

Appendix 4D Half Year Report

Name of entity:	ORICA LIMITED
ABN:	24 004 145 868

Half year ended (‘current period’)	Half year ended (‘previous corresponding period’)
31 March 2018	31 March 2017

Results for announcement to the market

		Change \$m			<i>AUD million</i>
Consolidated revenue from operations	up	94.6	3.9%	to	2,532.0
Profit/(loss) after tax, attributable to shareholders	down	(424.5)	N/A	to	(229.3)
Net profit for the period, attributable to shareholders before individually significant items	down	(71.6)	(36.7)%	to	123.6

Dividends		Amount per security	Franked amount per security at 30% tax
Interim dividend - Ordinary	Cents	20.00	0.00
Previous corresponding period Interim dividend - Ordinary	Cents	23.50	3.00

Record date for determining entitlements to the dividend:

Ordinary Shares

1 June 2018

Payment date of dividend:

Ordinary Shares

2 July 2018

	31 March 2018	30 September 2017	31 March 2017
Net tangible asset backing per ordinary security	Cents 307.9	Cents 367.4	Cents 359.0

For the profit commentary and any other significant information needed by an investor to make an informed assessment of Orica’s results please refer to the accompanying Orica Limited Half Year Results Analyst Presentation.

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Income Statement

For the period ended 31 March:

	Notes	2018 \$m	2017 \$m
Sales revenue	(2b)	2,532.0	2,437.4
Other income	(2c)	12.4	37.3
Expenses			
Raw materials and inventories		(1,007.8)	(878.6)
Employee benefits expense		(584.1)	(514.9)
Depreciation and amortisation expense		(127.4)	(131.3)
Purchased services		(176.9)	(170.7)
Repairs and maintenance		(96.7)	(98.3)
Impairment expense	(2d)	(225.4)	-
Botany environmental provision expense	(2d)	(114.7)	-
Outgoing freight		(130.0)	(131.4)
Lease payments - operating leases		(22.2)	(25.1)
Other expenses		(158.6)	(228.5)
Share of net profit of associates accounted for using the equity method		10.8	18.3
Total		(2,633.0)	(2,160.5)
(Loss)/profit from operations		(88.6)	314.2
Net financing costs			
Financial income		26.0	11.9
Financial expenses		(80.1)	(44.9)
Net financing costs		(54.1)	(33.0)
(Loss)/profit before income tax expense		(142.7)	281.2
Income tax expense	(9)	(74.2)	(80.0)
Net (loss)/profit for the period		(216.9)	201.2
Net (loss)/profit for the period attributable to:			
Shareholders of Orica Limited		(229.3)	195.2
Non-controlling interests		12.4	6.0
Net (loss)/profit for the period		(216.9)	201.2
		cents	cents
(Loss)/earnings per share attributable to ordinary shareholders of Orica Limited:			
Basic (loss)/earnings per share	(3)	(60.7)	52.0
Diluted (loss)/earnings per share	(3)	(60.7)	51.8

The Income Statement is to be read in conjunction with the accompanying notes.

Statement of Comprehensive Income

For the period ended 31 March:

	2018	2017
	\$m	\$m
(Loss)/profit for the period	(216.9)	201.2
Other comprehensive income		
Items that may be reclassified subsequently to Income Statement:		
<i>Exchange differences on translation of foreign operations</i>		
Exchange gain/(loss) on translation of foreign operations	112.6	(55.4)
Net (loss)/gain on hedge of net investments in foreign subsidiaries	(24.7)	8.3
Tax income/(expense) on hedge of net investments in foreign subsidiaries	10.1	(7.3)
Net exchange differences on translation of foreign operations	98.0	(54.4)
<i>Sundry items:</i>		
Net cash flow hedges	9.4	2.1
Items that will not be reclassified subsequently to Income Statement:		
Net actuarial gain	7.6	38.1
Other comprehensive income/(loss) for the period	115.0	(14.2)
Total comprehensive (loss)/income for the period	(101.9)	187.0
Attributable to:		
Shareholders of Orica Limited	(109.3)	185.7
Non-controlling interests	7.4	1.3
Total comprehensive (loss)/income for the period	(101.9)	187.0

The Statement of Comprehensive Income is to be read in conjunction with the accompanying notes.

Balance Sheet

as at:

	Notes	31 March 2018 \$m	30 September 2017 \$m
Current assets			
Cash and cash equivalents	(10)	327.7	516.9
Trade receivables		651.2	607.3
Other receivables		122.6	58.4
Inventories		640.6	538.4
Other assets		92.1	63.8
Total current assets		1,834.2	1,784.8
Non-current assets			
Other receivables		101.0	97.6
Investments accounted for using the equity method	(6)	196.9	184.6
Property, plant and equipment		2,805.6	2,741.5
Intangible assets		1,613.9	1,577.1
Deferred tax assets		301.7	323.1
Other assets		64.6	76.5
Total non-current assets		5,083.7	5,000.4
Total assets		6,917.9	6,785.2
Current liabilities			
Trade payables		794.0	795.5
Other payables		228.9	264.3
Interest bearing liabilities	(10)	157.0	24.3
Provisions		199.6	187.9
Other liabilities		44.8	25.3
Total current liabilities		1,424.3	1,297.3
Non-current liabilities			
Other payables		3.2	3.9
Interest bearing liabilities	(10)	2,076.5	1,933.5
Provisions		490.0	397.3
Deferred tax liabilities		92.2	88.5
Other liabilities		50.8	101.2
Total non-current liabilities		2,712.7	2,524.4
Total liabilities		4,137.0	3,821.7
Net assets		2,780.9	2,963.5
Equity			
Ordinary shares	(5)	2,091.6	2,068.5
Reserves		(445.6)	(565.8)
Retained earnings		1,132.3	1,459.6
Total equity attributable to ordinary shareholders of Orica Limited		2,778.3	2,962.3
Non-controlling interests		2.6	1.2
Total equity		2,780.9	2,963.5

The Balance Sheet is to be read in conjunction with the accompanying notes.

