Orica Limited
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ASX Announcement

18 November 2015

Orica 2015 full year financial results: Laying the foundation for long term performance

Melbourne: Orica (ASX: ORI) today announced statutory net profit after tax (NPAT) for the year ended 30 September 2015 of a loss of $1,267 million. This included a non-cash impairment charge of $1,692 million (after tax) on the carrying value of the Ground Support business, ammonium nitrate (AN) assets and various other assets across the Company in light of the challenging market conditions and the oversupplied AN market. These were previously flagged by the Company on 7 August 2015.

Before the non-cash impairment charge, Orica's full year NPAT[1] was $417 million (compared to $564 million for the pcp), while EBIT[1] was $685 million (pcp $863 million). The result is in line with Orica's outlook update provided on 7 August 2015.

Other key components of the result include:

- Total AN volumes of 3.76 million tonnes, in line with the FY15 outlook provided at the 2015 half year results and confirmed in the 7 August update;
- Sodium cyanide volumes increased 7% on pcp;
- EBITDA[1] of $978 million (pcp: $1,132 million);
- Transformation program delivered $175 million of benefits (with one-off costs of $81 million);
- Net operating and investing cashflow[2] of $352 million (pcp: $461 million);
- Earnings per share[3] of 113 cents (pcp: 153 cents);
- Net debt of $2,026 million, down 9% on pcp;
- Gearing of 40.4% (pcp 33.7%), within the target range of 35% to 45%;
- Final dividend of 56 cents per share, unchanged from pcp.

Orica Managing Director and CEO Alberto Calderon said: "2015 was a challenging year for Orica, our industry and our customers. However, we have taken decisive action in response to the industry headwinds to best position Orica through the cycle, including fundamentally changing our operating model, executive and senior leadership teams, improving our customer contract profile, and reducing production to balance Australia's east coast AN supply.

"Our disciplined transformation program delivered a gross benefit of $175 million, 80% of which is sustainable over the long term.

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1 From continuing operations before individually material items
2 Excludes net proceeds of $652 million from sale of Chemicals business
3 From continuing operations before individually material items

“The industry is currently experiencing the most dramatic mining downturn in at least the last two decades. Despite this, the underlying performance of the business demonstrates Orica’s relative resilience within the sector.

“Our overall explosive volumes declined by 1% against the pcp. In terms of the reduction in EBIT, however, the majority of the reduction was due to market impacts that we consider temporary, such as changes in mine planning practices for some of our customers including lower strip ratios and high grading, rather than permanent mine closures or contestable contracts lost. Our expectations are that these are short to medium term actions. All the steps we have taken to further strengthen Orica’s resilience means we are well placed to capture the benefits as commodity volumes begin to recover,” he said.

Operations

Earnings before interest and tax (EBIT) from continuing operations before individually material items of $685 million was down $178 million or 21% on the prior year.

After excluding the impact from foreign exchange movements, one-off transformation costs in 2015 and one-off items in both 2014 and 2015, adjusted EBIT was down $81 million. This movement was driven by lower volume and pricing in both explosives and ground support markets, partially offset by transformation benefits.

Capital management

<u>Dividend</u>

The Board has declared a final dividend of 56 cents per share, unchanged from pcp. The dividend is 36% franked at 20 cents per share. The dividend record date is 27 November 2015 and is payable on 18 December 2015.

<u>Share buy-back program</u>

On 2 March 2015, Orica announced it would undertake an on-market share buyback of up to $400 million over 12 months.

On 7 August 2015, Orica announced it would review the buy-back in the context of the business environment, Orica’s cash flow, dividend and gearing position. The total number of shares purchased under the buy-back was 2,629,765 for a total consideration of $53.5 million. There has been no further share buy-back activity since that time. Within the context of the challenging operating environment and following discussions with a range of stakeholders, including investors, lenders and rating agencies, Orica has cancelled the share buy-back program, with immediate effect.

Business improvement initiatives

The company has undertaken a number of initiatives to enhance Orica’s positioning through the cycle. These initiatives have focused on:

- leadership and culture;
- organisational operating model; and
- actively managing all the elements within Orica’s control (non-market impacts).

Mr Calderon said: “We have created a new management team, with experience from Orica and some of the very best multinational mining and mining services companies in the world.

"We are introducing a new operating model to ensure we are more competitive, and nimble, with better visibility of individual business performance and greater accountability across the business. Most importantly, our new operating model will ultimately make us better able to respond efficiently and effectively to our customers' needs. Meanwhile, we have continued to control those elements that we can, with a number of initiatives undertaken during the second half of the year to help offset the challenging market," Mr Calderon said.

These initiatives included:

- curtailment of AN production from Yarwun, balancing the Australian east coast;
- strengthening the contract profile in Orica's key markets through to 2018;
- separation of Ground Support into a discrete business unit, with a dedicated and experienced management team, to focus on improving performance while providing greater transparency of and accountability for its results; and
- realigning the balance sheet to reflect the challenging market conditions.

Outlook

Mr Calderon said: "With all the actions we are taking, the recovery in volumes anticipated by market forecasters[4], and subject to the forward price and volume curves for key commodities largely holding, we see some improvement in EBIT in FY16, as earnings stabilise, with further improvement in FY17."

On this basis, key assumptions for FY16 are:

- Global explosives volumes in the range of 3.8 million tonnes (+/- 100kt), with reduced volumes in Australia offset by higher volumes in North America.
- Approximately $55 million to $60 million negative impact is expected in FY16 from price resets and contract renewals.
- Sodium cyanide volumes expected to be up approximately 5% to 10% compared to FY15. Continued growth in efficiencies will largely offset market impacts.
- Ground Support is expected to remain challenging. The separation of the business will ensure a focus on improving performance. The business is expected to remain cashflow positive.
- A continued focus on transformation initiatives, particularly in supplier and manufacturing efficiencies, is expected to deliver incremental net benefits of $50 million – $60 million. This will help offset a range of underlying cost pressures.
- Net interest costs to be approximately 25% to 30% higher than 2015.
- Depreciation and amortisation to be approximately $300 million.
- Effective tax rate to be slightly lower than 2015 tax expense of 29%.
- Capital expenditure to be broadly in line with 2015.

