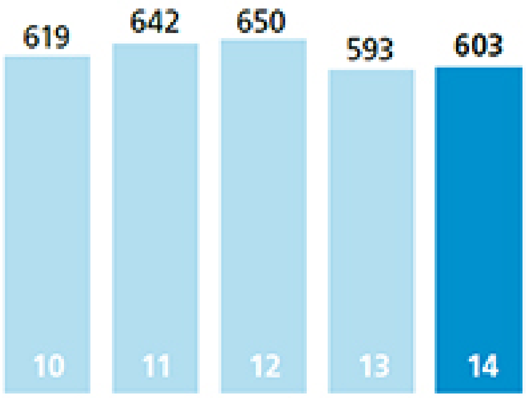
# REVIEW OF OPERATIONAL AND FINANCIAL PERFORMANCE

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

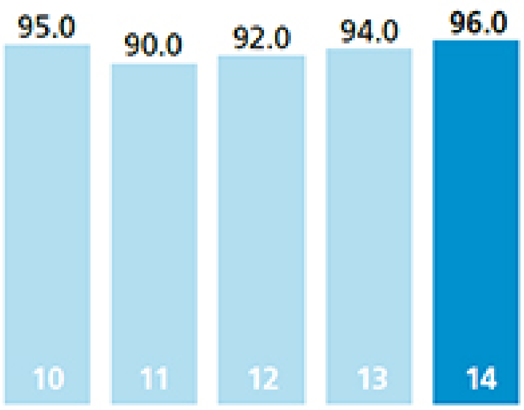
## Key Financials

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

**NPAT ($M)***
**(Before individually material items)**




**Dividends per share (cents)**




- Interest cover of 8.0 times(8)(9) (pcp: 6.4 times)
- Final ordinary dividend of 56 cents per share, up 2%.

Orica delivered a resilient earnings and cashflow performance against a backdrop of difficult mining markets, falling commodity prices and significant pricing pressure. In this context Orica's geographic diversity, growth in emerging markets and its strategic focus on advanced blasting services has enabled the Company to meet its full year guidance. This outcome has been achieved notwithstanding flat volumes year on year as a result of weaker than anticipated recovery in explosives volumes in the second half of the financial year.

**$1,231M**
**EBITDA**(3)

**$930M**
**EBIT**(4)

**163.7c**

**EARNINGS PER ORDINARY SHARE**

up 1%

EBIT of $930M was 4% below the pcp and reflected continuing pressure on volume and pricing in Mining Services markets and reduced Chemicals EBIT, largely offset by $69M in efficiency benefits, $24M in foreign currency benefits and $23M from asset sales.

NPAT of $602.5M was up 2% primarily as a result of a lower interest expense and lower effective tax rate; and

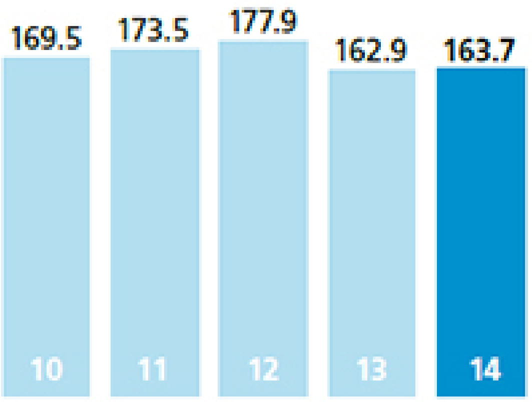
A continued focus on cash generation and the benefits of a capital light strategy delivered a 48% uplift in net operating and investing cashflows.

## Revenue

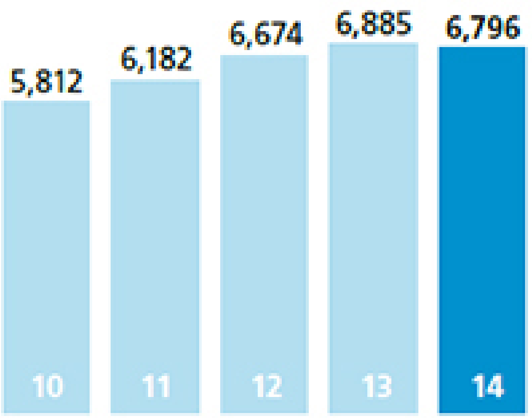
Sales revenue of $6.8B decreased by $89M (1%), driven primarily by:

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

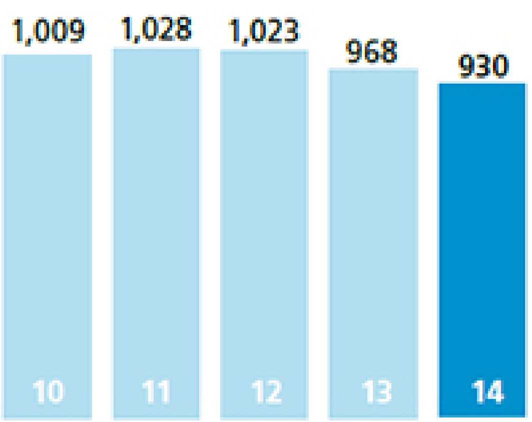
**Earnings per share (cents)***
**(Before individually material items)**




**Sales ($M)***




**EBIT ($M)***




temporary customer shutdowns

Largely offset by:

- Favourable currency movements.

**$461M**

**NET OPERATING & INVESTING CASH FLOWS**

up 48% from $311M in the pcp

**$2,237M**

**NET DEBT**

down from $98M in the pcp

**56c**

**FINAL ORDINARY DIVIDEND**

up 2%

## Earnings Before Interest And Tax (EBIT)

EBIT decreased by 4% to $930M (pcp $968M). Decreased earnings were

* Excluding DuluxGroup

attributed to:

- Reduced demand for Mining Services products ($44M)
- Lower pricing for ground support and mining chemical products ($36M) and flat explosives pricing
- Lower demand in Australian chemicals markets and rationalisation and write-off costs recorded in the first half in the Latin American Chemicals business ($27M)
- Transformation and other costs of $39M. This includes wage increases and other inflationary impacts, costs associated with scheduled plant shutdowns, restructuring and transformation program costs, partially offset by the nonrecurrence of the 2013 ground support integration costs of $29M; and
- Increased depreciation at Bontang and Carseland ammonium nitrate plants, and the Antofagasta initiating systems plant ($8M)

Partially offset by:

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

- Higher profit from asset sales (+$23M).

## Interest[8][9]

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

## Corporate Costs

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

## Tax Expense

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

# Downloads

- Review of Operations and Financial Performance (PDF 733KB)
- Additional Downloads

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

1) Equivalent to Net profit for the period attributable to shareholders of Orica Limited disclosed in Note 2 within the Orica Annual Report (Segment report).
2) 2013 numbers have been restated for new accounting standards. Refer to Note 41 within the Orica Annual Report 2014.
3) EBIT plus Depreciation and Amortisation.
4) EBIT (equivalent to Profit /(loss) before individually material items, net financing costs and income tax expense in the Segment report).
5) (Interim dividend cps x shares on issue at 31 March) + (Final dividend cps x shares on issue at 30 September) / NPAT.
6) Total interest bearing liabilities less cash and cash equivalents.
7) Net debt / (net debt + book equity).
8) EBIT / Net interest expense.
9) This includes capitalised interest. Excluding capitalised interest, interest cover is 6.5 times (pcp 6.0 times).

Note: Numbers in this report are subject to rounding.
* Excluding DuluxGroup.