Statement of Changes in Equity

For the period ended 31 March:

	Ordinary shares \$m	Retained earnings \$m	Foreign currency translation reserve \$m	Cash flow hedge reserve \$m	Other reserves \$m	Total \$m	Non- controlling interests \$m	Total equity \$m
2017								
Balance at 1 October 2016	2,025.3	1,247.1	(341.3)	(62.9)	(85.7)	2,782.5	0.7	2,783.2
Profit for the period	-	195.2	-	-	-	195.2	6.0	201.2
Other comprehensive income	-	38.1	(49.7)	2.1	-	(9.5)	(4.7)	(14.2)
Total comprehensive income for the period	-	233.3	(49.7)	2.1	-	185.7	1.3	187.0
Transactions with owners, recorded directly in equity								
Total changes in contributed equity	24.2	-	-	-	-	24.2	-	24.2
Share-based payments expense	-	-	-	-	4.0	4.0	-	4.0
Dividends/distributions	-	(108.7)	-	-	-	(108.7)	-	(108.7)
Dividends declared/paid to non-controlling interests	-	-	-	-	-	-	(2.5)	(2.5)
Balance at the end of the period	2,049.5	1,371.7	(391.0)	(60.8)	(81.7)	2,887.7	(0.5)	2,887.2
2018								
Balance at 1 October 2017	2,068.5	1,459.6	(442.6)	(49.1)	(74.1)	2,962.3	1.2	2,963.5
(Loss)/profit for the period	-	(229.3)	-	-	-	(229.3)	12.4	(216.9)
Other comprehensive income	-	7.6	103.0	9.4	-	120.0	(5.0)	115.0
Total comprehensive income for the period	-	(221.7)	103.0	9.4	-	(109.3)	7.4	(101.9)
Transactions with owners, recorded directly in equity								
Total changes in contributed equity	23.1	-	-	-	-	23.1	-	23.1
Share-based payments expense	-	-	-	-	7.8	7.8	-	7.8
Dividends/distributions	-	(105.6)	-	-	-	(105.6)	-	(105.6)
Dividends declared/paid to non-controlling interests	-	-	-	-	-	-	(6.0)	(6.0)
Balance at the end of the period	2,091.6	1,132.3	(339.6)	(39.7)	(66.3)	2,778.3	2.6	2,780.9

The Statement of Changes in Equity is to be read in conjunction with the accompanying notes.

Statement of Cash Flows

For the period ended 31 March:

	2018	2017
	\$m	\$m
Notes	Inflows/ (Outflows)	Inflows/ (Outflows)
Cash flows from operating activities		
Receipts from customers	2,775.8	2,663.3
Payments to suppliers and employees	(2,652.3)	(2,418.9)
Interest received	26.0	11.9
Borrowing costs	(79.1)	(63.5)
Dividends received	16.0	13.8
Other operating revenue received	15.7	18.8
Net income taxes paid	(73.6)	(70.9)
Net cash flows from operating activities	28.5	154.5
Cash flows from investing activities		
Payments for property, plant and equipment	(70.6)	(87.5)
Payments for intangibles	(57.7)	(26.7)
Payments for investments	(13.1)	(0.3)
Payments for purchase of businesses/controlled entities	(247.8)	-
Proceeds from sale of property, plant and equipment	3.3	32.6
Net proceeds from sale of businesses/controlled entities	-	13.1
Proceeds from sale of investments	-	0.3
Disposal costs from sale of businesses/controlled entities	(2.1)	(1.9)
Net cash flows used in investing activities	(388.0)	(70.4)
Cash flows from financing activities		
Proceeds from long-term borrowings	1,654.6	555.2
Repayment of long-term borrowings	(1,394.5)	(555.2)
Net movement in short term financing	(7.4)	53.3
Dividends paid - Orica ordinary shares	(86.1)	(87.1)
Dividends paid - non-controlling interests	(7.2)	(2.9)
Payments for finance leases	(0.6)	(0.9)
Proceeds from issue of ordinary shares	0.6	0.6
Net cash from (used) in financing activities	159.4	(37.0)
Net (decrease)/increase in cash held	(200.1)	47.1
Cash at the beginning of the period	516.9	316.2
Effects of exchange rate changes on cash	10.7	(5.3)
Cash at the end of the period	327.5	358.0

Reconciliation of cash

Cash at the end of the period as shown in the statement of cash flows is reconciled to the accompanying notes

as follows:

Cash	(10)	327.7	364.6
Bank overdraft	(10)	(0.2)	(6.6)
		327.5	358.0

The Statement of Cash Flows is to be read in conjunction with the accompanying notes.

1. Accounting policies

The significant accounting policies adopted in preparing the financial report of Orica Limited ('the Company' or 'Orica') and of its controlled entities (collectively 'the Group') are stated below to assist in a general understanding of this Half Year Financial Report.

(i) Basis of preparation

This general purpose financial report for the half year reporting period ended 31 March 2018 has been prepared in accordance with the requirements of applicable Accounting Standards including: AASB 134 "Interim Financial Reporting", the *Corporations Act 2001* and other mandatory professional reporting requirements.

This Half Year Financial Report has been prepared by a for-profit entity in accordance with the requirements of applicable Australian Accounting Standards and the *Corporations Act 2001* and complies with International Financial Reporting Standards (IFRS) adopted by the International Accounting Standards Board (IASB). It has been prepared on a historical cost basis, except for: derivative financial instruments, superannuation commitments and investments in financial assets which have been measured at fair value as per the applicable standards. It is presented in Australian dollars which is the Group's presentation currency and functional currency of Orica. Orica is domiciled in Australia.

It is recommended that the Half Year Financial Report is read in conjunction with the Annual Financial Report of Orica as at 30 September 2017.

The amounts shown have been rounded off, except where otherwise stated, to the nearest tenth of a million dollars, the Company being in a class specified in the ASIC Class Order 2016/191 dated 24 March 2016.

The Half Year Financial Report presents reclassified comparative information where required for consistency with the current period presentation.

(ii) Changes in accounting policies

The accounting policies applied by the Group in the Half Year Financial Report are the same as those applied by the Group in its Annual Financial Report for the year ended 30 September 2017.

The following new accounting standards and interpretations have been issued or amended but are not yet effective. These standards are available for early adoption but have not been applied by the Group in this financial report.

- AASB 9 (2014) *Financial Instruments*, AASB 2014-7 *Amendments to Australian Accounting Standards arising from AASB 9 (December 2014)* and AASB 2014-8 *Amendments to Australian Accounting Standards arising from AASB 9 (December 2014) – Application of AASB 9 (December 2009) and AASB 9 (December 2010)* – available for annual reporting periods on or after 1 January 2018.
- AASB 15 *Revenue from Contracts with Customers* and AASB 2014-5 *Amendments to Australian Accounting Standards arising from AASB 15* – available for annual reporting periods on or after 1 January 2018.
- AASB 16 *Leases* – available for annual reporting periods on or after 1 January 2019.