Mr Calderon said: "2015 has been challenging and has been a period of 'reset', in which we took the necessary steps to lay the foundation for improving our performance and embedding long term shareholder value.

"Orica is a business with strong fundamentals. We are the global market leader with unrivalled diversity of geography, commodity and customer. We continue to invest substantially in technology and innovation. We believe we are the clear industry leader in this regard, and this investment enables us to provide industry leading, value add products and services that have a proven track record in improving customer productivity.

[4] Wood Mackenzie Long Term Forecast Q3 2015

“We have a market structure that leaves our fortunes tied closely to production volumes rather than commodity prices. On this, the medium term global commodity forecasts are for commodity volume growth[5]. In addition, the work we have done to strengthen our contract profile gives us greater comfort around our targets for FY16 and beyond,” Mr Calderon said.

2015 Full Year Results briefing and audio webcast:
Alberto Calderon, CEO, and Thomas Schutte, CFO, will brief analysts and investors on the 2015 results today, Wednesday 18 November 2015 at 10:30am (AEDT). A live audio webcast of this briefing will be available. The archived webcast will also be available on the company’s website. Click here to register for the webcast, or go to www.orica.com/investors.

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[5] Wood Mackenzie Long Term Forecast Q3 2015

Orica Limited

Results for the Full Year Ended 30 September 2015

- **Statutory net profit after tax (NPAT)[(1)] for the full year ended 30 September 2015 was a loss of \$1,267.4 million. The previous corresponding period (pcp) was a profit of \$602.5 million.**
- **Individually material items after tax resulted in a loss of \$1,691.6 million relating to impairment of assets within the Group.**
- **On a continuing operations basis, NPAT before individually material items[(2)] was \$417.2 million (pcp: \$563.6 million). Including NPAT from discontinued operations of \$7.0 million, NPAT before individually material items was \$424.2 million.**

Summary

- Total ammonium nitrate (AN) and emulsion product volumes at 3.76 million tonnes in-line with outlook provided on 7 August
- EBITDA[(3)] from continuing operations down 14% to \$978 million (pcp: \$1,132 million)
- EBIT[(4)] from continuing operations down 21% to \$685 million (pcp: \$863 million)
- Assets impaired during the year comprised, Ground Support business (\$848 million), ammonium nitrate assets (\$649 million) and other assets (\$195 million)
- Earnings per share from continuing operations before individually material items is 112.7 cents (pcp: 153.1 cents)
- Transformation program delivers benefits of \$175 million with one-off costs of \$81 million
- After excluding \$652 million from the sale of the Chemicals business, net operating and investing cash flows were \$352 million, down from \$461 million in the pcp
- Net debt[(5)] of \$2,026 million, down 9% on the pcp
- Gearing[(6)] at 40.4%, versus 33.7% in the pcp
- Interest cover from continuing operations (including capitalised interest) is 8.3 times[(7)] (pcp: 7.5 times)
- Final ordinary dividend of 56 cents per share, unchanged from pcp (payout ratio[(8)] 84% versus 59% in the pcp).

Group Results

Year ended 30 September	2015 A\$M	2014 A\$M	Change %
Sales revenue	5,653.3	5,721.5	(1%)
Other Income	50.1	56.1	(11%)
Total revenue (continuing operations)	5,703.4	5,777.6	(1%)
EBIT			
Mining services	865.0	942.1	(8%)
Ground support	(19.4)	10.8	> (100%)
Corporate costs	(160.8)	(90.4)	(78%)
Total EBIT (continuing operations)	684.8	862.5	(21%)
Net interest expense	(82.2)	(114.8)	28%
Tax expense	(176.2)	(161.5)	(9%)
Non-controlling interests	(9.2)	(22.6)	59%
NPAT before individually material items (continuing operations)	**417.2**	**563.6**	**(26%)**
Individually material items after tax (continuing operations)	(1,691.6)	-	
NPAT and individually material items (continuing operations)	**(1,274.4)**	**563.6**	**> (100%)**
NPAT (discontinued operations)	7.0	38.9	(82%)
NPAT and individually material items (statutory)	**(1,267.4)**	**602.5**	**> (100%)**

Note: numbers in this report are subject to rounding and stated in Australian dollars unless otherwise noted.

Commentary on Group Results (Continuing Operations)

Revenue

Sales revenue of $5,653 million was down $68 million on pcp, primarily driven by lower AN volumes in Australia, lower ground support volumes across most markets, lower average pricing for explosives, mining chemicals and ground support products. Offsetting this were increased AN volumes in North America and Asia, higher initiating systems and cyanide volumes, growth in revenue from advanced products and services and favourable foreign exchange movements.

Corporate costs

Corporate costs of $161 million were higher than the pcp ($90 million). The increase reflected transformation program costs and redundancies of $31 million, increase in the Yarraville environmental provision of $15 million, lower profit on the sale of assets of $10 million, higher net hedging and insurance costs of $10 million and higher depreciation and amortisation costs of $5 million.

Earnings before Interest and Tax (EBIT) and before individually material items

The following table describes the impact of the principal factors that affected EBIT for the 2015 financial year compared with the 2014 financial year.

	A$M	A$M
EBIT for the year ended 30 September 2014		**862.5**
Foreign exchange (i)		52.0
One-off items in 2014:		
Net gains on asset sales		(33.2)
Adjusted EBIT for the year ended 30 September 2014		**881.3**
Explosives – net volume, regional/product & customer mix		(135.2)
Explosives – net price impact		(56.9)
Mining Chemicals – net volume and price impact		(1.3)
Ground Support – net volume and price impact		(55.0)
Gross transformation benefits:		
Supply efficiency program	60.4	
Operations and Support cost program	114.7	175.1
Depreciation and amortisation		(14.0)
Net inflation & other		5.5
Adjusted EBIT for the year ended 30 September 2015		**799.5**
Gross transformation costs		(81.3)
One-off items in 2015:		
Redundancies	(17.3)	
Environmental provision	(15.0)	
Net loss on asset sales	(1.1)	(33.4)
EBIT for the year ended 30 September 2015		**684.8**

(i) Retranslation of 2014 earnings at 2015 exchange rates.

