore, we are driving a strategy to reduce network lead time by focusing on regional assembly lines of EBS in Latam and EMEA. For our conventional IS products, utilisation has increased to an average of 60%, with a target to achieve 80% utilisation over the next couple of years. This will be achieved by improved OEE in automated sites, selective manufacturing consolidation, SKU rationalisation and strategic make versus buy arrangements.

We are making good progress in the optimisation of our product portfolio. This chart illustrates the progress of some of the many initiative examples. The SKU rationalisation has been a critical area of focus over the past years. We have now commenced the second phase of this program, with targets reductions in raw materials and conversion costs, and lower levels of carried inventory.

To date we have reduced SKUs by over 20,000, since the program commenced in 2018. We will further reduce to under 9,000 units by 2022. So, roughly 40,000 to around 9,000.

Another example is the elimination of a particular type of shock tube, which has been superseded for some time but is still being offered to a handful of customers. We have now converted most of these customers to alternative products. Cumulatively, all these initiatives will deliver benefits of over $30 million over the next three years.

The outlook. Turning now to the outlook for the 2020 financial year. As I mentioned at the start of the presentation, the substantial improvements in all our financial metrics in 2019 demonstrate the continuing momentum in profitable growth. We expect this to continue in 2020.

Higher EBIT in the 2020 financial year will be underpinned by further penetration of our technology-based solutions, increased demand across all regions, and a fully operational Burrup plant in the second half of the year. We expect this EBIT growth to come from at least 5% growth in AN volumes from already-secured contracts and growth, especially in

EMEA and Canada; contribution from new advanced products and service contracts and service margin growth from targeted initiatives; further improvements in GroundProbe and Minova; and positive contribution from Burrup in the second half of 2020, and subsequent years.

Based on Burrup being operational in the second half, increased 4S operating costs, and the normal seasonality skew, we expect the split for the first half and second half for fiscal year 20 to be more towards 44/56, which is not a material change from 2019.

Looking beyond 2020, we believe that we now have a solid platform in place to deliver superior returns. We will have in place a fully operational and loaded Burrup plant from the second half of 2020, onwards. Strong penetration of our new technology translating to an EBIT uplift, and a continued focus on efficiencies including supply chain efficiencies, manufacturing reliability and overheads, all supported by a single SAP system.

In closing, I would like to repeat what we said at Investor Day, on the three key metrics our success should be measured on. (1) Safety. We are doing all that we can - are we doing all that we can to protect our people, partners, customers and communities? (2) Profitability. Are we showing consistently strong profitable growth, riding the bumps of the commodities cycle? (3) Return on net assets. Are we deploying scarce Group resources to the right projects, to achieve an optimal RONA? I think a RONA of 13.5% in the current interest market is starting to become quite attractive.

I believe we have the platform in place to deliver on these metrics, as we continue to be committed to delivering value to our shareholders.

So, we now open to Q&As.

Richard Johnson: (Jefferies, Analyst) Richard Johnson from Jefferies. Alberto, could you talk a little bit about the AN pricing environment in Australia, particularly in light of the fact that the numbers you've reported today include a pretty big negative price reset in them?

Alberto Calderon: This negative which we flagged a long time ago, was just probably the last of the big contracts, and in particular we spent a lot of time negotiating that contract. If you look at that mix and margin on page 15, you see a $2 million, but that's really about $30 million of improvements in services and mix and margin across the world, and about $28 million of that negative impact.

So, what we are seeing right now, we are really not seeing any significant further down pressure, and that's why we're not calling any price resets. There is some pressure probably in - a bit of pressure in North America from consolidation. You immediately - the benefits of mergers or consolidation means squeezed suppliers, but we are not flagging it. It's nothing significant.

Overall, across the world, the pricing environment is - the market fundamentals are better, but we are not expecting any - let's say, any positive from that. It's just no more headwinds from that side, on the aggregate. The pluses and minus we should be fine. The improvements we're flagging is around volume and Burrup, and improvement in efficiencies and productivity.

Richard Johnson: (Jefferies, Analyst) That's helpful, thank you very much. Just a couple for Chris, if I might. D&A in '19 was a little bit lower than you'd guided to at the half year, so I'm wondering if you could take me through the moving parts and perhaps quantify what the accounting standard change will be in '20.

Christopher Davis: Okay, Richard. So, if you look at consensus, we're roughly 3% to 4% below consensus from a depreciation perspective. That's really been driven by the timing of the capital expenditure, which has been weighted towards the second half of the year. That's across all of our businesses.

