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Alberto Calderon: Good morning, everyone, and welcome to our financial year 2020 full year results presentation. Thank you for joining us today, after what has been an extraordinary year. I'm joined today by our Chief Financial Officer, Chris Davis. On slide two, I will ask you to take a moment to read the disclaimer.

The 2020 financial year is a year of two very different halves. In the first half, we were very successful in building up the strategic momentum we developed in 2019, and then COVID hit, temporarily disturbing that momentum. However, despite the challenges of the pandemic, I am very pleased to say that we delivered on all the initiatives and key strategic milestones that we set ourselves for the year.

We successfully completed the acquisition of Exsa in Peru, bringing with it its strategic growth and greater commodity diversification. Exsa's exposure to copper and gold, along with Orica's continuing diversification strategy, has reduced our coal exposure to 16% from 17% last year, and we expect this to drop by a further 1% in the medium term. This is a substantial reduction from 2015.

The integration of Exsa into our Latin America business is progressing very well. Burrup commenced operations in May, and is producing good quality AN, and in July we rolled out the final phase of our SAP 4S project, a historic game-changing milestone for Orica. I will talk more about each of these initiatives later in the presentation. We continued to increase the strength of our balance sheet through a very timely capital raising and US private placement, both of which were oversubscribed.

First half volumes were up 4%, in line with our expectations, and we believe that we were on track to maintain that same level of growth in the second half. However, as COVID took hold, volumes reduced in the second half by about 300,000 tonnes below our pre-COVID expectations, excluding Exsa, which is 4% down year on year. In addition, increased supply chain costs due to COVID-19 continued into the second half, negatively affecting EBIT by about $25 million.

While focusing on keeping our people safe and servicing our customers, we also implemented several cost reduction measures, enabling us to offset around 40% of this impact. Despite these challenges, this is a strong result against a COVID-19 backdrop, demonstrating the resilience of our business. Both underlying and statutory net profit after tax were down year on year. This is due to a combination of reduced EBIT, the previously flagged significant items and the lower interest rate impacting the discounting of provisions, which Chris will explain later.

Gearing at 36.4%, excluding the effect of the new lease accounting standard, is comfortably within our target range of 30% to 40%. Our strong earnings and confidence in the future has enabled us to maintain a dividend, prudently reduced to reflect continuing operating environment uncertainty. The Board has declared a final dividend of 16.5 cents per share, unfranked. This takes the total dividend for the 2020 year to 33 cents per share, which represents a payout ratio of 45%, which is within our stated dividend policy of 40% to 70% of underlying earnings.

Moving now to slide five. Throughout the pandemic, just as it always is, our number one priority was the safety of our people. We moved quickly to introduce new working arrangements and hygiene protocols for teams in critical frontline and manufacturing roles. We brought our remote workers home wherever possible and enabled those who could work from home to do so. Recognising the strain on mental wellbeing, we also provided online support programs. As teams returned to their workplace, we have implemented COVID-safe plans that go beyond the minimum health requirements. We also launched numerous initiatives to support our local communities.

As we mentioned at the half-year results, COVID-19 has had a varying geographical impact on our business. In Australia and the USA, mining activity remains robust. Canada has been slower to recover, and we are closely monitoring the European second wave and its potential to prolong the impact.

Elsewhere in the world, we have seen a harsher and more sustained impact. In Peru and Colombia, activity fell to less than half its normal level. There have been signs of recovery, and Peru is currently at around 85% to 90% of pre-COVID levels. Mexico has been significantly impacted, which is compounded by the uncertain political environment, and we continue to see high numbers of cases in Indonesia, India and across Africa. Throughout this period, our customers have appreciated the way our people have gone to great lengths to keep supporting them and their operations.

Our global net promoter score has increased by 21% to 51 points this year, with reliability of supply quoted as the key differentiator. Our balance sheet remains very strong thanks to our pre-emptive refinancing, which extended our average debt maturity and ensured we have sufficient liquidity. It is hard to predict the coming months, but from what we can see today, we are cautiously optimistic of a strong uplift in the second half of 2021.

Nevertheless, I am confident that we have positioned ourselves well for when normalised mining growth returns.

Moving now to slide six and sustainability. I'm pleased to report that once again, we have achieved our most important metric of having no fatalities this year. I'm equally pleased to say that our serious injury case rate is down 29%, the lowest it has been in the past four years. While we are proud of these results, we are never complacent, and we know we can always do better.

As part of our focus on operating responsibly this year, we launched a new product security standard that will further minimise the chances of our products ending up in the wrong hands. We made good progress in reducing our impact on the environment. Our greenhouse emissions were 9% lower year on year, and we had no significant environmental incidents.

I am very pleased to report that we achieved our target for both gender and cultural diversity. One-quarter of our senior leaders and half of our leadership program nominations are female, while 48% of our senior management identify their nationality as other than Australian or New Zealander, which is aligned to our revenue profile.

Now we will look at the performance of each region, starting with APA, slide seven.

As mentioned before, mining activity in Australia has remained robust, with only some slowdown in a few customer operations. However, COVID-19 has led to significantly lower volumes in parts of Asia. Notably in Indonesia, demand was affected by restrictions on some customer sites and declining thermal coal prices.

Back in Australia again, the volume demand in the Pilbara remains strong, in line with the iron ore market. The east coast coal sector has proven resilient, and we've seen growth thanks to new contracts and one-off sales to competitors. However, the well-publicised Australia/China trade issue over the past few months has resulted in some weaknesses in this sector.

Cyanide volumes increased from new business in Asia and higher demand in Australia. EBS volume growth was up 19% from new contract wins, and further customer conversion from lower margin conventional detonators. New technology sales grew on the prior year. However, new trials were delayed due to COVID-19. Our superior technology means we continue to achieve a high contract win rate with close to 95% of existing contracts and around 75% of greenfield contracts. While AN volume in the region was up 5% from 2019, EBIT was down by 1%, excluding the $8 million related to the China ownership structure change, as mentioned at the half-year results.

This misalignment between volume and EBIT is mostly a result of two things. First, higher east coast gas costs which are a result of the new gas supply contract, and the associated pricing impact in a competitive market, which impacted EBIT by $12 million, and second, from the impact of COVID in Asia and supply chain costs, which should normalise as the market recovers. With Burrup coming online this year, we have been able to gain some local sourcing benefits and remain on target to deliver the expected $25 million EBIT in a full year of production. Cost saving measures partly offset the COVID-19-related impact on volumes.

We now move to North America, on slide eight. In the USA, mining activity was deemed to be essential, resulting in minimal volume impacts. The largest impacts from COVID-19 were in Mexico, where mining was initially declared non-essential. We did see early volume impacts in Canada, around 10% year on year, but mines have now reopened.

Unfortunately, Mexico was hit much worse, and on-going geopolitical issues compounded the challenging situation on the ground. Volumes were down by around a third year on year, but we do expect a recovery. We're actually seeing it right now, and a better second half in the coming year. Quarry and construction remained stable overall, with a decline in larger infrastructure projects offset by increased demand in small to medium-sized initiatives.

A strong supply of natural gas in the US has resulted in a shift in demand away from thermal coal. While this market is forecast to partially rebound over the next year or so, we expect US coal prices will remain under pressure. While US thermal coal contributes less than 3.6% of the Group's EBIT, it contributes around 10% to North America's EBIT directly and through our 50% joint venture servicing the US coal sector. We expect this negative impact to continue due to this structural change.

Growth in other commodities in this region remains strong. Continued opportunities of gold and copper greenfield growth in Canada and further penetration in technology, particularly in EBS, WebGen and digital upselling will continue to support EBIT.

We now move to Latin America and slide nine.

Latin America has been one of the worst affected regions in this pandemic. Peru, including Exsa, was hard hit, particularly in underground mines. Although there has been some recovery, current operations are only at about 85% of pre-COVID levels. Colombia, where our volumes dropped by over 70% from last year, has yet to show meaningful recovery, with shutdowns still in place at most sites. Chile and Brazil have proved more resilient, and performance has now largely recovered in those countries, and those were the two largest regions. Chile, Brazil and Peru are the largest in Latin America.

