



# 2012 Half Year Results Announcement

7 May 2012

# Disclaimer

## Forward looking statements

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## Non-IFRS information

This presentation makes reference to certain non-IFRS financial information. Management use this information 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. Refer to slide 49 for a reconciliation of IFRS compliant statutory net profit after tax to EBITDA and to slide 50 for the definition and calculation of non-IFRS and key financial information. Forecast information has been estimated on the same measurement basis as actual results.

# Presentation outline

- |                            |             |
|----------------------------|-------------|
| ▶ Group performance        | Ian Smith   |
| ▶ Divisional performance   | Noel Meehan |
| ▶ Balance Sheet & Cashflow | Noel Meehan |
| ▶ Orica's Growth Platform  | Ian Smith   |

# Sustainability

## PERFORMANCE INDICATORS

- No fatalities
- Improvement in AWRCR<sup>1</sup> (1<sup>st</sup> Half 2012 0.37 vs 1<sup>st</sup> Half 2011 0.53)

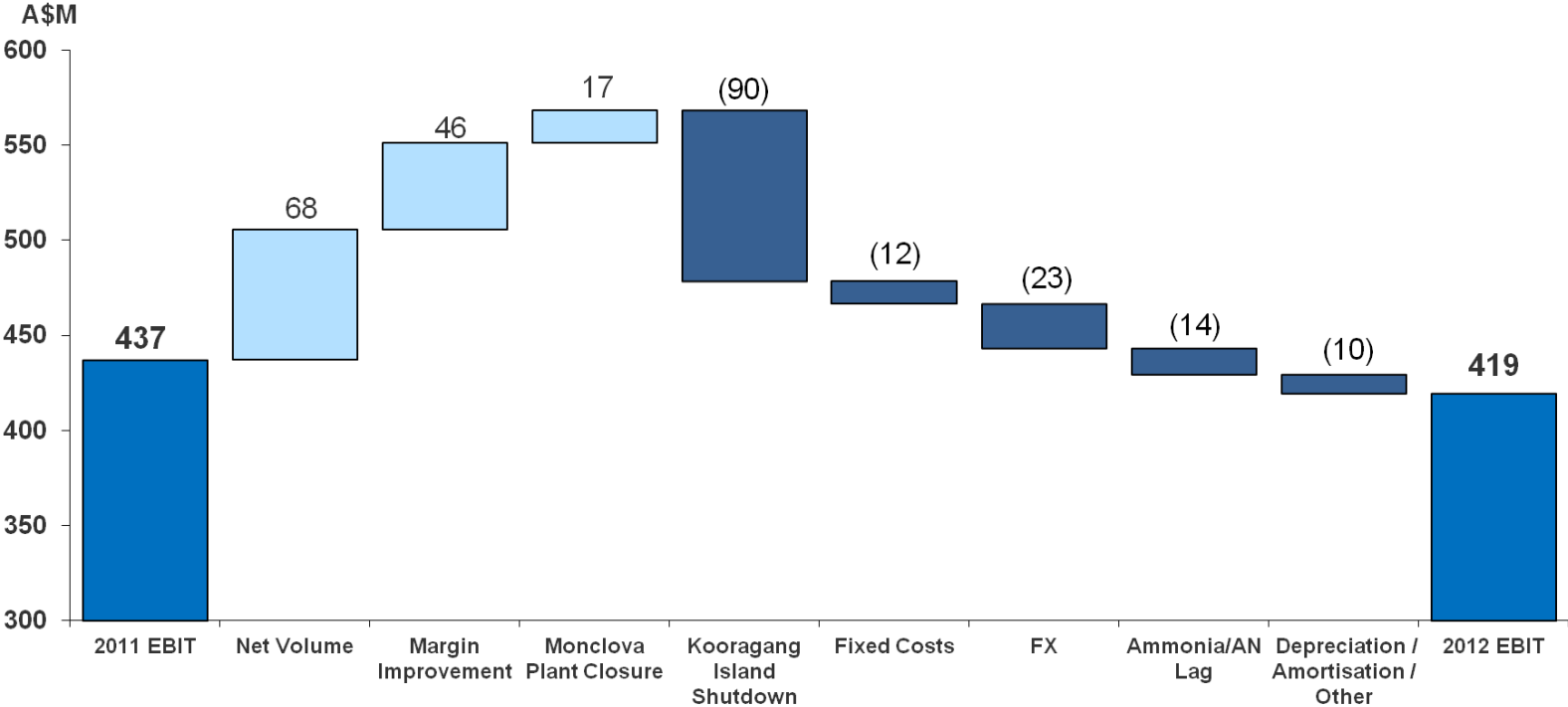
## PRIORITIES

- Corporate Affairs and Social Responsibility Group established
- Increased focus on high potential incidents
- Proactively working with regulatory authorities following loss of containment incidents at Kooragang Island
- Focus on improving engagement with communities in which we operate

Increased focus on social responsibility

1. All Worker Recordable Case Rate is calculated as the number of injuries and illnesses per 200,000 hours worked.

# Financial Performance – Group EBIT Down 4%

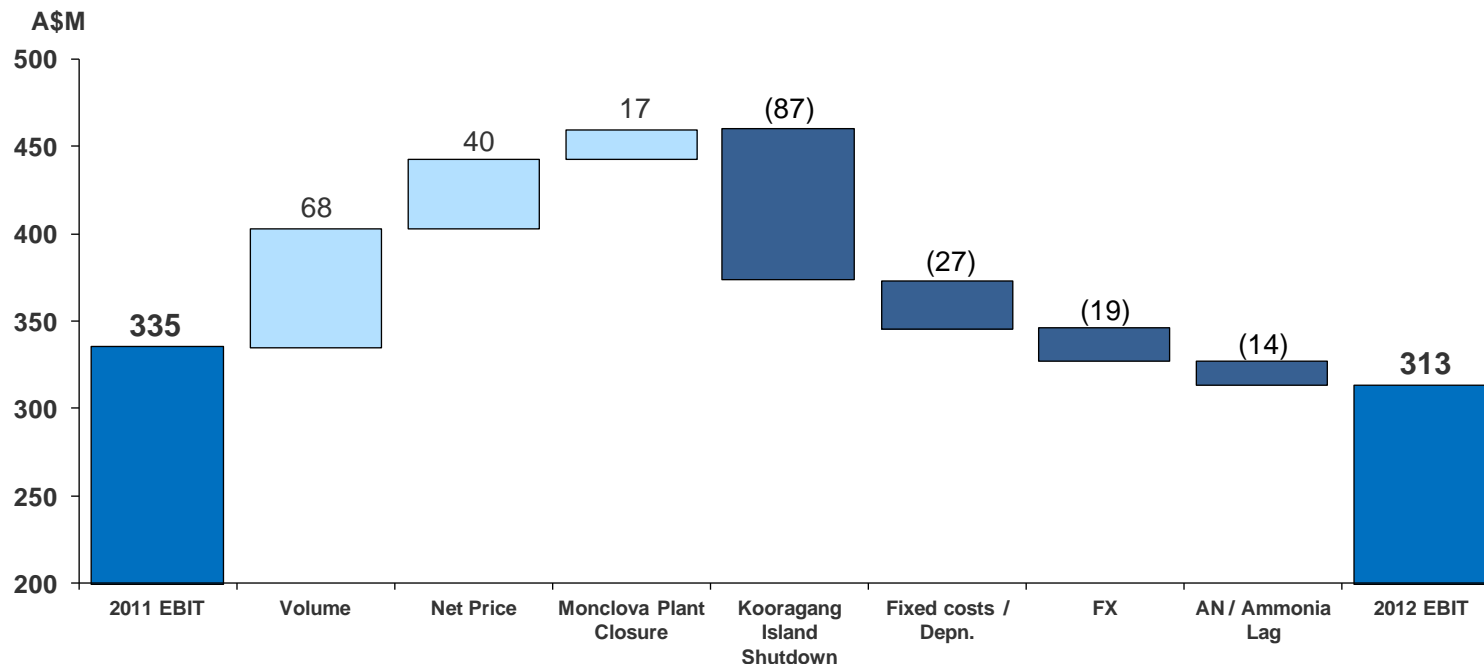


Stronger demand from mining markets and margin improvements were offset by plant shutdown costs and foreign exchange

# Orica Mining Services

Sales \$2,134M; EBIT \$313M; Average Operating Net Assets \$3,435M

EBIT ↓ 6%

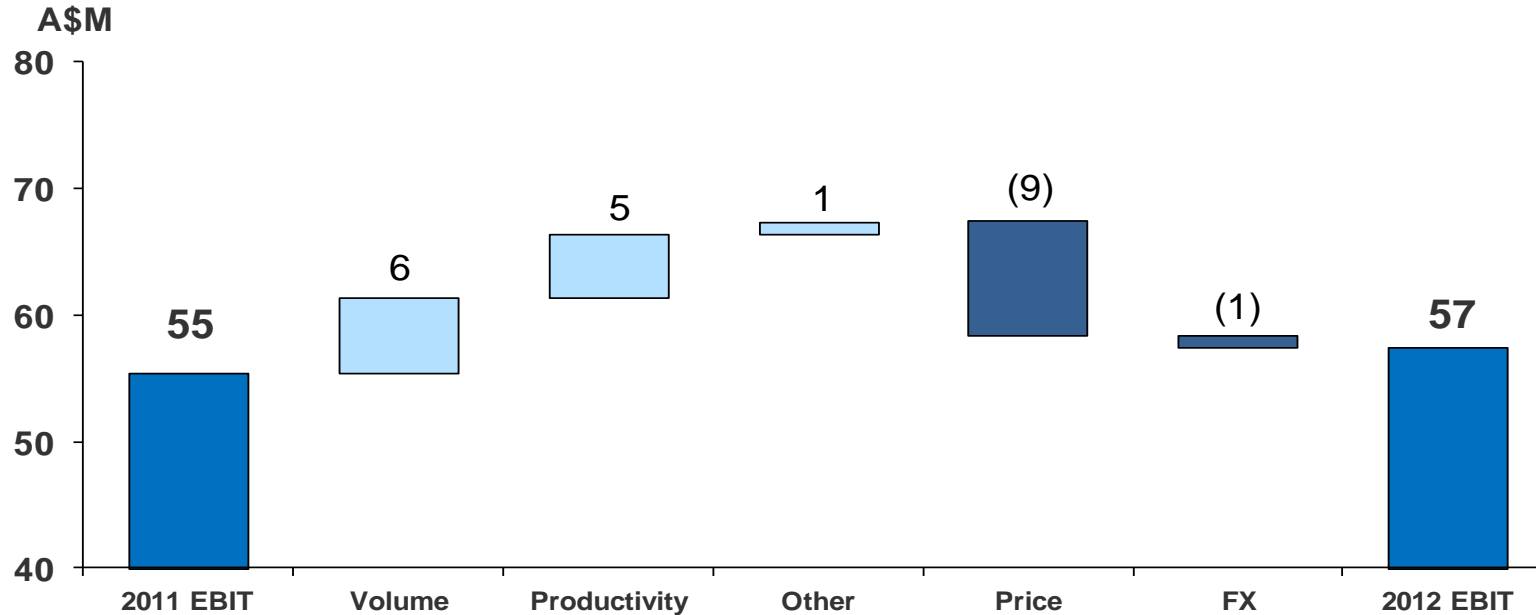


- ✓ Higher volumes due to stronger demand from mining markets in Australia, Asia and Latin America and more favourable weather conditions
- ✓ Improved pricing (net of input cost movements)
- ✓ Non-recurrence of the Monclova plant closure costs incurred in the prior year
- ↓ Negative impact from KI plant shut down following loss of containment incidents
- ↓ Higher underlying fixed costs due in part to inflationary factors and higher depreciation
- ↓ Unfavourable impact from foreign exchange movements net of hedging
- ↓ Lag in recovery of input cost increases