In terms of the impact of the accounting standard, what will happen is, as you know, leases will now be brought onto our balance sheet. So we will take on board about a $254 million liability. We will also have a right-of-use asset of $250 million, and then from a P&L perspective, we will take $55 million out of our lease operating expenditure. $50 million will go into depreciation, and then $5 million into interest. So, you'll see a lift in our interest costs going forward.

Richard Johnson: (Jefferies, Analyst) Great, thanks. Then just finally, could you just clarify for me exactly what the P&L impact of the Chinese JV will be in '20?

Christopher Davis: Yes, so previously in the past we used to consolidate 100% of the EBIT of the China joint venture. As a result of it now being equity accounted, and we have a 49% interest, we take 49% of the NPAT in our EBIT line. So, you end up with a reduction of about $9 million.

Richard Johnson: (Jefferies, Analyst) Okay, thanks very much. That's it from me, thanks.

Alberto Calderon: Questions from over the phone?

Operator: Thank you. Ladies and gentlemen, we will now begin the question and answer session on the telephones. If you wish to ask a question, please just press star-one on your telephone and wait for your name to be announced. If you need to cancel your request, just please press the pound or the hash key. Once again, it's star-one.

Your first question today comes from the line of Daniel Kang from Citigroup. Please ask your question, Daniel.

Daniel Kang: (Citigroup, Analyst) Good morning, Alberto and Chris. The first question is just in regards to your comment on volume growth, at least 5%. You mentioned EMEA and Canada. Can you talk about your expectations of volume growth in APA and the other regions?

Alberto Calderon: Look, the bulk of the volume growth of that 5% probably will come from two regions, which is Australia Pacific and Asia, and EMEA. We expect North America will have some growth, but probably more stable. Canada have had a very good year and very high market share, but there's nothing that I could call for that it would be unusual. More the typical North American 2% or 3%.

Daniel Kang: (Citigroup, Analyst) Got it, thank you for that. If you can provide us with an update on the east coast gas contract negotiations, beyond 2021 please?

Alberto Calderon: We basically have secured contracts - it's - they are different, staggered, but we have contracts for the next two years. After that, we are in negotiations right now. We are comfortable that the prices that we are paying right now are going to be roughly LNG imports if they - if that's the solution, unfortunate solution that we come to, would come at around the current prices that we are in. So, we don't expect any further impact from that.

There are conversations with big, domestic suppliers around other options. This is not - I think we are - I wouldn't expect, even in 2022 and 2023 to have further deteriorations from today, and maybe a bit of upside.

The unfortunate thing, it's a pass-through through our customers, but it does reduce significantly our competitiveness. That's why we will keep working to hopefully improve the situation from what we have right now. It's not going to get worse than today, is our pretty clear view.

Daniel Kang: (Citigroup, Analyst) Thanks for that, Alberto, very useful. Just one for Chris, in terms of your 2020 CapEx guidance, what proportion of that $370 million to $390 million would you classify as growth, versus sustainable? If you can - I'm not sure if you provided this already, but what's the expectation of your CapEx for Burrup?

Christopher Davis: Okay, so of the $390 million, how you should look at this is that the sustenance spend will stay pretty flat year-on-year. So, that's at about the $200 million mark. You've got then got a further roughly $90 million related to the SAP - the final implementation of the SAP system. Then the balance would be towards growth capital. So, probably another $100 million.

The one thing I do want to make very clear is that that is our stated guidance range. To the extent that there's attractive growth capital in the business that will contribute to future earnings, we will continue to look for that.

Daniel Kang: (Citigroup, Analyst) Thank you.

Alberto Calderon: How I see it in the long, long- if you look at it after 2021, where we don't expect Burrup or SAP, we would go back to previous guidance, except if there's better growth capital, and then that would be. It would be sustaining the $200 million, and then plus growth capital. If we can get to the $350 million, that's fine, but we will be very vigilant on the - obviously on the returns. We expect some positive growth momentum and we will be happy to finance it.

Daniel Kang: (Citigroup, Analyst) Thank you, guys.

Operator: Your next question comes from the line of Grant Saligari, from Credit Suisse. Please ask your question, Grant.