The acquisition of Exsa was completed at the end of April, and as expected, the EBIT contribution for the remaining part of the year was neutral. This is a good result, given the challenge of COVID in Peru. I will cover the integration in detail later. I would like to credit the team's tremendous job in moving quickly to implement cost-saving initiatives to substantially offset the impact of COVID. As you can see, the declines in revenue and EBIT are broadly in line, demonstrating what a good job our Latam team did with costs. Growth is expected in both copper and gold segments, as fundamentals for these commodities remain strong.

With over 75% of the revenue in this region exposed to these commodities and a strong market share position, the Latin America region remains an important growth region for Orica. Now move to EMEA, slide 10.

COVID has impacted this region in varying degrees. The most significant impact was in Africa, with total lockdowns in South Africa and Namibia and two mine closures in the DRC. In Norway, the government postponed spending on new projects, which reduced tunnelling and construction activity, negatively impacting EBS volumes in the second half. In the first half, we built excellent volume momentum from continued growth in the CIS and from new contract wins and higher spot sales in Africa.

EBS volumes also grew in the first half from continued growth in Norway, reflecting the on-going shift towards more advanced EBS detonators. This, along with improved cyanide pricing and a tighter global market had a positive impact on the region's EBIT, but when COVID hit, volumes declined across all the profitable European markets due to the closure of mines and lockdowns in many countries, including Belgium, Spain, Portugal and Norway.

Similar to other regions, reduced volumes and increased supply chain costs impacted EBIT in the second half, with some offsets from management initiatives. We expect growth in the region to resume post-COVID, supported by expanding our footprint in the CIS, consolidation in West and East Africa, Namibia and the Copper Belt and further EBS growth in the Nordics, Africa and CIS.

Looking now at Orica Monitor, on slide 11. What we saw in our monitoring business was

COVID-impacted customers changing their strategy from one-off purchases to leasing arrangements, and we have adapted accordingly. While this has a short-term impact, it will even out over the longer term. This, along with the increase in supply chain costs, explains the EBIT decline this year. It is important to note that we continue to win 65% of all new business opportunities, and since acquisition, we have signed around 40 contracts with Orica customers.

Geotechnical services continue to grow strongly, showing 28% annual growth. GroundProbe is still on track to achieve the EBIT targets we set ourselves at acquisition. Nitro Consult, also included in this segment, has delivered positive earnings following a restructure, as discussed in the half-year results. Overall, the underlying fundamentals of Orica Monitor remain strong, and the value of our technology is unquestioned.

Finally, into Minova, there was a strong revenue contribution from sales of powder and resin volumes in Poland, the UK and Russia. However, these were countered by a decline in steel volumes and lower levels of Australian underground coal mining activity. COVID-19 impacted Minova's revenue in the second half due to lockdowns in South Africa and India.

These pressures were partly offset through lower raw material price and positive production mix in Europe, improved manufacturing efficiency and reduced discretionary spend. EBIT has come under pressure from a soft thermal coal market in the USA, but we have seen upside from improved chemical sales and pricing. Even though revenue was down, the management team actively reduced overhead costs and delivered annual EBIT growth of $6 million, or 40%, which is a terrific result.

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

Christopher Davis: Thanks, Alberto. Looking at the key financial metrics on slide 14, as Alberto has already mentioned, 2020 has certainly been a tale of two halves. We started the year strongly, with first half reported volumes increasing 4% on the prior period. Similarly, revenue and underlying EBIT were up 2% at that time, with strong performances across all of our business units. Despite that, the impact of COVID-19 has had a significant impact on the second half, with volumes in the second half down 15% against what was originally expected and down 10% against the same period in 2019.

Therefore, looking at the full year results for 2020, sales revenue of $5.6 billion was down 5% from the prior period, driven by North America, Latin America and Minova. The decrease is driven by lower volumes in the second half of the year as a result of reduced demand in countries impacted by COVID-19, reduced pricing following consolidation in the North America gold sector, in Latin America as a result of competitive pricing pressures, and the impact of the change in ownership of the China business.

This was partially offset by increased demand, new contract wins and sales to competitors in Australia, added revenue from the newly acquired Exsa business in Peru and favourable FX. Underlying EBITDA has increased 2%. Adjusting for the impact of the new lease accounting standard, which reclassifies operating lease expenses to depreciation and interest, EBITDA is down 6%.

Underlying EBIT has decreased 9% over the same period, and includes the impact of the China business, which is now equity accounted and no longer consolidated. Underlying NPAT of $299 million is 20% below the prior period, driven by a higher interest expense as a result of the application of a lower discount rate to the measurement of environmental provisions and the non-cash year-on-year movement of $39 million being reflected as an interest cost. I need to stress, this is one-off in nature and is non-cash. In 2021, net financing costs, including the impact of leasing will remain at around $110 million to $120 million.

Statutory NPAT of $168 million was 31% lower than the prior period, driven primarily by lower earnings in 2020, which I will outline in more detail in the following slides. The effective tax rate of 32% on underlying earnings is in line with expectations.

At 75.7 cents, earnings per share is down 23% on the prior period, driven by a lower underlying NPAT and an increase in issued shares during the period, following the equity capital raising to support the acquisition of Exsa in Peru. A final dividend of 16.5 cents per share will be unfranked and represents a payout ratio on the final dividend of 50%. We are pleased that we have been able to continue paying a dividend at a time when other companies have suspended dividend payments to shareholders. We believe we have struck an appropriate balance between shareholder returns and safeguarding the capital structure in this still uncertain external COVID-19 environment.

Turning to slide 15, entitled individually significant items. As flagged to the market on 12 October, Orica has implemented several efficiency improvement initiatives to simplify, streamline and standardise end-to-end processes globally. As a result, we have recognised $170 million before tax of individually significant items, which include the following.

Firstly, we are undertaking a global project to rationalise our product portfolio, simplify and reduce our different technologies and enable the optimisation of our initiating system plant network.

This project is expected to result in a substantial increase in plant utilisation from around 48% to above 80% in 2024. Accordingly, the Minden and Hallowell plants in the USA and the Tappen plant in Canada will cease production. Secondly, as we have progressed with the final stage of implementation of our single SAP project, we have identified legacy IT assets that will no longer be utilised within the business, and accordingly, these have been impaired. And finally, as part of the realignment of our organisational structure to support the new standardised end-to-end processes of the new SAP system, we have identified a reduction in headcount that has resulted in restructuring costs.

Given the size and importance of these items to the users of the financial statements, these one-off costs have been accounted for as significant items and do not form part of the underlying result.

Turning now to the EBIT bridge on slide 16. As a reminder, the impact of the change in ownership of the China business means that $8 million of EBIT previously consolidated is now treated as an after-tax equity-accounted investment at 49%. Inflation on overheads had an adverse impact of $32 million, which is in line with our expectations. Ammonium nitrate volumes at 3.9 million tonnes include 98,000 tonnes of sales from the recently acquired Exsa business. Excluding the Exsa tonnes, sales volumes for the full year at 3.8 million tonnes decreased by 4% compared to the prior period, which resulted in an adverse volume variance of $38 million.

This reduction in volumes is driven by reduced mining activity and customer mine closures associated with COVID-19 in Canada, Mexico and large parts of Latin America and Asia, a continuation of unfavourable operating conditions in Mexico due to political uncertainty and reduced sales of AN in Colombia, following a change in supply arrangements, whereby the customer directly sources its own AN.

Net mix and margin decreased by $9 million, with the most notable impacts felt in the Australia Pacific, Asia business, North America and the EMEA businesses. This has been driven by new gas supply arrangements at a higher cost in Australia, which cannot be fully passed through to customers, adverse price impacts following the consolidation in the North American gold sector and increased supply chain costs across the business.

Global manufacturing impacts. The impact of reduced customer demand in the second half has resulted in reduced throughput, adversely impacting fixed costs and plant recoveries.

This has resulted in an adverse variance in manufacturing of $13 million against the prior period, most notably at Carseland in Canada, and the initiating system plants.