# Minova

Sales \$433M; EBIT \$57M; Average Operating Net Assets \$1,491M

EBIT ↑ 2%

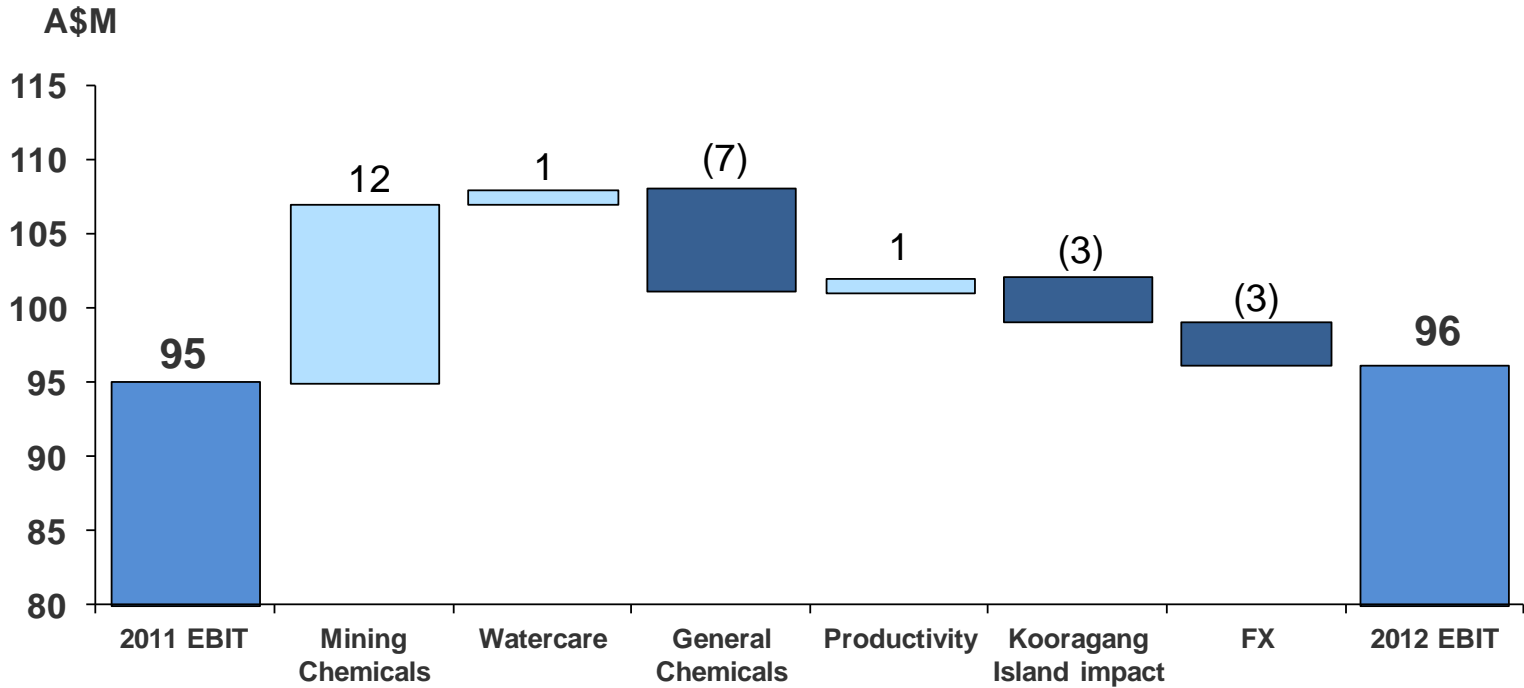


- ✓ Higher volumes in Australia and CIS, partly offset by subdued activity in tunnelling markets in Europe
- ✓ Steady demand in most other markets
- ✓ Continued focus on productivity
- ↓ Selling prices remain under pressure in North America, China and parts of Europe due to competitor activity
- ↓ Unfavourable impact from foreign exchange movements

# Chemicals

Sales \$805M; EBIT \$96M; Average Operating Net Assets \$839M

EBIT ↑ 1%



- ✓ Strong market conditions for Mining Chemicals and higher production of sodium cyanide following the 2011 up-rate
- ✓ Higher caustic soda prices, partly offset by lower volumes
- ✓ Strong growth in demand from mining markets in Australia and in most market segments in Latin America

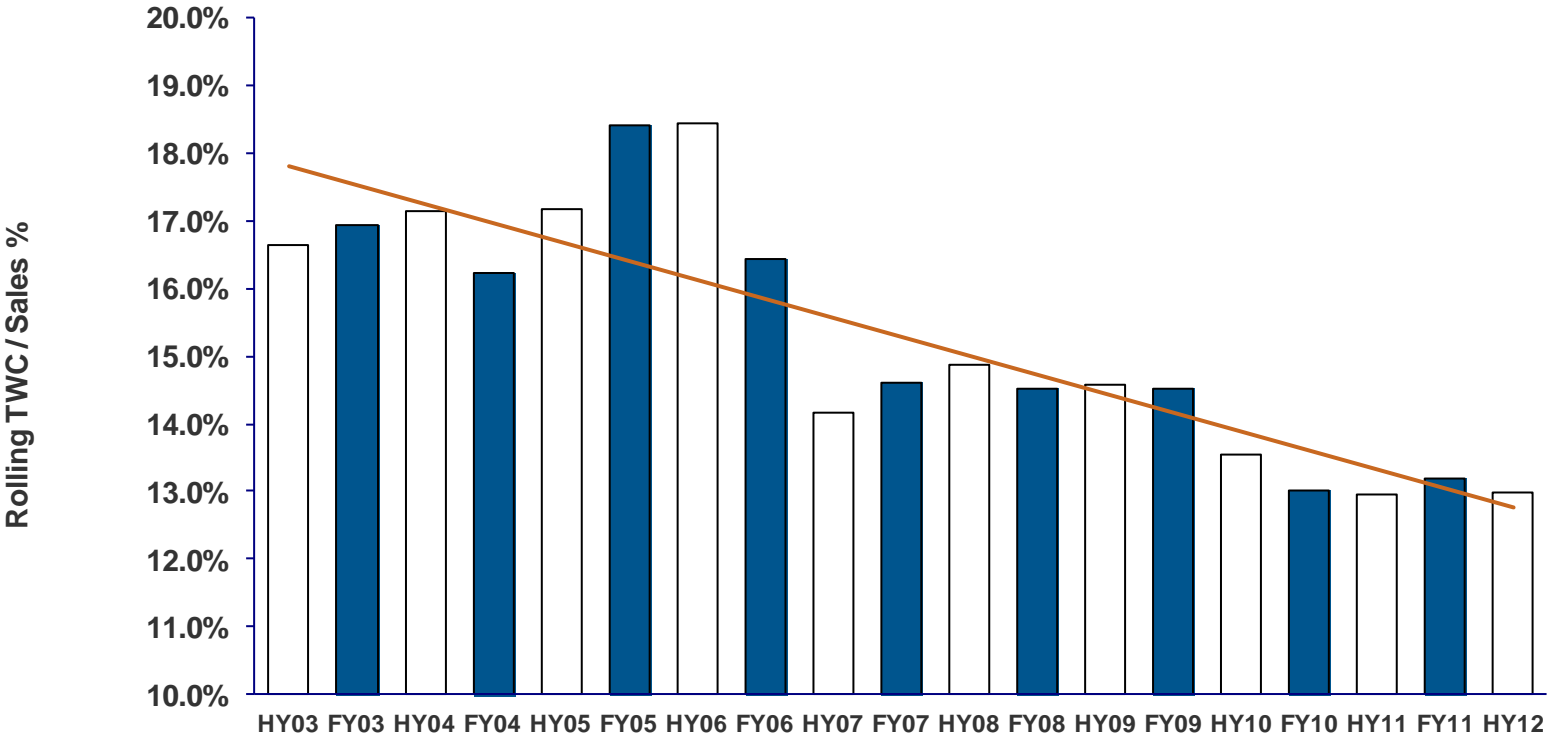
- ↓ Subdued conditions in most non-mining markets in Australia and New Zealand
- ↓ Impact caused by disruptions to supply of ammonia and carbon dioxide from Kooragang Island



# Cash flow

Half Year ended 31 March (A\$M)	2012	2011	\$ ↑	Comments
EBITDA	537.1	547.2	(10.1) ↓	- \$90M impact from KI plant closures
Net interest paid	(83.4)	(67.8)	(15.6) ↓	- Higher debt levels after SPS buyback
Net tax paid	(72.9)	(129.7)	56.8 ↑	- Timing and lower tax rate
Trade working capital movement	(190.5)	(108.6)	(81.9) ↓	- Increased debtors
Non trade working capital movement	(90.7)	(65.9)	(24.8) ↓	- Spend against provision
Other (incl FX)	(60.8)	(33.4)	(27.4) ↓	
<b>Net operating cash flows</b>	<b>38.8</b>	141.8	(103.0) ↓	
Sustenance capital	(97.4)	(80.7)	(16.7) ↓	
Growth capital	(177.4)	(171.7)	(5.7) ↓	
Acquisitions	(43.1)	(33.4)	(9.7) ↓	
Divestments	11.5	7.7	3.8 ↑	
<b>Net investing cash flows</b>	<b>(306.4)</b>	(278.1)	(28.3) ↓	
Equity movements	5.4	(9.3)	14.7 ↑	- Incentive program
Debt	357.4	295.5	61.9 ↑	
Dividends/distributions	(180.8)	(189.8)	9.0 ↑	
<b>Net financing cash flows</b>	<b>182.0</b>	96.4	85.6 ↑	
<b>TOTAL</b>	<b>(85.6)</b>	(39.9)	(45.7) ↓	

# Rolling TWC to Rolling Sales %



Disciplined management of TWC maintained

# Growth capital (excluding M&A)

Capital expenditure	ACT HY12 <sup>1</sup>	
<b>Major expansion capital projects &gt;A\$10M:</b>		
Bontang	}	75
Nanling		
Kooragang Island		
Other expansion capital projects		102
<b>Total expansion capital expenditure</b>		<b>177</b>
Total sustenance capital expenditure		97

