HD **Preliminary 2014 Orica Ltd Earnings Presentation - Final**

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Presentation

OPERATOR: Thank you for standing by and welcome to the Orica full year results conference call. At this time all participants are in a listen only mode. There will be a presentation followed by a question and answer session. (Operator Instructions) Please note that this Q&A session is open to investors and analysts only. Media representatives wishing to ask questions are requested to direct them to Orica Corporate Communications at the conclusion of the call. I must advise you that this conference is being recorded today, Wednesday, November 19, 2014. I would now like to hand the conference over to your first speaker today, Ian Smith , Managing Director and CEO of Orica. Please go ahead Mr Smith.

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IAN SMITH , MD & CEO, ORICA LIMITED : Thank you very much and thank you all for your attendance. Just a quick apology, I came down with the flu last night so if I cough and splutter and whatever through this, I apologise in advance. Today we're going to have Craig taking us through our financials but also Nick is going to give you a flavour of how we're going with our contracts and how the strategies applying in place. So we've gone to a little more depth to give people that full understanding of how the strategies actually hitting on the ground. I hope you'll appreciate that. We also have in the room Mr Lark who's about to decamp the Orica ways on the announcement of chemicals so well done Andrew.

Okay, overview. Our net profit after tax was up 2%. There was a 48% increase in net operating and investment cash flows and the efficiency improvements that we delivered during the year largely offset the underlying market conditions. The Board has seen clear to raise the dividend to AUD0.96 for the year which is up 2%. We delivered our strategies through increased take up of advanced blasting services. We had growth in the new markets of Africa, CIS and Pilbara and we laid the groundwork for further growth in North America as well. We've got in place North American AN suppliers over the long term and the East Coast of Australia we have in place priced gas supply over the long term as well which should give us a competitive advantage against others.

We had a 35% reduction in our capital spending. There was a sale agreed with funds advised by Blackstone for AUD750 million and that should be completed in the first quarter of calendar 2015. That will provide the Company with the flexibility to pursue capital management. Our ongoing transformation program goes into the next phase and I'll be covering that in quite some detail. So that provides a pathway on top of what we've done already to refer the AUD200 million to AUD250 million in cost base reduction which will be seen fully in FY16. Again, that gives us flexibility and positioning points in some challenging markets.

On safety, another fatality free year. I'm pleased to announce that we've hit the lowest all worker case rate point for the Company of 0.40 so that puts us well in the forefront of the top companies on the ASX for safety performance. So both our lost time injury frequency rate dropped substantially over the year and our all worker case rate is now at the point that anyone working for Orica can expect an injury to the point of medical treatment or above once every 250 years which is not a bad record. The way that we've embedded risk approach throughout the Company gives us great confidence that this will continue to put us at the forefront of performance of all companies.

We've continued with our nitrous oxide abatement programs throughout the Company and from the base year of 2010 until now, we've actually reduced the emissions of nitrous oxide by 50%. So that's the equivalent of taking 300,000 cars off the road. In conjunction with CSIRO we've come up with new catalysts and we're confident that we'll continue to develop new catalysts which will enable us to continue this downward pressure on what all companies should be working on which is those gases that are deemed to contribute to global warming over the long term. So we're certainly doing our part in that.

We're also involved in a thing called MCI which is mineral carbonation. So basically what this looks at doing is to duplicate a natural process so you take serpentinite, which is a clay, you put it under pressure and heat and then you blow a stream of CO2 over the top of it. The clay captures the CO2 and it's bound forever because it is simulating a natural process. The product of that can be used in building materials such as bricks, such as plasterboard et cetera. Now we're at the stage where we're through laboratory testing and that's a tick on everything we've done so far. So in early 2015 we'll be moving into field trials using some off take gases from Kooragang **Island**.

The great thing about this is it can retrofit to existing power stations. So it affords greater flexibility and it talks to the whole of a base of our customers who supply into the thermal **coal** market. Now it's not just us that are very interested in this approach. So we're joint funders with the Federal and New South Wales State Governments. We've already signed up several universities and several others within and without Australia are wanting to participate. We're negotiating agreements with them at the moment.

We've signed up an agreement with A Star which is Singapore's Agency for Science, Technology and Research. They're looking at how they can extract the metals in the serpentinite streams to release nickel and other materials. Then on top of that we've got an agreement with Singxin in **China** where they have nine **billion** tonnes of serpentinite resource which they want to harness this type of approach and apply it to some of the **coal** fired power stations that that serpentinite is close to.

We're also talking to other building companies who are in the process of signing MOUs with us. So basically this provides a technical pathway to capture CO2 in a way that's starting to excite both the university sector and the industrial sector. We will end up earning 40% **equity** in any **company** that comes out of this technology. So with that I'll hand over to Craig to go through the financials.

CRAIG ELKINGTON , CFO, ORICA LIMITED : Thanks Ian. I'll make sure I don't drink out of your glass. Thanks Ian. Good morning everyone. This morning I'll provide some details of the **Company**'s financial performance for the 2014 financial year. It's a result that in my view demonstrates another year of resilient earnings in the face of market challenges and delivers an improving underlying cash flow and balance sheet providing more financial flexibility for the future. Detailed profit report, financial accounts and our investors' compendium contain additional information and they've been lodged with the Australian Securities Exchange this morning and also can be accessed on our website.

From a headline perspective, statutory net profit after tax for the period was AUD602.5 **million**, 2% up on the comparative period 2013. As I mentioned at the half this year, we've had to restate our 2013 figures in line with changes in accounting standards and these are principally around accounting treatment for subsidiaries and joint arrangements and also treatment for returns on defined benefits superannuation funds. Further details on them can be accessed on Note 41 of our financial statements. However, the headline impact of these changes is that the full year 2013 net profit after tax result has been restated from AUD601.6 **million** we reported this time last year to AUD592.5 **million**. So that's why the comparatives are provided for you.

Turning back to 2014 from an operational perspective, EBITDA of AUD1.23 **billion** was 2% lower than 2013 with generally lower demand conditions across **mining** services and chemicals markets. This was combined with the costs incurred in the first half to reposition our Latin American chemicals **business**. Largely offsetting these impacts were efficiency benefits across the **board** and this included our ground support optimisation program, favourably foreign currency movements and profit on asset sales.

A particularly pleasing result this year was another year of improved cash flow as net operating and investing cash flow was up almost AUD150 **million** so up 48% to AUD460 **million**. From a shareholder's point of view, earnings per share was up 1% to just under AUD1.64 per share and finally as Ian said in keeping with the **Company**'s progressive dividend policy directors have declared a final ordinary dividend of AUD0.56 per share and this has been franked at AUD0.20 or 36%. We'd expect that going forward at least in the near future they're unlikely to be franked at more than 40% as the **Company** continues to grow its international presence.

Now moving on to the **Group** EBIT waterfall, at AUD930 **million** EBIT was down 4% or AUD38 **million** over the prior year. In the face of challenging global **mining** markets and significant pricing pressure broadly, explosives product returns remain generally resilient. Sodium cyanide contribution declined and while ground support integration benefits were achieved, these benefits were largely offset by tougher ground support trading conditions.

So starting at the left of the chart, earnings this year was impacted by volume reductions across all **mining** services product lines being explosives, sodium cyanide and ground support. This resulted in a AUD44 **million** decline. AN volumes were down 1% and while cyanide volumes rebounded in the second half, up 9%, they still ended up the year at 5% down. Lower net pricing for sodium cyanide in ground support products resulted in a AUD35 **million** decline in earnings and net pricing across the explosive product lines generally remained flat to slightly down despite market pressures in most markets so again reinforcing the resilience of our core explosives product lines.

The chemicals business contribution was AUD27 million lower impacted by lower demand across Australian chemicals markets generally and a AUD14 million reduction in the Latin American Business. Again this was primarily due to the AUD11 million repositioning costs we took in the first half of the year. Like last year, the New Zealand business continued to perform well. Excluding FX impacts, depreciation was AUD8 million higher while FX benefits mainly a weaker Aussie to US lifted earnings by AUD24 million and as I said earlier a profit on asset sales this year was up AUD23 million in EBIT terms.