The Group has commenced evaluation of AASB 9 and AASB 15, including undertaking an analysis of the available transition options, on-going and transitional financial reporting impacts and potential changes to information technology systems, and is expected to complete this review within the third quarter. No material measurement differences impacting the Group have been identified between AASB 118, the current revenue recognition standard, and AASB 15, nor does the Group expect the impact from AASB 9, to be material.

Under AASB 16, the present value of the Group's operating lease commitments as defined under the new standard, excluding low value leases and short-term leases, will be shown as right of use assets and as lease liabilities on the balance sheet.

This standard will have an impact on the Group's earnings and shareholders' funds at transition and in future years. It must be implemented retrospectively, either with the restatement of comparatives or with the cumulative impact of application recognised as at 1 October 2019 under the modified retrospective approach.

The financial impact of adopting AASB 16 has not yet been determined, as the analysis has focused on the identification of the provisions of the standard which will most impact the Group. In the third quarter of 2018, work on these issues and their resolution will continue and a review of the financial reporting impacts will commence.

2. Segment report

(a) Identification and description of segments

Orica's reportable segments are based on the internal management structure as reported to the Group's Chief Operating Decision Maker (the Group's Managing Director and Chief Executive Officer).

In August 2017 Orica announced changes to its operating model, effective 1 October 2017, to simplify operations, improve visibility of each area's performance, and enable the business to respond to customer needs more effectively.

The reporting segments under the operating model are as follows:

Reportable segments	Products/services
<ul style="list-style-type: none"> ▪ Australia Pacific and Asia ▪ North America ▪ Latin America ▪ Europe, Middle East and Africa 	<p>Manufacture and supply of commercial explosives and blasting systems including technical services and solutions to the mining and infrastructure markets, and supply of mining chemicals including sodium cyanide for gold extraction.</p>
<ul style="list-style-type: none"> ▪ Minova 	<p>Minova is a provider of chemical and mechanical earth control products, adhesives and ground support solutions for the underground mining, construction, tunnelling and civil engineering industries.</p>
<ul style="list-style-type: none"> ▪ Auxiliaries 	<p>Manufacture and supply of advanced hardware and software solutions to the mining industry and specialist consultation for blasting and rock engineering, vibration control and surveys.</p>
<ul style="list-style-type: none"> ▪ Global Support 	<p>Corporate and support costs which cannot otherwise be allocated to other segments on a reasonable basis, operation of legacy environmental sites and non-operating assets.</p>

Prior period comparative segment information has been restated for Australia Pacific and Asia, Europe, Middle East and Africa and Auxiliaries.

Condensed notes to the consolidated Half Year Financial Report

2. Segment report (continued)

(b) Reportable segments 2018 \$m	Australia Pacific and Asia	North America	Latin America	Europe, Middle East and Africa	Minova	Auxiliaries	Global Support	Eliminations	Consolidated
Revenue									
External sales	871.3	603.7	406.2	382.9	236.9	25.9	5.1	-	2,532.0
Inter-segment sales	24.3	85.2	30.4	8.5	1.9	-	516.4	(666.7)	-
Total sales revenue	895.6	688.9	436.6	391.4	238.8	25.9	521.5	(666.7)	2,532.0
Other income (refer to note 2c)⁽¹⁾	2.4	2.0	(0.5)	1.4	0.3	0.4	6.4	-	12.4
Total revenue and other income	898.0	690.9	436.1	392.8	239.1	26.3	527.9	(666.7)	2,544.4
Results before individually significant items									
Profit/(loss) before financing costs and income tax	166.7	87.7	18.6	19.1	(4.3)	(1.2)	(35.1)	-	251.5
Financial income									26.0
Financial expenses									(80.1)
Profit before income tax expense									197.4
Income tax expense									(60.6)
Profit after income tax expense									136.8
Profit attributable to non-controlling interests									(13.2)
Profit after income tax expense before individually significant items attributable to shareholders of Orica Limited									123.6
Individually significant items (refer to note 2d)									
Gross individually significant items	(114.7)	-	-	-	(204.2)	-	(21.2)	-	(340.1)
Tax on individually significant items	34.4	(55.0)	-	-	0.6	-	6.4	-	(13.6)
Net individually significant items attributable to non-controlling interests									0.8
Individually significant items attributable to shareholders of Orica									(352.9)
Net loss for the period attributable to shareholders of Orica Limited									(229.3)
Segment assets	3,013.4	929.1	579.6	699.7	219.6	222.0	1,254.5	-	6,917.9
Segment liabilities	441.4	201.1	173.3	208.8	59.9	27.9	3,024.6	-	4,137.0
Investments accounted for using the equity method	7.0	172.0	6.1	1.2	-	-	10.6	-	196.9
Acquisitions of PPE and intangibles	46.7	12.2	12.3	14.5	5.0	1.5	59.3	-	151.5
Impairment of PPE	-	-	-	-	-	-	6.7	-	6.7
Impairment of intangibles	-	-	-	-	197.0	-	14.5	-	211.5
Impairment of inventories	0.1	0.5	1.3	0.5	2.5	-	1.4	-	6.3
Impairment of trade receivables	0.1	-	-	2.9	0.2	-	-	-	3.2
Depreciation and amortisation	59.9	19.8	12.2	11.7	3.8	1.4	18.6	-	127.4
Non-cash expenses: share based payments	1.4	1.2	0.8	1.3	0.5	-	2.6	-	7.8
Share of net profit of associates accounted for using the equity method	(0.1)	10.0	1.2	(0.3)	-	-	-	-	10.8

⁽¹⁾ Includes foreign currency gains/(losses) in various reportable segments.