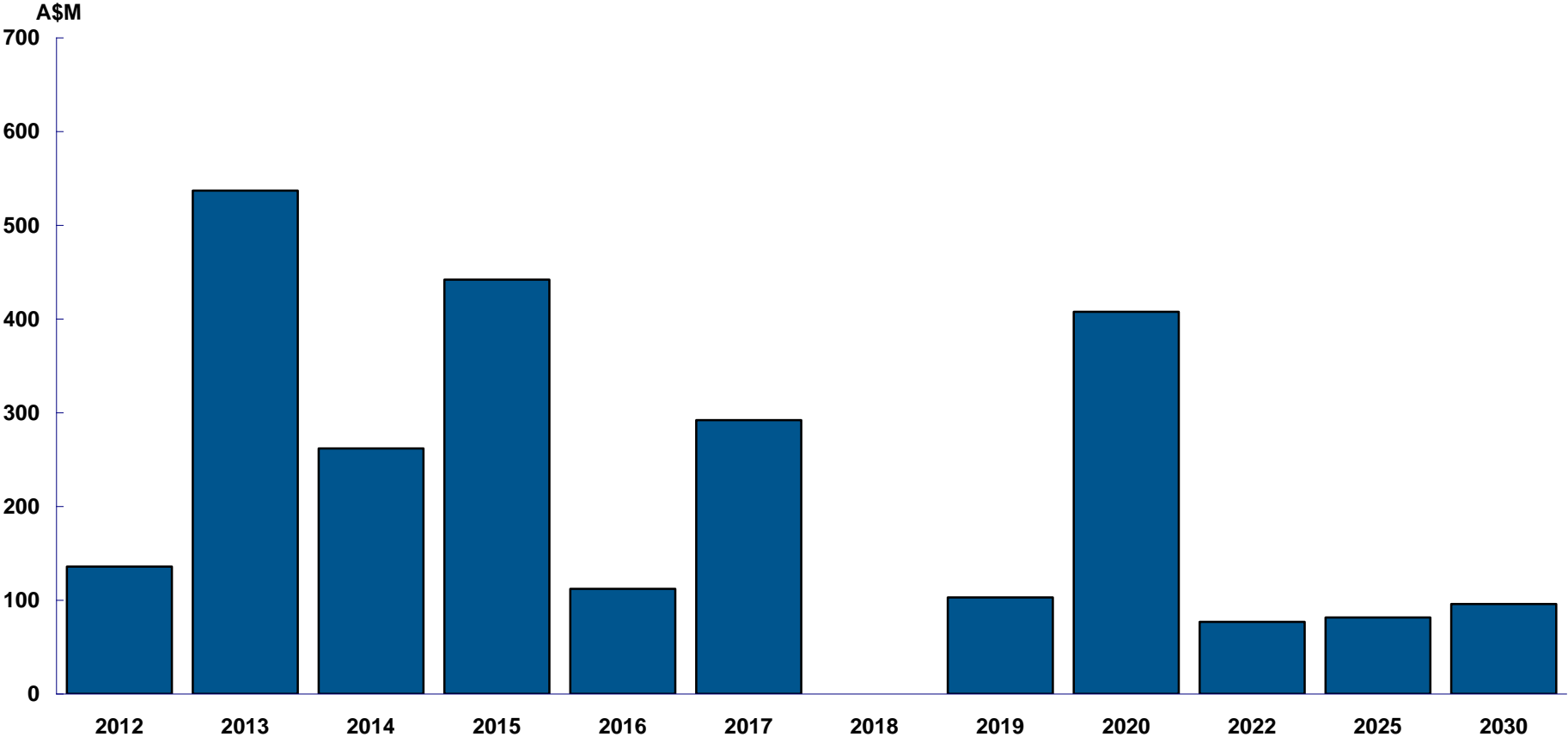
1. Excludes capitalised interest.

# Capital management – key measures

Half year ended 31 March	2012	2011
Net Debt (A\$M)	2,297.9	1,318.2
Net Interest Expense (A\$M)	65.3	62.5
Interest Cover (times)	6.4	7.0
Operating Cash (\$)	38.8	141.8
Cash Conversion (%)	46.4	65.4
Rolling TWC to Rolling Sales (%)	13.0	13.0
Gearing (%)	41.1	27.0
Gearing Adjusted <sup>1</sup> (%)	41.1	32.1

1. Gearing recalculated with SPS notionally reclassified as 50% equity and 50% debt.

# Drawn Debt Maturity Profile



Average tenor of drawn debt of 5.0 years

# 2012 Hedging

## Hedging position for H2 2012 (major currencies only):

Foreign currency*	Exposure	Effective hedged %
• USD	73%	70%
• CAD	4%	39%
• NZD	4%	54%
• CNY	3%	72%
Total currency exposure		56%

\* Net of all long and short positions in that currency

80 – 85% of all AUD/USD exposures have been hedged at the following average rates:

Approximate AUD/USD hedge rates (excluding premiums)	2012	2011	Variance
• H1	0.99	0.90	(0.09)
• H2	0.99	0.91	(0.08)

Currency hedging for H2 2012 has been undertaken using options at a cost of \$16M (full year \$26M)

# Environmental provisions

Environmental Spend (A\$M)	ACT HY12	EST 2012	EST 2013	EST 2014	EST 2015
Major environmental spend:					
Botany Groundwater remediation <sup>1</sup>	6	12	13	13	13
HCB remediation <sup>2</sup>	15	26	2	2	2
Botany mercury remediation	5	6	12	-	-
Other	2	17	28	18	2
<b>Total environmental spend</b>	<b>28</b>	<b>61</b>	<b>55</b>	<b>33</b>	<b>17</b>

## Key Provisions as at 31 March 2012 (A\$M)

Major environmental provisions:	
Botany Groundwater remediation	53
HCB remediation	51
Botany mercury remediation	18
Other	84
<b>Total environmental provisions</b>	<b>206</b>

Committed to dealing with environmental issues from the past

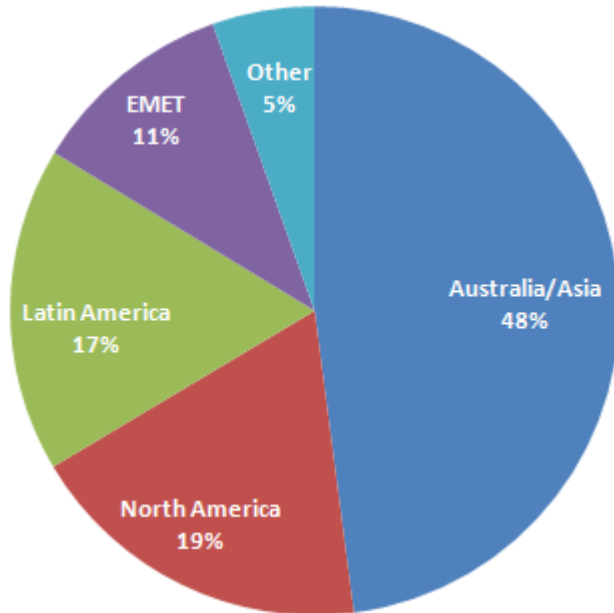
1. The provision for Botany groundwater remediation is being maintained at current levels, therefore each year operating costs in the order of \$12-13m are included in the Income statement for remediation costs for this project.
2. Options for the environmentally safe destruction of the HCB stored waste are currently being evaluated. Therefore no estimate can be provided on the timing of expected cash outflow associated with this remediation project beyond current storage costs at Botany. Only cash outflows associated with ongoing storage costs of approximately \$2M per annum have been included in the above table from 2013.



# Orica's Continued Growth Platform

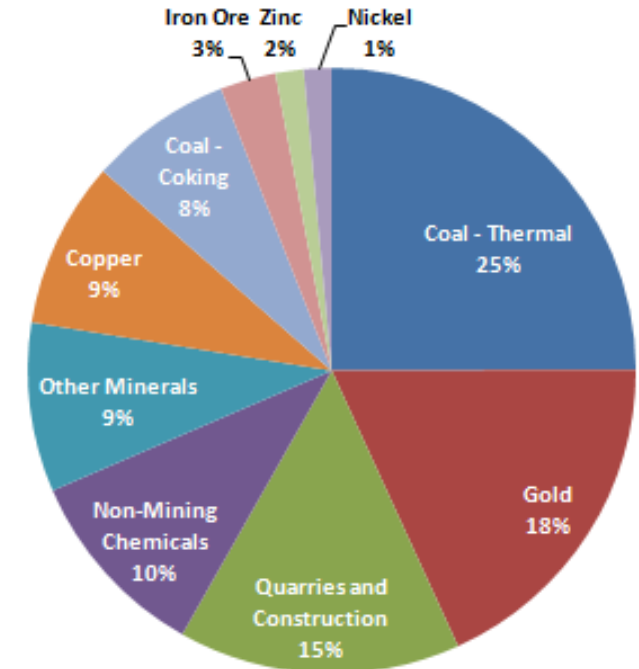
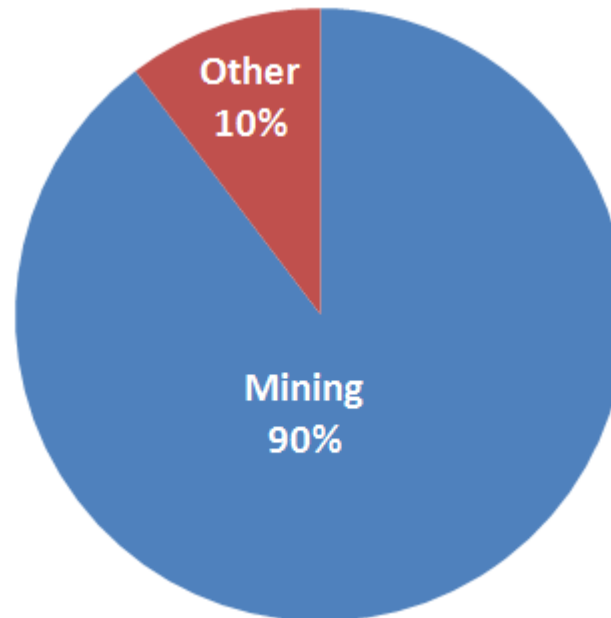