Efficiency benefits for the year of AUD69 million were achieved this year. As I said, AUD25 million of these benefits were associated with the ground support optimisation project in line with our target. Other efficiency benefits included headcount reductions across all functions as the new operating model continues to evolve. Finally, there was AUD39 million of transformation and other costs. This was a mixture of general cost inflation of AUD40 million, transformation costs of AUD18 million, first half shut-down and other costs of AUD10 million and this was partially offset by the AUD29 million of ground support costs we took in 2013 that were not repeated in 2014.

This slide is intended to provide an overall snapshot of the regional and product line dynamics around the mining services network and Nick will cover more of granular detail a bit later. If I move through it though the high level there Australia/Pacific explosive volumes were up 1% and this was represented through 33% growth in the Pilbara region and a 39% increase in supply to third party suppliers as we loaded our plants. These were mostly offset by lower volumes across eastern coal markets. That explosives pricing was generally flat and showing good sign of resilience in very tough markets and both sodium cyanide and ground support product groups experienced challenging volume and pricing conditions. Although as I said, global sodium cyanide volumes were up in the second half.

In North America, explosive volumes were down 3% to entirely to the decline in volumes to the US coal market, that's mainly in the east. Overall, coal volumes were down 10% with East and US Coal down 22% and Powder River off 2%. Metal mining markets and quarry and construction volumes were up slightly. Explosives net pricing in this region was relatively flat and importantly and increased take-up of advanced blasting services was achieved. The ground support market remained challenging and business optimisation return continues.

In Latin America, volumes were down 2% after a second half rebound. Trading performance across the region was mixed as we had increases in Columbia and Brazil offset by declines in Peru and Argentina. The highlight in this region continues to be the uptake in advanced blasting services and our continued reinvestment in this capability.

In EMEA volumes were up 14% driven by continued strong growth in our focused growth markets of Africa and CIS up 41% and 12% respectively. In fact, volumes were generally positive across all of the region combined with improved pricing conditions across key infrastructure markets. It was also pleasing to see some recent contract success on the back of advanced blasting contracts being signed in Nordics and CIS.

Finally, Asian explosive volumes were down 15% mainly due a 21% reduction in Indonesian domestic volumes from weak coal markets and lower stripping ratios. Pricing was also down in this market however an improved Philippines performance offset some of this impact.

The main point I wanted to emphasise from this slide is the second half improvement that we saw in volumes across most markets apart from our core coal markets of Australia and Indonesia. As you can see from an overall perspective, volumes in the second half were flat after being down 2% at the first half. A pleasing outcome this year is the continued resilience of explosives contribution generally across our network despite increased market pressure. This has been achieved through a combination of take-up of advanced blasting services and a sustained focus on margin and costs.

Just a reminder that this chart tracks the year-on-year change for explosives, products and services contribution on a per tonne basis. So tonnes are based on total ammonium nitrate and emulsion volumes and regional contributions have been adjusted for FX and any significant one-off costs. So generally as you can see there, explosives returns per tonne have improved year-on-year across all regions apart from Australia so a good strong resilience in the face of market challenges.

In Australia, the contribution per tonne was down 3% year-on-year mainly due to an unfavourable mix impact. This was due to geographically through increased sales to the Pilbara region and structurally as increase supplied to third party suppliers in the industry. Across the Americas, again after normalising for currency movements, both North America and Latin American contribution per tonne were up 3% and 2% respectively. North America's increase was attributable to cost efficiencies and increased services while in

Latin America the increase was due to a continued success in the roll out of our technical offerings and advanced blasting service contracts.

EMEA increased 12% through improved pricing outcomes, a higher take-up of advanced blasting services and growth in our full service offerings in Africa. Asia's contribution increased 8%, this benefited from increased production rates at Bontang ammonium nitrate plant, cost reduction programs across the region and improved returns in the Philippines market.

From a chemicals perspective, EBIT declined 29% to AUD67 million with a significant portion of this decline being due to several non-recurring factors along with some generally subdued market conditions affecting traditional Australian chemical markets. Earnings declined AUD14 million in the Latin American business and as I said earlier, AUD11 million of this was due to the rationalisation cost that we took to reposition that business.

On top of this, general chemicals volumes were down due to soft trading conditions generally combined with the temporary shutdown of operations at key mining customers that affected acid volumes. Lower caustic soda prices and volumes also impacted water care sales. On the flip side, New Zealand earnings continued to improve driven by increased demand from the dairy and pulp and paper sectors in addition to favourable currency impacts and Ian will provide more details on the chemicals pathway a bit later.

During the year, AUD504 million was spent on capital expenditure and this was within our previous guidance of AUD572 million and almost AUD280 million below 2013 levels demonstrating the application of our capital light strategy. Just on this point, if you profile the CapEx spending for the three year period 2011 to 2013 with the three year period you see there 2014 to 2016, CapEx requirements are forecast to have been stepped down sustainably by around one third of those former levels.

During the year, AUD186 million was spent on sustaining capital with the main expenditure being on plant turnaround projects at Kooragang Island. Sustaining capital programs across our network of major nitrogen and initiating system plants continue as planned. AUD82 million was spent on customer facing contract capital. Just a reminder that this capital comprises spending on contract related assets, things such as mobile manufacturing units, emulsion plants and on-site storage requirements and this should generally run in line with our contract success or new market opportunities. So therefore we'd expect our forecast spending in this category to increase as we secure more contracts going forward.

AUD85 million was spent on growth capital with the main item being a project to align and standardise our global systems and processes. This is a key program to ensure that we're internally optimised through a common approach and common data and also being better able to service our customers and achieve savings along the way so really critical project that is. Finally, AUD151 million was spent on the [Burrup Bay End] project in the Pilbara region with around AUD110 million to complete that project next year.

So moving to cash and debt management, I'm pleased to report all key metrics having improved year-on-year. Net debt declined approximately AUD100 million to AUD2.24 billion reducing company gearing by 3 points to 33.7%. At this level gearing is now slightly under our stated target range of 35% to 45%. Net interest expense was lower by AUD34 million to AUD116 million due to lower average debt levels, competitive borrowing costs and higher capitalised interest. Average funding costs for the period were around 4.4% versus 4.8% last year inclusive of commitment and other fees.

Capitalised interest was up AUD16 million to AUD28 million with the Burrup Plant representing the largest qualifying project. Interest cover remains healthy at 8 times well above covenant requirements of 2 times and also stays above the internal Company target of 5 times. Like last year, a really positive feature of the result has been in relation to our underlying cash flow generation. As I said earlier net operating and investing cash flows were up AUD150 million to AUD461 million due to solid underlying cash flows, focused target trade working capital management and our capital line investment approach.

Trade working capital ended the year at AUD646 million, around AUD52 million lower than the same time last year. Improvement in underlying inventory management and debtor collection drove an AUD67 million underlying improvement more than offsetting an AUD15 million adverse FX translation impact.

So our well-funded balance sheet and improving cash generation performance provides a solid base for managing in these current challenging market conditions and importantly provides some flexibility with respect to future capital application.

The Company had total debt facilities of AUD1.4 billion at the end of the year and in line with the improved balance sheet and underlying cash flow performance, undrawn facilities were reduced by over AUD500 million this year. Even with this change the Company maintains a solid liquidity position with head room flexibility. From a debt maturity perspective a reasonable tenor profile of just under six years.

The Company remains committed to its investment grade credit rating of BBB stable and we actively monitor the nature and extent of our facilities in line with that position.

With our expanded international presence, around one half of our EBIT result is exposed to translation from currencies other than Australian dollars. This comprises a basket of 45 different currencies. The largest four currencies comprise around 60% of the exposure, the US being the largest at 39%.

With a guide while we talk about a diverse basket of 45 currencies we work around 1% sensitivity of having approximately a plus or minus AUD7 million impact on EBIT.

