Orica Limited
ABN 24 004 145 868

ASX Announcement

Orica reports statutory net profit after tax (NPAT) of $602.5M for the full year ended 30 September 2014 and announces sale of Chemicals business

Melbourne: Orica (ASX: ORI) today reported a full year 2014 Net Profit After Tax (NPAT) of $602.5m, up 2% and in line with guidance.

The Orica Board has declared a final dividend of 56 cents per share, an increase of 2%. This takes Orica's full year dividend payout to 96 cents per share.

Managing Director and CEO Ian Smith said that the result demonstrates Orica's earnings resilience in the face of challenging market conditions.

"Orica's diverse geographic footprint and commodity exposure, strategic focus on differentiated products and services, and the initial results of the transformation program have largely offset the impact of lower volumes and prices in some markets.

"Efficiency improvements delivered savings of $69M in 2014. With further improvements expected in 2015, Orica's cost base is being reset and the company positioned to better meet customers' needs in dynamic market conditions. This process will also allow Orica to capture the benefits of any improvement in the commodity cycle," said Mr Smith.

Following a reduction of more than 1,300 positions over the past two years, Orica's ongoing transformation program is expected to lead to a further headcount reduction of approximately 700 positions in 2015. Together with other efficiency measures, including a procurement efficiency program, this could result in pre-tax financial benefits of $140 – 170M in 2015 and a further $60-80M in 2016. Pre-tax implementation costs of approximately $100-120M could be incurred in 2015 and further costs of $20-40M in 2016.

The transformation program will further improve Orica's resilience in the face of continuing volatility and uncertainty, with the net benefits providing flexibility in how the company positions itself across its diverse markets and customer base.

EBIT of $930M, 4% below the prior corresponding period, reflected continuing pressure on volume and pricing in Mining Services markets and reduced Chemicals EBIT and includes foreign currency benefits of $24M and profits from asset sales of $23M.

Chemicals Separation Update

Orica has today also announced the sale of its Chemicals business to funds advised by Blackstone for a purchase price of $750m. The sale follows a detailed review of both sale and demerger opportunities. The outcome of the process provides Orica shareholders with certainty of both value and outcome. The transaction is expected to be completed in the first quarter of calendar 2015.

The transaction is subject to Australian Foreign Investment Review Board and New Zealand Overseas Investment Office approval and other customary conditions including Material Adverse Change provisions.

Further details of the transaction are available in the separate ASX release and the Orica 2014 Full Year results presentation, both issued today.

Operational Highlights:

Other features of the 2014 result include:

- 33% volume growth in Pilbara
- 41% volume growth in Africa
- A 48% uplift in net operating and financing cashflows as a result of continued focus on cash generation and the benefits of Orica’s capital light strategy
- Progress on construction of Orica’s emulsion plant on Apatit’s site in CIS and the Burrup AN plant in the Pilbara.

Mining Services

Explosives volume growth was positive in the Pilbara iron ore region, the emerging mining markets in Africa and CIS and in the European quarry and construction sector. However, overall global explosive volumes across the year were down 1%, reflecting reduced coal market demand in Eastern Australia, North America and Indonesia.

Mining chemicals lower contribution reflected reduced volumes and pricing. However sodium cyanide volumes were up 9% in the second half after being 17% down in the first half due to customer destocking.

Overall, the EBIT contribution of $953M was 2% lower than the prior year.

Chemicals

Chemicals EBIT contribution was $67M, down 29% on the prior year. The lower result was due to expenses associated with restructuring and repositioning costs in Latin America. The business has been positioned for an expected recovery in volumes in General Chemicals and improved performance in Latin America.

The New Zealand business recorded an improved underlying profit performance due to increased demand from the dairy and pulp and paper sectors.

Technology and Environment

Orica's investments in technical and environmental innovation to assist customers reduce their overall cost of production reached further milestones in 2014.

Orica's Ultra-High Intensity Blasting technique, which has potential to deliver a step change reduction in mine site energy consumption, associated greenhouse gas emissions and lower milling costs, was the subject of successful trial and production blasts at sites in Latin America. Orica's research team which developed the blasting technique was recognised with the 2014 CEEC Medal awarded by the Coalition for Eco-Efficient Comminution.

Orica continues to reduce its greenhouse gas emissions. Annual emissions of nitrous oxide have been cut by more than 900,000 tonnes compared to Orica's 2010 baseline.

Looking ahead, Orica's Mineral Carbonation research joint venture is investigating the permanent carbon capture potential of serpentinite. Trials are scheduled for early 2015. Memoranda of Understanding (MoU) have been signed with Singapore's Agency for Science, Technology and Research and Singxin Resources, a company with serpentinite resources in China. Further agreements with research and potential commercialisation partners are well advanced.

Capital Management

Given Orica's improved cash flows, strong balance sheet and anticipated funds from the sale of its chemicals business, the Board will have the flexibility to consider capital management initiatives.