# Orica's Continued Growth Platform



Revenue by Region <sup>1</sup>

## Group EBIT <sup>2</sup>



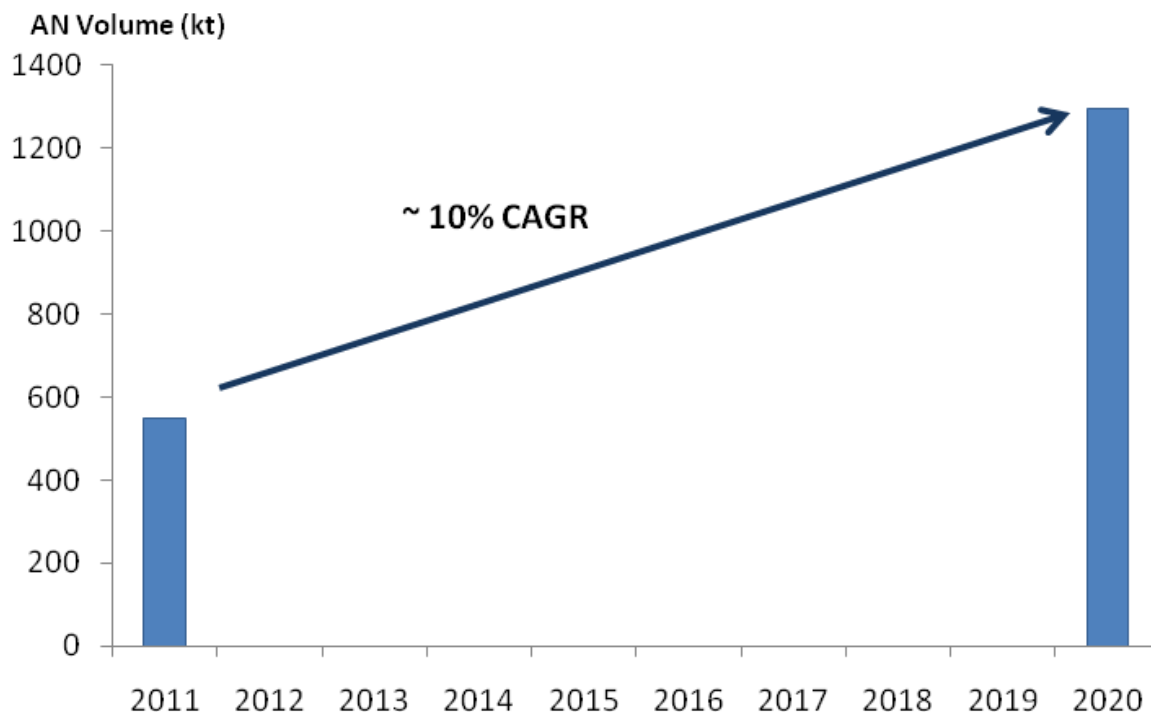
EBIT by Industry <sup>2</sup>

1. 2011 Full year revenue
2. 2011 Full year EBIT

# Orica's Continued Growth Platform

## Pilbara Joint Venture<sup>1</sup>

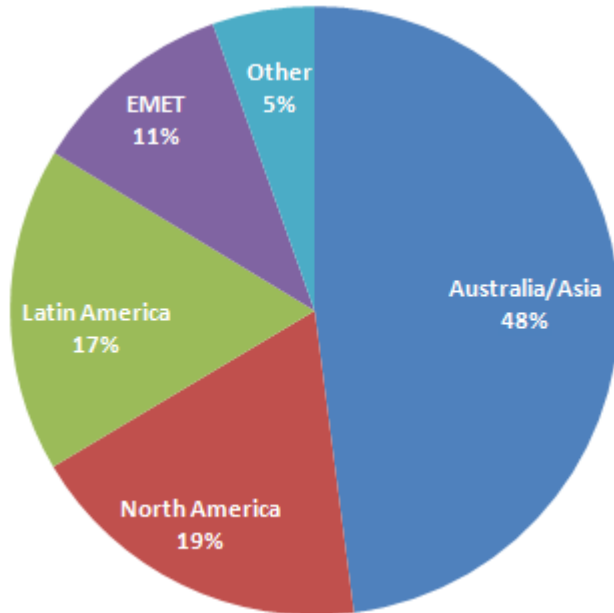
### Western Australian AN Market



Unique opportunity to establish a leading position in a high growth market with reduced capital risk

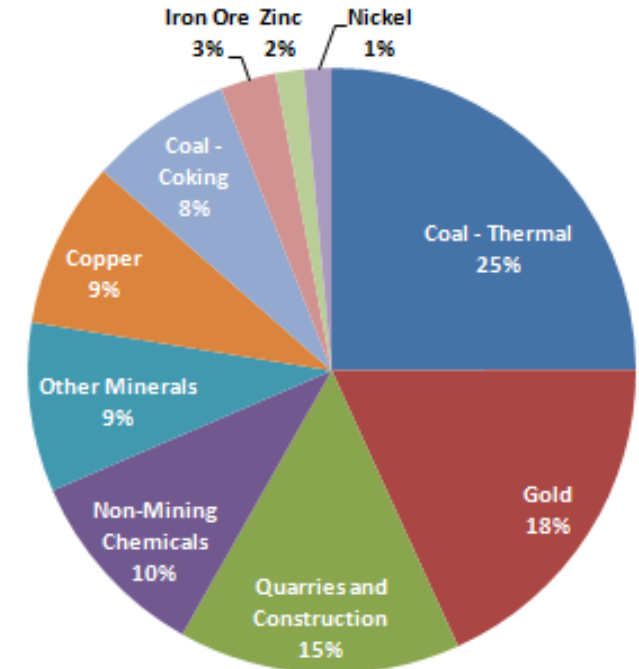
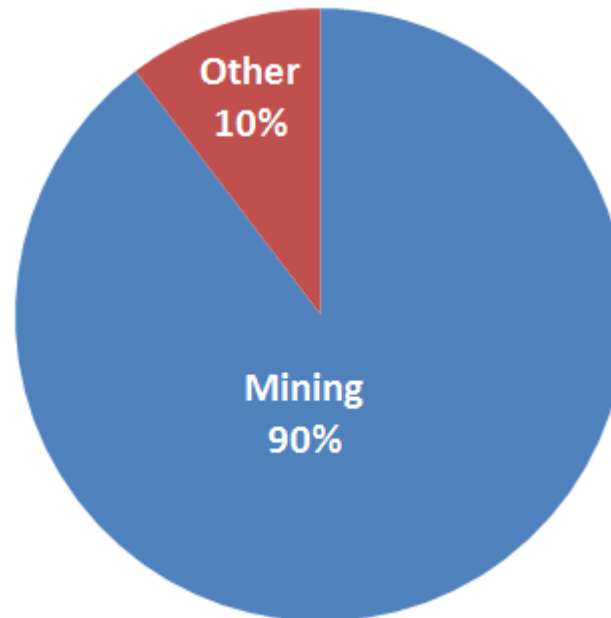
1. Transaction still subject to conditions including formal legal documents being entered into by the proposed joint venture partners.

# Orica's Continued Growth Platform



Revenue by Region <sup>1</sup>

## Group EBIT <sup>2</sup>

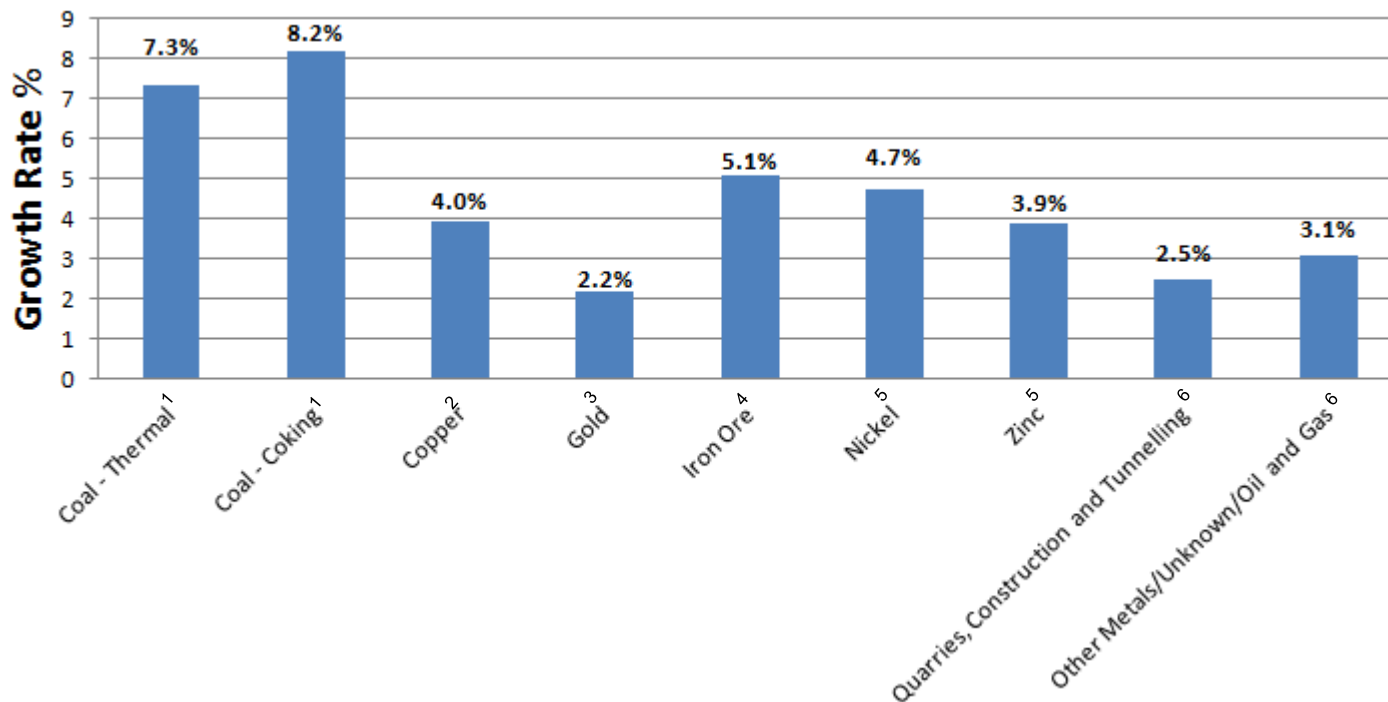


EBIT by Industry <sup>2</sup>

1. 2011 Full year revenue
2. 2011 Full year EBIT

# Orica's Continued Growth Platform

## Approximate Global Commodity Production Annual Growth Rates 2012-2016



References:

1. EIA and AME
2. 2011 Wood Mackenzie Copper Long Term Outlook
3. CRU, company reports, WBMS
4. CRU
5. AME
6. Orica

# Orica's Continued Growth Platform

**Orica is positioned to grow independent of commodity volumes increasing**

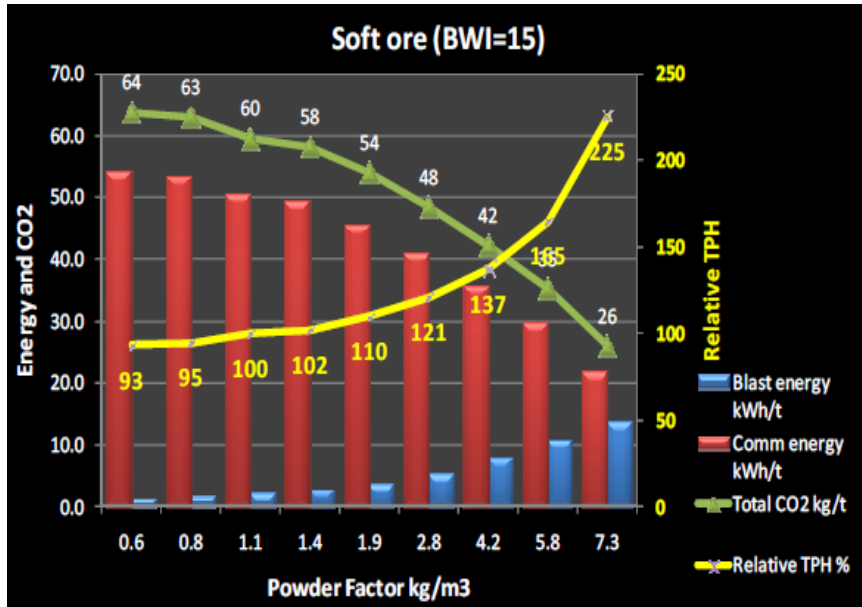
## **Increasing Strip Ratios and More Complex Geological Mining Conditions drive**

- growth in explosives volumes due to increased raw material to be moved
- growth in explosives volumes as size distribution enables greater throughput, and/or
- the need for specialised services that can extend economic mine life

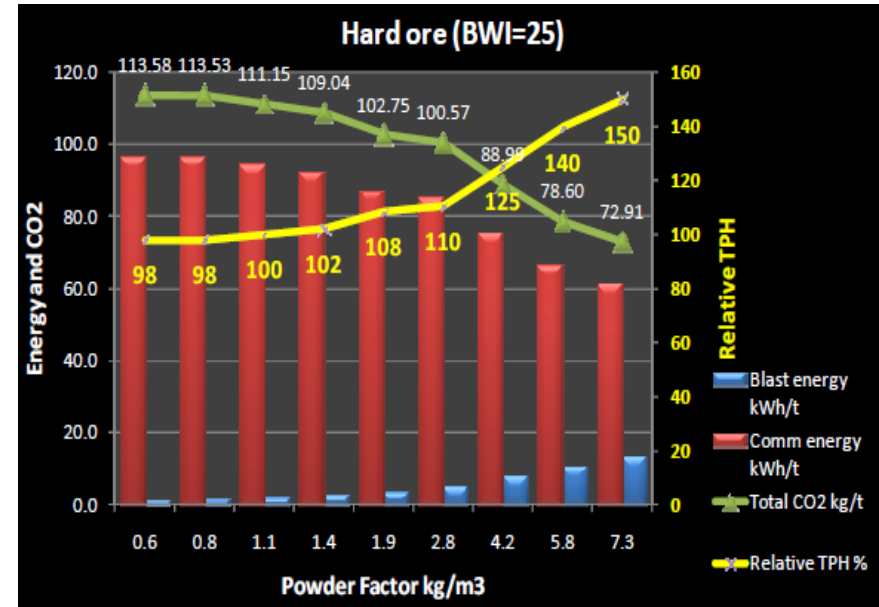
The following Case Studies highlight how the increased use of explosives and/or the application of specialised services can deliver better economic outcomes.