To mitigate this exposure to some extent we currently have a range of low cost hedges in place for around 40% of that exposure. For the use of using participating options, at premiums lower than last year, the resultant sensitivity post-hedging is somewhat asymmetrical with an AUD7 million upside, but only an AUD4 million downside for that 1% swing.

Not shown here is a broader range of commercial or trading FX transaction exposures that we manage across 55 other currencies. For the purpose of extra information there the predominant transaction exposure is a long US dollar exposure against a whole diverse mix of currencies.

Aussie dollars to the US represent less than 15% of that exposure with US dollars to Latin American block currencies representing 40%, so we actively manage that risk through a combination of contractual arrangements and hedge instruments as we are governed by our treasury policy.

Finally our environmental remediation program, on this slide we've included both the provision movement over the last four years and the forecast spend over the next four years. As you can see, our provisions have reduced by around AUD60 million over the last four years as key sites are remediated.

Over the next two years our spend rate is expected to increase as we continue work on former sites at Villawood, Yarraville [inaudible] Norway and Seneca in the US. At year end 2014 total environmental provisions have reduced from AUD188 million in 2013 to AUD168 million and this is in line with our community and regulatory commitments -- Botany site of course being the largest.

Just as an update on the Botany projects, in terms of Botany's mercury remediation, work continues in line with our approved remediation plan and is proceeding to schedule. Soil remediation is complete and the installation of barrier walls will commence in the coming months. When this is complete, permanent capping layers will be installed.

In terms of other Botany related programs, ground water remediation and hexachlorobenzene or HCB waste treatment provisions continue to be maintained at levels consistent with last year.

The ground water treatment plant at Botany continues to operate at the level required to contain the bloom and as in prior years, annual cash spend on this program is around AUD12 million, which in order to maintain that provision of AUD60 million gets

charged -- a similar charge is charged to earnings.

In terms of our HCB stockpile at Botany, we continue to safely store those waste in fully licenced secure storage facilities while continuing to assess other safe and environmentally sound destruction options.

All other remediation programs at former sites around the world continue to make good progress.

So with that I thank you and I'll hand you over to Nick.

NICK BOWEN, EXECUTIVE GLOBAL HEAD OF MINING SERVICES, ORICA: Thanks very much Craig. As Ian mentioned, I'm just going to give you a bit of an insight into what's going on in our mining services businesses around the globe and a bit of insight into our strategy and our delivery of that strategy.

So, just in terms of a summary of the highlights, we've achieved very good growth in our developing markets, being Africa and CIS. At the same time we've been able to maintain volumes in all of our mature markets around the world. The main one is our ability to hold and slightly grow our volumes in Australia in the last 12 months.

Probably the most significant part of our business that's transitioning is the amount of revenue that we're gaining from our advanced blasting services and products. That's now at 21% of our total blasting revenue. So about AUD1 billion of our mining services businesses is what's coming from the area we term advanced blasting services, which I'll talk about a little further on.

We have had some real success in the last year of transitioning some of our technology products through to introduction. The two biggest ones being our next generation of our EBS, or electronic blasting system, which is a world leading product that we now sell globally and more significantly has been the development and now release of our high energy bolt products.

The background of that is ammonium nitrate -- if you take that with an energy factor of one, a normal emulsion can give you double the power of ammonium nitrate. Our new high energy bolt products can give you up to three times. That's an area that the industry has never been able to get to.

They take a long time to develop and just to give you an indication of how long it takes, in 2013 we produced and trialled 1,000 tonnes of this product. Last year we went onto onsite trials and it was 8,000 tonnes. We've now released it to the market and in October we sold 4,000 tonnes in one month.

Really at the moment that is going to be the biggest single growing product for us. Understand it -- it is a much higher price. The customer buys a much lower volume, but our margin per ton is much higher. You'll see a transition in our business where on emulsions, it may appear we're selling less of it, but we'll be making more money and at the same time our customer will be seeing a lower cost. So it's a great development and an industry first.

We've had a very good year on contract wins. I'll speak about that, it's flown on from the same as the last couple of years, where we're maintaining our win rate on the majority of our existing contracts and we're also picking up a good share of Greenfields and competitor accounts.

Importantly for us, our global footprint continues to develop and we're really transitioning now where in the next few years the earnings from outside Australia are going to well and truly outstrip what comes from within Australia. We still have an objective to maintain earnings in this part of the world.

Just to give you some insight into where we are in the world and what we do, currently we operate in about 100 countries around the world. Really the only part of the globe that Orica doesn't have a solid footprint is North Africa. There really isn't that many opportunities there that are of interest to us at the moment. The rest of the globe is very well and truly covered. We are the only explosives company that has that sort of coverage.

We've got -- as Craig mentioned -- a lot of our emulsion plants that are based either near a customer or on a customer's site. We own those plants, so it embeds us with those customers. Around the world there's sort of 40 major emulsion plants that sit on mine sites. We have over 1,000 mobile manufacturing units, which are the units that take the explosives product onto the bench and mix it and put it down the hole.

Of our total 14,000 work force, 4,500 of them actually work on mine sites. So they're embedded there. They're technical operational people delivering the service to the miners.

We've now moved to where we've got 32 advanced blasting contracts around the world. That's really where we are paid for performance. We're not paid for product. We're paid for the performance we deliver. I'll speak about that a bit further.

Just an idea of how we're embedded with large miners, about 30% of the mining services revenue comes from the Top 20 miners. That's grown a bit in the last 12 months.

The other thing that Orica has is our unmatched rivalry on our global footprint both in terms of AN manufacture, but also our buying power. You need to remember that we sell nearly four million tonnes of ammonium nitrate equivalent, we make about two million, so we're a net buyer of two million.

We are always in the market for buying and we have the ability to flex where we buy, who we buy from and we've also made a lot of progress in the last 12 months of getting the licencing and the transporting in place to import/export. For instance at the moment we import into Western Australia from our own plant in Indonesia. We export out of Eastern Australia into Latin America.

Going forward we're really enabling ourselves to have good control of our AN supply and price.

In terms of our contract profile, we have quite a number of contracts come up for renewal in the last 12 months. We retained well in excess of 90% of those. That's a good outcome. As is always normal, you lose a few and we have. For every dollar of contract revenue that we lost, at re-tender we picked up in excess of two dollars either at Greenfields -- new mines or from competitor accounts.

You add those two together and the net effect over time is an increase in our global market share. The two key targets that we measure and that's two years running that we've met both of those KPIs.

Significant progress with our global accounts, the benefit for us is we are the only global, or the only explosives company that can give a global offering to the major miners. In the last year, certainly our global accounts approach gave us some work in Africa and North America that I don't think we would have got if we hadn't been able to offer a global offering.

We are making quite significant progress on these advanced blasting contracts, so paid for performance. In 2012, not one dollar of new contract or any contracts were won on advanced blasting. Last year it was about -- 2013, it was about 3% of our total contract wins. In the year just finished it was about 7%, so the amount we're winning of it is increasing. In the last year gone by about 4% of our total **mining** services revenue came from these paid for performance contracts. You will see that grow year-on-year going forward.

The other two important points there is that our offering of these advanced blasting services has paid a significant part in us winning our contracts. We usually get feedback from our customers why did we win. In 80% of all of our contract wins, they've said it's the offering in addition to the price that actually got you the work. The strategy is very well -- very truly paying off.

We've got a big chunk of contracts we're finalising at the moment which will all put us in a very strong positon for 2015. We've had a good year in that area.

Commodities, I mean I'**m** not going to talk about the price. Everyone knows where they are. Our commodity prices are down. Biggest impact of commodity prices does flow through to **coal**. Interestingly for Orica, we haven't seen that many mine closures in our portfolio. Most of it has been reductions of strip ratios or deferment of individual pits.

On an improvement in the **coal** price, we would expect volumes to come back from those existing customers. We are focused globally on trying to get a good balance across all the commodities and that gives us some protection against adverse impacts in one particular area.