Outlook

The volatility and uncertainty in global resources markets makes it difficult to provide profit guidance for the year ahead. However, the company does not expect a significant improvement in the resources markets reinforcing the requirement for the company to achieve its transformation objectives. In that context a set of key assumptions for the 2015 outlook are detailed in the Profit Report.

19 November 2014

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Orica Limited Profit Report

Results For The Full Year Ended 30 September 2014

➢ **Statutory net profit after tax (NPAT)[1] for the full year ended 30 September 2014 was $602.5M up 2% on pcp. The restated previous corresponding period (pcp) was $592.5M[2].**

Key Financials

- EBITDA[3] was down 2% to $1,231M (pcp: $1,253M);
- EBIT[4] was down 4% to $930M (pcp: $968M);
- Earnings per ordinary share up 1% to 163.7c;
- Net operating and investing cash flows at $461M, up 48% ($149M) from $311M in the pcp;
- Net debt of $2,237M down $98M on the pcp;
- Gearing[7] was 33.7%, versus 36.8% in the pcp;
- Interest cover of 8.0 times[8] (pcp: 6.4 times); and
- Final ordinary dividend of 56 cents per share, up 2%.

Summary

- Orica delivered a resilient earnings and cashflow performance against a backdrop of difficult mining markets, falling commodity prices and significant pricing pressure. In this context Orica’s geographic diversity, growth in emerging markets and its strategic focus on advanced blasting services has enabled the company to meet its full year guidance. This outcome has been achieved notwithstanding flat volumes year on year as a result of a weaker than anticipated recovery in explosives volumes in the second half of the financial year;
- EBIT of $930M was 4% below the pcp and reflected continuing pressure on volume and pricing in Mining Services markets and reduced Chemicals EBIT, largely offset by $69M in efficiency benefits, $24M in foreign currency benefit and $23M profit from asset sales;
- NPAT of $602.5M was up 2% primarily as a result of a lower interest expense and lower effective tax rate; and
- A continued focus on cash generation and the benefits of a capital light strategy delivered a 48% uplift in net operating and investing cashflows.

	Twelve months ended September		
		Restated[2]	
A$M	**2014**	**2013**	**Change**
Sales Revenue	6,796.3	6,885.2	(1%)
EBITDA [3]	1,230.5	1,252.5	(2%)
EBIT [4]	929.7	968.1	(4%)
NPAT [1]	602.5	592.5	2%
EPS (cents)	163.7	162.9	1%
Net Operating and Investing Cashflow	460.5	311.3	48%

	Twelve months ended September		
		Restated[2]	
	2014	**2013**	**Change**
Dividends per share (cents)	96	94	2%
Payout Ratio [5]	59.3%	58.3%	1pt
Net Debt [6]	2,236.7	2,334.2	4%
Gearing [7]	33.7%	36.8%	3.1pts
Interest Cover (times) [8]	8.0	6.4	1.6times

Certain non-IFRS information has been included in this report. This information is considered by management in assessing the operating performance of the business and has not been reviewed by the Group’s external auditor. These measures are defined in the footnotes to this report.

1) Equivalent to Net profit for the period attributable to shareholders of Orica Limited disclosed in Note 2 of the Orica Annual Report (Segment report).
2) 2013 numbers have been restated for new accounting standards. Refer to Note 41 of the Orica Annual Report.
3) EBIT plus Depreciation and Amortisation.
4) EBIT (equivalent to Profit /(loss) before individually material items, net financing costs and income tax expense in the Segment report).
5) (Interim dividend cps x shares on issue at 31 March) + (Final dividend cps x shares on issue at 30 September) / NPAT.
6) Total interest bearing liabilities less cash and cash equivalents.
7) Net debt / (net debt + book equity).
8) EBIT / Net interest expense (post capitalised interest)

Note: numbers in this report are subject to rounding.

Revenue

Sales revenue of $6.8B decreased by $89M (1%), driven primarily by:

- Lower volumes across all key product groups within Mining Services and lower pricing for ground support and mining chemical products;
- Lower demand for products in the Chemicals business and temporary customer shutdowns;

Largely offset by:

- Favourable currency movements.

Earnings Before Interest and Tax (EBIT)

EBIT decreased by 4% to $930M (pcp:$968M).

Decreased earnings were attributed to:

- Reduced demand for Mining Services products ($44M);
- Lower pricing for ground support and mining chemical products ($35M) and flat explosives pricing ($1M);
- Lower demand in Australian chemicals markets and rationalisation and write-off costs recorded in the first half in the Latin American Chemicals business ($27M);
- Transformation and other costs of $39M. This includes wage increases and other inflationary impacts, costs associated with scheduled plant shutdowns, restructuring and transformation program costs, partially offset by the non-recurrence of the 2013 ground support integration costs of $29M; and
- Increased depreciation at Bontang and Carseland ammonium nitrate plants, and the Antofagasta initiating systems plant ($8M).