Condensed notes to the consolidated Half Year Financial Report

2. Segment report (continued)

(b) Reportable segments 2017 \$m	Australia Pacific and Asia (restated)	North America	Latin America	Europe, Middle East and Africa (restated)	Minova	Auxiliaries (restated)	Global Support	Eliminations (restated)	Consolidated
Revenue									
External sales	812.0	583.9	420.2	392.1	210.5	9.2	9.5	-	2,437.4
Inter-segment sales	20.9	78.5	15.2	10.0	1.3	-	460.3	(586.2)	-
Total sales revenue	832.9	662.4	435.4	402.1	211.8	9.2	469.8	(586.2)	2,437.4
Other income (refer to note 2c)⁽¹⁾	1.8	(0.1)	5.3	5.7	8.8	-	15.8	-	37.3
Total revenue and other income	834.7	662.3	440.7	407.8	220.6	9.2	485.6	(586.2)	2,474.7
Results before individually significant items									
Profit/(loss) before financing costs and income tax	171.0	97.0	28.9	43.7	8.3	1.3	(36.0)	-	314.2
Financial income									11.9
Financial expenses									(44.9)
Profit before income tax expense									281.2
Income tax expense									(80.0)
Profit after income tax expense									201.2
Profit attributable to non-controlling interests									(6.0)
Profit after income tax expense before individually significant items attributable to shareholders of Orica Limited									195.2
Individually significant items (refer to note 2d)									
Gross individually significant items	-	-	-	-	-	-	-	-	-
Tax on individually significant items	-	-	-	-	-	-	-	-	-
Net individually significant items attributable to non-controlling interests									-
Individually significant items attributable to shareholders of Orica									-
Net profit for the period attributable to shareholders of Orica Limited									195.2
Segment assets	2,825.0	856.6	572.4	653.9	375.8	6.0	1,317.6	-	6,607.3
Segment liabilities	409.4	149.9	161.4	218.1	93.3	16.8	2,671.2	-	3,720.1
Investments accounted for using the equity method	5.1	178.4	5.8	1.9	-	-	1.2	-	192.4
Acquisitions of PPE and intangibles	74.8	9.5	4.7	9.0	3.0	0.5	26.1	-	127.6
Impairment of PPE	-	-	-	-	-	-	-	-	-
Impairment of inventories	1.1	1.2	1.2	-	0.1	-	3.0	-	6.6
Impairment of trade receivables	0.4	-	4.3	2.5	0.2	-	2.8	-	10.2
Depreciation and amortisation	63.1	18.1	12.8	12.2	4.9	0.2	20.0	-	131.3
Non-cash expenses: share based payments	1.3	0.9	0.6	0.8	0.4	-	-	-	4.0
Share of net profit of associates accounted for using the equity method	1.0	16.2	1.3	(0.2)	-	-	-	-	18.3

⁽¹⁾ Includes foreign currency gains/losses in various reportable segments.

2. Segment report (continued)

	Consolidated	
	2018	2017
	\$m	\$m
(c) Other income		
Other income	15.7	18.8
Net foreign currency losses	(3.9)	(3.5)
Profit from sale of investments/businesses	-	10.9
Net profit on sale of property, plant and equipment	0.6	11.1
Total other income	12.4	37.3

	2018			2017		
	Gross \$m	Tax \$m	Net \$m	Gross \$m	Tax \$m	Net \$m
(d) Individually significant items						
Loss after income tax includes the following individually significant items of expense:						
Impairment of Minova business	(204.2)	0.6	(203.6)	-	-	-
Botany environmental provision expense	(114.7)	34.4	(80.3)	-	-	-
Write down of US deferred tax assets	-	(55.0)	(55.0)	-	-	-
Impairment of other assets	(21.2)	6.4	(14.8)	-	-	-
Individually significant items	(340.1)	(13.6)	(353.7)	-	-	-
Non-controlling interests in individually significant items	0.8	-	0.8	-	-	-
Individually significant items attributable to shareholders of Orica	(339.3)	(13.6)	(352.9)	-	-	-

(e) Geographical segments

The presentation of geographical revenue is based on the geographical location of customers. Segment assets are based on the geographical location of the assets.

	Revenue		Non-current assets ⁽¹⁾	
	2018	2017	2018	2017
	\$m	\$m	\$m	\$m
Australia	675.1	652.1	2,609.3	2,306.5
United States of America	341.2	359.9	309.6	409.7
Other ⁽²⁾	1,515.7	1,425.4	1,818.4	1,758.4
Consolidated	2,532.0	2,437.4	4,737.3	4,474.6

⁽¹⁾ Excluding: financial derivatives (included within other assets and other liabilities), deferred tax assets and post-employment benefit assets.

⁽²⁾ Other than Australia and United States of America, sales to other countries are individually less than 10% of the Group's total revenues.

3. Earnings per share (EPS)

	Consolidated	
	2018 \$m	2017 \$m
(a) As reported in the Income Statement		
Net (loss)/profit for the period from continuing operations	(216.9)	201.2
Net profit for the period attributable to non-controlling interests	(12.4)	(6.0)
(Loss)/earnings used in calculation of basic EPS attributable to ordinary shareholders of Orica Limited	(229.3)	195.2

	Number of shares	
Weighted average number of shares used as the denominator:		
Number for basic earnings per share	377,738,885	375,588,431
Number for diluted earnings per share	380,875,521	376,697,205

	Cents per share	Cents per share
Total attributable to ordinary shareholders of Orica Limited		
Basic (loss)/earnings per share	(60.7)	52.0
Diluted (loss)/earnings per share	(60.7)	51.8

	Consolidated	
	2018 \$m	2017 \$m
(b) Adjusted for individually significant items		
Reconciliation of earnings used in the calculation of EPS adjusted for individually significant items attributable to ordinary shareholders of Orica Limited		
(Loss)/earnings used in calculation of basic EPS attributable to ordinary shareholders of Orica Limited	(229.3)	195.2
Adjusted for individually significant items (refer to note 2 (d))	352.9	-
Earnings used in calculation of EPS attributable to ordinary shareholders of Orica Limited	123.6	195.2

	Cents per share	Cents per share
Total attributable to ordinary shareholders of Orica Limited before individually significant items		
Basic earnings per share ⁽¹⁾	32.7	52.0
Diluted earnings per share ⁽¹⁾	32.5	51.8

⁽¹⁾ Earnings per share before individually significant items is a non-IFRS measure. Management excludes individually significant items from the calculation in order to enhance the comparability from period-to-period and provide our investors with further clarity in order to assess the underlying performance of our operations.

4. Dividends and distributions

Consolidated

2018
\$m

2017
\$m

Dividends paid or declared in respect of the half year ended 31 March were:

Ordinary shares

final dividend of 29 cents per share, 27.6% franked at 30.0%, paid 9 December 2016

final dividend of 28.0 cents per share, unfranked, paid 8 December 2017

105.6

108.7

Dividends paid in cash or satisfied by the issue of shares under the Dividend Reinvestment Plan (DRP) during the half year were as follows:

paid in cash

86.1

87.1

DRP - satisfied by issue of shares

19.5

21.6

Subsequent events

Since the end of the half year, the directors declared the following dividend:

Interim dividend on ordinary shares of 20.0 cents per share, unfranked, payable 2 July 2018.