Net interest expense

Net interest expense of $82 million was lower than the pcp ($115 million) due to cash proceeds from the sale of the Chemicals business, lower financing costs and higher capitalised interest, mainly associated with the Burrup ammonium nitrate plant.

Year ended 30 September	2015 A$M	2014 A$M	Change %
Statutory net interest expense	82.2	114.8	(28%)
Adjusted for:			
Capitalised interest	36.7	27.6	33%
Adjusted net interest expense	**118.9**	**142.4**	**(17%)**

Tax expense

An effective tax rate from continuing operations of 29.2% (pcp: 21.6%) was higher due to a reduction in the foreign tax deductions, a prior year tax undercharge relating to foreign tax payable and a reduction in non taxable profit from asset sales due to the utilisation of capital losses. This was offset by a change in tax on the geographical profit mix.

Individually Material Items

Loss after income tax includes the following individually material items of expense:

	Gross A$M	Tax A$M	Net A$M
Impairment of:			
Ground Support business (i)	(848.4)	-	(848.4)
Ammonium Nitrate assets (ii)	(730.0)	41.5	(688.5)
Other assets (iii)	(306.0)	12.7	(293.3)
Total	(1,884.4)	54.2	(1,830.2)
Non-controlling interests in impairment of assets			138.6
Individually material items attributable to shareholders of Orica			**(1,691.6)**

In August 2015, Orica announced that it had conducted a full review of its business and its operating model in the context of the ongoing challenging conditions facing the mining sector and the oversupplied ammonium nitrate market. Orica recognised the following impairments:

(i) Following management's review of the business structure, the Ground Support business was re-established during August 2015 as a separate business and reportable segment to give it greater focus, to better assess its performance and provide greater optionality for its future. The 2015 operating results for this segment were down on prior periods due to weak volumes, particularly into global coal markets, and lower pricing in the USA. Goodwill in relation to Ground Support has been allocated to a separate segment. It therefore no longer benefits from the available headroom within its previously allocated regional Mining Services segment. As a result of the change in business structure and continued downturn, the carrying value of the goodwill and other identifiable assets in Ground Support are no longer supported and have therefore been impaired.

(ii) Certain AN assets have been impaired due to a combination of factors. Orica's business has been impacted by an oversupply in the global ammonium nitrate (AN) market, the impact of the Burrup plant expected start up in 2016 and lower global AN demand and pricing. The impairment primarily consists of a $462 million partial writedown of the Bontang (Indonesia) manufacturing plant to $248 million (included in the Mining Services Other segment) and the write down of the Kooragang Island (KI) plant uprate project (included in the Mining Services Australia/Pacific segment) of $175 million. Given current market conditions for both prices and volumes and available capacity at other plants, proceeding with the Kooragang Island plant uprate project is considered not economically viable.

(iii) As a result of the operating review, various assets around the Group have either been suspended or changed in status resulting in asset values being written down across the business to their recoverable amount. The impairment primarily consists of an Initiating Systems plant in China, (included in the Mining Services Other segment) of $201 million and software (included in the Other and eliminations segment) of $33 million. The current capacity of the Initiating Systems plant in China exceeds local Initiating System demand and plans to export require additional capital spend that are not in the Group's current strategic plan.

Discontinued Operations

The sale of the Chemicals business was completed in February 2015 and is reported as discontinued operations. EBIT from discontinued operations was $5 million for the period (pcp: $67 million) and included the pre-tax accounting loss on sale of the Chemicals business of $27 million.

NPAT of $7 million included 5 months of earnings of $20 million and an accounting net loss from divestment of $13 million.

Transformation Program

The purpose of the transformation program is to improve the Company's cost base, efficiency, asset management capabilities, customer focus and commercial agility to ensure Orica's capacity to sustain profitable growth across varying market conditions.

Good progress has been made on the transformation program during the year. Gross benefits of $175 million were delivered during the year offset by associated one-off implementation costs of $81 million.

Approximately $60 million of the benefits were achieved through supply efficiencies and renegotiation of supplier contracts, rationalisation and optimisation of Orica's extensive AN and Initiating Systems (IS) networks, and product rationalisation.

The remaining benefits were achieved through manufacturing optimisation initiatives and labour efficiencies including improved plant productivity, increased capacity through plant debottlenecking, and organisational structural changes resulting in a reduction of 828 full time equivalent (FTE) employees in FY15.

For the 2016 financial year, the transformation program is forecast to deliver an incremental net benefit of approximately $50 million – $60 million.

New Operating Model

During the year, Orica announced a new operating model to simplify operations, improve visibility of each area's performance, and enable the business to respond to customer needs more effectively. The new model ensures the areas of the business closest to the customers – the operating regions – have accountability for end-to-end customer service delivery, operational and financial performance. The regions will be supported by Group functions, which will embed global processes and standards to ensure consistency of service and governance company-wide. The model is effective from 1 October 2015.

Performance Overview – Mining Services

Mining Services manufactures and supplies commercial explosives and blasting systems including services and solutions to the mining and infrastructure markets and supply of sodium cyanide for gold extraction.

Explosives Sales Volumes and percent change vs. 2014

	AN (i)		Emulsion Products (ii)		Total	
'000 tonnes	kt	%	kt	%	kt	%
Australia/Pacific	319	(5%)	798	(9%)	1,117	(8%)
North America (iii)	825	5%	424	8%	1,249	6%
Latin America	254	1%	417	(1%)	670	-
EMEA	35	11%	390	(1%)	424	-
Asia (iv)	168	(2%)	129	7%	296	2%
Total	**1,600**	**2%**	**2,157**	**(2%)**	**3,757**	**(1%)**

(i) AN includes prill and solution.
(ii) Emulsion products include bulk emulsion & packaged emulsion.
(iii) 2014 AN volumes have been restated to exclude volumes sourced on behalf of joint venture partners.
(iv) Included in "Mining Services Other" as disclosed in Note 1 of the Appendix 4E – Orica Preliminary Final Report.