Partially Offset by:

- Efficiency benefits of $69M including $25M associated with ground support integration and optimisation benefits and ongoing benefits associated with the implementation of the functional operating model;
- A favourable foreign exchange (FX) impact largely due to the lower AUD (+$24M); and
- Higher profit from asset sales (+$23M).

Revenue Summary

A$M	Twelve Months Ended September 2014	Restated 2013	Change
Mining Services	5,718.6	5,736.7	0%
Chemicals	1,145.0	1,219.4	(6%)
Other & Eliminations	(67.3)	(70.9)	(5%)
Total sales revenue	**6,796.3**	**6,885.2**	(1%)
Other income	57.0	43.0	33%
Total	**6,853.3**	**6,928.2**	**(1%)**

Earnings Summary

A$M	Twelve Months Ended September 2014	Restated 2013	Change
EBIT			
Mining Services	952.9	974.1	(2%)
Chemicals	67.2	94.1	(29%)
Corporate Costs	(90.4)	(100.1)	(10%)
Total EBIT	**929.7**	**968.1**	(4%)
Net Interest	(115.8)	(150.2)	23%
Tax expense	(187.9)	(208.0)	10%
Non controlling interests	(23.5)	(17.4)	(35%)
NPAT and non controlling interests	**602.5**	**592.5**	**2%**

Interest

Net interest expense of $116M was lower than the pcp ($150M) due to lower average debt levels and interest rates and higher capitalised interest associated with the Burrup ammonium nitrate project. Capitalised interest was $28M (pcp:$12M). Interest cover increased to 8.0 times.

Corporate Costs

Corporate costs of $90M were lower than the pcp ($100M) due to the profit on sale of assets of $23M compared to pcp (Nil) partially offset by higher net hedging and restructuring costs.

Tax Expense

An effective underlying tax rate of 23.1% (pcp: 25.4%) was lower mainly due to a change in geographic profit mix and non taxable profit from asset sales due to the utilisation of capital losses.

Orica Limited
Profit Report – Full Year Ended 30 September 2014
Mining Services

Key Points

- **EBIT contribution from Mining Services down 2% to $953M;**

- **Global explosives volumes were down 1% for the year.** Growth in the Pilbara iron ore region, European quarry and construction sector and improved volumes in emerging mining markets of Africa and CIS was insufficient to fully offset reduced coal market demand in Eastern Australia, North America and Indonesia. This was despite a second half volume recovery, particularly in North and Latin America and Indonesia.

- **The contribution from explosives products was slightly lower than the pcp** due to lower volumes, changes in product mix, scheduled plant shutdowns and restructuring costs;

- **Pricing for explosives, in local currency, has been flat to slightly down** in most markets despite downward market pressure;

- **Sodium cyanide volumes rebounded strongly in the second half** following a weak first half result driven by a period of customer destocking. Full year volumes were down 5%, which, combined with lower pricing, resulted in a significantly reduced contribution from mining chemicals products; and

- **Ground support integration and optimisation benefits** have been delivered although weak market conditions have reduced the net impact of these benefits.

	Twelve Months Ended September		
		Restated	
Earnings (A$M)	**2014**	**2013**	**Change**
Sales Revenue	5,718.6	5,736.7	0%
Sales by Product Group			
- Explosives	4,744.1	4,638.8	2%
- Ground Support	656.5	732.9	(10%)
- Mining Chemicals	318.0	365.0	(13%)
Total Mining Services	5,718.6	5,736.7	0%
Net Assets	5,854.6	5,792.4	1%
EBIT:			
Australia/Pacific	555.1	608.6	(9%)
North America	107.0	106.1	1%
Latin America	72.2	86.7	(17%)
EMEA	94.2	62.7	50%
Other	124.4	110.0	13%
EBIT	**952.9**	**974.1**	(2%)
Other comprises:			
Global Hub - North America	72.7	63.1	15%
Global Hub - Latin America	39.5	28.1	41%
Global Hub - Operations	(50.7)	(46.9)	(8%)
Global Hub	61.5	44.3	39%
Asia & Head Office	62.9	65.7	(4%)
Total Mining Services Other	**124.4**	**110.0**	**13%**

2014 Volumes

'000 Tonnes	AN [1]	Emulsion Products [2]	Total
Australia/Pacific	374	840	1,214
North America	884	393	1,277
Latin America	249	409	658
EMEA	75	351	426
Asia [3]	170	120	290
Mining Services	**1,752**	**2,113**	**3,865**

Variance - 2014 vs 2013 Volumes	AN [1]	Emulsion Products [2]	Total
Australia/Pacific	26%	(8%)	1%
North America	(4%)	(2%)	(3%)
Latin America	(1%)	(2%)	(2%)
EMEA	20%	12%	14%
Asia [3]	(20%)	(6%)	(15%)
Mining Services	**1%**	**(4%)**	**(1%)**

1. AN includes prill and solution sold externally
2. Emulsion products include bulk emulsion and packaged emulsion
3. Included in "Mining Services Other" as disclosed in Note 2 within the Orica Annual Report.

