



## News & Media

### Orica reports statutory net profit after tax (NPAT) of \$602.5M for the full year ended 30 September 2014

19 Nov 2014

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.

For more information, view:

- [2014 Full Year Profit Report \(PDF 452.9KB\)](#)

- [2014 Full Year Profit Report Appendix 4E \(PDF 1013.5KB\)](#)
- [2014 Full Year Profit Report Compendium \(XLSX 114.7KB\)](#)
- [2014 Full Year Profit Report Presentation \(PDF 987.1KB\)](#)
- [2014 Full Year Results webcast](#)

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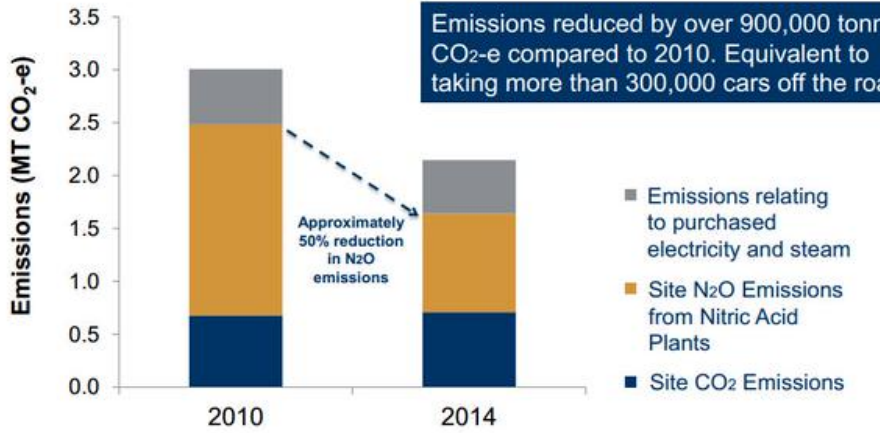


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## N<sub>2</sub>O ABATEMENT HAS SIGNIFICANTLY REDUCED ORICA'S CARBON FOOTPRINT



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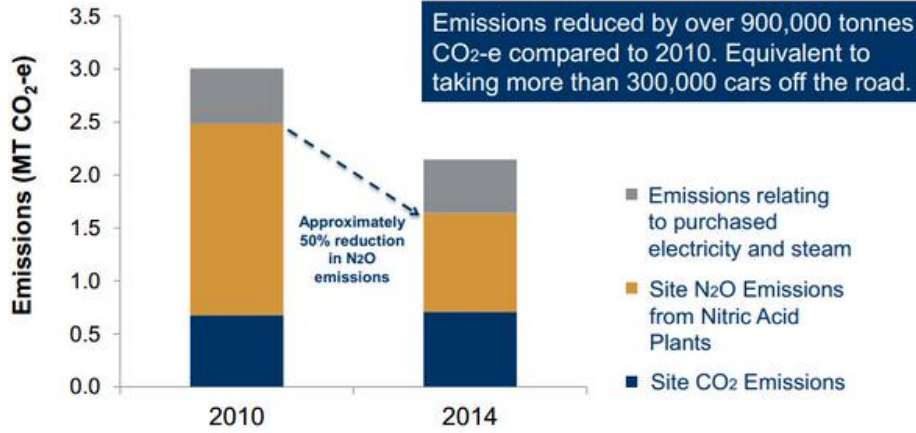


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