In the last 12 months you will see that we've reduced the total amount of **coal** exposure, so it's gone from 35% to 32%. That is a little bit on the reduction of **coal** volumes, but it's also by the increase in our exposure to **copper** and to **iron ore**. We're just trying to rebalance the portfolio.

We pay a lot of attention to where all of our customers sit on the cost curve and globally we're pretty well off. Some issues in **coal**, which everyone's got. We think we're in a pretty comfortable position at today's commodities price. Obviously we wouldn't like to see it go lower. If it goes the other way there is some upside.

In terms of globally, we are focusing and growing our share in **copper**. **Iron ore**, we're growing our market share. **Gold**'s pretty flat, but the majority of the customers we're with all have pulled their costs down, where they're all total cash fixed cost positive. Thermal **coal** challenging -- coking **coal** for us is okay and we've actually seen some upturn in the quarry construction market, both in Europe and North America.

A couple of slides on market overview as Craig said. Talking Australia, Asia, Pilbara -- very good growth for us which is important with Burrup coming online. The **coal**'s down, but as I said, it's really stripping not mines closing. There is a lot of pricing pressure in Australia. That's been expected. We know we're working through it.

What is interesting is that the customers recognise that product pricing is only part of the answer. They need to improve productivity, so the take up of our advanced blasting is really starting to get attention from the miners. Yes there'll be some adjustment to headline prices, but they need us to help improve productivity. The strategy we've got is going to actually help us and our customers a lot in Australia.

In the hard rock sector, the advanced blasting and the high **energy** bolt products have had a big take up. Yes there is a whole lot of new market entrants coming into Australia -- well publicised. Let me give you a couple of insights why a few of them are not very happy about Orica making big inroads into their markets globally.

We've gone there, they've come here -- tit for tat. They're focusing a lot on just price approach. We don't play a price approach unless we decide we're going to play it. At the end of the day we offer a complete offering to our customers and in the majority of cases they're looking for value, not just cost.

There'll be 5% or something of volumes that will change around. In the last year I've lost a couple of contracts in Australia. I've also won some too. I'**m** okay with what's happening in the Australian market and I'**m** pretty comfortable with where we are with our major customers.

Indonesia, as Craig said, quite a challenging market. There was both the election. There was some stoppages in the metal mines with the focus on in-country smelting. Volumes were really hit hard in the last 12 months in Indonesia. The outlook actually for Indonesian **coal**, even though the price is down is starting to look better.

They've got some big power shortages in Indonesia and big power shortages coming up in India. Indonesia's the solid market for that. So we're expecting an uptick in our Asian volumes in the next 12 months off what was a low last year.

In the Americas, we did have lower H1 volumes. A lot of that was driven by a very long and prolonged winter in North America, which gave us access problems and railing problems. H2 volumes have come back very strongly and they've actually continued.

Coal -- it is all about East Appalachia for us. The impacts on our **coal** volumes all came from the Appalachia's. We are transitioning our contract profile by targeting winning some work to move from East to West in Illinois and Powder River, which are lower cost.

You will actually see over the next two years, an increase in volumes from Orica in North America, but it will be with the lower cost profile **coal** producers.

We are seeing very significant take up of our advanced blasting services. I'll just give you an insight, a high **energy** bolt product used in a **copper** mine in Latin America has enabled the mine to increase mill throughput 20% to 30% with no additional capital or no additional milling costs.

When you can do that by just breaking the rock in the mine, so the net impact is that 10% to 15% increase in metal production, they are very interested in what we can offer them. It is the single biggest thing that we've developed that's going to have a big impact on our bottom line and actually on the industry in the next couple of years.

Advanced blasting services are up 11% year-on-year in the Americas. Ground support North America has had a tough 12 months because a lot of that ground support goes into the underground Appalachian mines. We actually think it's getting close to the bottom.

There's been a couple of months now where it's actually showing some signs of improvement, so the outlook's a little bit better there. As I mentioned, we've had some really big contract wins, which will give us quite significant increase in tonnages in 2015 and then more so in 2016.

The Europe/Africa actually a really good period for us -- bigger uplift in profit, bigger uplift in volumes, so we've now got a solid positon in Africa. A couple of big mines are still ramping up. They're each sort of 50,000 tonnes a year mines. They're going to make a big influence on our bottom line.

CIS, Russia -- big opportunities for Orica on technology, we're growing very, very quickly there. The European quarry market's picked up, so good overall.

We see further growth in those markets in the next 12 months and the ground support market in Europe, which has really now transitioned from **coal** to construction and tunnelling, is picking up. The South African ground support market, which had a tough 12 months with the platinum strikes, is out of that and that's really improving, so another improved year coming there.

Just wrapping up quickly on the strategy, for us it's about a big focus on research and development for what do the miners need next. Ian will speak about that. We have our global manufacturing and supply footprint.

We manufacture in all continents around the world now. We've got a lot of technology on blast design that's designed to give the right output for the customer. We've then got blast execution and measurement improvement. That's the sort of focus area we have.

In terms of what we're looking at, it's -- we are expanding our global footprint. So, as I said, more and more **business** growth outside of Australia. We're putting in place a couple of technology alliances with the global miners so we're going to start working together on some of these challenges and we're moving more and more to this paid for performance style of contract.

In terms of what do we call advanced blasting services, it really is about productivity, license to operate and cost per tonne. So that's the breaking the rock to smaller fragmentation size in the pit. It's dealing with noise, vibration and fume. They're all big issues for the miners now. It's speeding up underground development. It's increasing **coal** recovery in **coal** mines and it's the ability to measure and improve. That's the key part of our strategy going forward. Thank you.

IAN SMITH : I hope that gave you quite a granular appreciation of how we're going with our contracts and the application of our strategy, which is really starting to kick some goals and deliver to the bottom line. We're going to go through the next stage. So this is a technological breakthrough area that we are leading the market in.

I've spoken with some of you before about wireless initiation. We have actually been running trials and it'll be commercially available mid-2015. Now, I'll run you through what that means because this is true breakthrough technology that no one can match us in. So that's what a normal face underground looks like when you're trying to charge up. Lots and lots of detonator cords hanging out of the face. This is stripping a drive. It's a bowl of spaghetti. It takes lots of people a long time to hook it up. You make mistakes. Fire -- holes get fired in front of others.

With wireless, that's what it will look like. So it speeds up the way you can put things in place. Some of the first field trials we're going to be undertaking in 2015 are going to be with a **group** that fires in an open-cut right next to a community. Now they have a regulatory control that over the top of most of their blasts they've got to put blast mats which suppress the noise.

So you hook up all your detonators with all the cords everywhere and then you drag your blast mat over the top. Imagine how many holes don't go off as a result of cut-offs et cetera. With the wireless system we have, they can just have one person charging up and then they drag the blast mats over the top. No cords to be cut. It gives them total flexibility.

It enables people to be able to fire stopes underground in whatever sequence you want. It enables people to fire seismic lines without having to run connector cords from hole to hole. It enables people in open-cuts to fire the bench in any order and any segment you want. If you want to fire the middle out of a bench you can and you don't have to worry about getting access to the far side of a bench to fire the remainder. So it gives total flexibility and it will be commercially available in 2015. There's no one else in this industry that can make that statement for numbers of years, if ever. This is a technological breakthrough that gives total flexibility and productivity to the miner.

On top of that, we expect **commercial** application of lasers in 2015. Again, no one else can talk about this. This is an area that through patents and other things we've wrapped up largely and will be at the forefront for many years. So what's so important about lasers? Well, they replace detonators. When you ship detonators around the world they're classed as primary explosive. They're the hardest thing to transport. They're the most inflexible item to transport. When you get them to a mine **site** you've got to store them in a different magazine to the boosters et cetera. So it takes up space. It makes it hard for inventory control.

These lasers can sit inside the boosters and be shipped because they're not an explosive device until they're activated. So we've now come up with a laser system and the impregnation of PETN which is the booster compound which sensitises to a laser which means you can have the same size of detonations per second as you get out of electronics. So this gives more versatility. It gives you an easier inventory management. It gives you an easier transport management and doesn't diminish any of your flexibility in firing patterns.