Earnings

Year ended 30 September	2015 A$M	2014 A$M	Change %
Sales Revenue			
Explosives	4,789.8	4,745.8	1%
Mining Chemicals	300.1	318.0	(6%)
Total Revenue	**5,089.9**	**5,063.8**	**1%**
EBIT			
Australia / Pacific	447.6	549.5	(19%)
North America	122.8	112.6	9%
Latin America	69.7	71.5	(3%)
EMEA	94.5	82.3	15%
Other:			
Global Hub – North America	126.5	72.7	74%
Global Hub – Latin America	48.4	39.5	23%
Asia & Other (i)	(44.5)	14.0	> (100%)
Total Other	130.4	126.2	3%
EBIT	**865.0**	**942.1**	**(8%)**

(i) Includes Asia trading, Global Hub operational costs and other central costs associated with Mining Services.

Orica operates a Global Hub representing a centralised functional model across purchasing, manufacturing, supply chain and research and development activities. By centralising these activities into a single location, operational performance is optimised through centralised planning and control and removal of duplication. The North America and Latin America EBIT contributions as disclosed in their respective regional summaries include the Global Hub contributions associated with sales in these regions.

Mining Services – Regional Summaries

Australia/Pacific

Year ended 30 September	2015	2014	Change %
AN and emulsion product volumes ('000 tonnes)	1,117	1,213	(8%)
Total sales revenue ($ million)	1,670.9	1,892.9	(12%)
EBIT ($ million)	447.6	549.5	(19%)

Volumes

Explosives volumes were down 8% (96kt) with a reduction in volumes into Eastern Australian coal markets (down 10%) and lower demand from iron ore (down 14%), partly offset by an increase in volume to third party suppliers. Underlying demand from coal markets was down 3% versus the prior year due to soft market conditions and mine planning changes, whilst a further 7% reduction in volume was due to net contract losses in the period. Volume into iron ore was impacted by subdued demand, postponement of customer growth plans in the Pilbara region as well as mine closures.

Lower demand negatively impacted utilisation rates at manufacturing facilities, with volume from the Yarwun ammonium nitrate production facility particularly impacted, down 26% (109kt) versus the pcp. Production capacity has now been curtailed at Yarwun, to approximately 290kt per annum.

Cyanide volumes were up 7% driven by a combination of new business and growth from existing customers.

Onsite services

Revenue from services (excluding advanced services) decreased 19% in the period, impacted by lower volume, contract losses and a decrease in service levels requested by customers due to cost pressures.

Advanced products and services

Revenue from advanced products and services as a percentage of total explosives revenue increased to 23% from 21% in the pcp.

Pricing

Pricing across all product groups was lower reflecting soft market conditions and strategic pricing arrangements agreed with a number of customers in return for contract extensions. These arrangements ensure volume and pricing certainty in future years.

Costs

Underlying costs are down versus the pcp with net transformation benefits more than offsetting one-off costs associated with curtailing production at Yarwun.

North America

Year ended 30 September	2015	2014	Change %
AN and emulsion product volumes ('000 tonnes)	1,249	1,175	6%
Total sales revenue ($ million)	1,484.3	1,358.0	9%
EBIT			
Regional segment	122.8	112.6	9%
Add: Global Hub (i)	126.5	72.7	74%
Total EBIT ($ million)	**249.3**	**185.3**	35%

(i) The EBIT represents earnings made by the Global Hub from North America customers.

Volumes

Explosives volumes were up 6% (74kt), largely due to increased volumes into coal and iron ore markets. Volumes into coal markets were up 15% versus the pcp with market share gains, mostly through indirect channels, more than offsetting weak underlying market demand which was down approximately 8% versus 2014.

Quarry and construction markets in the USA showed moderate growth, although this was offset by lower construction and infrastructure projects in Canada.

Volumes into metals markets were up 7%, driven primarily by increased volumes into precious metals mines in Canada and increased volumes through indirect channels.

Higher demand positively impacted utilisation rates at the Carseland manufacturing facility, with production volume up 7% versus the pcp.

Advanced products and services

Revenue from advanced products and services as a percentage of total explosives revenue increased to 24% from 21% in the pcp. This reflects the growing interest from miners to try new blasting techniques to drive mine productivity.

Pricing

Pricing for explosives was slightly down due to price for term arrangements made during the period.

Costs

Significant benefits were delivered through the transformation program, particularly through the supplier efficiency program, reducing the average cost of material inputs.

Foreign Exchange

Foreign exchange movements contributed favourably to EBIT by $31 million.

Latin America

Year ended 30 September	2015	2014	Change %
AN and emulsion product volumes ('000 tonnes)	670	672	(0%)
Total sales revenue ($ million)	1,003.6	963.5	4%
EBIT			
Regional segment	69.7	71.5	(3%)
Add: Global Hub (i)	48.4	39.5	23%
Total EBIT ($ million)	**118.1**	**111.0**	6%

(i) The EBIT represents earnings made by the Global Hub from Latin America customers.

Volumes

Explosives volumes were flat versus the pcp with growth in Peru and Argentina offset by lower volumes in Chile and Colombia.

Whilst overall volume was flat, mix had a negative impact with contract losses in full service accounts offset by contract wins in wholesale accounts delivering lower margins.

Advanced products and services

Advanced products and services revenue increased 2% versus the pcp driven by projects in Chile and Peru which offset the impact of lower volumes resulting from a significant contract loss in Chile in the second half.

Pricing

Pricing has come under some pressure during the period due to weak market conditions. Some strategic pricing arrangements have been agreed with a number of customers in the second half of the year in return for contract extensions.

Costs

Net transformation benefits and additional regional efficiency initiatives have positively impacted EBIT in the period.

Foreign Exchange

Foreign exchange movements contributed favourably to EBIT by $17 million.

Europe, Middle East and Africa (EMEA)

Year ended 30 September	2015	2014	Change %
AN and emulsion product volumes ('000 tonnes)	424	426	(0%)
Total sales revenue ($ million)	814.2	754.6	8%
EBIT ($ million)	94.5	82.3	15%

Volumes

Explosives volumes were flat year on year, with growth in the Nordics and Africa offset by lower volumes into Turkey.