The DRP continues to be available to eligible shareholders. For the interim dividend, shares will be allocated based on the arithmetic average of the daily volume weighted average market price of all shares sold through a normal trade on the ASX for a period of 7 days from 6 to 15 June 2018 inclusive. The last date for receipt of election notices for participation in the interim dividend under the DRP is Monday 4 June 2018. Shares issued pursuant to the DRP will rank equal to all other ordinary shares. No discount applies to the DRP.

Conduit foreign income (CFI) component:

Interim dividend:

Current period - Ordinary 20.0 cents

Interim dividend:

Previous period - Ordinary 20.5 cents

5. Contributed equity

Movements in issued and fully paid shares of Orica since 1 October 2016 were as follows:

Details	Date	Number of shares	Issue price \$	\$m
Ordinary shares				
Opening balance of shares issued	1 Oct 16	374,929,506		2,025.3
Shares issued under the Orica DRP	9 Dec 16	1,246,245	17.37	21.6
Deferred shares issued to settle Short-Term Incentive		-		2.0
Shares issued under the Orica GEESP plan ⁽¹⁾		-		0.6
Balance at the end of the period	31 Mar 17	376,175,751		2,049.5
Balance at the end of year	30 Sep 17	377,039,027		2,068.5
Shares issued under the Orica DRP	8 Dec 17	1,117,317	17.42	19.5
Deferred shares issued to settle Short-Term Incentive		-		3.0
Shares issued under the Orica GEESP plan ⁽¹⁾		-		0.6
Balance at the end of the period	31 Mar 18	378,156,344		2,091.6

⁽¹⁾ Shares issued under the Orica General Employee Exempt Share Plan.

Condensed notes to the consolidated Half Year Financial Report

5. Contributed equity (continued)

Rights over unissued shares:

Vesting date	Balance 30 Sep 16	Issued during the period	Exercised during the period	Lapsed during the period	Balance 31 Mar 17
15 Nov 20	-	-	-	-	-
30 Nov 19	-	-	-	-	-
30 Nov 19	-	1,712,055	-	(11,639)	1,700,416
30 Nov 18	2,079,875	-	-	(122,977)	1,956,898
30 Nov 18	150,793	-	-	-	150,793
30 Nov 17	1,093,434	-	-	(52,731)	1,040,703
30 Nov 16	457,057	-	-	(457,057)	-
Various	72,476	9,096	(5,327)	-	76,245
Total	3,853,635	1,721,151	(5,327)	(644,404)	4,925,055

Rights over unissued shares:

Vesting date	Balance 30-Sep-17	Issued during the period	Exercised during the period	Lapsed during the period	Balance 31 Mar 18
15 Nov 20	-	1,751,427	-	(46,407)	1,705,020
30 Nov 19	96,649	-	-	-	96,649
30 Nov 19	1,659,139	-	-	(83,416)	1,575,723
30 Nov 18	1,928,189	-	-	(58,130)	1,870,059
30 Nov 18	146,681	-	-	(6,667)	140,014
30 Nov 17	1,036,602	-	-	(1,036,602)	-
30 Nov 16	-	-	-	-	-
Various	70,934	25,000	(40,501)	-	55,433
Total	4,938,194	1,776,427	(40,501)	(1,231,222)	5,442,898

6. Investments accounted for using the equity method

The table below shows the material investments (based on carrying values). All other investments are included in "Other".

Name	Principal activity	Consolidated			
		Ownership		Carrying amount	
		2018 %	2017 %	Mar 2018 \$m	Sep 2017 \$m
DataCloud International Inc. ^{(1) (3)}	Software development and technology	11.4	-	9.2	-
Nelson Brothers, LLC ⁽¹⁾	Manufacture and sale of explosives	50.0	50.0	33.3	37.0
Nelson Brothers Mining Services LLC ⁽¹⁾	Sale of explosives	50.0	50.0	32.6	32.1
Orica Mining Services Pilbara Pty Ltd ⁽²⁾	Sale of explosives	50.0	45.0	7.0	3.2
Southwest Energy LLC ⁽¹⁾	Sale of explosives	50.0	50.0	105.7	103.9
Other	Various			9.1	8.4
				196.9	184.6

⁽¹⁾ Entities are incorporated in USA.

⁽²⁾ Entity is incorporated in Australia.

⁽³⁾ Acquired on 21 December 2017.

All have balance date of 30 September except DataCloud International Inc. balance date is 31 December.

7. Businesses acquired

Consolidated - 2018

Acquisition of businesses and controlled entities

Business combinations are accounted for under the acquisition method when control is transferred to the Group, in accordance with AASB 3 *Business Combinations*. On acquisition, the assets, liabilities and contingent liabilities of a subsidiary are measured at their fair values at the date of acquisition. Any excess of the cost of acquisition over the fair values of the identifiable net assets acquired is recognised as goodwill. The transaction costs are expensed in the income statement.

The Group acquired the following businesses and entities (100% unless stated otherwise):

- Yara Pilbara Nitrates Pty Ltd, on 18 December 2017, Orica acquired an additional 5% shareholding
- GP Holdco Pty Ltd and its Companies (GroundProbe Group) on 15 January 2018.

These financial statements include the provisional purchase price allocation of acquired net assets. Accounting standards permit a measurement period of up to one year during which acquisition accounting can be finalised following the acquisition date.

The valuation techniques used for measuring the fair value of material intangibles were the relief-from-royalty method and replacement cost approach. The relief-from-royalty method was used to value GroundProbe's brand and associated trademarks, patented and unpatented Intellectual Property and experience database. This method measures the after tax royalties or licence fees saved by owning the intangible asset. GroundProbe's software has been valued using the replacement cost approach. This method measures the cost to recreate or replace the software based on the notion that a market participant would not pay more than the cost to create a comparable asset.

For other material assets acquired, book value approximates to fair value.

The Group incurred acquisition-related costs of \$6.2m. These amounts have been included in other expenses in the income statement for the period ended 31 March 2018.