So by the end of the 2015 year we will have some commercially available application points that will revolutionise the industry and no one can follow us for years. We're pretty excited about that because it complements exactly what we're doing with our strategy of offering miners better productivity and a lower cost per tonne. I think most of the miners are realising, as Nick said, that they've pushed their cost down about as far as they can go without destroying value. It's now about productivity. That's where our strategy really comes in and plays.

Just on Burrup, basically it's 68% complete and the overall project is 91% complete. But the most important thing about Burrup, as you can see from those pictures, all the big modules have been floated in, dragged to **site** and erected, so the upcoming cyclone season will not interrupt the completion of the project. If we still had big modules to come in, there's some risk of exposure of delay on the project. So that'll be completed mid to late 2015 with a ramp up through 2016 to hit full production at the end of the 2016 calendar year.

Apatit is just another example of those 60 odd emulsion plants we have spread around the world on major sites, so this feeds into a whole set of new mines that we're opening up as a new market. So we'll have the emulsion plant finished by the end of this year.

Then on top of that I mentioned in our presentation last year that we were looking at an expansion of Kooragang **Island** on the basis of a nitric acid tank, but we've actually finished the feasibility on that and it is feasible. It will give us an uplift of 70,000 tonnes at the lowest cost per tonne of any project around the world in ammonium nitrate, and we'll activate that project when the market gives us the right signal that it's ready to be activated.

So basically we have in reserve an uplift point of 70,000 tonnes out of KI for the south-east when the market is ready at the lowest capital cost of any expansion project around the world.

So let's talk about the next phase of transformation and this is really designed to make sure that we have a true resilience in the face of market challenges. It also gives us a positioning for growth that's unequalled, and it gives us an efficient scale on a flexible operating model.

So we've been pursuing transformation in the Company for several years now. This is the last big tranche of embedding the new structure and making sure that we're truly aligned, so whether we can enable growth, but we can also meet our flexible and challenging market position.

So the main three components are around supply and efficiency. We're well advanced in going out using our size under the new structure to actually give people the opportunity to drop their prices in supply to us if we give them an open door to a greater slice of how we operate as a company.

Labour and manufacturing efficiency -- we've got a long way down this path but we'll be enacting the last tranche of that. So basically what we're doing is cutting out SKUs; it's a fancy word for the lines of products that we produce. So in the last 12 months we've cut out over 1800 SKUs. So we used to produce all fancy types of debt cord with different colourings and different configuration and figure eight services wound on coils. So we've been giving customers opportunity to go to standard supply lines giving them a discount, but actually enabling our factories to be more efficient and to drop their costs.

So that will advance further, and out of that we have some plans for the amount of manufacturing points that we have to run to be reduced as well and then a European restructuring. So basically we've got a fair footprint in Europe, but it's being run as a collection of independent operating points, so we're going to go back and look at the overall rationalisation of what Europe should look like as concerns plants and where people are there to back up the market.

So that will lead to a point where some of the factories that we now presently run in Europe will be closed and we'll restructure the whole European approach. The other thing to keep in mind is that Q&C or quarries and construction is coming back in Europe, but our major growth markets are on the edge of Europe into the CIS eastern Europe, and a lot of the traditional western European areas are purely for the Q&C market into the future. So we're restructuring on the back of that.

So what that looks like in a pie, the gross benefits 45% out of supplier savings, 48% out of labour and manufacturing and 7% out of European restructure. Over the last couple of years we've dropped in excess of 1300 people on the back of the installation of our new structure and the removal of duplication. We have not dropped anyone that is customer-facing, so we're actually ramping up the amount of customer-facing support, but dropping off the functional support areas in the back office if you like.

So during this year it will drop a further 700 people, this is before chemical separation, and we will have a manufacturing footprint that is far more efficient and talks to our global structure. So they're the main auspices of that.

Our of that 700 people, we've already informed over half of those people of what is intended over the next couple of months, and by the end of the first half most of those redundancies would be enacted or most of the people would be informed of how that will trail off during the second half of the year.

So what does that mean for us? So the cash costs envisaged in this ongoing transformation in 2015 is between AUD60 million and AUD70 million. The non-cash costs mainly out of that European restructure and plant closures of AUD40 million to AUD50 million, which could add up to an indicative annual cost for 2015 of AUD100 million to AUD120 million, and then in 2016 drop back to AUD20 million to AUD40 million.

So the benefits before those costs in 2015 are AUD140 million to AUD170 million, and then in 2016 AUD200 million to AUD250 million. So you can see that we are setting up to drop our cost structure even further for the long run which will give us an enablement of margin control and margin enhancement greater than anyone else in this industry.

Chemical sale -- so there's an agreement to sell the chemicals business to the funds advised by Blackstone . The purchase price is AUD750 million which in 2014 FY EBIT terms is over 11 times. The completion is expected in Q1 of calendar year 2015, so February/March timing on the completion.

The conditions -- AFIRB and the New Zealand authorities and then other customary conditions including material adverse change provisions, which only are applicable during the time of completion of the deal, so they're at a level that we're confident there won't be enacted.

Indicative financial impact -- so after the costs of this transference are undertaken and brought to bear, we're seeing a range of AUD620 million to AUD650 million and that's after all the separation costs attributable to the sale are taken into account. That's roughly in line with the book value of our big chemicals division as it stands at the moment.

Now we will continue to carry the environmental liabilities, so as part of this transition we're undertaking an identification point, a baseline survey across our sites and chemicals, to establish what that environmental profile looks like. That historical profile will be kept with us, and as Craig went through before, those environmental provisions, in excess of 160 over 130 of them, are already there for chemical sites.

So why did we go ahead with this? We undertook a strategic review that said given that this constitutes around 7% of our EBIT and given that we are moving to a full play **mining** services **company**, it was far better for the future of chemicals to be in the hands of someone that could give particular focus to that **group**, rather than continue to be part of Orica overall.

The **Board** formed the view that a **sale** would likely result in a higher and more certain value for shareholders than a demerger. It affords faster completion than a demerger, less distraction to Orica and its customer base than a demerger would. It has lower **transaction** costs and that flexibility for the consideration of capital management comes a little earlier.

That point about capital management, it's not just about the chemical **sale** but the chemical **sale** in conjunction with our cash flows and our strong balance sheet when the chemical **sale** is concluded will put us in the position where we can look at how we can maximise return to shareholders, and it's certainly a point that the **Board** holds dear that we want to continue to reward shareholders. This **transaction**, as part of what we're doing overall strategically for the **Company**, should put us in a position where we can pursue that path.

So let's look at outlook. Profit guidance in this type of environment and given the timing of what we're doing with chemicals is undetermined at the moment, is problematic. So what we're doing is sharing with you some key assumptions about what will drive the overall outcome for the year.

So global explosives volumes will be in the range of AUD3.8 **million** to AUD4 **million** and at this stage we're thinking it's towards the top end of that, but some of those commodity prices could drop further, the Aussie could strengthen, all of those things could come to play.

Explosives pricing pressure is expected to increase, particularly in Australia. As you saw in that margin portrayal that Craig put up, we would expect some price pressure to continue in Australia to a greater extent than what we're seeing in other parts of the world.

Sodium cyanide volumes are expected to increase this year on the back of that good improvement in volume in the second half of last year, although the pricing pressure will remain in the cyanide market. Our operating costs are anticipated to reduce on the back of this latest stage of transformation for the **Company**.

So all of those points, including the timing of the chemical separation, are formative assumptions in the way that we look at outlook, but in this type of market we aren't going to give a definitive number at this stage.

So let's turn to a summary about what we look like as a **company**. We're expecting flat to moderate volume growth during the year 2015 and that's after being down 2% in the first half of last year; a little flat in the second half of last year so we have seen the markets come back in the second half.