Regional Summaries

Australia/Pacific

- **EBIT of $555M; down 9% ($54M) on the pcp.** 2014 earnings were influenced by headwinds in the sodium cyanide market, including lower pricing and volumes, and a change in explosives product mix. The result included costs associated with scheduled plant maintenance, restructuring, redundancies and initial costs associated with the transformation program partly offset by benefits from asset sales of $8M.
- **Explosives volumes:** Up 1% due to 33% growth in the Pilbara region and 39% increase in sales to third party suppliers, partially offset by a decline in direct sales, predominantly to coal customers with North East volumes down 8% and South East volumes down 7%. AN demand from coal markets was influenced by lower stripping ratios and increased processing yields, which reduced the AN intensity of coal production;
- **Explosives product mix:** Reflect higher AN sales to Pilbara and third party suppliers at lower margins compared to direct emulsion sales;
- **Explosives pricing:** Average pricing generally in line with the prior period despite competitive pressure and increased market supply;
- **Sodium cyanide:** Full year volumes were down 5%, with a strong volume rebound in the second half, up 9% pcp compared to a 17% first half decline. Average pricing declined due to increased competitive supply in a challenging market; and
- **Ground Support:** In line with pcp. Delivery of the integration synergies offset soft market conditions for products and services.

North America

- **EBIT of $180M (including Global Hub contribution of $73M) up 6% ($11M) on pcp.** Improved second half volumes and increased take-up of Orica's advanced blasting services contributed to improved operational performance. The result was also supported by favourable foreign exchange rates and the non-recurrence of higher AN sourcing costs in the pcp;
- **Explosives volumes:** Down 3% due to a 10% decline in full year coal volumes, driven mainly by Eastern US coal markets, partially offset by growth in Canadian and Mexican metals markets in the second half. North American quarry and construction market volumes were up 1% on pcp due to growth in the US. Canadian quarry and construction markets were flat.
- **Explosives pricing:** Explosives pricing was relatively flat across most products;
- **Services:** Higher margins as a result of increased services uptake in Canada and Mexico including successful migration of customers to advanced blasting services; and
- **Ground Support**: Despite cost savings being achieved, lower contribution due to subdued demand from Eastern US coal customers and continued price pressure. Steel and resin volumes declined 9% and 13% respectively.

Latin America

- **EBIT of $112M (including Global Hub contribution of $40M) was down 3% ($3M) on pcp.** The underlying result was flat after taking into account the impact of a prior year land sale and current year favourable FX impact. Lower volumes were offset by higher take up of Orica's advanced blasting services offerings, including successful production trials using the innovative Ultra High Intensity Blasting technique;
- **Explosives volumes: Down 2% pcp after a strong second half rebound.** The recovery in Colombian coal market volumes and contract wins in Brazil were insufficient to offset lower volumes in Peru and Argentina; and
- **Explosives pricing, product and service mix**: Pressure on explosives pricing was mitigated by Orica's differentiation strategy with increasing penetration of higher margin products and advanced blasting services.

Europe, Middle East and Africa (EMEA)

- **EBIT of $94M, up 50% ($32M)** on the pcp due to higher volumes in Africa and CIS, and improved margins for explosives and ground support products.
- **Explosives volumes**: Up 14% due to growth in Africa and CIS combined with increased quarry and construction activity in Western Europe. Volumes were up 41% in Africa driven by the start up of new business in Mozambique and increased volumes at gold mines in Ghana, and up 12% in CIS with new business in Russia;
- **Explosives margins**: Higher as a result of price increases in key infrastructure markets and success with higher margin products and advanced blasting services offerings, particularly contract wins at mining customers in the Nordics and CIS; and
- **Ground Support**: Increased margins due to the achievement of integration benefits and improved pricing in infrastructure markets.

Other (Asia, Global Hub and Head Office)

- The respective hub contributions associated with centralised activities (including purchasing, manufacturing, supply chain and research and development) in relation to the North American and Latin American operations are discussed above.
- Global hub operations costs of $51M were up $4M on pcp.
- **Asia and Head Office:** EBIT declined 4% to $63M**.**
- **Explosives volumes**: declined 15% in Asia, mainly attributable to a 21% decline in Indonesian volumes due to continued weak Indonesian coal markets, selective mining and the temporary closure of mines at a key customer;
- **Returns from the Indonesian market** benefited from ongoing higher production rates at the Bontang ammonium nitrate plant and cost reduction programs; and
- **Explosives pricing**: downward pressure continued in the Indonesian and Indian markets.

Mining Services Perspectives for 2015

- Demand conditions for explosives from global coal markets are expected to remain subdued;
- Growth for explosives is expected to continue in mining markets in Pilbara, Africa and CIS;
- Explosives pricing pressure is expected to continue, partially mitigated by Orica's advanced blasting services strategy and transformation programs;
- Sodium cyanide volumes are expected to improve although pricing pressure to remain; and
- Ground support markets are expected to remain challenging.