	Yara Pilbara Nitrates Pty Ltd	GroundProbe Group	Total
	\$m	\$m	\$m
2018			
Consideration			
cash paid	41.8	210.6	252.4
net cash acquired	(1.9)	(2.7)	(4.6)
Outflow of cash	39.9	207.9	247.8
deferred settlement	1.6	-	1.6
Total consideration	41.5	207.9	249.4
Fair value of net assets of businesses/controlled entities acquired			
trade and other receivables	1.5	19.7	21.2
inventories	0.3	7.5	7.8
property, plant and equipment	46.0	8.6	54.6
intangibles	0.1	66.3	66.4
other assets	0.6	3.8	4.4
payables and interest bearing liabilities	(1.5)	(4.5)	(6.0)
provision for employee entitlements	-	(2.3)	(2.3)
provision for decommissioning	(2.1)	-	(2.1)
other provisions	(3.4)	(1.9)	(5.3)
Goodwill on acquisition	-	110.7	110.7

Results contributed by acquired entities since acquisition date:

	\$m
Revenue for the period	14.7
Loss before tax for the period	(2.3)

If the acquisitions had occurred on 1 October 2017, the unaudited operating revenue and profit before tax for the Group for the six months to 31 March 2018 would have been:

	\$m
Revenue for the period	2,547.6
Loss before tax for the period	(139.1)

The unaudited information at the time of acquisition was compiled by Orica management based on financial information available to Orica during due diligence and assuming no material transactions between Orica and the acquired businesses. Goodwill on the purchase of GroundProbe is attributable mainly to the skills and technical talent of the acquired business' work force and the synergies expected to be achieved from integrating this business. None of the goodwill recognised is expected to be deductible for income tax purposes.

Consolidated - 2017

The Group did not acquire any businesses or entities in FY 2017.

8. Businesses disposed**Disposal of businesses/controlled entities****2018**

The Group has not disposed any businesses or entities in FY 2018.

2017

On 7 October 2016 Minova (Tianjin) Co., Ltd was disposed by the Group.

	Consolidated	
	2018	2017
	\$m	\$m
Net consideration ⁽¹⁾	-	13.1
Carrying value of net assets of businesses/controlled entities disposed		
inventories	-	0.1
property, plant and equipment	-	7.4
intangibles	-	0.7
foreign currency translation reserve	-	(6.0)
	-	2.2
Less non-controlling interests at date of disposal	-	-
Profit on sale of business/controlled entities	-	10.9

⁽¹⁾ Includes \$3 million for the final settlement of the disposal of explosives businesses in Germany, Poland, Czech Republic and Slovenia which were sold on 30 September 2016.

9. Taxation

	Consolidated	
	2018	2017
	\$m	\$m
a) Income tax expense recognised in the income statement		
Current tax expense		
Current period	40.5	64.5
Deferred tax	(26.9)	9.8
Write down of US deferred tax assets	55.0	-
Under provided in prior years	5.6	5.7
Total income tax expense in income statement	74.2	80.0
b) Reconciliation of income tax expense to prima facie tax payable		
Income tax expense/(benefit) attributable to profit before individually significant items		
Profit from operations before individually significant items	197.4	281.2
Prima facie income tax expense calculated at 30% on profit	59.2	84.4
Tax effect of items which (decrease)/increase tax expense:		
variation in tax rates of foreign controlled entities	(11.3)	(10.8)
tax under provided in prior years	5.6	5.7
non allowable share based payment	2.3	1.2
non taxable gains on disposal of assets	-	(2.2)
other foreign deductions	-	(13.3)
non creditable withholding taxes	-	10.2
sundry items	4.8	4.8
Income tax expense attributable to profit before individually significant items	60.6	80.0
Income tax expense attributable to individually significant items		
Loss from individually significant items	(340.1)	-
Prima facie income tax expense calculated at 30% on individually significant items	(102.0)	-
Tax effect of items which increase tax expense:		
impairment of Minova business	60.6	-
write down of US deferred tax assets	55.0	-
Income tax expense attributable to loss on individually significant items	13.6	-
Income tax expense reported in the income statement	74.2	80.0

10. Financial instruments

(a) Standby arrangements and credit facilities

Reconciliation of net debt:

	Mar	Sep
	2018	2017
	\$m	\$m
Bank overdraft	0.2	-
Current interest bearing liabilities	156.8	24.3
Non-current interest bearing liabilities	2,076.5	1,933.5
Less cash and cash equivalents	(327.7)	(516.9)
Net debt	1,905.8	1,440.9

Credit facilities:

Unsecured bank overdraft facilities available	95.1	88.2
Amount of facilities undrawn	94.9	88.1
Committed standby and loan facilities available	3,482.1	3,529.8
Amount of facilities unused	1,256.2	1,578.6

The bank overdrafts are payable on demand and are subject to an annual review. The maturity dates of the committed standby and loan facilities range from 28 April 2018 to 25 October 2030 (Sep 2017: 28 April 2018 to 25 October 2030).

10. Financial instruments (continued)

(b) Fair value hierarchy

Valuation of financial assets and liabilities (included within other on Balance sheet)

The carrying value of derivatives equals their fair values. All are defined as Level 2 under AASB 7 *Financial Instruments: Disclosures*. The inputs are observable for the assets or liabilities, either directly (i.e., as prices) or indirectly (i.e., derived from prices). There has been no movement between levels since September 2017.

Valuation techniques include, where applicable, reference to prices quoted in active markets, discounted cash flow analysis, fair value of recent arm's length transactions involving the same instruments or other instruments that are substantially the same, and option pricing models. Changes in default probabilities are included in the valuation of derivatives through the use of credit and debit valuation adjustments.

The fair value of forward exchange contracts are calculated by reference to forward exchange market rates for contracts within similar maturity profiles at the time of valuation.

The fair values of cross currency interest rate swaps and interest rate swaps and other financial liabilities measured at fair value are determined using valuation techniques which utilise data from observable markets. Assumptions are based on market conditions existing at each balance date. The fair value is calculated as the present value of the estimated future cash flows using an appropriate market based yield curve, which is independently derived and representative of Orica's cost of borrowings.

11. Critical accounting judgements and estimates

The significant judgements made by Management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at the year ended 30 September 2017 except for the update below:

Environmental Provisions

The second export shipment of the Botany hexachlorobenzene (HCB) waste is in the process of being destroyed and is expected to be completed by December 2018/January 2019. Further annual applications to the Finnish and Australian Governments for the remainder of the waste to be safely exported and destroyed will be made in due course. The provision balance of \$37.0 million is management's best estimate of the total costs for the destruction of the HCB stockpile.

12. Individually significant items

(a) *Botany Groundwater Remediation*

Orica's historical operations at the Botany Industrial Park (NSW) resulted in the contamination of the soil and groundwater. Due to the complex nature of the chemicals involved and its distribution (e.g. Dense Non-Aqueous Phase Liquid (DNAPL)), the lack of known practical remediation approaches, and the unknown scale of the contamination, a practical solution to completely remediate the contamination has not been found. Orica continues to work in close cooperation with the New South Wales (NSW) Environmental Protection Authority (EPA) to address the contamination.