Grant Saligari: (Credit Suisse, Analyst) Good morning. Thanks. Just a couple from me, if I could. Alberto, I thought there was a real note of pride in the way you talked about the strata blast, and particularly emphasised the location being south of Moranbah. What you're saying there is that your technology enables you to go to places even where bulk product can't be delivered efficiently by Orica. Is that what you're trying to say, is that this frees you up in terms of generating earnings outside of the delivery radius of the manufacturing plants?

Alberto Calderon: This was more than the location around obviously the customer, all the - so it is BHP, and that they were willing on open pit - we had done good progress on underground, but they were willing to change their mine plans and to really put the whole of BMC on trying this, because they are so convinced of the benefits in - today, that it can offer. So, that's probably why we emphasise it.

There is a nice video, if you have seen it. BHP put it in its website. Putting a - for the technicians, they can talk on and on, our technical people, but a single blast of 2000 units through one kilometre, with zero misfires, and we have all sorts of measurements to understand that it's zero misfires, on strata blast. So, strata blast, by definition, a strata blast has misfires. That's because it fires on different timing. The part that is closer to the coal fires last, so there's usually lines broken and some misfires. That's in some video, you will hear that. That's on the website.

I think that that's - this is just an illustration that it's here, WebGen. It's not for the next five years. We will then - if you look at the graph that we show of units, we're multiplying by seven or eight, is what we expect a geometric increase in the units [sold of] WebGen in the next years. That's probably what we were going to flag.

You are right, we will be able to go anywhere independent of the AN.

Grant Saligari: (Credit Suisse, Analyst) Okay. Thanks for that. The other question I just wanted to ask, and sort of clarifying a comment that Chris made about capital investment opportunities, or growth capital investment opportunities. I just wondered whether you could give us a sense of the type of opportunities to invest capital that you would potentially be interested in. Where in the value chain, and the like.

Alberto Calderon: The growth that Chris is talking about really is around our core business. We will see - for example, you see in EMEA, the growth is quite spectacular. If you could divide it in CIS, we are growing - we have tripled the EBIT in the last years, and we expect to keep growing over there. All of those projects have very high returns, so as long as they keep delivering like that, all of the CapEx around small emulsion plants, trucks et cetera, we will fund that. That's really what Chris was referring to.

Now, that's not - that growth capital, that's not in technology. That's a different type of capital that we're talking about. We will, however, keep investing in technology and we are investing about 1% of our revenue. That's something that we obviously will also keep doing.

Grant Saligari: (Credit Suisse, Analyst) Okay, and just one final one, if I could just clarify just on the comment around mix and margin. On that slide 15, there was a plus $2 million from mix and margin. I think based on the previous guidance in your comments, within that there's a negative $25 million from price. Is that correct?

Alberto Calderon: There's a negative, actually, $28 million to be more precise, and there's a positive $30 million. The positive $30 million comes from services, greater services, greater mix. Then there's a negative on a price reset.

Grant Saligari: (Credit Suisse, Analyst) Okay. Okay, [unclear].

Alberto Calderon: If you look at our guidance, we - it's not the same number, but we expect to continue to making gains on services and margin, and we don't expect negative price resets.

Grant Saligari: (Credit Suisse, Analyst) Okay, that's helpful. All right, thank you. That's it from me.

Operator: Just another reminder, it is star-one to ask a question today. Your next question comes from the line of Sophie Spartalis from Merrill Lynch. Please ask your question, Sophie.

Sophie Spartalis: (Merrill Lynch, Analyst) Good morning, team. I just wanted to follow up on that last question. Just in regards to the FY20 contract renegotiations, just to clarify, you said earlier that there were no more pricing headwinds. Could you just maybe talk through, of the portfolio, how much is being renegotiated in FY20, because I understand the vast majority is getting renegotiated in FY21? Thanks.

Alberto Calderon: Thanks, Sophie. Yes, we have, I would say, across the world we will have a low negotiating year in fiscal year 2020. Probably most of them are around - in big numbers, above 80%. There's probably some things that are spot in EMEA, but very sticky. So, that's what we are seeing.

In fiscal year 2021, the number in Australia that is just very important, drops to about 75%. So, we expect to begin negotiations, but - and that will start having some impact in '21 and '22, but the bulk of that, of any impact on price, will be on '22.

Sophie Spartalis: (Merrill Lynch, Analyst) Okay. Then just a question, if we just go back to slide 15, the EBIT bridge. Can you just again clarify the difference in the buckets of inflation on overheads and reduced overheads, the differences that's included in that minus $29 million and positive $15 million?