Advanced products and services

Revenue from advanced products and services increased 25% in the period due mainly to new contracts in Norway and CIS and 42% growth in revenue from electronic blasting systems, mainly from Africa.

Pricing

Pricing across explosives was generally flat to slightly down.

Costs

The transformation program is well advanced with net benefits realised in the period.

Foreign Exchange

Foreign exchange movements contributed favourably to EBIT by $2 million.

Other (Asia, Global Hub and Head Office)

Year ended 30 September	2015 A$M	2014 A$M	Change %
AN and emulsion product volumes ('000 tonnes)	296	291	2%
Total sales revenue ($ million)	116.9	94.8	23%
EBIT			
Global Hub – North America	126.5	72.7	74%
Global Hub – Latin America	48.4	39.5	23%
Asia and Other	(44.5)	14.0	> (100%)
Total EBIT ($ million)	**130.4**	**126.2**	**3%**

The respective hub contributions associated with centralising activities (including purchasing, manufacturing, supply chain and research and development) in relation to the North American and Latin American operations are discussed above.

Volumes – Asia

Explosives volumes in Asia increased 2% (5kt) versus the pcp impacted by higher volumes in Indonesia, largely into the spot market, and India, offset by lower volumes into Mongolia and the Philippines.

Whilst volumes in Indonesian domestic markets were up versus the pcp, production volumes from the Bontang AN manufacturing facility were down 7% impacted by lower exports to Australia due to softness in the Pilbara iron ore market.

Advanced products and services

Revenue from advanced products and services increased 17% versus the pcp driven by strong sales of electronic blasting systems and premium bulk products.

Pricing

Pricing for explosives products declined versus the pcp with lower spot pricing in Indonesia impacted by the increased availability of imported AN. This has also put downward pressure on pricing in the Indonesian contracted market. Pricing in India also declined due to increased competition.

Costs and Other Items

Costs were higher in 2015 due to incremental costs incurred on the supply efficiency transformation program of $23 million, incremental impairments for trade receivables and inventories of $11 million and the impairment of intangibles of $7 million. In addition, the 2014 EBIT result included a gain on asset sale of $8 million.

Foreign Exchange

Foreign exchange movements contributed favourably to EBIT by $2 million.

Performance Overview – Ground Support

Ground Support manufactures and supplies specialty bolts, accessories and chemicals for stabilisation and ventilation systems in underground mining and civil tunnelling works.

Earnings

Year ended 30 September	2015 A$M	2014 A$M	Change %
Total sales revenue	566.1	658.8	(14%)
EBIT	(19.4)	10.8	> (100%)

Volumes

Continued weakness in demand across most markets resulted in weak volumes for both steel and resin/powders down 13% and 18% respectively versus the pcp.

Revenue

Revenue was down 14% versus the pcp. This was due to weak volumes, particularly into global coal markets, and lower pricing, particularly in North America. Pricing elsewhere was flat to slightly down.

Costs

Transformation activities had a positive impact on costs as the business continues to reduce costs in response to difficult market conditions.

Foreign Exchange

As a result of the geographical spread of the business operations, foreign exchange movements did not impact EBIT.

Group Balance Sheet

As at 30 September	2015 A$M	2014 A$M	Movement A$M
Inventories	598.7	727.4	(128.7)
Trade Debtors	751.4	863.0	(111.6)
Trade Creditors	(843.1)	(944.3)	101.2
Total Trade Working Capital	507.0	646.1	(139.1)
Net Property, Plant & Equipment	2,917.9	3,794.9	(877.0)
Intangible assets	1,633.2	2,388.5	(755.3)
Net other liabilities	(44.8)	(193.7)	148.9
Net debt	(2,026.1)	(2,236.7)	210.6
Net Assets	**2,987.2**	**4,399.1**	**(1,411.9)**
Orica shareholders' equity	2,984.6	4,263.0	(1,278.4)
Non controlling interests	2.6	136.1	(133.5)
Total Equity	**2,987.2**	**4,399.1**	**(1,411.9)**

Commentary on Balance Sheet

Asset Impairment Impact

The table below describes the impact of the asset impairment on the Balance Sheet.

	Net Property, Plant & Equipment A$M	Intangible assets A$M	Net other assets A$M	Tax A$M	Total Impact A$M	Non controlling interests A$M	Total (Orica share) A$M
Ground support business	(15.4)	(829.7)	(3.3)	-	**(848.4)**	-	(848.4)
Ammonium nitrate assets	(685.6)	-	(44.4)	41.5	**(688.5)**	39.8	(648.7)
Other assets	(246.6)	(57.1)	(2.3)	12.7	**(293.3)**	98.8	(194.5)
Total	**(947.6)**	**(886.8)**	**(50.0)**	**54.2**	**(1,830.2)**	**138.6**	**(1,691.6)**

Other Balance Sheet Movements

Trade working capital (TWC) reduced by $139 million. Excluding the impact of the Chemicals business sale of $143 million, TWC increased by $4 million comprising a foreign exchange translation impact of $62 million, and an underlying decrease of $58 million. The underlying improvement was largely due to a reduction in inventory of $38 million and receivables of $14 million.

Net Property, Plant & Equipment (PP&E) decreased by $877 million primarily due to the impairment of assets of $948 million and the disposal of the Chemicals business of $338 million. These movements were partly offset by a net increase of $409 million on PP&E which included spend on growth and sustaining capital of $316 million, capitalisation of interest of $24 million, increases in environmental and remediation provisions of $56 million, a positive foreign exchange translation impact of $297 million less depreciation of $263 million and disposals of $21 million. Spending on growth projects in the period included the Burrup ammonium nitrate project of $74 million and on-site emulsion plants in Brazil, Canada and CIS of $22 million.

Intangible assets decreased by $755 million primarily due to the impairment of assets of $887 million and the disposal of the Chemicals business of $144 million. These movements were partly offset by a net increase of $276 million on intangibles which included spend on global information technology platform and research and development projects of $102 million, capitalisation of interest of $13 million, a positive foreign exchange translation impact of $210 million less amortisation of $43 million and other disposals of $7 million.