Orica has a current obligation to contain and mitigate the effects of the contamination on the groundwater at the site. Orica and the NSW EPA entered into a Voluntary Management Proposal (VMP) to contain groundwater contamination while an effective remediation approach to the DNAPL source contamination is identified. Under the five-year VMP, Orica operates a Groundwater Treatment Plant (GTP) as a containment measure.

In prior periods, Orica's provision assumed a five-year rolling tenure based on the VMP timeframe agreed with the EPA, resulting in a provision of \$63.3 million which was Orica's best estimate of the costs to contain and mitigate the effects of contamination at the site through the operation of the GTP.

Prior to the half-year ended 31 March 2018, Orica undertook a review of the costs and operational duration of the GTP and other remediation technology options available, utilising both internal and external environmental experts. That review resulted in a reassessment of the likely duration of GTP operations, based on the contamination depletion rates observed at the three groundwater extraction lines at the Botany site. That review did not result in a change to the annual operating GTP cost estimates.

The findings from the review indicated that the cessation of groundwater extraction using the GTP is possible within an 18-year timeframe. After this period, Orica anticipates that the contamination levels will be materially below current levels and will be able to be managed through natural attenuation or less intensive technologies.

The technical review considered existing remediation technologies which would augment the existing 'pump and treat' methodology. One of these alternatives will be piloted and implemented, with the expectation that the duration and operating costs of the GTP facility may reduce.

This analysis resulted in a change in Orica's best estimate for the provision. This change in estimate resulted in an increase compared to the year ended 30 September 2017 to the environmental provision by \$114.7 million for a carrying value of \$178.0 million. Orica has reflected this increase in the provision in the financial report at 31 March 2018.

Orica will continue to assess the assumptions used to estimate the economic outflows and will maintain engagement with experts to seek solutions.

12. Individually significant items (continued)

(b) Impairment assessment

Minova

At 31 March 2018, the Group conducted an internal review of asset values for any indicators of impairment. External factors, such as changes in expected future prices, costs and other market factors, are also monitored to assess for indications of impairment. If any such indication exists, an estimate of the asset's recoverable value is calculated.

If the carrying amount of the asset exceeds its recoverable amount, the asset is impaired, and an impairment loss is charged to the income statement to reduce the carrying amount in the balance sheet to its recoverable amount. The recoverable amount is determined using the higher of value in use or fair value less costs to dispose.

A comprehensive review of the carrying value of the assets was performed as at the measurement date. The Cash Generating Unit (CGU) impairment tests were based on the value in use calculations which were determined by using discounted cash flows generated from the continued use of the assets.

The performance of the Minova business has been reviewed and resulted in a revision to the operation's short to medium term outlook. The Earnings before Interest and Taxes (EBIT) for the six-months ended 31 March was a loss of \$4.3 million versus a forecasted loss of \$3.6 million. The full year outlook remains significantly lower than budget and the forecasted earnings used for the impairment assessment at 30 September 2017.

For the Minova CGU, the results of the value in use calculation identified indicators of impairment and an estimate of the CGU's recoverable value was calculated. At 31 March 2018, it was determined that the carrying value of the Minova CGU exceeded its recoverable amount with reference to the value in use calculations.

The key assumptions used in determining the future cash flows generated were:

- growth in EBIT to \$25 million in 2022
- a weighted average terminal growth rate in line with local country economic forecasts of 2.6%
- a weighted average Post-Tax discount rate of 11.1%

Considering these factors and the shortfall in earnings versus the forecast, the business revised the growth rates used across the projected five-year time horizon to reflect these items in the earnings profile. The calculation indicates an impairment of \$204.2 million which resulted in the write-off of all goodwill in the Minova Segment.

The Minova carrying value post impairment is as follows:

	\$m
Property, Plant & Equipment	46.0
Intangible Assets	27.4
Working Capital	40.6
Total	114.0

The recoverable amount of the intangibles would be impacted by any further adverse changes in earnings or projected terminal growth rates.

Other Assets

As part of the impairment review and the transition to the new SAP operating system, Orica identified \$21.2 million of IT and other assets that were no longer being utilised by the business.

(c) Impact of Tax Reform in the United States

The changes to the US tax legislation, which were signed into law in December 2017, reduced the federal corporate tax rate from 35% to 21%. This change resulted in the write down of the net deferred tax asset of \$55.0 million (encompassing the deferred tax asset write down and the impact on the deferred tax liability).

13. Contingent liabilities

There have been no significant developments with respect to the contingent liabilities, primarily relating to environmental and taxation matters, disclosed in the Annual Report for the year end September 2017. Updates to specific individual contingent liabilities are set out below:

Taxation

(a) German Tax Action

As a result of an income tax audit covering the 2005 to 2015 years, the German Central Tax Office has challenged Orica's tax returns under laws which were announced in 2012 and introduced in 2013 in relation to a financing arrangement by Orica of its German group from 2005 onwards. The amount of the possible reassessment for the 2005 to 2015 years is approximately \$100 million. Assessments for the period 2005 to 2008 have been received. Orica believes that the laws do not apply to these arrangements and in addition should not be applied retrospectively.

(b) Australian Tax Action

As a result of an income tax audit covering the 2010 to 2011 years, the Australian Taxation Office (ATO) has challenged Orica's tax returns in relation to thin capitalisation valuations of land and buildings and intellectual property resulting in a denial of interest deductions. Assessments for 2010 to 2015 amounting to approximately \$48 million have been received from the ATO. Interest and penalties for this period have been assessed by the ATO at approximately \$25 million. Orica believes that the valuations are in accordance with the tax law and has lodged objections against the assessments.

As part of the income tax audit for 2010 and 2011, the ATO has challenged the residence of a German subsidiary of Orica. The ATO considers that the subsidiary should be a resident of Australia. Assessments for 2010 and 2011 amounting to approximately \$28 million have been received from the ATO. Interest and penalties for this period have been assessed by the ATO at \$19 million. The amount of possible reassessment for the years 2013 to 2015, including interest, is approximately \$14 million. The 2012 year is not open for amendment. Orica believes the subsidiary is a German resident and only German tax, not Australian tax, is payable on the relevant income.

(c) Indian Tax Action

The Indian Taxation Authority (ITA) is claiming unpaid taxes of approximately \$14.6 million for the 2008 and 2009 years. The ITA disregarded the sales mix during the relevant years assuming the products sold were in proportion to the amounts held in closing stock. Orica disputed the tax assessments and the Commissioner of Appeals decided in favour of Orica in 2013. The ITA lodged a generic appeal in 2014. A hearing before the Indian Income Tax Appeals Tribunal was held in February 2018 and the Tribunal is yet to provide any findings.