# Ultra-high Intensity Blasting: Customer Value Model

Soft Ore Bond Work Index (BWI) = 15



Hard Ore Bond Work Index (BWI) = 25



- 4x increase in powder factor results in
  - 40% increase in mill throughput
  - 33% reduction in comminution energy

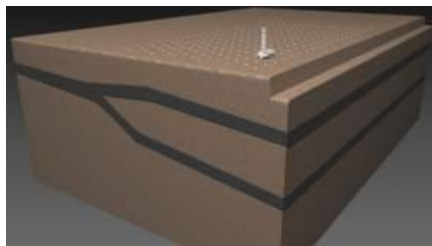
- 4x increase in powder factor results in
  - 28% increase in mill throughput
  - 23% reduction in comminution energy

# Orica's Continued Growth Platform

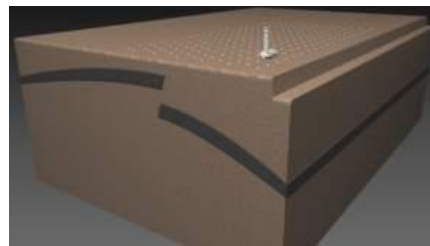
Mines are facing increasingly frequent challenging geological formations



**Thin & Intermittent**



**Splitting**



**Faulted**



**Dipping**

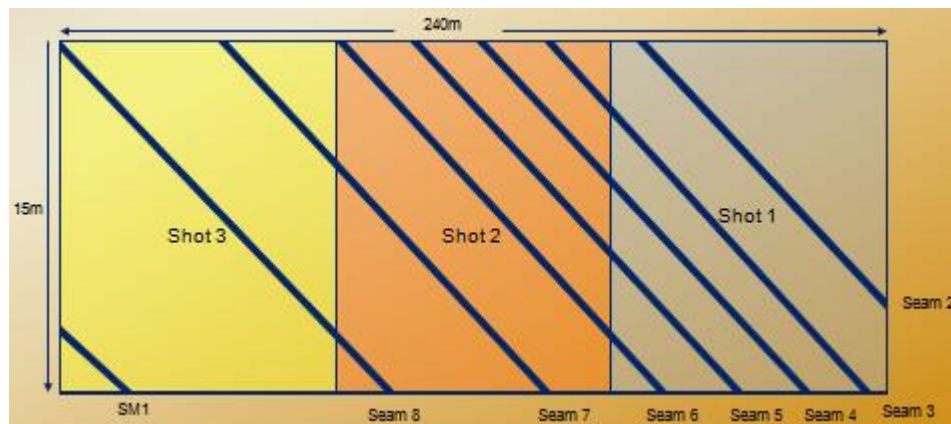
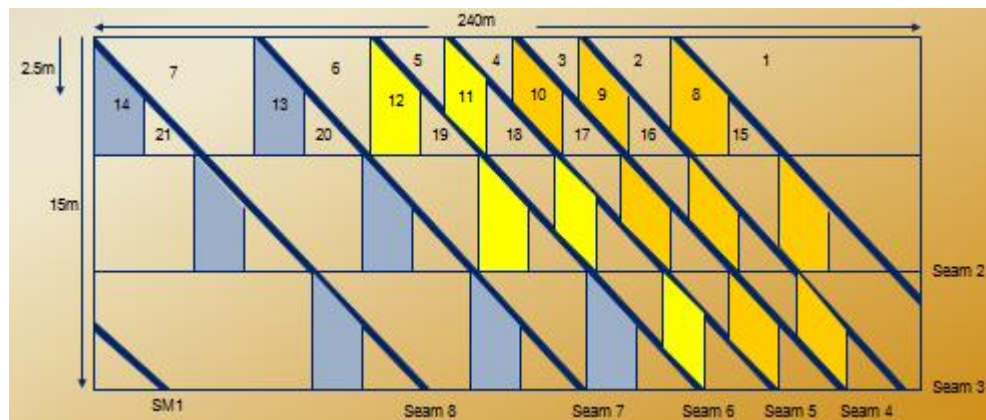
“Through Seam Blasting” provides a solution to these by:

- Increasing % of resource recovered
- Reducing strip ratio
- Providing the ability to selectively mine multiple seams
- Reducing total mining costs per tonne
- Potentially turning previously non-economic resources into economically feasible prospects

# Orica's Continued Growth Platform

## Through Seam Blasting – Demonstrated Results Case 1

- The mine faced difficult to mine dipping seams
- The conventional approach required 10 individual blasts for 5m vertical advance
- Orica used “Through Seam Blasting” and fired the full volume in 3 blasts

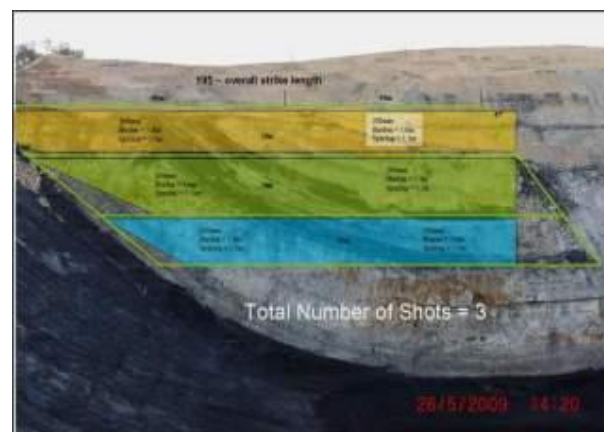
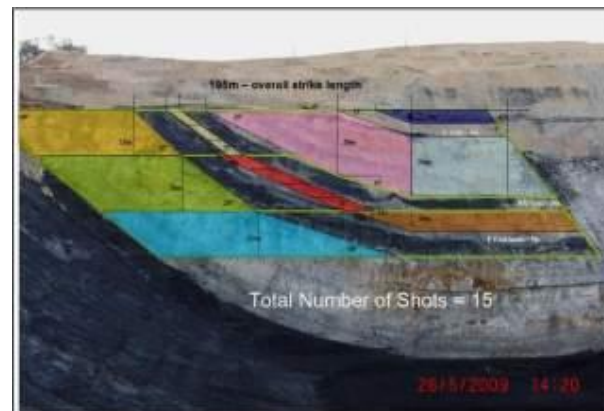




# Orica's Continued Growth Platform

## Through Seam Blasting – Demonstrated Results Case 2

- Conventional approach required 15 blasts
- Through Seam Blasting fired the same bulk volume in 3 shots



# Orica's Continued Growth Platform

## Benefit delivered to the customer

### Case 1

- Generated savings of USD\$0.35 per Bulk Cubic Meter
- Increased blasted inventory by 145%
- Dig rate increase of 300 Bulk Cubic Meters/hour
- Vertical Advance increase of 60%

### Case 2

- Increase in 300,000t of coal production in 12 months
- Haulage fleet productivity increased by 150%
- Gain of 20hrs of excavation time per strip
- Through Seam Blasting areas reduced extraction time by 50%

# Orica's Sponsorship of GreenEDGE Cycling Teams

A rare opportunity to team with a ground-breaking sporting venture with global coverage. The three teams sponsored will compete in more than 300 international events, 200 days of racing that cover 10 months per annum.

This is a platform for Orica to increase its brand presence in key global markets with ongoing exposure. The Tour de France is one of the most watched sporting events (3<sup>rd</sup> most watched) and it happens every year, not every four years. Other major events include the Tour Down Under and the Giro d'Italia.

The relationship with GreenEDGE will enable Orica to build a deeper relationship with the communities in which we operate by sponsoring community cycling events in various locations around the globe that support local charities and initiatives.

We can also help cycling be introduced to other regions in which we operate around the globe.

Last, but certainly not least, it will also provide opportunities for our customers to experience professional cycling at close quarters.

# Orica Restructure



# Vision and Values

## Clever Resourceful Solutions

**Clever**      *adjective* skilful; talented; adroit; ingenious; quick to understand and learn

**Resourceful**      *adjective* full of resource; ingenious; skilful in overcoming difficulties

**No Accidents Today**

**Succeed Through Collaboration**

**Find Valuable Solutions**

**It's Our Business**



# Supplementary Information

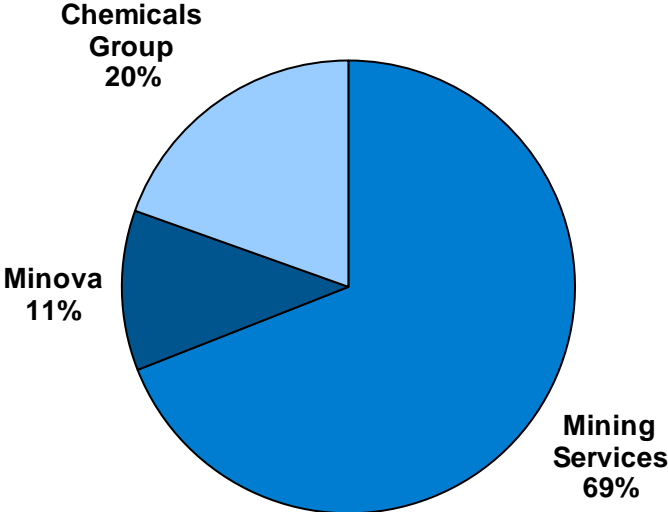
# Group financial performance overview

Half year ended 31 March (A\$M)	2012	2011	% $\updownarrow$
Sales	<b>3,290.7</b>	2,949.3	11.6 $\uparrow$
Gross margin	<b>1,366.2</b>	1,323.0	3.3 $\uparrow$
EBITDA <sup>1</sup>	<b>537.1</b>	547.2	(1.9) $\downarrow$
EBIT	<b>418.7</b>	437.0	(4.2) $\downarrow$
Net profit after tax	<b>253.3</b>	263.8	(4.0) $\downarrow$
Operating cashflow	<b>38.8</b>	141.8	(72.6) $\downarrow$
Productivity (%)	<b>72.4</b>	71.9	(0.7) $\downarrow$
Earnings per share (cents)	<b>67.9</b>	71.1	(4.5) $\downarrow$
Dividends per share (cents)	<b>38.0</b>	37.0	2.7 $\uparrow$
Return on shareholder's funds (%)	<b>14.6</b>	15.1	(3.3) $\downarrow$
Gearing (%)	<b>41.1</b>	27.0	52.4 $\downarrow$

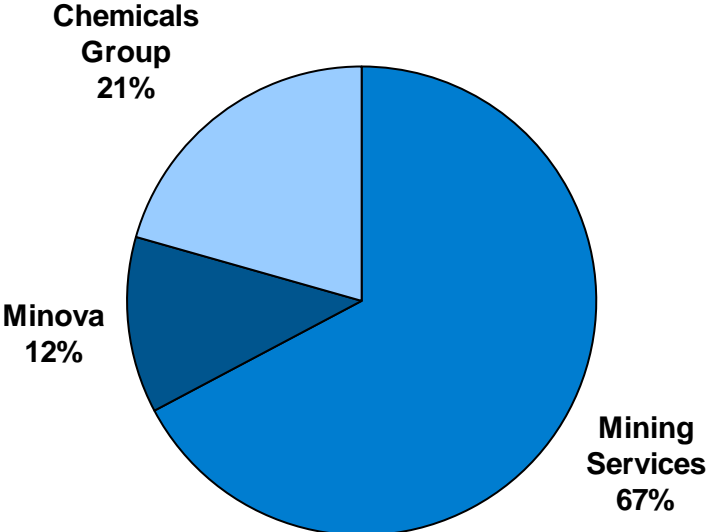
1. Non IFRS information. For a reconciliation of IFRS compliant profit for the period to EBITDA refer to slide 50.