Adjacent businesses include Orica Monitor and Minova. The GroundProbe business continues to deliver in line with the original investment case. However, the impact of customers moving to leasing of radars over outright purchases in the short term has meant that Orica Monitor has delivered an EBIT of $20 million, marginally below that in the prior year. Looking at the Minova business, this continues to perform well and deliver on its turnaround journey. 2020 was no exception, with Minova delivering an EBIT of $21 million, a 40% improvement on the prior period, despite contraction in the USA thermal coal market.

Finally, savings and reduced overheads and management initiatives have resulted in a benefit on the prior period of $36 million. The net result is that EBIT finished the year at $605 million, despite the impact of COVID-19. Whilst we have not quantified the impact of COVID-19, it has had a significant impact on our results in the second half of the year, most notably through reduced volumes, reduced service income and increased supply chain costs, with the biggest impact in Canada, Mexico, Latin America and parts of EMEA and Asia, as a result of lockdowns and lower levels of mining activity.

Importantly, demand in Australia, USA and the CIS countries were largely unaffected by the pandemic in the second half of the year. However, higher manufacturing and supply chain costs were incurred to ensure compliance with COVID-19 restrictions and ensure security of supply to our customers. Given the high fixed cost nature of our business, the impact on EBIT due to lost tonnes can be disproportionate, diluting EBIT beyond the fully absorbed EBIT margin.

Looking at capital expenditure on slide 17, as mentioned over the past few years, we continue to ensure that capital allocations related to safety and environmental obligations are not restricted. All other capital requirements are subject to rigorous review and approval processes. Excluding the $78 million of capital expenditure to replace the defective Burrup assets, total capital expenditure for the full year was $394 million, in line with our guidance range of $380 million to $400 million, which included Exsa's capital requirements.

Growth capital expenditure of $91 million includes increased investment in GroundProbe radars to support new lease contracts, further investment in the commercialisation and manufacturing capacity of WebGen in both North and Latin America and increased capital to support new customer contracts in Asia, Canada, Africa and Peru.

Sustaining capital expenditure of $159 million reflects spend on compliance and efficiency capital at Kooragang Island, Yarwun and Carseland and further replacements of the older MMU fleet on existing customer contracts. At $159 million, sustaining capital expenditure is lower than normal, with reduced spend in the second half of the year driven by the targeted deferral of non-essential projects and extended maintenance cycles. Importantly, no projects were deferred that impacted safety and environmental obligations.

Whilst spend on sustenance capital was reduced, this was offset by higher spend on the final implementation of the SAP system. The spend on the rectification works at the Burrup plant has progressed well, with the plant producing approximately 100,000 tonnes in the second half of the year. A further $25 million is anticipated for the final phase three works, which are expected to be completed in the second half of 2021, bringing the plant to its design capacity of 330,000 tonnes.

In 2021, capital expenditure is expected to be in the range of $380 million to $400 million, excluding the final spend on the Burrup plant. Including the impact of the new lease accounting standard, which has resulted in leases being brought onto the balance sheet in 2020, depreciation and amortisation has increased to $351 million. For the full 2021 year, it is expected that depreciation and amortisation will be up to 30% higher, due to the commencement of depreciation on our investment in SAP systems, the impact of a full year of depreciation from the Burrup plant and the inclusion of depreciation associated with the recently acquired Exsa business.

Moving on to slide 18 entitled cash flow, the generation of strong cash flows remains a key priority for the business. Unfortunately, the timing of the implementation of the SAP go live in close proximity to the September year end resulted in temporary delays in the processing of invoices to customers, resulting in lower cash collections. This impact was temporary, but substantial, and peaked in September.

This is evident in the trade working capital balance, which has increased by over $300 million. We estimate the temporary impact on debtors to be approximately $200 million. Importantly, we have no reason to believe payment commitments will not be met going forward. The reduction in the creditors' balance was in line with expectations, as we achieved discipline, simplification and standardisation across our supplier base on contractual terms aligned with the implementation of a single SAP system.

Despite this, cash generation remained positive in the year, with net operating cash flow generation of $277 million, and cash conversion above our stated expectation of 70%, coming in at 74.4%.

Turning to net debt and gearing, on slide 19. Our balance sheet remains strong, despite the impacts of COVID-19 and the temporary impact to cash conversion. Excluding lease liabilities of $299 million, our net debt of $1.8 billion translates to gearing at 36.4%, which is comfortably within our target range of 30% to 40%.

The increase in net debt was driven by the payment of dividends during the course of the year, the previously mentioned impacts of increased trade working capital, partially offset by the excess equity capital raised to fund the Exsa acquisition and favourable foreign exchange.

The final slide I will talk to today is slide 20 on our strong liquidity position. The actions we have taken during 2020 to strengthen our balance sheet have positioned us well as we navigate these uncertain times. We have high levels of liquidity available, as demonstrated by the $1.5 billion of undrawn committed bank facilities and a further $921 million of cash at year end. Over the past year, we completed an equity capital raising of $505 million, in a pre-COVID-19 environment to fund the Exsa acquisition. We have refinanced and proactively pre-financed $437 million of committed debt facilities to extend our debt maturity profile. In June of this year, we completed the issue of $725 million of fixed rate senior unsecured notes in the long-term US private placement market, which extended our debt maturity profile and further strengthened our balance sheet.

Together with the over-raise of equity of $126 million to fund the Exsa acquisition in February 2020 means that we stand well from a liquidity perspective. Our average drawn debt tenor is currently 5.0 years. Our all-in cost of funds is 3.9%. Our two debt covenants, namely gearing and interest cover, are comfortably within requirements. Our focus in the near term will remain on cash preservation, with a specific focus on inventory management, where we will continue to maintain inventory at appropriate levels in the business.

With the plan to reduce the manufacturing footprint and number of SKUs, we expect to see a gradual reduction in inventory levels over the next three years. We will also focus on debtor collections, as we continue to embed the new SAP system and improve collections in the first half of the 2021 financial year.

Cost reductions from operating efficiencies and discretionary spend will remain a key focus area to offset increased supply chain costs caused by COVID-19, and finally, capital expenditure discipline will continue without compromising safety or environmental obligations. We remain committed to maintaining a strong and flexible balance sheet and adequate liquidity levels as we continue through these unprecedented times.

It is important to note that we entered the COVID-19 crisis in a position of strength, with significant cash on hand and strong levels of liquidity, and we have continued to prudently maintain that position. This also places us in a good position for our business to be ready to support growth and be ready for when customer demand returns to normalised levels. With that, I'll now hand you back to Alberto. Thank you.

Alberto Calderon: Thank you, Chris. We now move to slide 22, where you will see our roadmap of strategic priorities. In my mind, it's probably the most important slide of this presentation. We have five key drivers. Exsa and how we successfully integrate it, the initiating systems network optimisation, improvement of manufacturing reliability and efficiency across manufacturing, embedding a refreshed operating model - basically, the benefits of SAP that we expect to see in the next years, and then continuing to drive customer adoption of our world-class technology portfolio.

All of these initiatives will represent a very significant positive impact in EBIT that will allow us to compensate for the impact of COVID during 2021, and that's why we can confidently say that we will expect to see significant growth in EBIT in 2021, probably more importantly as COVID fades in 2022 and we get back to normal, we are confident that we will recover the momentum that we had before COVID. So where we were sitting at the end of the first half of last year, we are confident that we regain that momentum because of the initiatives that will keep delivering benefits in '21, '22 and '23.

So let's start with Exsa. We have now acquired just under 97% of shares, and we are following the process to extend the offer to all Exsa shareholders. As mentioned earlier, the acquisition has further diversified our commodity exposure and reduced our thermal coal exposure. I'm so proud of our integration team. We have kept on track with our detailed plans, despite having to operate remotely. This is probably the first integration operation done remotely, at least in the history of Orica. In the past few months, we have achieved some key milestones, including the first bulk AN import received in Peru in August. Our state-of-the-art facility in Lurin has begun producing Orica-branded packaged emulsion, and the Trujillo plant is now producing bulk emulsion using our own formulation. Expected benefits are already materialising, and our team is exploring further potential synergies, including streamlining of corporate functions and the cross-selling of our products. So overall, we're on track to deliver around $25 million of run rate synergies by 2023, so that's half of our expected EBITDA in 2023 of $50 million.