The transformation that benefits provide -- a flexibility in how the **Company** positions itself across its diverse markets and customer base. That is not the only reason we're undertaking this stage of transformation. It is part of how we are changing our strategy and structure as a **Company**, and it will put us in a position of having a lot of flexibility in how we react to any market positions.

On price, Orica may use price reductions to strategically position -- price reductions to strategically position for volume and/or contract longevity. So we think that transformation will put us in a position where we have total flexibility and we from a strategic viewpoint can choose whether we go forward with some price reductions if it's warranted, if we get a reward in the longer term and if we get a penetration of a greater percentage of the customers base.

So we are affording ourselves greater flexibility than anyone else can afford themselves in this type of market. Our market share has been growing, as Nick went through. For the second time in a row we well exceeded 90% and we well exceeded an uplift in our earnings basis. So our EBIT basis has grown and our market share percentages around the world have grown as well.

Now that suggests to us that when you come back to a normalised point and I use those words advisedly, if you go back to the very logic of this industry, over time the world needs more resources to supply an ever growing middle class, et cetera, around the world. And on top of that the miners always take the best deposits first or the best parts of deposits first so the incremental growth and explosives demand should be greater than the incremental growth in commodities. It's a great statement and over time we have a database that backs that up.

Unfortunately, for the last 18 months up until the second half of 2014 that didn't hold. We saw a down period in volume. In the second half we saw that come back to equalisation with the year before and we're expecting to see at least the same profile for this year. So over time, when we get back to that average profile for the world demand for explosives and commodities our market share and our positioning put us in a very favourable position. And our strategy is letting us play not only in the commodity space of ammonium nitrate pricing but also the added space of productivity and value accretion to the customer. And the customers are giving us very clear signals now that they can see how that can help them get their cost per tonne down.

And the point I will just leave you with, at AUD0.90 or below Aussie to US the majority of our revenue and profit is generated outside Australia. Now as Nick pointed to, that split between Australia and the rest of the world will continue to move to the rest of the world. We see far more growth opportunities over the next five years in the rest of the world than Australia. We already have over 50% of the Australian market but we're now in a position where if the Aussie slides that will give us a benefit to our bottom line to a greater extent than what it would have had three or four years ago.

So it's not only these pointers that give us far more positive outlook for the years in front of us but also the fact that we are technologically going to a place that others can't go. The introduction of wireless and lasers will enable flexibility in the application of our strategy to a far greater extent than what you've seen in the past. And then on top of that what we're doing with carbon abatement and what we're doing with the Singaporean authorities and **Chinese** companies about the application of clay in the capture of CO2 puts us at the forefront of technology right around the world for something that is a base cause of concern for a lot of communities.

So we think with the repositioning of the **Company** as a pure clay **mining** services **company** the reinforcement that the strategy is actually kicking in and you're seeing more and more of that feed through to our profit line and the repositioning that we're going to undertake even further this year with transformation on our cost base, we're in a very strong position for the future.

So with that I'd like to hand over to questions. Are you going to take questions in the room first, [Karen]?

Questions and Answers

MARK WILSON , ANALYST, DEUTSCHE BANK : Ian, it's Mark Wilson from Deutsche . Just on the potential for capital management just sort of wondering what are the precursors to timing there, do you actually have to complete the **sale** or is it just when you become more confident? What initiatives would you envisage and is **M**&A on the agenda or off the agenda?

IAN SMITH : I'll unpick the two questions you had there. We, as I said, expect chemicals to be completed February/March. We wouldn't expect us to pursue any capital management before that time so it would probably be if we were to pursue it, something that is coincident with the second half of the year.

On the second point about **M**&A, we've just proven in CIS and Africa that we don't need to **buy** our way into markets, we can grow from an organic base quite successfully. If we came across an opportunity within the **mining** services space, if we came across an opportunity where someone had a particular technology that we thought could be an adjunct to where we're going then we may well look at it. But we don't feel we're in a position anywhere in the world that we need to **buy** in just for geographic footprint anymore. We think that we have that capability and we have a network and a structure now that enables growth without buying our way into markets.

If there was some other opportunity that came out of the left field that gave us a unique position in any particular market or a spread of markets we'd certainly look at it and we've got the flexibility to do that. But at the moment we do not see anything on the horizon that gives us a technological or geographic uplift to the point where we would pursue **M**&A in the immediate future but we never preclude it of course.

MICHAEL WARD , ANALYST, COMMONWEALTH BANK : Michael Ward from the CBA. Historically you've talked about continuous manufacturing and your drive towards improving your utilisation levels at your plant. Can you just give us a sense of whether or not that's been achieved over the last 12 months?

IAN SMITH : I'll give you a specific example about KI. I think I flagged to a few people in this room in the past that we were pursuing a new enterprise agreement at Kooragang **Island**. That's now been concluded. We had some minor industrial action on the way to getting that concluded. Basically we've now gone from three rosters on **site** to one. That's enabled immediate step-ups in productivity. Each part of that plant is now running at higher rates than it's ever run in the past. We're now seeing regularly above 1000 tonnes a day of ammonia and over the last 12/18 months we've been able to halve the amount of people coming onto Kooragang **Island** from a rate of an average day of in excess of 400 to just over 200 and we see that productivity improving going forward.

So we're using the different approach on each of our sites in conjunction with our new approach to maintenance, et cetera, to actually run our plants at far higher efficiency than they've ever been run before.

MICHAEL WARD : Can you give us an overall sort of metrics which demonstrate that?

IAN SMITH : Well KI I just did.

MICHAEL WARD : Yes.

IAN SMITH : Our cost per tonne out of our plants is lower than it has been and will continue to go down. That's the overall metric we look at. So we can -- we have greater flexibility in the way we run our plants, number one. Our cost per tonnes are going down. Each component part of our plants is going up in its utilisation percentages and availability.

MICHAEL WARD : And just secondly on I guess innovation and technology you've sort of outlined a few things that are obviously quite interesting. Can you just give us a sense of whether or not in the longer term that's something that you actually believe you can get paid for or whether or not it's something that actually allows you to stand still?

IAN SMITH : With the lasers we think the cost comparison to detonators is in the same ballpark so it'll give greater flexibility at around the same cost. With wireless, the initial application of wireless will be a little more costly than the normal detonator but it saves on labour and if we had wireless available in whatever numbers at the moment I can assure you the seismic industry would start using them tomorrow because the cost there compared to running out full lines, et cetera, makes wireless compelling.

In the situations of that Canadian mine I talked about having to drags mats over, wireless is compelling. If you want to have a special firing, wireless is compelling. But it gives us the flexibility to apply our high end contracts and that's what we like about it. So we can say to a miner if you give us an outcome based contract, don't worry about how we're going to do it, you pay us for the results. And we think the productivity improvements and the flexibility of how you go about a firing to maintain their plant at full throughput far exceeds anything to do with cost of detonators, et cetera.

Yes?

RICHARD JOHNSON, ANALYST, CITIGROUP : It's Richard Johnson from Citi. Ian, I just wanted to ask you a question about mix in general so two things. Can you remind me what the difference in the explosive intensity between the various commodities, particularly a difference between **iron ore** and **coal**?

And then secondly your very helpful chart on contribution per tonne. I was wondering if you could talk in very general terms what the difference is in actual terms between the various regions. Thank you.

IAN SMITH : I didn't listen to the last part because I was stuck on the first question you asked. What do you actually mean by that? Do you want me to give you a very technical powder factor answer? Is that what you meant?

RICHARD JOHNSON: Words of one syllable would be good for me.

IAN SMITH : Okay. The strip -- I'll go into some technicals here because it's interesting to understand this. The strip ratios -- and I'll go right back to the beginning so if I'**m** boring put your hands up and I'll stop. When you talk to metal miners when they talk strip ratios it's tonne to tonne so if they say a strip ratio of two to one it's two tonnes of waste to one tonne of product. When you talk to a coaly they talk BCMs to tonnes. So if they quote a strip ratio of four it's four BCMs of waste to a tonne of **coal**.