# EBIT contribution by business platform <sup>1</sup>

March 2011



March 2012

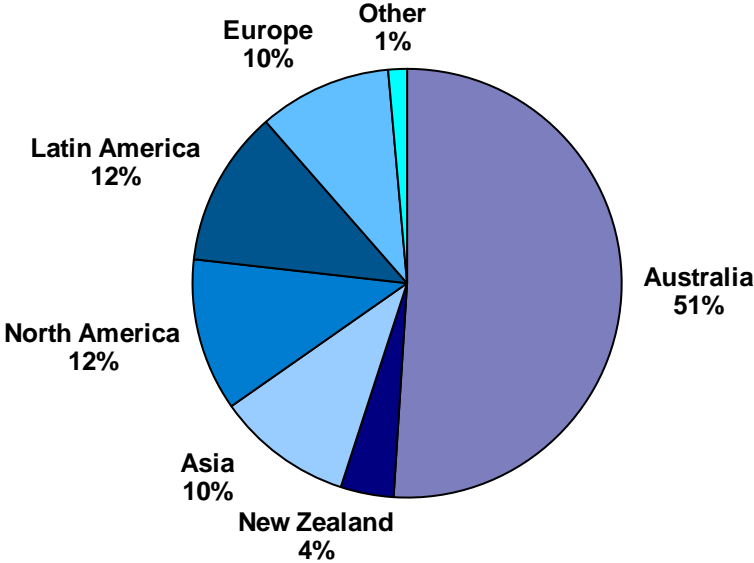


1. Excludes Corporate centre and other support costs

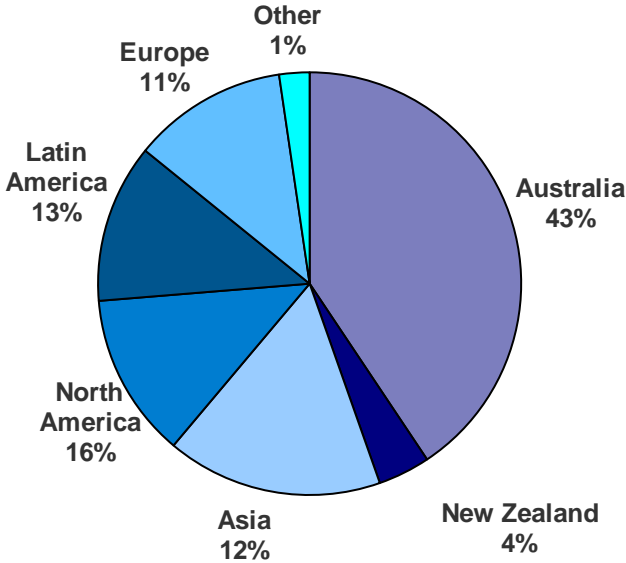


# EBIT contribution by geography

March 2011

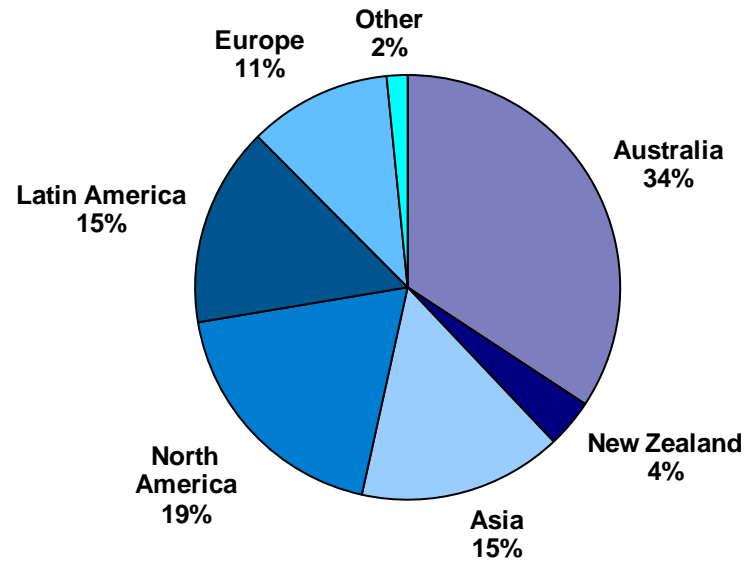


March 2012

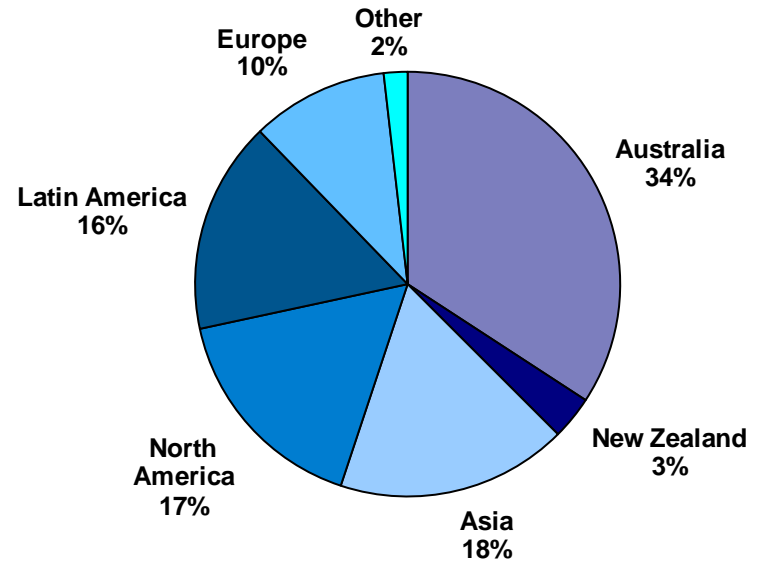


# Gross sales by geography

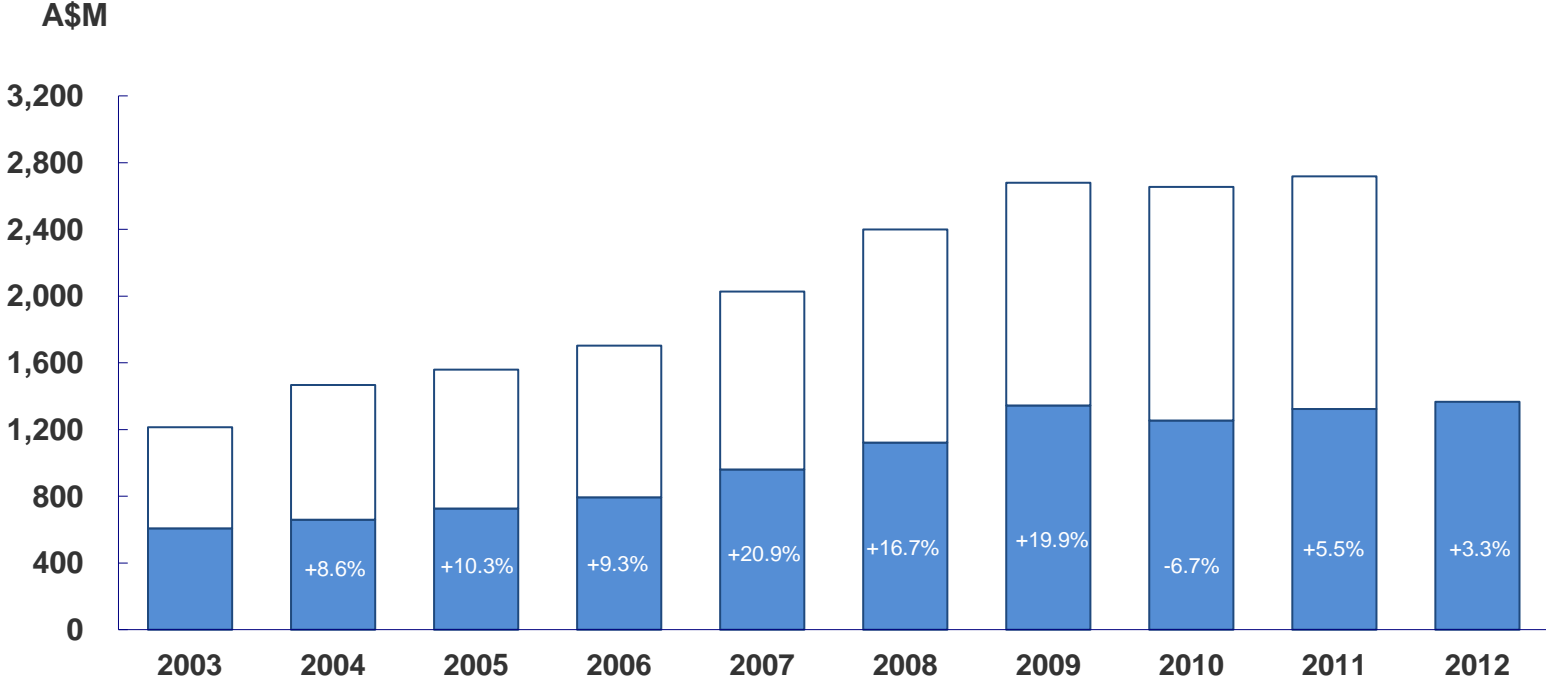
March 2011



March 2012



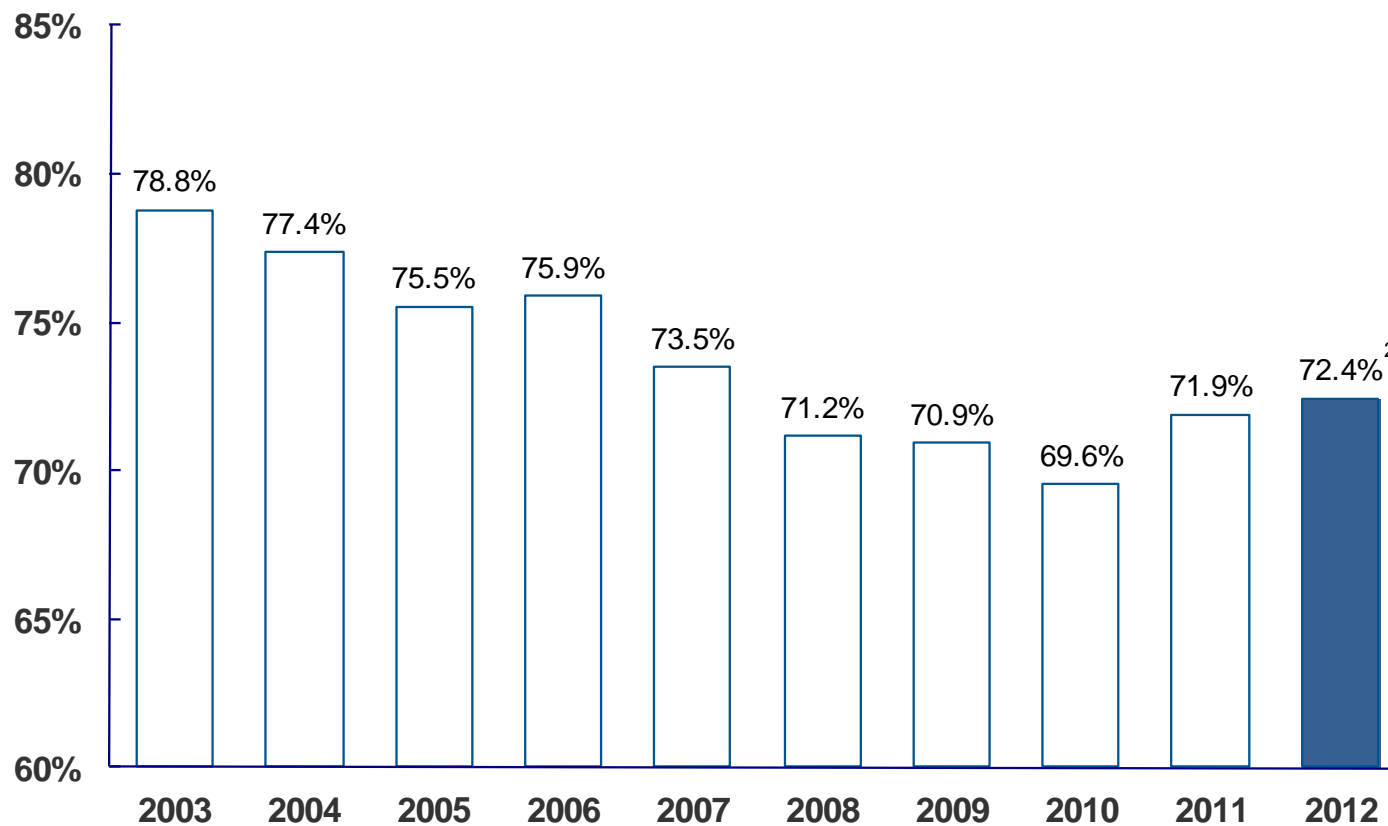
# Gross margin growth <sup>1</sup>



Compound average growth rate since 2003 is 9.4%

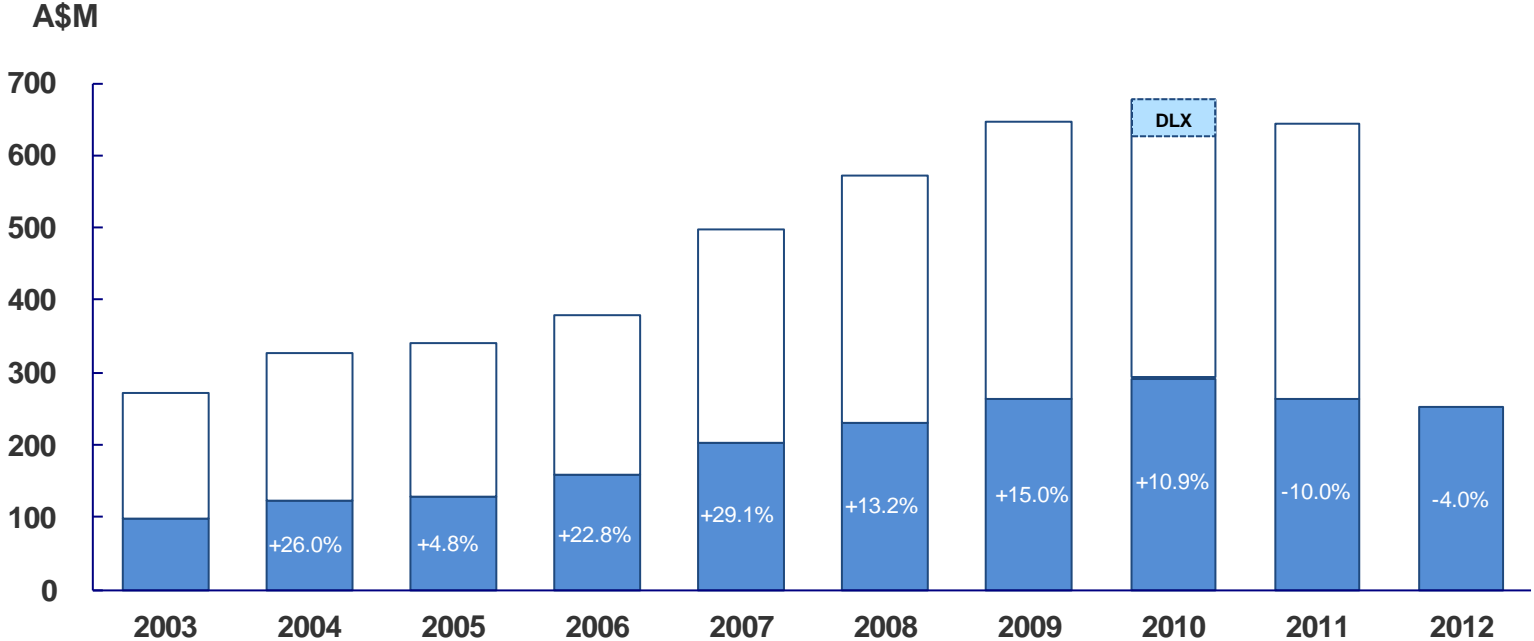
1. Gross margin prepared on a continuing operations basis and excludes DuluxGroup (demerged July 2010).