The acquisition of Exsa has provided the impetus to rationalise and standardise our global product portfolio, which I will talk about on the next slide, slide 24.

As you know, Orica today operates a global network of initiating systems, manufacturing facilities and distributes a wide range of products throughout the world. The current network is suboptimal. It has low levels of utilisation at about 48%, uses different technologies and is not as cost competitive as it could be. This optimisation initiative will reduce network costs, drive inventory efficiencies, standardise technologies and reduce existing supply risks. As we announced last month, our Hallowell, Tappen and Minden plants will close, with further rationalisation planned over the next couple of years.

At the same time, our SKU rationalisation program continues, and we expect the momentum we built up in the project to resume, following a slowdown as we implemented our SAP system. Since the commencement of this program, we have already halved the number of SKUs and plan to further reduce by around 40%. This project is expected to result in a substantial increase in the network utilisation from around 48% to around 75% by 2023 and 80% by 2024, and deliver approximately $20 million annualised EBIT exit rate in fiscal year '21 and $35 million to $40 million annualised EBIT exit rate in 2022.

Let's move now to slide 25. I am pleased that our levels of overall equipment effectiveness at each of our plants, including Burrup, is above our 80% target. Burrup produced around 100,000 tonnes of AN since commencing production in May, in line with our expectations. Plant utilisation is high, supported by on-going strong demand across the Pilbara. The plant will be close to fully loaded with current contracts.

We continue to receive very positive feedback from our customers about the quality of the product. Stage three rectification works are set to be completed in 2021, which will bring production to full capacity, and we expect OEE to reach 90% post these works. With Australia iron ore material moved projected to grow by 9% in the next five years, you can see the potential for this strategically located facility.

Next, on slide 26, I would like to talk more about SAP. This slide shows the stark contrasts between our old operating systems and the benefits of our new single, standard, simple SAP platform. Previously, we had, for example, supply chain planning and transportation management was managed through Excel, commercial bids were stored across multiple databases, with sales contracts in various locations. We had some 4000 general ledger accounts and 250 payment terms.

We had 650 bank accounts in 140 different banks. Our SAP platform had 22,000 customisations, and our HR system contained 2000 different jobs. Now, you can see both the need for change and why it has been such a long and complicated journey to bring everything in one place. I'm very proud to say that the final and most significant phase of this system was successfully implemented and went live in July.

We now have a cloud-based, standardised and integrated single enterprise system supporting the entire organisation. We have moved from literally thousands of spreadsheets and process variations to one standard set of integrated and optimised end-to-end processes. This enables real-time, data-driven insights based on a single source of truth. This is no small feat, given we operate across more than 120 countries.

Now, all of this in place, we can begin realising the myriad of benefits from improved agility, product security, customer outcomes and global competitiveness. We expect to see more efficient procurement spend, improved sales contracts, increased automation and accompanying decline in manual work. By aggregating the value of these benefits, we are confident of realising 20% annualised cash return of $60 million by 2023. I think we are on our way to realise about 50% of that in 2021.

Slide 27. Technology continues to be a cornerstone of Orica's differentiated offering, and I am pleased to report that despite COVID restrictions, we achieved our global adoption targets. This could not have been done without the great ingenuity our team showed in using augmented reality to enable remote installation, training and support. Our traditional technologies, such as electronic blasting systems and premium bulk emulsions continued to show strong growth profiles, and hold market-leading positions. But we are most excited by the continued growth in adoption and market penetration of our game-changing suite of new technologies.

The number of sites using BlastIQ increased threefold over the prior year, with several global customers adopting multisite applications, and FRAGTrack, our award-winning fragmentation measurement technology. This year, we also successfully commercialised a new digital solution we call Design for Excavation. This technology uses data to create and implement automated blast-loading designs that optimise mining excavation rates.

It is applicable across multiple commodities and mining applications, and we are very excited by its potential. We have now completed over 1000 blasts of WebGen, our proprietary, fully wireless initiating systems and volumes more than doubled during the year, despite COVID. Importantly, trial sites in both underground and open cut have increased significantly in advance of the release of our second generation WebGen 200, which is currently in alpha trials.

Overall, we expect an EBIT uplift of $15 million from new technology in 2021. This represents a 15% return on investment for these technologies, with significant growth projected in the future years as we achieve critical mass in our portfolio and the benefits of scale.

Slide 28. In early November, Orica was awarded a five-year exclusive technology and service contract for Glencore's Australian copper and zinc operations, which comes into effect in January 2021. The last time we serviced these operations was in 2008, and we feel privileged to be partnering with Glencore again. Building on our longstanding relationship, this contract will see us deliver our full suite of explosive technology and blasting services to the company's six copper and zinc underground and open cut operations in Australia.

It is a fantastic opportunity to integrate our most advanced solutions to meet Glencore's more complex operational needs. Glencore's Ernest Henry mine in Northwest Queensland was the first site in the world to trial and adopt our wireless explosives technology, WebGen. This deal show's Glencore's confidence in our technology roadmap and aligns with their strategic vision for technology to deliver added value to their operations.

Next, on slide 29, I will talk about something that is now an important priority for us. Over the past year, we have made good progress to reduce our impact in the environment with our operational Scope 1 and Scope 2 greenhouse gas emission reductions of 9%. Today, I am very proud to announce our new emission target on our journey to decarbonise Orica, which will reduce our Scope 1 and 2 emissions by at least 40% by 2030, from 2019 levels. It is very important to note that this target is not an aspirational goal. It is an evidence-based credible and achievable target.

Our success will be founded on practical initiatives and proven low-emissions technology that will allow us to deliver in an economically sustainable manner. As well as improving efficiencies in our industrial processes, we have plans to implement new catalyst abatement technology that will significantly reduce our emissions. Next year, we will complete the final planning for this catalyst abatement to be introduced into our Carseland manufacturing centre in Canada.

We have also completed initial assessments of onsite and offsite renewables in Australia, energy efficiency projects at the Kooragang Island ammonia plant and heat recovery in Yarwun. These projects will be implemented during plant turnarounds and will accelerate towards the middle of this decade. Success will also require a collaborative approach with government, our customers and civil societies to help our industry to decarbonise in ways that would otherwise be uneconomical. I look forward to future partnership opportunities to drive the adoptions of low emissions technology.

Approved by the Board, I have made this target a key priority for the Group, and we are committed to continuously monitoring progress and actively reviewing and refining our approach to ensure we succeed.

Finally, towards the outlook. In the first half, volumes were up 4% and EBIT was up 2%. The impact of COVID is evident, as volumes, excluding Exsa, for the full year dropped by 4% and EBIT dropped by 9%. That is, we expect that if we had continued without COVID, we would have ended with about a 4% growth in volumes and probably a similar growth in EBIT.

The solid operational platform that we built pre-COVID positioned us well to deliver EBIT growth going forward. Our balance sheet remains healthy and gives us the flexibility to pursue value-creating outcomes for our shareholders. While the COVID situation means the year ahead cannot be predicted with any great certainty, the impacts are temporary, and we are in the best possible position to navigate through fiscal year 2021. We are beginning to see some of our customers' operations in developed countries returning to pre-COVID levels, and this is evident in the run rates of volumes over the past two months.

If this trend continues, and subject to no substantial resurgence of the pandemic, we expect volumes skewed to the second half as we anticipate that the first half of 2021 year on year will be more impacted by COVID than the second half. Our focus will remain on delivering on what we can control, and begin realising initial benefits from our strategic priorities that I spoke about earlier.

Based on the current view of mining activity, AN volume excluding Exsa is expected to grow by approximately 1% on the 2020 financial year, coupled with growth in both GroundProbe and Minova. Exsa volumes growth for the 2021 financial year are expected to be approximately three times that of the pcp, given a full-year contribution. We will start realising the benefits of the Exsa acquisition strategies as it starts ramping up in the 2021 financial year.

We expect further progress on our initiating systems network and product portfolio optimisation, operating model and technology strategic priorities during the year, and we'll deliver around $50 million of EBIT in the 2021 financial year, with the annualised run rate significantly higher than this range. We will also benefit from positive EBIT contribution from Burrup in its full year of production. Putting all this together, we expect to see interesting EBIT or significant EBIT growth in the 2021 financial year, weighted towards the second half.