In New South Wales the strip ratios are between four and four and half on average. In Queensland they're just over eight. Now they're very high strip ratios compared to the Pilbara where it's around one to one and when you talk Pilbara it's metal so it's a tonne of waste to a tonne of **iron ore** -- these are average numbers -- compared to the **coal** industry where tonne-wise to tonne-wise you're talking about 10 to 20 tonnes of waste for every tonne of **coal**. And that's why we're seeing a differential in the usage of explosives because people are backing off the amount of waste they move to drop their overall costs.

As Nick said before, if we saw a recovery in those commodity prices we would see an uplift in usage of explosives because people would want to catch up on their strip ratios. And over time we've got to catch up at some stage.

So the intensity of explosive use in **coal** at the moment is a little higher than **iron ore**. You've got to understand the intensity on both goes up when you turn the capital tap off because the new deposits that are brought in with capital on average have lower strip ratios. So when you get up to 850 **million** tonnes out of **iron ore** it's 850 **million** tonnes of waste. As you turn the capital tap off we think that strip ratio will go up quite quickly and that'll give an intensity of explosive demand in **iron ore** which will be quite good going forward. That's why we're positioning the way we are.

So the relative intensities at the moment, **coal** consumes a lot more per tonne of **coal**, this is explosive-wise, than **iron ore**. But the relative size of the industries is catching up with each other.

RICHARD JOHNSON: That's very helpful, thank you. So to the second question related to your chart on explosives contribution per tonne which is obviously a movement year-on-year. I'**m** just wondering if in very general terms you could talk about the difference in the actual contribution per tonne between various regions, i.e. which are the higher contributors and which are the lower?

IAN SMITH : Now you're getting into complications because we have been maintaining our margins on the back of the uplift in services and the pricing and pushing down on our costs continually. Now that is different for each of our customers, different for each of our geographies, different for each particular plant so to make generalised statements about -- the only generalised statement I'd make about those margins is with the transformation ongoing you should see that in us at least maintaining that margin or enhancing it because of the costs that we'll be taking out of the **business** during the year.

JOHN PURTELL, ANALYST, MACQUARIE: Hi, Ian. John Purtell from Macquarie. Just had a few questions on the efficiency program. First two are pretty factual. Just in terms of the implementation costs for restructuring, will they be taken above the line or below as significant items?

IAN SMITH : I think they'll be taken above, which is what we've done in the past with most of these things so we're not in the habit of taking them below the line. We'll keep them above.

CRAIG ELKINGTON : But, John, like always what we would do is to make sure that we adequately describe them at each half year, like we do.

JOHN PURTELL: Okay, the second one, just a factual and I think you mentioned it before, Ian, but the AUD140 **million** to AUD170 **million** of benefits in 2015 that's on top of the AUD69 **million** in 2014 that you realised?

IAN SMITH : Yes.

JOHN PURTELL: Okay and thirdly is more qualitative. I mean how do you think about the ability of Orica to retain these savings and dropped into the bottom line and obviously there's a range of moving parts around that. I mean you flagged that you may invest some of this in terms of lower price and obviously there's challenging in markets that continue. I mean how do you think about that?

IAN SMITH : That's a very good question and it goes to the bottom line of the outlook and forecasts for this year. I'll just restate what I said before. What we're doing with transformation, the ongoing transformation puts us in a more flexible position than anyone else. If we have to meet the market through price for ammonium nitrate and then over time get some payback out of services or whatever because we can help productivity, we are in a position to do that.

What I'**m** saying out of this transformation program and the way we're positioning ourselves is that we cannot think -- I shouldn't say that. For most scenarios we can think of you can see the resilience in our earnings. If we don't have to use as much on price doubts as the upcoming market puts on us then you'll see it go straight through to the bottom line but we are in a position to use as much as we think we need to reposition for the long term if it gives us a long term benefit. But the resilience of the earnings compared to 2014 should not be impacted.

So we're sort of trying to set a base with possible upside but we can use some of that upside to strategically reposition.

RAMOUN LAZAR, ANALYST, UBS : Good morning. It's Ramoun Lazar from UBS . Just a bit more colour on North America if you could, Ian, just on the timing of those contract wins there and maybe the materiality and how we should think about those?

IAN SMITH : Do you want to...

CRAIG ELKINGTON : Yes, there's a couple of big contract wins we've had. They -- both the big contracts start in the 2015 year progressively. They'll be running fully in 2016 and between them there's about 200,000 tonnes a year of AN equivalent. So it's a big lift in our North American earnings, revenue and earnings partially starting in 2015 but really flowing through in 2016.

IAN SMITH : It's starting to kick in at the start of the calendar year 2015.

CRAIG ELKINGTON : The first one starts in January, second one starts in April.

IAN SMITH : So basically that'll put us in a position where we're the biggest supplier in the US as well as the other component parts of North America.

RAMOUN LAZAR: And then just on Burrup, just wondering if there's been any further progress on the level of off-takes there and how you're thinking about placing those volumes once the plant begins to ramp up.

IAN SMITH : We're still within the Pilbara at around the two-thirds mark loaded. If you look at the total for Western Australia -- for the total amount that we sell in Western Australia, it exceeds the capacity of Burrup. And then on top of that the tonnes that we're getting in Mozambique and the east side of Africa are going up as well. So we see lots and lots of opportunity to be flexible in how we apply those Burrup tonnes and as the tonnages ramp up in the Pilbara itself and they're continuing to ramp up as you see from all the announcements from the miners, we're fairly confident that we will at least load Burrup out of Western Australia and in particular get closer to loading it out of the Pilbara area. Now we've still got a lot of expansion going on there.

SCOTT HUDSON , ANALYST, CLSA: Hi, Ian. Scott Hudson at CLSA. Could you just talk to us maybe in terms of your view of supply and demand balance in the northeast, the southeast in WA at this stage of the cycle?

IAN SMITH : The fixation with Australia. Yes there is the pressure; as I went through with the coaleys and their strip ratios and that's putting pressure on the market. As Nick flagged, we do have flexibility to export from Yarwun to South America; we've demonstrated that we've run loads, etc.

So we can move tonnes out of that area. At the moment it's a fairly pressured market. It's not too much of an imbalance at the moment. But if there was to be further pressure on the **coal** price and that engendered a volume response out of the **coal** industry, then we would have to pull on that lever of exporting more of the tonnes out of Yarwun.

Now, we haven't seen any deterioration of any great extent or indication of it going forward. We saw the Glencore announcement the other day. That will have a minimum effect on us.

NICK BOWEN: (Inaudible) **energy**. There is a slide later in the pack. Year-on-year imports into Australia are down. We're one of the big importers at the moment and with the Aussie dollar it takes out really the competitive import option, so it keeps the Australian market a bit more balanced.

Look, it will go into oversupply. We know that. But, as Ian mentioned earlier, it doesn't take much of a change in commodity prices for that volume to get sucked up very quickly and we've got that option of exporting our surplus out if we have to.

IAN SMITH : So KI is in a very secure position. Yarwun has got the ability if we wanted to flex more tonnes into South America. But as Nick just said, if that commodity price moves in a positive fashion. Let's say the Aussie comes off [$]0.05/[$]0.10 then those strip ratios will more than absorb anything that is currently supplied into that North-East area.

NICK BOWEN: Long term, the most important thing with AN is where is the plant based? That's where the supply chain sits.

SCOTT HUDSON : Then I guess somewhat tied to that. Given your comments around willing to, I guess, play with the price, how come you, I guess, increasing your supply to third parties and not necessarily winning those contracts at the mine **site**?

IAN SMITH : Sorry, what was the--

SCOTT HUDSON : You made a comment about your increasing your supply to third parties in the Australian market. I'**m** just trying to understand the strategy behind that as opposed to not -- given your comments around willing to play with the price point, I guess not winning the contract itself.

NICK BOWEN: There is a simple answer. You can't win 100%. No one is going to let you have 100% of the market, so we always have a secondary offer. If someone wins the primary work, we can supply it as a product.