# Productivity<sup>1</sup> - Half year



1. Productivity is measured as fixed costs (includes depreciation and amortisation) as a percentage of gross margin.
2. 2012 result impacted by Kooragang Island plant closures.

# Net profit after tax <sup>1</sup>

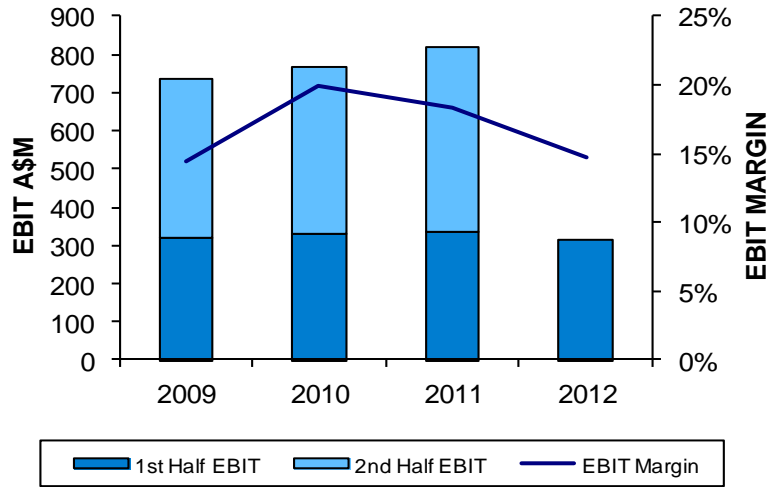


Compound average growth rate since 2003 is 11.3%

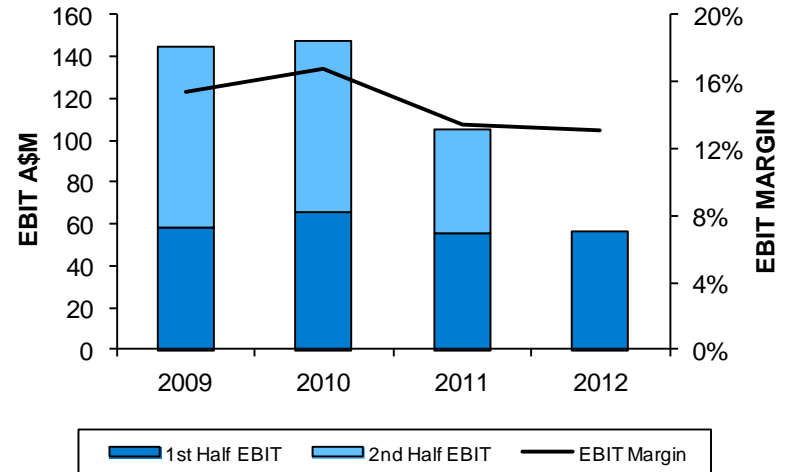
1. Orica net profit after tax pre individually material items and includes DuluxGroup (demerged July 2010).

# EBIT by business

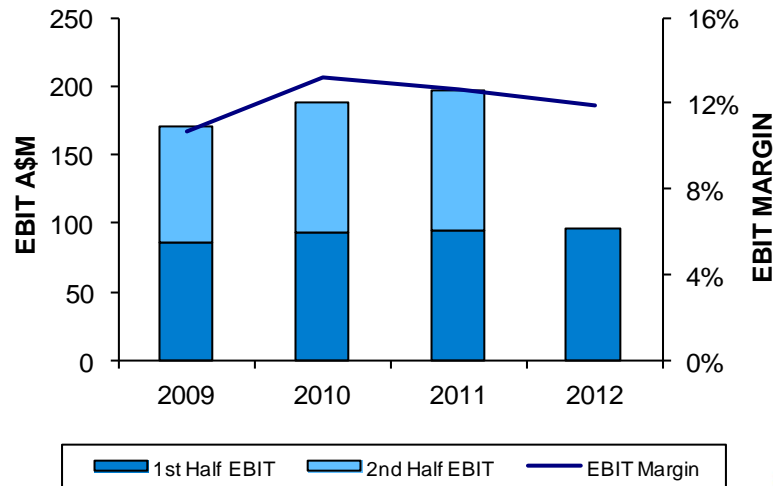
## Mining Services <sup>1</sup>



## Minova



## Chemicals



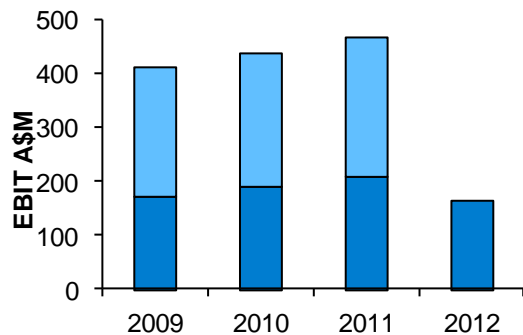
1. 2012 impacted by the Kooragang Island plant closures.