Alberto Calderon: The inflation of overheads, what we define that, is that is the one that - it's support, global support, regional support. So, we can't really pass it onto the customers. It doesn't go through revenue. That's illustrated in the sense that that's what we - every year we have to compensate for efficiencies, and in some way or form compensate for that inflation that is coming through.

The reduced overheads is a net number. It's actually - and that is probably the number of people mostly from support that we have reduced for the year. That number is probably higher than that $15 million. We have, however, in the second half put - if you look at the first half, that number was around $13 million, but we have increased some people temporarily for the 4S, for the SAP deployment, we are really ramping up, and also in technology. So, the net for the year is $15 million.

Sophie Spartalis: (Merrill Lynch, Analyst) Okay, so just to - as we look forward into FY20…

Alberto Calderon: Chris wants to clarify.

Christopher Davis: Sorry, Sophie. If I can just add to that. So, the inflation on overheads is effectively just he inflation on people's pay package, so if you get an increase each year. Whereas the benefit of the reduction in the second bucket is when we've actually taken people out of the equation.

Alberto Calderon: That's - yes.

Sophie Spartalis: (Merrill Lynch, Analyst) Okay. So, if we just expand on that, the increase in the people pay, what geographical area is really driving that?

Alberto Calderon: Look, it's worldwide, but Latin America averages about 6%. We put it there, because in modelling that's basically - we expect that to - it's been pretty stable through the years. It's about that $29 million, probably with a bit less people it's going to drop to $27 million. That's something that we just have to face every year.

Sophie Spartalis: (Merrill Lynch, Analyst) Okay. so then just to confirm, going - looking at a potential EBIT bridge into FY20, we can expect that inflation on overheads to continue going into '20, and then that reduced overheads, it will basically spike in '20, given the SAP project, and then it will come back down in '21. Is that fair to say?

Alberto Calderon: No. We actually expect to keep having some improvements in that bucket too, in 2020. We are not giving guidance on the number, but we expect to keep, again, driving efficiencies in 2020.

Sophie Spartalis: (Merrill Lynch, Analyst) Okay, that's great. Thank you, I'll leave it there.

Operator: Your next question comes from the line of Scott Ryall, from Rimor Equity Research. Please ask your question, Scott.

Scott Ryall: (Rimor Equity Research, Analyst) Great, thank you. I wanted to refer to slide 5 and seven, I think it is, the - which shows the charts on the Asia Pac and North American businesses. The charts are really helpful, because it's exactly to my question.

You've got volumes growing in both businesses. You've got revenue growing in both businesses over the last couple of years, but the EBIT margin has gone backwards in both businesses. I'm just wondering how you can reconcile that with the fact that these are the businesses that have, what I would have thought would be the most operational leverage, given the extent of the asset base that you've got there?

I know we've had some manufacturing issues in Australia that [Yarwun] theoretically has come on in '19, so it shouldn't have been the drag that it was in '18. Yes, we've got Burrup, which will impact this year, impact the first half of next year.

But what I'm really wondering, is given prices have stabilised, revenues are growing by greater than volume, how could you not be growing EBIT margins in those businesses, please? I would have thought that in the downturn a few years ago, that if you'd put in place the efficiencies that I think you're saying you have, then you would be seeing that operational leverage now.

Alberto Calderon: Thanks. So, it's always tricky to look at the EBIT margins. I've always cautioned that. It's a good guidance, but there's a lot of complexities goes in. Remember we have rises and falls in our contracts. With rises and falls, what happens is that if cost goes significantly up, the revenue goes up but the EBIT stays the same, and hence the EBIT margin drops. That's just one general caveat.

For example, gas costs have gone significantly up in Australia. I would expect that those gas increases, even though our EBIT has stayed the same, has dropped the EBIT margin by about half a point.

In this case, it's different. It is related to the fall in Mexico. The impact of Mexico was significant, and that's why we flagged it. Those are very high-margin tonnes. The team in North America was able to compensate by increase in cyanide, but cyanide has a much lower margin. We also had higher volumes in Canada, and those are also a lower margin.

So, when you put all of that together, that would explain, they were able to stabilise EBIT but the EBIT margin that you see, it slightly drops.

Let me put it this way; if we hadn't had the strike in Penasquito, that EBIT margin and that EBIT would have gone significantly up in North America. That's what you get in a portfolio like that. When you get a high EBIT margin impact, then that's what happens.

Scott Ryall: (Rimor Equity Research, Analyst) Okay. Can you help out and actually quantify what that margin would have gone up by?