Key Points

- **EBIT contribution from Chemicals down 29% ($27M) to $67M** as the business recognised expenses associated with restructuring and write-downs in Latin America. The business is positioned for an expected recovery in General Chemicals volumes and an improved earnings performance in Latin America;
- Improved underlying profit performance from the New Zealand business;
- Market conditions in Australia continued to be challenging especially in plastics and agricultural markets; and
- Temporary mining customer shutdowns reduced earnings by $7M.

	Twelve Months Ended September		
		Restated	
Earnings (A$M)	**2014**	**2013**	**Change**
Sales Revenue	1,145.0	1,219.4	(6%)
EBIT	67.2	94.1	(29%)
Net Assets	609.5	621.4	(2%)
Sales by Business*:			
General Chemicals	934.3	991.3	(6%)
Watercare	218.6	237.2	(8%)

* Includes intercompany sales

Business Summaries

General Chemicals

- Sales down 6% on the pcp reflected lower volumes to mining (due to customer shutdowns), agricultural and plastics sectors in Australia and reduced revenues in Latin America;
- Improved New Zealand business performance, driven by increased demand from the dairy and pulp and paper sectors and favourable FX benefits; and
- The Latin American business recorded a $14M reduction in earnings comprising $11M of rationalisation and write-downs recorded in the first half, and additional operating losses as the business was restructured.

Watercare

- Sales down 8% on the pcp reflecting reduced global caustic soda pricing which has stabilised at lower levels; and
- Lower volumes due to temporary mining customer shutdowns and reduced demand from municipal water authorities.

Perspectives for 2015

- General Chemicals volumes are expected to improve, driven by increased bulk chemical sales to the oil and gas sector and resumption of supply at mine sites that experienced 2014 shutdowns. This is expected to be partly offset by continued softness in automotive and resources demand;
- Watercare contribution is expected to remain flat, with markets remaining competitive and assumed stable caustic soda pricing;
- Improved earnings outcome anticipated from the Latin America business, following the repositioning of the business in the second half of 2014; and
- The weaker AUD should improve prospects for the Australian manufacturing sector and hence demand for general chemicals.

Balance Sheet

Key balance sheet movements since September 2013 were:

- Trade working capital (TWC) decreased by $52M primarily driven by lower debtor and inventory levels as a result of a sustained focus on improved debtor collection and inventory management across the global network;
- Net property, plant and equipment increased by $212M mainly due to growth capital spend ($282M), sustaining capital spend ($192M), capitalised interest ($17M) and a positive FX translation ($21M) offset by depreciation ($262M) and disposals ($39M). Spending on growth projects in the period included the Burrup ammonium nitrate project ($151M) and Apatit emulsion plant ($16M);
- Intangible assets increased by $49M due mainly to capital expenditure on the global IT systems and research and development projects ($61M), capitalised interest ($11M) and positive FX translation ($15M), partially offset by amortisation ($39M);
- Net other liabilities decreased by $84M. Major movements included a reduction in tax payables due to the timing of tax payments ($69M) and a reduction in net derivative financial liabilities partially offset by an increase in receivables from asset sales;
- Net debt decreased by $98M largely due to operating and investing cashflows being more than ordinary dividend payments ($267M) and FX translation; and
- Orica shareholders' equity increased $392M driven mainly by increased earnings, net of dividends declared and positive movements in reserves ($54M).

Balance Sheet A$M	**Sept 2014**	**Restated** **Sept 2013**
Inventories	727.4	793.1
Trade Debtors	863.0	929.1
Trade Creditors	(944.3)	(1,023.8)
Total Trade working capital	646.1	698.4
Net property, plant & equipment	3,794.9	3,583.2
Intangible assets	2,388.5	2,340.0
Net other liabilities	(193.7)	(277.5)
Net debt	(2,236.7)	(2,334.2)
Net Assets	**4,399.1**	**4,009.9**
Orica shareholders' equity	4,263.0	3,871.0
Non controlling interests	136.1	138.9
Equity	4,399.1	4,009.9
Gearing [1]	**33.7%**	**36.8%**

1) Net debt/(Net Debt + Equity).

Funding

Solid operating cashflow performance and active management of the debt profile strengthened the balance sheet. Undrawn committed bank facilities were reduced by $562M to $1.6B, with total debt facilities of $4.1B. The year end gearing decreased from 36.8% to 33.7%.

Total drawn debt of $2.5B primarily comprises $1.9B of US Private Placement and $0.2B of committed bank facilities. The duration of drawn debt is 5.7 years (6.6 years pcp). Orica's Standard & Poor's credit rating is BBB (stable outlook).

Cash Flow

- Net operating and investing cashflows increased by $149M to $461M (pcp: $311M).