IAN SMITH : We are now supplying some people that were importing tonnes. So that's replacement really of those import tonnes. We have been picking up tonnes on the East Coast when we think it's a good contractual position for us to pursue. Some of these players that are coming in are really feeding around the bottom of the industry and providing play on the commodity side of AN, whereas we're positioning more onto services and a more sophisticated end.

So you pick your market. As Nick said, 100% of the market is a dangerous thing.

SCOTT HUDSON : Lastly, just in terms of those contract wins in North America. Are those in relation to that shift to the Powder River Basin and the Illinois Basin?

IAN SMITH : Yes.

NICK BOWEN: Yes.

SCOTT HUDSON : Thanks.

IAN SMITH : No more questions in the room? Are there any via phone? Three questions via phone.

OPERATOR: (Operator Instructions) Your first question comes from the line of Stuart Jackson from JP Morgan . Please go ahead.

STUART JACKSON, ANALYST, JP MORGAN : Hi guys, just with regards to -- just coming back on the Burrup situation and the movement of the volumes out of Yarwun and Bontang into Western Australia at the moment. When that plant starts up, obviously that's going to displace (inaudible) volumes. You're shipping out of those locations. The next best option, obviously, you do have that option for Yarwun to go to Latin America and Africa for Bontang.

But can you talk about the impact that would have from a net proceeds or profit perspective on that manufacturing in and out of those locations for those volumes?

IAN SMITH : Well, the first point is that we expecting to sell more tonnes in Indonesia this year than the year just completed. We have positioned ourselves in Indonesia that the expectation should be met. That those tonnes will grow into the future. We've got until the end of 2016 to reposition a fair number of those tonnes into the Indonesian market.

As Nick said, the Indonesian market had some unique things happening within it last year. Several of our customers closed down for partial periods through the year. There were particular coalmines closed for the full year. So we see growth in the Indonesian market going forward. I'll just preface my comments with that. We see growth and opportunity there that should absorb most of the output of Bontang.

With Burrup, as I went through before, the current profile in Western Australia exceeds Burrup's capacity. So that's a base of flexibility we can work from. Then you've got the East Coast of Africa which would give us a slightly less margin. But you've got to look at the total global supply points because it would displace some other tonnes that we ship into there at the moment and would actually give us a greater margin in East Africa.

So the balance points are not that great if we were to ship tonnes against Burrup. There would be some dilution, but against Orica Inc or Orica Global, not much dilution at all. That really attests to our flexibility of moving tonnes around the world. A tonne displaced in one part may transfer profits from one area to another, but overall we make the best call for Orica Global.

NICK BOWEN: -- in Yarwun Ian and I mean this year we have exported from Yarwun into Latin America. We've proved up all the supply chains, we've proved up the costs. We're just going through the approvals to lift the shipment size and once we do that, it will be price competitive in Latin America for us.

CRAIG ELKINGTON : And if I can join in. The other work we're doing as part of transformation is to push hard on our shipping and logistics capability as well, to extend those economic footprints around the world.

STUART JACKSON: Okay, thanks and just regards to the advanced blasting services and the upwards in the proportion of your revenues coming from that, can you talk about that on a more regional basis? Because obviously there has been some feedback. Its various locations about pushback on that, as well, by commodity as well?

NICK BOWEN: You've got to split it two ways. We have service income on **site**, which is basically people turning up with a truck with a hose and some of that, there has been pushback from customers to try and get us more efficient, which we're working with them. Do it with less people, more efficient with trucks. So we have in some of our regions, say Australian **Coal**, seen a reduction in onsite service revenue. The advanced blasting is the technical side of it in all regions that's growing year-on-year.

The most significant growth and the biggest take up has been Latin America and it's mainly in Chile and Peru and it's all to do with **copper** mines, where they need to increase mill throughput. They've got restrictions on power, restrictions on water and don't want to spend any capital.

But in the last year that's transitioned up into North America and we've now got trials happening in Western Australia and also they're wanting trials in Africa and in Europe. So in every one of our regions they want to try the high emulsion advanced blasting services and understand we can either give a better production or better fragmentation profile.

Or in a hard rock mine it's not just the cost of explosives. It's drill and blast. You've got to drill the hole and do the blasting. In waste, if you use our high **energy** emulsions, you can expand your drill patterns by 50%. So yes, they pay us a lot more for our explosive product. But they save a lot of money on drilling holes, so uptake in every one of our markets.

STUART JACKSON: Great, thanks.

OPERATOR: Your next question comes from the line of Michael Evans from Quest Asset Partners. Please go ahead.

MICHAEL EVANS, ANALYST, QUEST ASSET PARTNERS: Thank you and good morning, just a quick question on the chemical **business**. What's the different between the **sale** price and the net proceeds?

IAN SMITH : It's the cost of undertaking the **transaction**. So there is a bit of stamp duty involved. A little bit of tax, some of the costs of repositioning some of the sites, etc.

MICHAEL EVANS: Have you assumed some of the environmental provision gets used? AUD120 **million** and AUD100 **million** to AUD130 **million** seems like a lot of stamp duty.

NICK BOWEN: No and also, what you have to understand also is that the chemicals **business** is really heartland Orica for many, many years and so the costs incurred to separate that organisation from the Go Forward **Mining** Services are considerable, as you'd imagine it. It's not dissimilar. In fact, it's probably even more complex than the Dulux de-merger event.

IAN SMITH : The average tenure of a person in chemicals is probably higher than the average tenure of a person in the rest of the **Company** and there are superannuation provisions, etc.

MICHAEL EVANS: Right. So there is restructuring provisions or restructuring costs as well as the -- yes, okay. Thank you.

NICK BOWEN: Separation.

OPERATOR: Your next question comes from the line of Grant Saligari from Credit Suisse . Please go ahead.

GRANT SALIGARI, ANALYST, CREDIT SUISSE : Thank you. Thanks for the additional detail. Two questions from me, just one on the chemicals separation. Is there any material probability that the liabilities being retained could increase significantly?

IAN SMITH : I said that we're actually undertaking a pretty comprehensive survey at each of our sites. So we will invite the other party to participate in that, to nominate people who they'd like to set that baseline as well and jointly, we will define each of the sites for their historical context. The biggest sites which are Botany and Deer **Park**, we're going to retain on a lease arrangement.

But we'll still define what the environmental footprint looks like, because when we take those leases back over time you want to know what the incremental change in the environmental footprint looks like. Now, that's being comprehensively agreed with the other party and we've been through it in particular detail, because we did see it as a risk area.

They saw it as a risk area. So we have a very clear pathway to define what is historic. On each of the sites we have a very comprehensive-- because of the environmental work we've been doing over the last couple of years-- profile on each of our sites and we'll fill in the gaps over the upcoming six, nine months. So that is a very clear picture, going forward.

GRANT SALIGARI: Thank you. The second question for me, if I could, would you be able to hazard a view as to how far through the rebating or repricing of contracts we are in Eastern Australia at the moment? Is this going to be, do you think, a multi-year phenomenon, as we see some of those prices continue to fall with recontracting?

IAN SMITH : Our average contract price sits I think at the moment, about 3.6 years -- 3.7 years. So a certain percentage of our contracts come up every year, the east coast of Australia profile is now different to anywhere else around the world. So there is no particular cliff coming up or whatever.

We've just been through some contract bases with a large **mining company** in Australia, and managed to keep those contracts going forwards. So there's no difference in profile to what we have been undertaking over the last couple of years.

GRANT SALIGARI: Okay thank you, appreciate the comments.

IAN SMITH : Alright, thank you.

OPERATOR: We have no further questions on the phone at this time.

IAN SMITH : Okay well thank you very much once more for your attendance today. I hope this approach gives you more granularity and understanding of how we're going with our strategy and what the application points of that strategy are. We think the combination of our balance sheet, our cash generation, what we've done with chemicals, what we've done with technology, how we're actually offering the market a way to get lower cost per tonne, positions us in a quite unique manner.

Thank you very much for your time, thank you.

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