Alberto Calderon: Well, the impact of the decrease in EBIT in whole of Mexico was about

$15 million. So, you can make the calculations.

Scott Ryall: (Rimor Equity Research, Analyst) Sorry, 15 - one-five, or five-zero, sorry?

Alberto Calderon: One-five. One-five.

Scott Ryall: (Rimor Equity Research, Analyst) One-five. Okay. Okay. Then, can you quantify the same on Burrup?

Alberto Calderon: What would you want me to quantify?

Scott Ryall: (Rimor Equity Research, Analyst) Well, once let's say in the second half, when you're fully loaded and you're sourcing tonnes locally from the Burrup plant as opposed to bringing them into the Pilbara separately - and I know the BHP contract hasn't started, well it's starting now, so you haven't seen the impact in '19 of the additional costs you're going to incur presumably in the first half to get the volumes into the Pilbara - but if I look just for this year, what has it cost you in order to get the volumes into the Pilbara that you needed to?

Alberto Calderon: Look, you can complicate these calculations a lot, and I can probably tell you you'll get it wrong because there's a lot of pluses and minuses that is happening in the Burrup. There's a simple calculation that we've said we expect when Burrup versus no Burrup, when Burrup is functioning, the positive impact after depreciation and everything, on a full year is between $25 million and $30 million. So, for half a year it's going to be around, let's say, $13 million. That's what I would put in the models.

Now, there's a lot of things inside there. Yes, we [in] 150,000 tonnes and we did 40,000 tonnes this year, so that's 110,000 tonnes, that's $200 of sourcing, that's about $20 million. Then there's all sorts of increasing costs of operations. There are whole other types of variables, higher, lower pricing contracts et cetera. I would just recommend that I would use the guidance that we are giving, and so the positive probably EBIT contribution for next year is around that 150,000 tonnes, and then it's half of the guidance that we've said on a net basis after depreciation and everything.

Scott Ryall: (Rimor Equity Research, Analyst) Yes, okay. Then just reading a little bit further on both of those businesses, assuming you don't get any more one-offs, you're comfortable that you should be able to demonstrate operational leverage in both those two businesses, in fiscal 20? Because that to me is profitable growth. If you're just growing revenue - to your three main targets of what makes Orica a good investment, if you're just growing revenue from volume growth, you're - to me, if you've got a fixed cost base you should be growing EBIT faster than revenue. That would be just a simple equation. Is that likely, in fiscal 20, and in the second half of '20 for the Asia Pac business?

Alberto Calderon: That's the guidance that we have given, yes, just to reiterate. I think the market understands this very well. We had a significant price reset of about $28 million in APA, and then we have the Penasquito issues, and Mexico in general, about $15 million. When you put that into consideration, you have quite significant EBIT growth. Just remember that for us, it's - we have pass-throughs, and if cost goes up the EBIT margin is going to go down, but that's not a problem for us.

Scott Ryall: (Rimor Equity Research, Analyst) Yes, sure. Okay. Great, that's all I had. Thank you.

Operator: Just a final reminder to ask your question today, it is star-one on your telephone, or the pound or the hash key to cancel your request. Your next question comes from the line of John Purtell from Macquarie. Please ask your question, John.

John Purtell: (Macquarie, Analyst) Good afternoon guys, how are you?

Alberto Calderon: John, that was a…

[Technical difficulties]

John Purtell: (Macquarie, Analyst) Can you hear us?

Alberto Calderon: No, we lost you for a second.

John Purtell: (Macquarie, Analyst) I just had a couple of questions. I'm assuming you can hear me. Just in terms of going back to APAC, the - your second half EBIT was down 3%. Was the pricing variance, that minus $28 million, was that much more manifest in the second half than the first?

Alberto Calderon: Yes.

John Purtell: (Macquarie, Analyst) Correct?

Alberto Calderon: Yes, correct.

John Purtell: (Macquarie, Analyst) Yes, okay. That was the main - would that have been the main drag, explaining that EBIT reduction?

Alberto Calderon: Yes. Yes, that would have been a big factor, yes.

John Purtell: (Macquarie, Analyst) Second question, just in relation to Burrup, you've pushed the timing out, it looks by about a month in terms of your expected production start-up from March through to April. Is there any colour on that? The second part to that is, when you do expect commissioning to start for the plant?