- Net operating cash inflows decreased by $145M to $917M (pcp: $1,062M), mainly due to:
  - Higher Australian tax instalments and the transition from quarterly to monthly Australian tax payments;
  - $21M increase in non trade working capital compared to pcp from the increased utilisation of leave entitlements and settlement of the Australia carbon emission liability; and
  - Lower volatility of the AUD against major currencies, compared to the pcp, resulted in a favourable FX outcome on translation of debt and reserves of $9M (pcp:$80M).

  Partially offset by:
  - $29M higher inflows from trade working capital with an increased management focus on this item across all regions; and
  - Lower interest payments of $10M.

- Net investing cash outflows decreased by $294M to $457M (pcp: $750M), largely due to:
  - decreased sustaining capital expenditure of $67M to $203M; and
  - $210M reduction in growth capital expenditure to $301M due to lower spending on ammonium nitrate plants – Burrup down $53M, Kooragang Island expansion project down $69M, Bontang down $18M.

- Net financing cash outflows increased by $94M to $445M (pcp: $351M), major movements included:
  - A net decrease in borrowings of $96M; and
  - Lower repayments of LTEIP loans of $25M partially offset by no on-market purchase of shares to satisfy the LTEIP plan (pcp: $10M);

  Partially offset by:
  - Increased take up of the Dividend Reinvestment Plan from 16% in the pcp to 23% resulting in lower cash dividend payments ($19M).

Statement of Cash Flows	**Twelve Months Ended September**		
		Restated	
A$M	**2014**	**2013**	**Change**
Net operating cash flows			
EBIT	929.7	968.1	(4%)
Add: Depreciation	262.2	247.9	6%
Add: Amortisation	38.6	36.5	6%
EBITDA	1,230.5	1,252.5	(2%)
Net interest paid	(143.3)	(153.3)	7%
Net income tax paid	(209.5)	(139.9)	(50%)
Trade Working Capital mvt [1]	51.0	22.1	131%
Non Trade Working capital mvt [2]	(20.3)	0.6	
FX mvt on debt/reserves	8.7	79.6	(89%)
	917.1	1,061.6	(14%)
Net investing cash flows			
Capital spending			
Sustaining capital [3]	(202.7)	(269.2)	25%
Growth capital [4]	(301.0)	(510.6)	41%
Total Capital Spending [5]	(503.7)	(779.8)	35%
Acquisitions	(4.6)	(3.6)	(28%)
Proceeds from surplus asset sales, investments and businesses	51.7	33.1	56%
	(456.6)	(750.3)	39%
Net Operating and Investing Cashflow	460.5	311.3	48%
Net financing cash flows			
Net proceeds from share issues (inclusive of non controlling interests)	2.1	5.4	(60%)
Net (payments)/proceeds from LTEIP *	13.9	28.4	(51%)
Movement in borrowings	(176.4)	(80.1)	(120%)
Dividends paid - Orica Limited	(267.4)	(286.0)	7%
Dividends paid - NCI shareholders	(17.4)	(18.8)	7%
	(445.2)	(351.1)	(27%)

*LTEIP: long term employee equity incentive plans

1) Opening trade working capital (TWC) less closing TWC (excluding TWC acquired and disposed of during the year).
2) Non trade working capital: primarily includes other receivables, other assets, other payables and provisions.
   Movement: opening non trade working capital (NTWC) less closing NTWC (excluding NTWC acquired and disposed of during the year).
3) Capital expenditure other than growth expenditure.
4) Capital expenditure that results in earnings growth through either cost savings or increased revenue.
5) Total growth and sustaining expenditure reconcile to total payments for property plant and equipment and intangibles as disclosed in the Statement of Cash Flows within the Orica Annual Report.

Overview of Orica's business strategy

Orica's strategy is to create sustainable shareholder value through customer focused and capital efficient supply of advanced blasting services, mining chemicals and ground support services and products.

These are delivered through low-cost manufacturing and third-party sourcing that underpins security of supply.

Orica's market-leading solutions maximise our customers' capacity to:

- transform mineral resources into recoverable reserves;
- increase mine productivity and mill throughput;
- increase mineral recovery;
- reduce energy consumption;
- operate safely; and
- improve noise, vibration and fume control.

Orica's capacity to ensure security of supply is a key differentiator and competitive advantage. The company's portfolio of third party supply arrangements and its broad footprint of manufacturing and distribution assets provide supply capability across Australia Pacific, Asia, Europe, Africa, Latin America and North America.

Business Development

Consistent with Orica's strategy, in 2014 work continued on a number of growth projects, including:

- Development of the ammonium nitrate plant at the Burrup Joint Venture in the Pilbara, Western Australia (45% owned by Orica). The project remains on budget and on schedule with commissioning to occur mid to late 2015 calendar year. Overall the project is 90% complete. All 10 pre-assembled modules are now located on site. On site construction is 62% complete with site manning at its peak of 500. Recruitment of the operational team is progressing well with leadership roles largely filled and 50% of operator roles recruited.