14. Events subsequent to balance date

On 7 May 2018, the directors declared an interim dividend of 20.0 cents per ordinary share payable on 2 July 2018. The financial effect of this dividend is not included in the financial statements for the period ended 31 March 2018 and will be recognised in the 30 September 2018 financial statements.

The directors have not become aware of any other significant matter or circumstance that has arisen since 31 March 2018, that has affected or may affect the operations of the Group, the results of those operations, or the state of affairs of the Group in subsequent years, which has not been covered in this report.

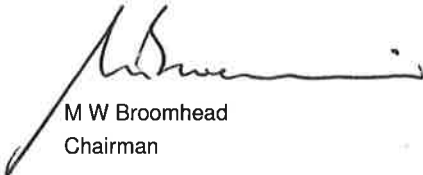
Orica Limited and its Controlled Entities

Directors' Declaration on the Financial Report set out on pages 3 to 21

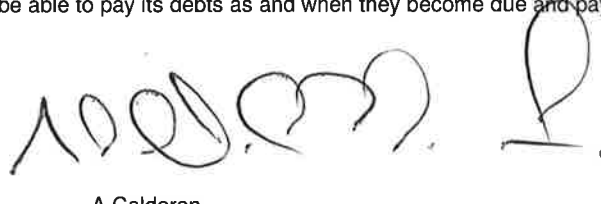
In accordance with a resolution of the Directors of Orica Limited, we state that:

In the Directors' opinion:

- (a) the financial statements and notes, set out on pages 3 to 21, are in accordance with the *Corporations Act 2001*, including:
- (i) giving a true and fair view of the financial position of the Group as at 31 March 2018 and of its performance for the half year ended on that date; and
 - (ii) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*; and
- (b) there are reasonable grounds to believe the Company will be able to pay its debts as and when they become due and payable.



M W Broomhead
Chairman



A Calderon
Managing Director and Chief Executive Officer

Dated at Melbourne this 4th day of May 2018.

Orica Limited and its Controlled Entities

Directors' Report

The directors of Orica Limited (Orica) present the consolidated financial report in the form of Appendix 4D of the Australian Stock Exchange (ASX) Listing Rules, for the period ended 31 March 2018 and the auditor's review report thereon.

Directors

The directors of the Company during or since the end of the half year are:

M W Broomhead, Chairman

A Calderon, Managing Director and Chief Executive Officer

M N Brenner

I D Cockerill

Lim C O

D W Gibson (appointed 1 January 2018)

K A Moses

G T Tilbrook

The office of the company secretary is held by K Gray.

Review and results of operations

A review of the operations of the Group during the period and of the results of those operations is contained in the accompanying Orica Limited Half Year Results Analyst Presentation.

Events subsequent to balance date

The directors have not become aware of any significant matter or circumstance (other than referred to in note 14) that has arisen since 31 March 2018, that has affected or may affect the operations of the Group, the results of those operations, or the state of affairs of the Group in subsequent years, which has not been covered in this report.

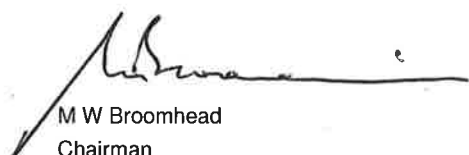
Lead Auditor's Independence Declaration

A copy of the lead auditor's independence declaration as required under Section 307C of the *Corporations Act 2001* is set out on page 24.

Rounding

The amounts shown in this report and in the financial statements have been rounded off, except where otherwise stated, to the nearest tenth of a million dollars, the Company being in a class specified in the ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 dated 24 March 2016.

Signed on behalf of the board in accordance with a resolution of the Directors of Orica Limited.



M W Broomhead
Chairman



A Calderon
Managing Director and Chief Executive Officer

Dated at Melbourne this 4th day of May 2018.



Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

To the Directors of Orica Limited

I declare that, to the best of my knowledge and belief, in relation to the review of Orica Limited for the half-year ended 31 March 2018 there have been:

- i. no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the review; and
- ii. no contraventions of any applicable code of professional conduct in relation to the review.

KPMG

KPMG

Penny Stragalinos
Partner
Melbourne, Australia
4 May 2018



Independent Auditor's Review Report

To the shareholders of Orica Limited

Report on the Half-Year Financial Report

Conclusion

We have reviewed the accompanying **Half-Year Financial Report** of Orica Limited.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the Half-Year Financial Report of Orica Limited is not in accordance with the *Corporations Act 2001*, including:

- giving a true and fair view of the **Group's** financial position as at 31 March 2018 and of its performance for the half-year ended on that date; and
- complying with *Australian Accounting Standard AASB 134 Interim Financial Reporting* and the *Corporations Regulations 2001*.

The **Half-Year Financial Report** comprises:

- Consolidated balance sheet as at 31 March 2018
- Consolidated income statement, Consolidated statement of comprehensive income, Consolidated statement of changes in equity and Consolidated statement of cash flows for the half-year ended on that date
- Notes 1 to 14 comprising a summary of significant accounting policies and other explanatory information
- The Directors' Declaration.

The **Group** comprises Orica Limited (the Company) and the entities it controlled at the half year's end or from time to time during the half-year.

Responsibilities of the Directors for the Half-Year Financial Report

The Directors of the Company are responsible for:

- the preparation of the Half-Year Financial Report that gives a true and fair view in accordance with *Australian Accounting Standards* and the *Corporations Act 2001*
- for such internal control as the Directors determine is necessary to enable the preparation of the Half-Year Financial Report that is free from material misstatement, whether due to fraud or error.

Auditor's responsibility for the review of the Half-Year Financial Report

Our responsibility is to express a conclusion on the Half-Year Financial Report based on our review. We conducted our review in accordance with *Auditing Standard on Review Engagements ASRE 2410 Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the Half-Year Financial Report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's position as at 31 March 2018 and its performance for the half-year ended on that date; and complying with *Australian Accounting Standard AASB 134 Interim Financial Reporting* and the *Corporations Regulations 2001*. As auditor of Orica Limited, *ASRE 2410* requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a Half-Year Financial Report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with *Australian Auditing Standards* and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

The KPMG logo is written in a blue, stylized, handwritten font.

KPMG

A handwritten signature in blue ink, appearing to read 'Penny Stragalinis'.

Penny Stragalinis

Partner

Melbourne

4 May 2018