Alberto Calderon: I don't know, John. We haven't pushed it. We have been very consistent for about a year, that it would be some time in the first half. No, if anything, things are going better than we thought they were going to be. It's just, again, there's no sense in being too precise on - because the commissioning could always - there's some - any hiccup that could come. If anything, I'm quite happy with how things are progressed, and that's the colour that I tried to give before.

I think the fact that 95% of the heat exchangers are in place, or the fact that three out of the four dry drums are in place today, or the fact that the absorption column is standing up and in the process of being installed, it's just - I was trying to give colour to the market that basically the heart of the whole project is almost done by now. So, it gives me confidence that by the end of December, the plant will be ready.

Now, how long the commissioning will last, is something that I've been long enough in projects to know that there will be always some issues. This is just a simple calculation. We've said it - probably we said it six months ago, 50%. I prefer not to change to guidance, but what I can say is that my - again, with where we are today, the level of confidence of that guidance is significantly increased. If we can do a bit more, we'll do, but not just - it's not use trying to be too precious on this. The point is, it's almost done. We have confidence it will be operating the full half of the second half. Let's see where we get in May, and we'll let you know. The core of what we wanted to deliver as Burrup is going very well.

John Purtell: (Macquarie, Analyst) Okay, thank you.

Operator: Your next question comes from the line of Alex Karpos from Goldman Sachs. Please ask your question, Alex.

Alex Karpos: (Goldman Sachs, Analyst) Hi everyone. Just a couple of quick ones on Latin America from me. First of all, on the intermediate term, are you expecting any disruptions in 1H20 from the protests we've seen in Chile?

Alberto Calderon: Look, the answer is no. Having said that, if there is one thing that has surprised me in the last moths more than anything, is what's happening in Chile. I think it has - the extent of the damage and of the violence of that is something that I would have never thought I would see in a country that is model in Latin America.

Having said that, the average wage for the miners is about nine to 10 times higher than the minimum wage in Chile. So, even though you hear that there are some signs of solidarity, they want to - we know that they are - and this is not for us, but for the miners, they are really very careful of not trying to bring too much attention to this situation. So, they are really - the people who work in the copper mines are really quite privileged in Chile, in the context of the work that they do.

Even though there may be some temporary disruptions, and we still see things and problems in Santiago, we do not believe that there will be any significant long-term damage for the mining in Chile, and hence not for our operations.

So, at this stage we, even though again we are - we have all of our people on making sure that they - they have been disrupted, and schools and all of that has been disrupted, we are not expecting again any significant impact.

Alex Karpos: (Goldman Sachs, Analyst) Got it. Then just on a more long-term timeframe, on the EBITDA margins, we saw them creep up a bit half-over-half, which is an encouraging sign. How should we think about margins for this business over the long run? I guess if you expect expansion here, what would be the catalyst to see them creep higher from here?

Alberto Calderon: Look, we will - it's something that probably - they should go up, and I've said for example in APA, with Burrup functioning in 2021, if we extrapolate versus today, we should go back to 20%, 20.5%. The numbers - so technology should definitely imply higher margins. Then again, costs that leave EBIT unaltered like gas has an impact on decreasing the margin, but that's not something that I am particularly worried about.

It's a useful initial indicator, but it has to be used with caution. What we will do is probably we will be - flag something like that, saying okay, this is what we expect to see with Burrup. If there is any significant cost that we can neutralise, and it's debilitating the margin, we will let you know. Barring that, you should see our technology impacts when we talk about 2021, and the impact of for example wireless, that should imply higher EBIT margins.

Alex Karpos: (Goldman Sachs, Analyst) Got it. Sorry, I should have clarified, I was referring more to the Latin Americas specifically. If I look out in 2022, 2023, across the next couple of years of the cycle, how should we think about the headroom there for margins to keep expanding from here?

Alberto Calderon: We should also keep seeing some growth in margins in Latin America. We have the president of Latin America with us, so I'm pretty sure he's very committed to that, of slightly increasing the EBIT margins. The problem in Latin America, remember we have a traded commodity. That makes things a bit more complicated.

But the RONAs are high, and one thing I'm quite excited about is the penetration of both the digital and wireless in Latin America. That, without a doubt, will lead to some increase in EBIT margins, but it will always be low.

Alex Karpos: (Goldman Sachs, Analyst) All right, thanks for the time.

Operator: There are no further questions at this time. I will now hand back to Alberto for any closing remarks.

Alberto Calderon: Thank you very much. Thank you.

End of Transcript