To sum up, we have established a solid platform to support underlying growth, and we remain cautiously optimistic that we will recover the majority of the COVID impact over the next 18 to 24 months.

Before I open to questions, I would like to thank all of our employees around the globe, who have worked tirelessly to keep our business going, and to our investors and shareholders for your continued support throughout this uniquely challenging period. That concludes our presentation, and we now open to questions.

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

We have multiple questions in the queue. Our first question is from Alex Karpos from Goldman Sachs. Please ask your question, Alex.

Alex Karpos: (Goldman Sachs, Analyst) Hi, team. Good morning. Can you hear me?

Alberto Calderon: Yes.

Alex Karpos: (Goldman Sachs, Analyst) Great, look I think the first one from me is just on the outlook commentary. I appreciate the colour on overall EBIT growth, but can you give us a little more sense of how you think about that in terms of more explicit terms? Is that low single digits, mid double digits, high single digits? How should we be framing that overall EBIT growth commentary?

Alberto Calderon: You know it’s difficult in this environment to give more precise numbers, but I did say probably significant growth, so you should frame that around that. There’s still some uncertainties on things that probably makes it difficult, but with what we can control, if you add up the initiatives, let me put it this way, the strategic initiatives I spoke about are $50 million, and that doesn’t include Burrup, doesn’t include Exsa, those two are important. So, there is a lot of positives on one side, we are still again being impacted by Burrup and we have probably some impact on depreciation and inflation. So, when you put all those pluses and minuses, there's what I would believe in the current environment a significant growth.

I would probably focus more importantly in 2022, and as we have the disappearance of the impact on COVID and we still have the strategic priorities delivering additional benefits, I still think that we can get back, as I said, to what probably the analysts had for 2022 before COVID hit.

Alex Karpos: (Goldman Sachs, Analyst) Got it, and maybe if I turn to the cashflow here, I appreciate the colour on conversion and the factors being called out there. How shall we think about conversion in '21? Any reason it shouldn't get back to that 90% to 100% range?

Alberto Calderon: You're exactly right. We expect it to get back to that 100% range.

Alex Karpos: (Goldman Sachs, Analyst) Okay, perfect, that's it from me, thanks.

Operator: Our next telephone question in queue is from Grant Saligari from Credit Suisse. Please ask your question, Grant.

Grant Saligari: (Credit Suisse, Analyst) Good morning, Alberto and Chris, thanks for the opportunity. The first question if I could focus on thermal coal. Or first of all I'd like to acknowledge the strategic initiatives to reduce the Group exposure of thermal coal. If I could focus on a couple of particular exposures please, one Bontang, Indonesia. So, coal production, Indonesia down 25% through the second half, so I'd be interested to understand how you manage the placement of product out of Bontang through that downturn and how you think about Bontang in the scenario that thermal coal demand stays very weak?

The second plant being Yarwun, I'd be interested to understand better its exposure to thermal coal and generally how you're managing the utilisation of Yarwun at the moment please.

Alberto Calderon: So, if we start with Bontang, actually we expect to see a better 2021 than 2020. Now, the issue in Bontang is that we sent about 80,000 tonnes into Burrup that is not repeated. So, all in all, if you isolate that, we expect to see some level of growth in Bontang. So, that would probably be the first thing.

On thermal coal, let me talk about probably to put it out there because one is the China impact that we are seeing, but more than probably the medium term. On that we have done a lot of work. As probably we all know, Asia thermal coal is still very strong let's say in the next five or 10 years. We're not expecting any growth in thermal coal, we expect it to be flat, but we're expecting it to still be present let's say all throughout this decade.

There is a short-term impact and that is well known in the media, which is some sort of China coal boycott that we are seeing. Probably to put it out there, we don't know what - nobody knows what's going to happen.

We are seeing a decrease in volumes, not a cancellation of volumes. If that continued through the whole 2021, it would diminish about 60,000 tonnes of volumes of AN in the East Coast. That is like a worst-case scenario, when we talk to the big companies, they expect a better outcome in January or February of this year.

So, I'm just putting out the worst case, I don't think that that's going to happen, but if it happened, it's still going to be moderately impacting us. We expected some growth in Australia AN volumes this year.

If this happened that negative AN volumes in Australia will be flat, if the China eventuates through a whole year. So, it's sort of a pretty manageable situation, I probably just wanted to put it out there.

Grant Saligari: (Credit Suisse, Analyst) That's helpful, and just on Yarwun, how you're managing its utilisation at the moment?

Alberto Calderon: That's fine, as I said we expect to see if anything some growth in Australia volumes. If this China continues through the whole year, it will be flat, so Yarwun would still be producing in the 400,000 levels.

Grant Saligari: (Credit Suisse, Analyst) Okay, that's helpful thank you. If I could just ask a second question, please? It looks like you're looking at your waterfall EBIT impact chart for the full year and just comparing that with the equivalent waterfall for the first half. There's a variance in volume, mix, manufacturing impacts in the second half of about negative $80 million or so, so that's the entire second half.

Could you give us some sense of where you exited the second half? Because there was a recovery as you've noted, in Peru for example, and suddenly markets sort of came off their bottom. So, could you give us some sense of the exit rate relative to what happened through the entire second half? Either in terms of the EBIT impact or the volume?

Alberto Calderon: Look, how I see it is yes there's two different things. One is we were only impacted half a year, and now we will be impacted for 12 months. But the level of impact is much, much less than in the second half of the year. So, what we have tried to guide, is we've said we expect still to see a 1% growth in volumes excluding Exsa.

If you go to 2019, it's about 100,000 volumes less than 2019. So, that could be sort of give you an indication of - now there's always growth in the market, so you would have to add something around that. So we are still being impacted. What we have internally assumed but it's difficult to put a number, is that - let's put it in terms of Exsa, at some point we were at 50% to 60% of capacity, now we're at about 80% to 90%.

We expect that to continue in the first six months and then to improve in the last six months of the year. So, all in all I would say that the total impact on COVID for 2021 will be probably around similar to the half year impact for 2020. So, half of the impact if you want to say, but through 12 months. I don't know if I'm clear.

Grant Saligari: (Credit Suisse, Analyst) That's very helpful, yes, that's understandable, that's really helpful. Just quickly one final one, just Chris. You talked about the temporary debtors impact of $200 million, is it fair to say that's fully unwound now as we sit here at end of November? Or is that temporary impact still to unwind?

Christopher Davis: No, that temporary impact will unwind itself over the next six months. What we are seeing already in October is some of that starting to come back.

Grant Saligari: (Credit Suisse, Analyst) Okay, all right, thank you.

Operator: Our next telephone question is from Sophie Spartalis from Bank of America. Please ask your question, Sophie.

Sophie Spartalis: (Bank of America, Analyst) Good morning, Alberto and Chris. I just wanted to focus on the Australian business, particularly from 2017, so looking more to the medium-term impacts. We've seen volumes increase quite significantly but we've seen the structure looks like to be a structural decline in margins. So, excluding COVID impacts, can you just talk more broadly as to why that is happening?

Obviously, we've seen price declines over those years, but when we can expect maybe a recovery in margins from the technology investments that we've seen that you do over the last few years?

Alberto Calderon: That's a really good question, thank you, Sophie. There are some things that affect the EBIT margin but not really affects the profitability. One is the JV of China, so that affected some percentage points. What has probably affected in the past year more than anything else is the gas price increases, and that $12 million, how I would see it is we were able to pass a lot of the gas price increases, actually it was much higher than that.

But this remaining part we were not able because we were hitting with IPP. So, I think more than anything, that is what has impacted us, the margin in the past 12 months. One is really an accounting thing, it's just China goes into NPAT and EBIT, so that's really not relevant.

The $12 million for me would be the biggest impact. Pricing is sort of I would say flat on IPP, and we expect that to be the case as we go in the next 12 months. So, the margin you're right, I've said it before, we do expect the EBIT margin to increase as we get more technology.