Net other liabilities decreased by $149 million primarily due to an increase in net tax balances of $234 million, impacted by the asset impairment and foreign exchange, and the disposal of the Chemicals business of $53 million. This was partly offset by a $106 million increase in provisions and deferred Chemicals separation costs, and the receipt of proceeds from prior year asset sales reducing the net receivable by $30 million.

Net debt decreased by $211 million. The decrease is due to net proceeds received from the sale of the Chemicals business of $652 million, net operating cash flows of $739 million and net proceeds from the sale of surplus assets and investments and businesses of $66 million, offset by capital expenditure of $453 million, dividend payments of $373 million and share buy-back spend of $53 million. In addition, net debt was impacted by $369 million from non-cash movements comprising foreign exchange translation and market valuations on derivatives.

Share buy-back program

On the 2nd March 2015, Orica announced an on-market share buy-back program of up to $400 million to be completed over 12 months.

On 7 August 2015, Orica announced it would review the buy-back in the context of the business environment, Orica's cash flow, dividend and gearing position. The total number of shares purchased under the buy-back was 2,629,765 for a total consideration of $53.5 million. There has been no further share buy-back activity since that time. Within the context of the challenging operating environment and following discussions with a range of stakeholders, including investors, lenders and rating agencies, Orica has cancelled the share buy-back program, with immediate effect.

Debt Management

Net debt of $2,026 million comprises cash at bank of $274 million and gross debt of $2,300 million.

Gross debt of $2,300 million comprises $2,037 million of US Private Placements and $263 million of committed and other bank facilities. The duration of drawn debt is 5.8 years (5.7 years pcp).

Undrawn committed bank facilities of $1,670 million, with total debt facilities totalling $3,933 million provide for a strong liquidity position. Gearing increased to 40.4% (pcp: 33.7%), primarily as a result of the impairment of assets.

Orica's Standard & Poor's credit rating is BBB (Stable Outlook).

Group Cash Flow

Year ended 30 September	2015 A$M	2014 A$M	Variance A$M
EBIT	689.4	929.7	(240.3)
Add: Depreciation	263.0	262.2	0.8
Add: Amortisation	42.7	38.6	4.1
EBITDA	995.1	1,230.5	(235.4)
Movement in Working Capital			
Trade Working Capital (i)	(83.6)	51.0	(134.6)
Non trade Working Capital (ii)	8.9	(20.3)	29.2
Net interest paid	(124.9)	(143.3)	18.4
Net income tax paid	(163.2)	(209.5)	46.3
Non cash items and foreign exchange	107.1	8.7	98.4
Net operating cash flows	**739.4**	**917.1**	**(177.7)**
Capital Expenditure			
Sustaining capital (iii)	(193.1)	(202.7)	9.6
Growth capital (iv)	(260.2)	(301.0)	40.8
Total Capital Expenditure (v)	(453.3)	(503.7)	50.4
Acquisitions	(1.3)	(4.6)	3.3
Proceeds from surplus assets	59.4	50.1	9.3
Proceeds from sale of Chemicals business	652.2	-	652.2
Proceeds from sale of investment and businesses	7.8	1.6	6.2
Net investing cash flows	**264.8**	**(456.6)**	**721.4**
Net operating and investing cash flows	**1,004.2**	**460.5**	**543.7**
Net proceeds from share issues (inclusive of non controlling interests)	1.1	2.1	(1.0)
Net proceeds from LTEIP (vi)	-	13.9	(13.9)
Share buy back	(53.5)	-	(53.5)
Movement in borrowings	(555.9)	(176.4)	(379.5)
Dividends paid – Orica Limited	(356.1)	(267.4)	(88.7)
Dividends paid – non controlling interest shareholders	(16.7)	(17.4)	0.7
Net financing cash flows	**(981.1)**	**(445.2)**	**(535.9)**
Net cash flows	**23.1**	**15.3**	**7.8**

(i) Opening trade working capital (TWC) less closing TWC (excluding TWC acquired and disposed of during the year).
(ii) 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).
(iii) Capital expenditure other than growth expenditure.
(iv) Capital expenditure that results in earnings growth through either cost savings or increased revenue.
(v) 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 Appendix 4E – Orica Preliminary Final Report.
(vi) LTEIP: Long Term Employee Equity Incentive Plans.

Commentary on Cash Flow movements

Net operating and investing cash flows increased by $544 million to $1,004 million (pcp: $461 million). After excluding the net cash proceeds from the sale of the Chemicals business of $652 million, net operating and investing cash flows decreased by $109 million from the pcp. This was mainly due to lower net operating cash flows of $178 million offset by lower capital expenditure of $50 million.

Net operating cash inflows decreased by $178 million to $739 million (pcp: $917 million). The decrease reflected lower earnings for 2015 of $235 million (continuing operations: $155 million and discontinued operations: $80 million) and higher cash outflows for trade working capital of $135 million, of which $102 million related to discontinued operations. These lower cashflows were partially offset by non cash items and foreign exchange movements of $98 million, lower cash outflows on interest and income tax of $65 million and higher cash inflows of $29 million from non-trade working capital, impacted by increases in provisions.

Net investing cash increased by $721 million to $265 million (pcp: outflow $457 million), mainly due to net cash proceeds received from the sale of the Chemicals business of $652 million and lower spend on capital expenditure of $50 million.

Net financing cash outflows increased by $536 million to $981 million (pcp: $445 million). The increase reflected a net repayment of borrowings of $380 million, higher dividend payments as a result of the on-market share purchase of $67 million to satisfy the Dividend Reinvestment Plan (pcp: $82 million worth of shares were issued to satisfy the Dividend Reinvestment Plan), share buy-back spend of $53 million, and no repayments of LTEIP loans (pcp: $14 million).

Sustainability

People

At the end of September 2015, our global workforce comprised 12,285 employees and 1,208 contractors working at over 400 locations in over 50 countries. During the year, 1,061 employees transferred to IXOM as part of the Chemicals sale and 828 FTE's were removed from continuing business operations as part of the transformation program. Over 83 percent of Orica's employees are now based outside of Australia.