# Orica Mining Services

Half Year ended 31 March (A\$M)	2012	2011	% ↓
Sales	2,134.2	1,825.2	16.9 ↑
EBITDA	392.2	408.0	(3.9) ↓
<i>EBITDA margin (%)</i>	<b>18.4%</b>	22.4%	(17.9) ↓
EBIT	313.0	334.5	(6.4) ↓
<i>EBIT margin (%)</i>	<b>14.7%</b>	18.3%	(19.7) ↓

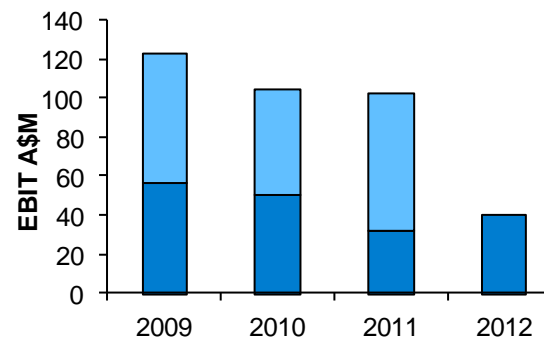
# Orica Mining Services by geography

## Australia/Asia



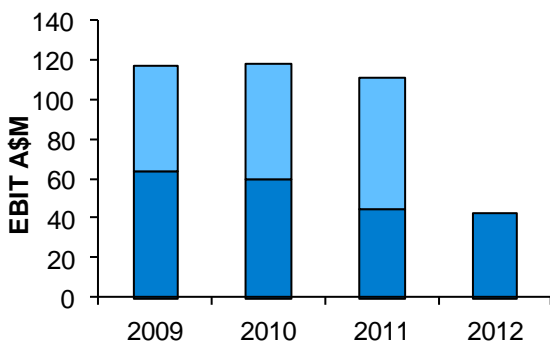
■ 1st Half EBIT ■ 2nd Half EBIT

## North America



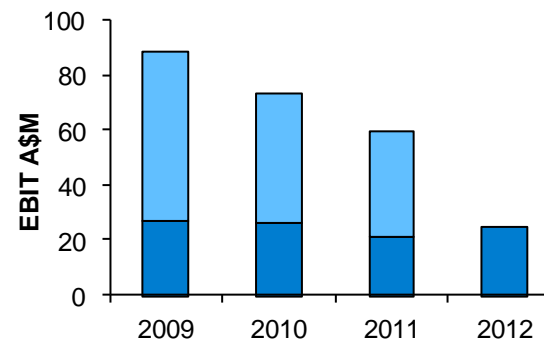
■ 1st Half EBIT ■ 2nd Half EBIT

## Latin America



■ 1st Half EBIT ■ 2nd Half EBIT

## EMET



■ 1st Half EBIT ■ 2nd Half EBIT



# Minova

Half Year ended 31 March (A\$M)	2012	2011	% ↓
Sales	433.0	410.8	5.4 ↑
EBITDA	71.3	69.8	2.1 ↑
<i>EBITDA margin (%)</i>	<b>16.5%</b>	17.0%	(2.9) ↓
EBIT	56.6	55.4	2.2 ↑
<i>EBIT margin (%)</i>	<b>13.1%</b>	13.5%	(3.0) ↓

# Chemicals

Half Year ended 31 March (A\$M)	2012	2011	% ↓
Sales	804.7	748.8	7.5 ↑
EBITDA	116.9	113.4	3.1 ↑
<i>EBITDA margin (%)</i>	<b>14.5%</b>	15.1%	(4.0) ↓
EBIT	95.9	94.7	1.3 ↑
<i>EBIT margin (%)</i>	<b>11.9%</b>	12.6%	(5.6) ↓

# Corporate centre and other support services

Half Year ended 31 March (A\$M)	2012	2011	\$ ↓
Corporate centre costs	(22.9)	(23.8)	0.9 ↑
Other support costs	(23.9)	(23.8)	(0.1) ↓
<b>Total costs</b>	<b>(46.8)</b>	<b>(47.6)</b>	<b>0.8 ↑</b>

## Corporate centre and other support costs

✓ In line with prior year

# Cash Conversion <sup>1</sup>

Half Year ended 31 March (A\$M)	2012	2011
EBITDA	537.1	547.2
TWC movement	(190.5)	(108.6)
Sustenance	(97.4)	(80.7)
Cash Conversion	249.2	357.9
<b>Cash Conversion %</b>	<b>46.4%</b>	<b>65.4%</b>

1. Cash conversion % impacted by the \$90M EBITDA effect of the Kooragang Island plant closures and an increase in TWC as a result of stronger demand conditions.

# Changes to 2011 segment information – Mining Services

EBIT	2011	2011
	Restated Disclosure	Original Disclosure
Australia/Asia	208	213
North America	32	32
Latin America	44	44
EMET	21	26
Other	30	20
<b>OMS TOTAL</b>	<b>335</b>	<b>335</b>



Emerging markets of CIS, Mongolia, Africa and China (referred to as CISMALC) now reported under "Other". China and Mongolia moved from Australia/Asia to Other, CIS and Africa moved from EMET to Other.

Sales	2011	2011
	Restated Disclosure	Original Disclosure
Australia/Asia	740	755
North America	405	405
Latin America	398	398
EMET	212	256
Other	66	7
<b>OMS TOTAL</b>	<b>1,821</b>	<b>1,821</b>

# Net interest expense

Half Year ended 31 March (A\$M)	2012	2011	\$	↑
Net interest expense	65.3	62.5	2.8	↑
Comprising:				
Interest on net debt	83.8	75.3	8.5	↑
Add: Unwinding of discount on provisions	2.9	4.9	(2.0)	↓
Add: Major external finance leases	0.4	0.6	(0.2)	↓
Less: Capitalised interest	(21.8)	(18.3)	(3.5)	↓

# Interest Cover

Half Year ended 31 March (A\$M)	2012	2011	\$	↑ ↓
Financial expense <sup>1</sup>	81.6	82.7	(1.0)	↓
Financial income	(16.3)	(20.2)	3.9	↓
<b>Net financing costs</b>	<b>65.3</b>	<b>62.5</b>	<b>2.9</b>	<b>↑</b>
EBIT	418.7	437.0	(18.4)	↓
<b>Interest Cover (times)</b>	<b>6.4</b>	<b>7.0</b>	<b>(0.6)</b>	<b>↓</b>

1. Financial expense in 2012 includes \$21.8M of capitalised borrowing costs (2011: \$18.3M).

# Impact of Step-Up Preference Securities (SPS) – earnings per share

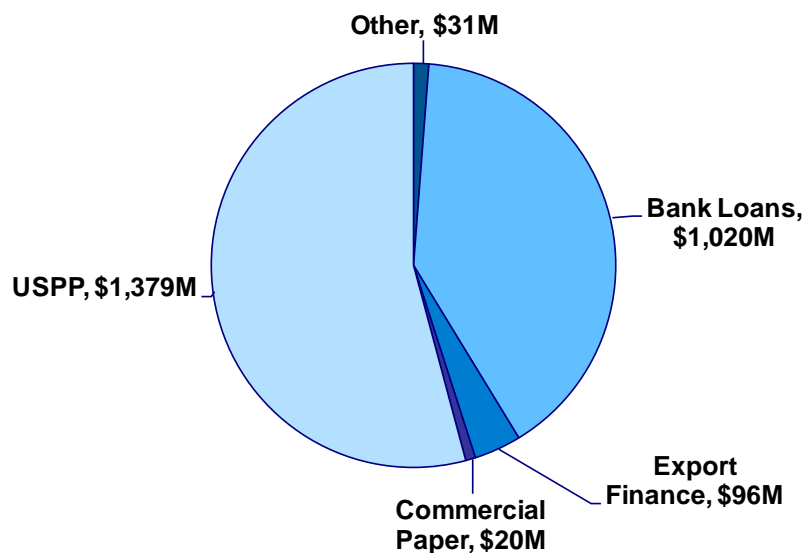
	Reported per Accounts A\$M
Reported net profit	263.4
Less:	
Net profit attributable to non controlling interests	(10.1)
After tax distributions to SPS holders <sup>1</sup>	(8.9)
<b>Adjusted net profit</b>	<b>244.4</b>
Weighted average ordinary shares on issue	359.9
<b>Earnings per share – cents per share</b>	<b>67.9</b>

1. Total distribution paid during the period was \$16.3M and was allocated between dividends (\$11.1M) and interest (\$5.2M) based on the equity/debt classification over the distribution period. The tax adjustment is based on interest expense for the six months ended 31 March 2012.



# Debt Profile (as at 31 March 2012)

Drawn Debt



Debt Maturity Profile

A\$M	Drawn	Undrawn	Total
< 1 year	136	126	262
1 – 2 years	537	8	545
2 – 5 years	816	1,074	1,890
> 5 years	1,057	10	1,067
<b>Total</b>	<b>2,546</b>	<b>1,218</b>	<b>3,764</b>

Average maturity on drawn debt is 5.0 years  
Investment grade rating BBB+

# Non IFRS information reconciliation

Half year ended 31 March (A\$M)	2012	2011	% $\updownarrow$
Statutory profit after tax	253.3	263.8	(4.0) $\downarrow$
Adjust for the following:			
Net financing costs	65.3	62.5	4.5 $\uparrow$
Income tax expense	90.0	97.3	(7.5) $\downarrow$
Non-controlling interests	10.1	13.4	(24.6) $\downarrow$
<b>EBIT</b>	<b>418.7</b>	<b>437.0</b>	<b>(4.2) <math>\downarrow</math></b>
Depreciation and amortisation	118.4	110.2	7.5 $\uparrow$
<b>EBITDA</b>	<b>537.1</b>	<b>547.2</b>	<b>(1.9) <math>\downarrow</math></b>

# Non IFRS disclosures and definitions

Term	Definition
NPAT	Net profit after tax attributable to Orca Shareholders
EBIT	Earnings before interest and tax
EBITDA	Earnings before interest, tax depreciation and amortisation
EBIT margin	EBIT / Sales
EBITDA margin	EBITDA / Sales
Average operating net assets	Average of Opening operating net assets (September'11) + Closing operating net assets (March'12). Operating net assets consists of Property, plant and equipment, intangibles, investments in associates and working capital (excluding environmental provisions)
ROSF	(Return on shareholders funds) NPAT / (Average of opening Orca shareholders equity + closing Orca shareholders equity)
TWC	(Trade working capital) Inventory plus trade receivables less trade payables
TWC movement	September (opening) trade working capital less March (closing) trade working capital
Non trade working capital	Primarily includes other receivables, other assets, other payables and provisions
Non trade working capital movement	September (opening) trade working capital less March (closing) trade working capital
Rolling trade working capital to Rolling sales	Rolling average 12 months trade working capital / 12 months total sales
Capital expenditure: Growth Sustenance	Capital expenditure that results in earnings growth through either cost savings or increased revenue Other capital expenditure Total growth and sustenance expenditure reconcile to total payments for property plant and equipment and intangibles as disclosed in the Statement of Cash flows
Interest cover	EBIT / net financing costs (net of capitalised interest)
Cash conversion	EBITDA add/less movement in TWC less sustenance capital spend
Cash conversion %	Cash conversion / EBITDA
Gross margin	Sales less cost of goods sold (including freight)
Net debt	Interest bearing liabilities less cash and cash equivalents
Gearing	Net debt / (net debt plus equity)
Productivity	Fixed costs (incl. depreciation and amortisation) as a percentage of gross margin