Right now the number is important but not significant, that $15 million, but that goes very marginally into the profit. But we do expect within maybe two years as the volumes of wireless go significant and jump, we're saying like a 4 or 5X, you should see it in the EBIT margin.

Sophie Spartalis: (Bank of America, Analyst) Okay, thanks for the clarity. So, just then on the gas prices, I know in the previous commentary you talked around the FY21 contract price resets, you wanted to be in a position where you could put in a clause around gas price passthroughs. Can you just talk through the progress of that and also the details around the percentage of renegotiated contracts that are needed in FY21?

Alberto Calderon: The outcome of this was that point that we were able to pass most of it because the gas prices were much, much higher from the base that we had it, but we were unable to pass - we flagged in the first half $10 million and then we had another $2 million in the second half. We don't expect any more impact of gas in the future.

So, that's the first thing. We have contracted for 2021, I think, around 65%, so that's about 35% that we have to renegotiate in '21.

Sophie Spartalis: (Bank of America, Analyst) Okay, that's great, and if I can ask one more question. Just in terms of North America, surprising to see that the Q&C volumes are stable. Just given the structural decline that we're expecting in North American coal volumes, is there - where is the focus on the North American business to recover or offset those volumes? Is it through Q&C or are you targeting other base metal projects?

Alberto Calderon: I think Q&C will - there's this famous infrastructure play that has never materialised. I think at some point it will, we're still expecting a 4% growth in Q&C. Then one area that I'm positive more than in the last 12 months is Mexico. So, if you would hear Newmont Penasquito, which is such a large operation for us in Mexico, it's ramping up to probably to a level it hasn't been in the past 12 months.

So, there will be some growth from that. On the other hand, we used to have some carbon credits of about $10 million per year that for the time being are not there, we expect to see them back in '22. So, there's pluses and minus in North America but it's actually quite stable. But the quarries will grow by about 4%.

Sophie Spartalis: (Bank of America, Analyst) Okay, thank you, I'll leave it there.

Operator: Our next telephone question is from Andrew Scott from Morgan Stanley. Please ask your question, Andrew.

Andrew Scott: (Morgan Stanley, Analyst) Thank you and good morning. If I could just go back to the waterfall chart on slide 16. For FY20 you had $36 million reduced overheads, but it was broadly offset by inflation on overheads of $32 million.

So, I just wanted to ask is if we roll forward to the year ahead and the $40 million to $50 million of strategic priorities, would you expect a similar offsetting inflationary impact on the cost base there that will offset that? Or do we expect the $40 million to $50 million to drop straight through to the bottom line?

Alberto Calderon: Or we expect what, sorry?

Andrew Scott: (Morgan Stanley, Analyst) Do you expect the $40 million to $50 million to drop straight through to the EBIT line?

Christopher Davis: The $40 million to $50 million will drop through to the bottom line but we always have around $30 million of inflation on overheads across our business.

Andrew Scott: (Morgan Stanley, Analyst) You expect to have similar other reducing initiatives in the year ahead, or that is the $40 million to $50 million will be part of that?

Christopher Davis: We've got a number of initiatives, so that comes through in the $40 million to $50 million of initiatives Alberto spoke about. We've got the contribution from Burrup that comes on board and we've got the contribution from Exsa.

Andrew Scott: (Morgan Stanley, Analyst) Okay, thank you.

Alberto Calderon: If you add that there's a very significant amount of the initiatives that's up to a very high number, but then we always have to compensate the inflation on our non-billables, because the billables have a pass through. So, that's the $30 million.

Andrew Scott: (Morgan Stanley, Analyst) Understood, and then Alberto, you mentioned earlier Burrup, and I think your release confirms medium term the $25 million outlook. But the outlook commentary for FY21 just shows EBIT positive, so am I to interpret that that we're not going to be at $25 million this year for Burrup?

Alberto Calderon: No, we will be, it's just the marginal, because we had some production last year. So, I would say it's about the marginal is about $20 million versus 2020, but we will get the full contribution of $25 million in '21. It's just the bridge.

Andrew Scott: (Morgan Stanley, Analyst) Thank you, and then just finally, this might be for you, Chris, just Latin America. I know volume's down 3%, revenue's down 8%, that is an Aussie dollar number. So, is it delta there, was there discounting in that market or is that purely a currency delta?

Christopher Davis: That's probably purely currency delta.

Andrew Scott: (Morgan Stanley, Analyst) Okay, thank you, I'll leave it there.

Operator: Our next telephone question is from Richard Johnson from Jefferies. Please ask your question, Richard.

Richard Johnson: (Jefferies, Analyst) Thank you very much. Alberto, I just want to go back to one of the earlier questions on the overall guidance for the Group, because on the front page of your release it says you've got a significant increase or you're expecting a significant increase in EBITDA, and a slightly less definitive comment on EBIT. Obviously you've got a rise in D&A.

Would it be fair to say that, just on the back of an envelope, a sort of mid-single digit increase in EBIT is kind of consistent with what you're trying to say?

Alberto Calderon: I think that is fair.

Richard Johnson: (Jefferies, Analyst) Great, thank you for clarifying that, that's very helpful. Then you've helpfully covered the issue of China and the impost that's having on East Coast Coal. It's pretty mixed signals at the moment coming out from some of the customers and some of the Glencore mines have started up again having these shutdowns.

I'm just wondering what your sense is and what you're hearing from the customers to the extent you can say, and how much of a risk is that going forward?

Alberto Calderon: From what we have seen now and if we extrapolated for the whole year, Richard, it would be an impact of about 60,000 tonnes. But that's probably limit on a worst-case scenario, well not the 99% but at 80% worst case scenario. I actually think that things will - and you're seeing the signals from the government, because this is all unfortunately this battle of words that we're in with the government.

But we are seeing that the Treasurer probably sends some signals, so there is a possibility that things are reset to the positive in some time in the Q1. That is my best estimate is that in Q1 of next year of the calendar year we should see a reset and we should see those tonnes coming back. So, that would be better than what I've just said.

Richard Johnson: (Jefferies, Analyst) Definitely, thank you, that's been helpful. I'm thinking about it more because in '20 you obviously in the first half in Australia you had some significant fire and weather impacts on volume. Do you very high level, do you just always assume you're going to have an element of that every year when you think about your volume assumptions looking forward?

Alberto Calderon: But not as bad, so the other probably guidance that I gave, Richard, is even with those 60,000 tonnes, Australia would be flat. So, that sort of means that we recover part of that bushfires. The bushfires of last year, we always have bushfires but this year we have la Nina instead of el Nino, and you know that leads to a very different outcome in terms of bushfires. So, we certainly don't expect the bushfires of last year.

So, that's why we say even in that bad scenario we are flat, if the bad scenario doesn't come, we should have some growth in Australia.

Richard Johnson: (Jefferies, Analyst) Got it, and then just in North America, can I assume that the price resets you saw in the gold market are done?

Alberto Calderon: Yes.

Richard Johnson: (Jefferies, Analyst) Finally, just one for Chris. I apologise if I missed this, Chris, but I was wondering if you could perhaps quantify what the working capital impact was around the SAP, or alternatively give us some sort of idea of what working capital benefits you'll get in the current year as that unwinds?

Christopher Davis: Richard, the impact from SAP due to the debtors was about $200 million. We should see that $200 million flowing through in the first half of next year, so that will benefit your working capital as we recover it.

Richard Johnson: (Jefferies, Analyst) Got it, that's very helpful, thank you very much, that's it from me.

Alberto Calderon: Thanks, Richard.

Operator: Our next question is from Anshul Verdia from Citigroup. Please ask your question.

Anshul Verdia: (Citigroup, Analyst) Good morning, this is Anshul on behalf of Sam Teeger from Citigroup. First congrats on winning the recent contract at Glencore. If I correctly understand that, did you say that the pricing has been flat in Australia this year and the expectations flat going forward? I understand that the IPP has increased substantially in the nine months out of the 12 months in FY20?

Alberto Calderon: I did say that EBS increased by 19%, but that's just a substitution between non-electric and EBS. But in terms of volumes, I did say that we expect volumes to be flat in Australia between '20 and '21. I don't know if I understood your question well.