The first wave of our program to train operational employees and supervisors to globally-consistent standards is substantially complete. All senior leaders participated in a global leadership program which is now being extended to managers. Orica's graduate program launched in Russia and is now active in 19 countries. Over 40 percent of the 2015 graduate program intake was female.

The Executive structure and team to support Orica's new operating model, which ensures that operating regions have accountability for end-to-end customer service delivery, operational and financial performance, supported by Group functions, was implemented. The structure below the Executive team and supporting standards will be put in place during 2016.

82 percent of Orica's employees have recently participated in a global Engagement Survey. This will provide the basis for actions in 2016 and beyond to ensure that all of our employees are engaged and motivated, and to reinforce our culture of respect, transparency, collaboration and performance.

Safety, Health, Environment and Community (SHEC)

During 2015, Orica continued implementation of its revised Safety, Health, Environment and Community (SHEC) management system and underpinning processes and procedures, to support ongoing improvement in sustainability performance.

Key achievements and events in the past year included:

- In 2015 Orica remained fatality free. Orica achieved a Total Recordable Injury Frequency Rate (number of recordable cases per 1,000,000 hours worked) of 1.90, its best recorded performance and a 7% reduction on the 2014 result.
- Further implementation of the ENABLON integrated SHEC information management and reporting system, with new modules released to cover: SHE audits and assessments; regulatory permit and licence management; community initiatives and donations; and stakeholder relationship management.

- Development of Key Control Data Sheets (KCDSs) for identified critical and dominant controls relating to the Major Hazard Scenarios. The deployment of KCDSs to operating sites was commenced and will be fully implemented in the coming year, including integration with a semi-automated job hazard assessment and permit to work tool.
- Completion of the program to implement site-specific environmental management plans (EMPs) at all relevant Orica controlled operating sites. There are now around 400 sites with EMPs that will be updated on an annual basis and more comprehensively reviewed every three years.
- Implementation of the Orica Community Partnerships Program, which was established to ensure Orica's community investments better reflect the Company's global footprint and to build local community investment capability in business growth regions. Two program funding rounds have now been completed, with a total of 38 projects awarded funding across all six regions.
- Review of the Orica SHE Assurance program and realignment to the revised SHEC Management System Procedures and Key Control Data Sheets.
- Continued operation and review of measures 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 750,000 tonnes of carbon dioxide equivalent (CO_2-e) in 2015, compared to 2010 baseline performance.
- Progressed measures to address legacy issues associated with historical operations. Remediation projects at Deer Park, Villawood, Botany and Yarraville are progressing in consultation with communities and environmental regulators.

Enhanced Tax Transparency Reporting

Tax Strategy and Tax Governance

The Group's tax strategy is reviewed by the Board of Directors annually. The tax strategy is aligned with the overall corporate strategy and supplements the Risk Management Policy.

Compliance

- Orica is committed to complying with all relevant revenue laws, with all taxes properly due, accounted for and paid. Tax policies and procedures are in place to ensure tax compliance obligations are managed.
- There is an in house global tax team that manages the Group's tax affairs which is supplemented with external compliance support where required.

Structure

- Orica does not support the use of artificial structures that are established just to avoid paying tax and have no commercial purpose. Orica will not enter into any tax avoidance activities.

Relationships with tax authorities

- Orica aims for open, transparent and respectful relationships with tax authorities globally. Orica seeks advance rulings from taxation authorities on transactions where appropriate.

Transfer Pricing

- Orica transfer prices its related party transactions to reflect the substance in its operations in accordance with the Organisation for Economic Co-operation and Development (OECD) guidelines. The prices are benchmarked taking into account the functions, assets and risks in the various jurisdictions.

Use of Tax Havens

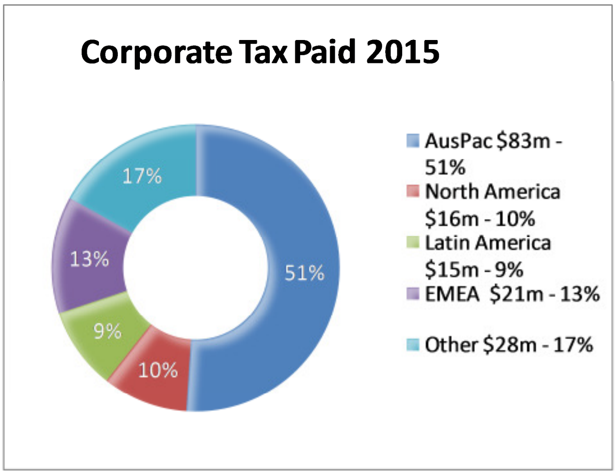
- Tax havens are not used for tax planning purposes. Orica has operations in countries that are 'low tax' jurisdictions. There is genuine operational substance in these locations, or the entities are dormant.
- Orica's overseas companies are subject to Australia's international tax rules (Controlled Foreign Corporation rules).

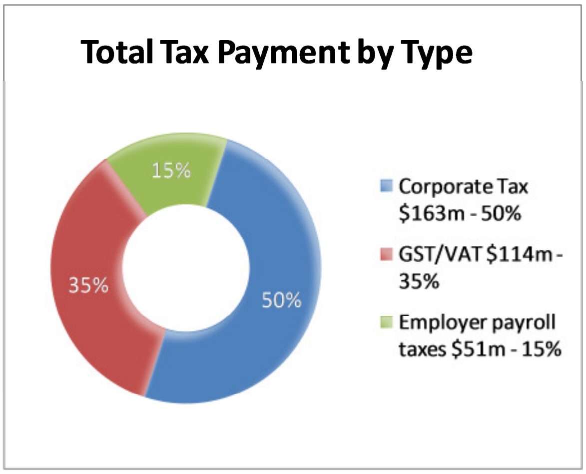
Accountability and Governance

- The Chief Financial Officer has oversight responsibility over the tax risk management framework. Operational responsibility for the execution of the Group's tax strategy rests with the Vice President Taxation, supported by a team of tax professionals. External tax expertise is used where required. The Vice President Taxation reports on tax matters bi-annually to the BARC.