- A study into the potential expansion of the ammonium nitrate plant at Kooragang Island, Australia has determined the viability of installing a 10,000t nitric acid tank to supplement the existing nitric acid supply to utilise 70ktpa of additional capacity within the AN plant. Permitting and licensing has been provided by the regulators and this expansion will be progressed at a rate to meet customer demand.

- The Apatit bulk emulsion plant in Russia is 85% complete and on schedule for a December 2014 completion date. Six (of eight) Mobile Manufacturing Units are now in Russia to support the ramp up of production.

- Production trials of Ultra-High Intensity Blasting techniques to improve mill throughput and reduce mine site energy consumption were successfully completed in Mexico and Chile.

Risk Management

Our risk management approach is consistent with AS/NZS ISO31000:2009 Risk Management – Principles and Guidelines, and facilitates the ongoing assessment, monitoring and reporting of risks, which otherwise could impede progress in delivering our strategic priorities.

Core to Orica's risk management approach is a focus on the identification and application of effective controls to both prevent and mitigate the realisation of known risks. These controls are subject to regular verification and assessment to ensure they are functioning as required and opportunities for improvement are captured.

Material Business risks that could adversely affect the achievement of future business performance

There are a number of risks, both specific to Orica and of a more general nature that may affect the future financial performance of Orica. A summary of Orica's approach to the mitigation of these key risks is outlined below.

(i) Changes to industry structure and competition
Orica's global reach allows the company to establish and maintain strategic relationships with customers and suppliers across multiple markets and product groups. Orica also works to retain and grow its market share through its differentiated products and services delivered through a global technical services network of mining engineers, blasting technicians and product support specialists to improve the efficiency, productivity and safety results of customers' operations.

(ii) Adapting to global economic movements and market conditions
Orica recognises the need to adapt its operating model to align with structural changes in the market place and become more efficient, flexible and commercially agile to meet its customers' needs. To achieve this goal it continues to seek sustained process improvement initiatives and develop and provide differentiated products, services and solutions which enhance value for customers. The diverse spread of Orica's global operations also provides a geographic hedge against differing market conditions and exposure to growth opportunities across a diverse range of operating environments.

(iii) Regulatory change
Orica maintains the capacity to monitor, assess and where necessary react to regulatory change and to maintain regulatory compliance.

Orica operates within hazardous environments, particularly in the areas of manufacturing, storage and transportation of raw materials, products and wastes. These potential hazards may cause personal injury and/or loss of life, damage to property and contamination of the environment, which may result in the suspension of operations and the imposition of civil or criminal penalties, including fines, expenses for remediation and claims brought by governmental entities or third parties that have the potential to adversely impact Orica's financial performance.

Orica is strongly focussed on the safety and health of its people, visitors and communities through a safety culture that is based on visible leadership and encouraging employees and contractors that no work be undertaken if it is not safe to do so.

Orica is committed to meeting its environmental obligations. Orica conducts remediation activities at its legacy sites. It does so in consultation with local communities and regulatory authorities, ensuring that responses consider the interests of all relevant parties and applicable environmental standards. In many instances the remediation work is regulated by statutory authorities and is the subject of ongoing stakeholder and community engagement.

(iv) Maintaining social licence to operate
Orica recognises its social licence to operate is fundamental to the successful operation of the company. This is secured by earning and maintaining the respect and confidence of the communities in which it operates through constructive and respectful engagement and by making a positive contribution to the community.

(v) Business disruption
Orica's ability to sustain business operations may be impeded by a significant business disruption. This could occur due to potential events such as a severe weather event, industrial action, local political instability in a foreign country in which it operates or a critical process failure. To manage these risks Orica continually monitors its business performance, executes business continuity programs and coordinates incident responses in the event incidents occur.

(vi) Distribution or sub-optimal supply chain performance
Orica manages these risks through low-cost, multi-source, flexible supply chains of mining inputs to customers in key markets delivered through Orica's own manufacturing capabilities, capital-efficient joint ventures or alliances with supply partners.

(vii) Adverse funding and other treasury matters
Orica manages funding and treasury related risks by maintaining appropriate gearing and financial metrics and a sufficient level of available debt facilities.

People

With operations in over 50 countries, Orica's more than 14,000 employees represent 79 different nationalities. During 2014,further investment in training and development was made to engage and equip Orica's employees to achieve the Company's objectives continued. By September, over 12,000 employees had gained a greater understanding of Orica's vision, values and strategy through the Seven Pillars program. Multi-year programs to train operational employees and supervisors to globally-consistent standards and to develop Orica's leaders also commenced.

All employees and contractors were migrated onto one global human resources information system, enabling improvements in the way Orica organises, develops and rewards its people for performance.

Productivity improvements were achieved through streamlining operations and embedding flexibility in collective agreements. Overall employee numbers reduced by over 600 during the year.

Safety, Health, Environment and Community (SHEC)

During 2014, Orica continued to strengthen its processes and procedures which support ongoing improvement in sustainability performance, including the revised SHEC management system. Company-wide implementation has been completed of the first phase of the new integrated SHEC information management and reporting system.