Anshul Verdia: (Citigroup, Analyst) Thanks for that. I'm trying to understand some colour on the pricing environment. Your recent contract wins with the Glencore, are they based on the pricing, or the Orica's superior technology?

Alberto Calderon: Oh no, thank you for that, no, no. It's all based on technology, so we didn't win that contract on pricing, the pricing would be probably the similar landscape that we have. It was all - this is an important probably comment, there's a big stickiness for all of us, all of the big players tend to renew their contracts at about 90% of the time. That's why because it's costly to change providers and because mines get accustomed, GMs, General Managers get accustomed to working with people and sites.

So, to change something, something significant needs to happen. To change in this case nine mines, it had to be something significant. So, it was clear and it was told to us and very explicitly that it was all related to the potential basically around wireless and blast IQ and the value that we can unlock in the next years for Glencore.

So, that's why this is a clear, probably proof if you want to put it this way, that our belief and our investment, because we have been probably the only player investing in this new technology, not in traditional technology but in new technology, is paying off.

Anshul Verdia: (Citigroup, Analyst) Thanks that's very helpful. Just one follow-up on the SAP project, just curious to know what is the split between the licence cost and the implementation cost?

Christopher Davis: Sorry, the full Capex that's been spent on that project is about $350 million, and then we will have ongoing licence fees annually as we go forward.

Anshul Verdia: (Citigroup, Analyst) Thank you, that's all from me.

Operator: Our next telephone question is from Scott Ryall from Rimor Equity Research. Please ask your question, Scott.

Scott Ryall: (Rimor Equity Research, Analyst) Hi, thank you very much. Could I just clarify Alberto, where Burrup in second half was running in terms of EBIT? Were you at the annualised rate of $25 million or is it something less because it's a ramp up?

Christopher Davis: Burrup was a lot less because it was in ramp up phase, in fact in the last month of September it had some works on it. The biggest impact you'll see in 2021 where you should have an incremental EBIT benefit of about $20 million, but on a full year basis, Burrup generates about $25 million of EBIT. So, I think you can do the math there.

Scott Ryall: (Rimor Equity Research, Analyst) Okay, and so limited contribution in the second half I guess is what I was trying to get to. Then could I just confirm your comment earlier on gas prices please? You mentioned at the first half you'd said the impact would be $10 million and now it's $12 million. Is that spread across the year? That's not a first half mostly impact was it?

Alberto Calderon: No, this is $10 million in the first half, $2 million in the second half, for total of $12 million. So, what I'm saying is that the whole impact is now into our base.

Scott Ryall: (Rimor Equity Research, Analyst) Yes, but the impact was far lower in second half than first half?

Alberto Calderon: Yes, that's just because of the type of contracts, the time we renegotiated and those that we have been able to - some we were able to pass through and others we weren't.

Scott Ryall: (Rimor Equity Research, Analyst) Okay, what I'm trying to figure out is why the second half performance in Asia Pac was worse than the first half. It got the gas impact primarily in the first half, you've got a limited Burrup contribution in the second half but presumably that allowed you to avoid some of the shipping ammonium nitrate from some of your other plants.

So, leaving those two factors aside which should be positive relative to the first half, why is the second half outcome worse than the first half please?

Alberto Calderon: It is about Asia. So, if Asia is about the size of EMEA and in terms of

COVID they were similarly impacted, so the impact was significant and so that's really what explains it.

Scott Ryall: (Rimor Equity Research, Analyst) All right, that's very clear. Then to one of the earlier questions, Alberto, you mentioned that - well you encouraged us to look forward to fiscal '22, which is fortunately one of the key years for me as well. You said that you thought that the outcome for Orica could be somewhere near where consensus was prior to COVID.

So, can I just clarify what your understanding of consensus was prior to COVID? Because on the numbers that I see in front of me, it was an EBIT of $820 million and an EBITDA of $1.15 billion. Is that what you've got in your mind?

Alberto Calderon: From my recollection it was much lower than that, but look I'm not giving a guidance for 2022. What I'm saying is we expect to see the disappearing of the COVID Impact in 2022, which is significant, and then continued benefits from the strategic initiatives. So, that would tell you, I remember that there were some analysts that had some seven, some were 720, others were 730 or 740, that's what I remember from memory.

But something like that should be achievable but yes, it's early days. I'm just saying there's a lot of ifs if something disappears and if the full COVID is normalised, which everybody believes it will in '22, and these initiatives that we are working today will continue to deliver benefits, additional benefits.

So, that's Exsa, SAP, initiating systems and technology in particular have additional benefits in 2022.

Scott Ryall: (Rimor Equity Research, Analyst) Okay thank you, and congratulations by the way for actually quantifying some of those benefits that you expect. I think that was very much appreciated. My last question is on your decarbonisation pathway, and congratulations for putting out a specific target over the next decade, I think that's very much appreciated.

If I go back to your sustainability report from last year, 59% of your scope 1 and 2 emissions were due to nitrous oxide emissions, which you mentioned the importance of tertiary catalysts I think were the issues, the unique operational challenges that you'd had. Your partner in Burrup has eliminated nitrous oxide emissions on a global basis.

I'm just wondering, do you think over a 10-year timeframe you've now got the secret source of nitrous oxide through your abatement catalysts? In which case, shouldn't we be targeting taking out all 59% as opposed to 40%?

Alberto Calderon: Look, I don't know about Yara, I don't believe that that would be the case. Maybe obviously new plants have different setup systems. What I can say is that…

Scott Ryall: (Rimor Equity Research, Analyst) That's their public statements that they have eliminated nitrous oxide greenhouse gas emissions.

Alberto Calderon: Maybe they have, but they have not put to the best of my understanding a statement as clear in reduction of global emission as we have. So, I think that if you look at - there's two types of announcements in the past months. One, where they go to 2050 and they don't have any sort of plan. They just say oh, we're going to be carbon neutral, but that's an aspiration.

Then you have the ones that put a concrete target and say we're working on it. So you take BHP said 30% reduction by 2030. We, again to the best of my ability, I haven't seen anything that puts 40% and saying we are actually working, and we know how we're going to do it.

So, that's what I would stress, I haven't seen that - one thing is aspiration, and another thing is have a detailed plan of how to do it. So, of course we don't stop in 2040, and we said at least 40%, so we actually think we're going to comfortably exceed that 40%. But I don't like to put out numbers that I am not absolutely sure that the Company can hit, and that's why we put that number at this stage.

Scott Ryall: (Rimor Equity Research, Analyst) Then just one last question on that one is the targets are on scope 1 and scope 2, which is in your control clearly. Your scope 3 emissions just from suppliers, which you put in your sustainability report are more than half of your total emissions.

So, can I take from this also that it's effectively on a like-for-like basis with respect to your external supply arrangements? So, if you suddenly outsource production it's something that allows for the scope 1 and scope 2 targets that have a significant jump in scope 3 from suppliers. Could you just clarify that?

Alberto Calderon: But what is the exact question?

Scott Ryall: (Rimor Equity Research, Analyst) I guess what I'm trying to clarify is it a like-for-like in terms of your operations currently, do you see a shift out of what you do yourself with scope 1 and scope 2 into scope 3 emissions?

Alberto Calderon: We will track scope 3 emissions, but we are basically committing to what we can control. We can't really - we will track according to TCFD scope 3, which is part of that commitment, but we're not committing to anything of what we cannot control.

Scott Ryall: (Rimor Equity Research, Analyst) I understand that, I'm more wondering whether - I'll take it offline, thank you. Anyway, congratulations on your target, thank you.

Alberto Calderon: Thank you.

Operator: Our next telephone question is from John Purtell from Macquarie Group. Please ask your question, John.

John Purtell: (Macquarie Group, Analyst) Good morning, just had three brief questions if I can. Firstly, in relation to SAP and maybe for Chris, how's the SAP system running now and how would you assess overall implementation in terms of how it's gone?

Christopher Davis: Listen, I mean I think with SAP systems they invariably have some teething issues after go-live. I mean what I was really pleased about is that despite going live three months before year end, we've successfully signed off our accounts with no qualifications whatsoever.