Taxes Paid by Region

Orica has operations in more than 50 countries, with customers in more than 100 countries. In 2015, Orica paid $163 million (pcp: $210 million) globally in corporate taxes and $51 million (pcp: $53 million) globally in payroll taxes. Orica collected and remitted $114 million (pcp: $189 million) globally in GST/VAT. The charts shows 2015 corporate income tax paid in each region (including withholding tax and trade taxes), and an analysis of total tax paid by type.





Tax Expense

Orica is subject to the local tax rules in each country in which it operates. Consequently, its tax rate is sensitive to the geographic mix of profits as tax at varying rates will be due in each country where profit is earned. Many of those countries have headline tax rates lower than 30%.

The global income tax expense before individually material items for 2015 was $174 million (pcp: $188 million), on a profit before tax of $607 million (pcp: $814 million), giving an effective tax rate of 28.6% (pcp: 23.1%). The tax rate is higher compared to 2014 mainly due to a reduction in the foreign tax deductions, a prior year tax undercharge relating to foreign tax payable and a reduction in non taxable profit from asset sales due to the utilisation of capital losses offset by a change in tax on the geographical profit mix.

Corporate income tax paid is different to the annual tax charge in the financial statements principally due to the following factors:

- Corporation tax payments during the year are generally based on estimated profits. The tax payments made during the year are calculated partly by reference to the prior year's tax liability, which can cause a lag or lead impact on timing of cash tax payments as profits fluctuate.
- The cash tax payments are partly paid during the year and partly paid in the following year.
- Deferred tax accounting treatment causes differences between cash tax payments and tax expense. For example, difference in accounting and tax depreciation amounts and differences in treatment of provision movements.

Australian Tax Transparency – Tax Return Data for 2014

In 2013, legislation was passed requiring the Australian Tax Office to publish specific 2014 Income Tax Return data of corporate tax entities that report a total income of $100 million or more. Information relating to Orica's Australian operations is provided in the table below.

	2014 A$M	2013 (i) A$M
Total income (ii)	2,884	2,984
Taxable income (iii), (iv)	227	453
Statutory tax rate (v)	30%	30%
Tax liability	68	136
Offset reductions (vi)	(25)	(25)
Tax payable	**43**	**111**

(i) As would have been reported to the ATO had the new legislation taken effect for the 2013 tax year.
(ii) Total Australian income (includes sales, dividends, interest income etc.) before all expenses (for example, interest, employee costs, depreciation).
(iii) Taxable income after allowing for all deductible expenses and tax exempt income.
(iv) Taxable income and tax payable are lower in 2014 compared to 2013 mainly due to a decrease in Australian earnings, foreign exchange gains and losses and timing adjustments in relation to provisions (eg. environmental, employee entitlements etc.).
(v) Australian Statutory tax rate.
(vi) Includes offset reductions of $25 million (2013 $25 million) relating to franking credits, foreign income tax and research and development.

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 18 December 2015 and shareholders registered as at the close of business on 27 November 2015 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 35%.

2016 Outlook

With the benefits from self-help initiatives, recovery in volumes anticipated by market forecasters[1], and subject to the forward price and volume curves for key commodities largely holding, some improvement in EBIT in FY16 is expected as earnings stabilise, with further improvement in FY17.

Key assumptions for FY16 are:

- Global explosives volumes in the range of 3.8 million tonnes (+/- 100kt), with reduced volumes in Australia offset by higher volumes in North America.
- Approximately $55 million to $60 million negative impact is expected in FY16 from price resets and contract renewals.
- Sodium cyanide volumes expected to be up approximately 5% to 10% compared to FY15. Continued growth in efficiencies will largely offset market impacts.
- Ground Support is expected to remain challenging. The separation of the business will ensure a focus on improving performance. The business is expected to remain cashflow positive.
- A continued focus on transformation initiatives, particularly in supplier and manufacturing efficiencies, is expected to deliver incremental net benefits of $50 million – $60 million. This will help offset a range of underlying cost pressures.
- Net interest costs to be approximately 25% to 30% higher than 2015.
- Depreciation and amortisation to be approximately $300 million.
- Effective tax rate to be slightly lower than 2015 tax expense of 29%.
- Capital expenditure to be broadly in line with 2015.

[1] Wood Mackenzie Long Term Forecast Q3 2015

Footnotes

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.

The following footnotes apply to this profit announcement:

(1) Equivalent to net (loss) / profit for the year after income tax expense and individually material items attributable to shareholders of Orica Limited disclosed in note 1 within Appendix 4E – Orica Preliminary Final Report.

(2) Equivalent to net (loss) / profit for the year after income tax expense before individually material items attributable to shareholders of Orica Limited disclosed in note 16 within Appendix 4E – Orica Preliminary Final Report.

(3) EBIT from continuing operations before individually material items plus Depreciation and Amortisation from continuing operations.

(4) EBIT (equivalent to Profit from operations in Note 16 within Appendix 4E – Orica Preliminary Final Report) from continuing operations before individually material items.

(5) Total interest bearing liabilities less cash and cash equivalents.

(6) Net debt / (net debt + equity).

(7) EBIT / Net interest expense.

(8) (Interim dividend cps x shares on issue at 31 March 2015) + (Final dividend cps x shares on issue at 30 September 2015) / NPAT before individually material items.

Forward-looking statements

This announcement has been prepared by Orica Limited. The information contained is for informational purposes only. The information contained in this presentation is not investment or financial product advice and is not intended to be used as the basis for making an investment decision. This announcement has been prepared without taking into account the investment objectives, financial situation or particular needs of any particular person.

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Before making an investment decision, you should consider, with or without the assistance of a financial adviser, whether an investment is appropriate in light of your particular investment needs, objectives and financial circumstances.

Past performance is no guarantee of future performance.

Non-International Financial Reporting Standards (Non-IFRS) information

This report makes reference to certain non-IFRS financial information. This information is used by management to measure the operating performance of the business and has been presented as this may be useful for investors. This information has not been reviewed by the Group's auditor. The 2015 Full Year Results presentation includes non IFRS reconciliations. Forecast information has been estimated on the same measurement basis as actual results.

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