Implementation of Orica's revised Safety, Health, Environment, Community (SHEC) systems and processes continued during the year. Key achievements include:

- Implementation of a standardised semi-quantitative risk assessment process for major hazards across the organisation; and

- Implementation of the first phase of the new integrated SHEC information management and reporting system ENABLON, covering incident management, action management and reporting metrics.

In 2014 Orica remained fatality free. Orica achieved an All Worker Recordable Case Rate (number of recordable injuries and illnesses per 200,000 hours worked) of 0.40.

Additional initiatives implemented in 2014 to further embed safety into Orica's activities included fatality prevention, injury reduction and vehicle safety programs.

Improving Orica's environmental performance and management has been a key focus in 2014. More than 100 site-specific environmental management plans have been developed and implemented.

Further progress has also been made to optimise the nitrous oxide abatement technology installations at Orica's nitric acid plants. Greenhouse gas abatement projects at sites in Australia, Canada and Indonesia have reduced nitrous oxide emissions by more than 900,000 tonnes of carbon dioxide equivalent (CO_2-e) in 2014, compared to 2010 baseline performance.

In 2014 Orica improved the process for determining its community investment priorities. The first round of Orica's Community Partnerships Program established a process to ensure Orica's community investments better reflect the Company's global footprint, and business growth regions. Also, 40 stakeholder management plans have been developed to guide community engagement across key sites and regions.

Progress also continues to be made in addressing legacy issues associated with historical operations. Remediation projects at Deer Park, Villawood, Botany and Yarraville are progressing in consultation with communities and environmental regulators.

During 2014 legal proceedings regarding incidents at Orica's Kooragang Island and Botany plants in 2010 and 2011 were concluded. The Court imposed penalties of $768,250 for a total of nine offences to which Orica had pleaded guilty.

Chemicals Sale

On 18 November 2014 Orica signed a contract to sell the Orica Chemicals business incorporating the chemicals trading businesses in Australia, New Zealand and Latin America, Bronson and Jacobs in Australia, New Zealand and Asia and the Australian Chloralkali manufacturing business to funds advised by Blackstone for a price of $750M. Closing of the transaction is subject to Australian Foreign Investment Review Board and New Zealand Overseas Investment Office approvals and other customary conditions including Material Adverse Change provisions within the sale agreement and is expected to occur in the first quarter of calendar year 2015. For further details on the Chemicals sale refer to the separate ASX release and the 2014 Full Year results presentation.

Transformation Program

Orica is undertaking a comprehensive program of initiatives across its global operations to improve its cost base, efficiency, asset management capabilities, customer focus and commercial agility.

These initiatives are designed to ensure Orica's capacity to sustain profitable growth across varying market conditions.

These programs are expected to result in pre-tax financial benefits of approximately $140-170M in 2015 and a further $60-80M in 2016. In 2015 efficiency initiatives arising from the cost review are expected to result in a net headcount reduction of approximately 700 positions.

In 2015 implementation of the transformation program could incur pre-tax costs of $100-120M comprising cash costs of $60-70M which include redundancies and implementation costs and potentially non cash costs in the order of $40-50M. In 2016 total cash costs could be $20-40M.

Dividend

The directors have declared a final ordinary dividend of 56 cps. The dividend is 36% franked at 20 cps. The dividend is payable to shareholders on 19 December 2014 and shareholders registered as at the close of business on 3 December 2014 will be eligible for the final dividend. It is anticipated that dividends in the near future are unlikely to be franked at a rate of more than 40%.

2015 Outlook

The volatility and uncertainty in global resources markets makes it difficult to provide profit guidance for the year ahead. However, the company does not expect a significant improvement in the resources markets reinforcing the requirement for the company to achieve its transformation objectives.

In that context the company considers the following factors to be relevant to the 2015 outlook. Key assumptions are:

- Orica's global explosives volumes to be in the range of 3.8 – 4.0 million tonnes;
- Explosives pricing pressure is expected to increase particularly in Australia;
- Sodium cyanide volumes are expected to improve although pricing pressure to remain;
- Ground support markets are expected to remain challenging;
- Orica's operating costs are anticipated to reduce as a result of the transformation program with pre tax benefits of $140-170 M and implementation costs of $100-120M in 2015. The transformation program will further improve Orica's resilience in the face of continuing volatility and uncertainty, with the net benefits providing flexibility in how the company positions itself across its diverse markets and customer base;
- Net interest costs broadly in line with 2014;
- Depreciation and amortisation is expected to increase by approximately 5% on 2014;
- An effective tax rate of approximately 25%
- The continued implementation of the capital light strategy will see capital expenditure in the range of $500 - $530M;
- The strong focus on improving operating cashflow is to continue in 2015; and
- The contribution to 2015 earnings from Orica's Chemicals business will be strongly influenced by the timing of its separation from Orica.

Further Information

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