There will continue to be some improvements to it as we go through the next six months, and I suspect by the half we'll be in a much better position.

Alberto Calderon: That is coming from the glass half empty person, John, so if you want a glass half full person, I've been through many of these and we will stabilise much quicker than anything I have seen, including the BHP one and other places that I've been. We should be, in four to five months we should be fully stable and with automatic billing, automatic invoicing and so on and so forth.

John Purtell: (Macquarie Group, Analyst) Thank you. Just a second one in relation to your gold related business, appreciate Latam's had COVID issues, but to what extent in other markets here in Australia and North America are you seeing increased demand and the outlook for that part of the business?

Alberton Calderon: Gold is an interesting one, we're quite bullish on that. It's one where the forward plans of the miners are usually for some reason not that good. But as I see everything on iron ore, gold, copper, we're seeing growth averages about 2% to 3% across the world. I think gold will be higher, but that's what we have right now currently.

But as I said, the forward plans for some reason are more opaque, but gold is going gangbusters. All of the internal communications from the mines around the world are prepared for ramp ups.

John Purtell: (Macquarie Group, Analyst) Thank you, and just the last one, in relation to Burrup. Just to clarify expected utilisation for this year. You appear to be implying pretty close to full although you've got the rectification there, so just trying to get a sense of what impact that will have on full year volume?

Alberto Calderon: The plant at let's say at pre-capacity would be 330, so we expect to run it at about 293, so basically full. But what we're really preparing is, as you know, the west is now in equilibrium and in one to two years it will be in deficit, and the whole Australia will be probably running into deficit.

So, we want that debottlenecking so we can go to 320 or something like that. But the forecast for this year is in the 290s.

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

Alberto Calderon: Thanks, John.

Operator: Next telephone question is from Brook Campbell from JP Morgan, please ask your question, Brook.

Brook Campbell: (JP Morgan, Analyst) Thanks for taking my question, just a quick one on Exsa. When you talk about the target for EBITDA is $50 million and down the track what sort of D&A do you think will be within that business once you reach $50 million of EBITDA?

Christopher Davis: The D&A should be around $25 million.

Brook Campbell: (JPMorgan, Analyst) Okay, $25 million, so I guess that's about $25 million of EBIT on $300 million plus of investments will give you a pre-tax return of about 8%, is that how you think about that opportunity and growth Capex and investment going forward?

Alberto Calderon: There's several ways of looking at it, but if you look at it in pure, I think for like a private equity, we invested around $350 million, and this year in cash it will give about a 15% return. Now in three years we expect that number to double, and so that return will be significantly higher. But it's already in a cash return producing very decent cash returns. So, your estimate is right, it's going to be north of $20 million EBIT, depending obviously on things on this year, we have slightly higher number than that.

Brook Campbell: (JP Morgan, Analyst) Okay, that's fine. On SKU rationalisation and driving some efficiencies through the initiation systems network, do you have a target at all for what sort of working capital benefit you could realise from those projects?

Alberto Calderon: What I can tell you is that when we track our inventories, where we have the greatest difficult and the greatest number of days is in our initiating systems, because it is a very complex system that is the inheritance of years of M&A activities, of decades of M&A activities.

So, the reason why we say that 45% of utilisation capacity, it's not because we want to, but it's because we cannot put it higher because of the current different technologies and complexity. So, if you look at our working days in inventory, I think we're right now tracking at about 78 days, and optimal it would be around 75 with the current complexity.

Once we got to an 85% number and with sites that are much less number of sites and much less complexity, that number could go significantly down. I can't put a number, but you're right in saying that that will be an additional benefit to the sort of $40 million for 2022 that we've quantified in EBIT.

Brook Campbell: (JP Morgan, Analyst) Okay, thanks for that.

Operator: The final question today is from Nathan Reilly from UBS. Please ask your question, Nathan.

Nathan Reilly: (UBS, Analyst) Thanks, Alberto. Just a quick one, just can I get you to quickly confirm what you're expecting in terms of contract repricing through FY '21, is that right, 35% of your book is repriced this year?

Alberto Calderon: In Australia it's about 35% but in North America it's about 10%. EMEA is different because it's much shorter, and Latin America I think it's only about 10%, so it's only an Australian thing and it's about 35% so it's not that high.

Nathan Reilly: (UBS, Analyst) Got it, just bringing that back to your comment about your expectations for that FY22 EBIT recovery profile, going back to pre-COVID levels, I guess one challenge that's emerged through this COVID process that potentially wasn't factored into that was the deterioration in thermal coal profitability, the industry there.

Just how are you anticipating the recontracting process, just given that dynamic through '21 in terms of your thinking about the FY22 EBIT recovery?

Alberto Calderon: This is, as I said in the past, it's the same thing as the difference between iron ore and steel, the steel market may be very bad at so many years, but if the iron market is tight, then the iron ore market has its own dynamics. So we expect in the next again 12 to 24 months the market to be in rough equilibrium domestically. So, IPP still runs the day, now IPP has a lot of variables and all of that and it probably has come down a little bit, but IPP still will be the guidance and what we would call the next best alternative. So, if thermal coal goes down or up, it really doesn't matter in our negotiations.

Surely obviously the clients would argue that, but in the end as we've seen already in things that we have done in the past three or four months, in the end IPP is where everybody gets to and what we call the next best alternative. So, yes, as I said - it's interesting, the thermal price of coal at AUD$60, if you look at the issues that we had in 2015, Aussie price then was about $40 thermal coal.

So, even though $60 is not a great price - they're in the black most mines in terms of cash profits, not in terms of EBIT but in terms of cash profits. Which means that the incentives for them is to keep open.

So, as we obviously hopefully get over this China diplomacy thing that has really nothing to do with fundamentals, and as we see still a lot of demand and plants being built in Asia, I think the Australian thermal coal market, our expectation of something flat or slightly decreasing for the next years, five, six years is quite reasonable.

Nathan Reilly: (UBS, Analyst) Got it, and do you want to talk about Indonesia in that same vein as well?

Alberto Calderon: Indonesia has something similar, because their quality of coal is not as great, they were COVID impacted, having said that our expectation, as I said, is in the Indonesian market we expect to see a better year in '21 than '20.

Nathan Reilly: (UBS, Analyst) Okay, got it, and maybe a question for Chris, just in relation to that D&A guidance, pretty significant uplift there. Can you just talk me through that increase in terms of where I guess the buckets within which that increase gets allocated across SAP and also Burrup? I think you've already given some guidance around Exsa.

Christopher Davis: You've got the Burrup increases by about 25. You've got Exsa, which is the increase of about 20 and on the SAP systems you've got about 32 and then the rest of the investment that we've been doing is the balance.

Nathan Reilly: (UBS, Analyst) With respect to the Capex guidance of $380 million to $400 million, can you also talk me through some of the shifts there in terms of the buckets around SAP, the growth and sustaining? If I could also just get a quick update on your turnaround schedule, so near term turnaround schedules?

Christopher Davis: So, our sustenance spend in 2021 should be around $220 million. Now the turnarounds that we've got, we've got an ammonia mid run turnaround happening. We've got a turnaround on the nitric acid plants at Yarwun, and then we've got a site wide turnaround happening at Carseland, and that's been all built into the $220 million.

We then have about $120 million of growth capital as we go into the new year, and some of that's linked to new opportunities, some of that is linked to increasing our investment in manufacturing capacity for the WebGen units. Then you've got about $28 million for Exsa, which is per the original plan when we announced to the market in February when we were acquiring this business. We've got a remaining possibly $10 million related to the 4S closeout.

Nathan Reilly: (UBS, Analyst) Perfect, and final one, very quickly just in terms of that Exsa EBIT contribution you're thinking for '21, is it about $20 million?

Christopher Davis: Yes.

Nathan Reilly: (UBS, Analyst) Great, that was it, thanks very much.

Operator: There are no more further questions at this time. I would like to hand the call back to the speakers for closing remarks, please go ahead.

Alberto Calderon: Thank you very much all for your very good and multiple questions, thank you, bye.

Operator: That does conclude the call for today, you may all disconnect, goodbye.

End of Transcript