Orica Limited
ABN 24 004 145 868

ASX Announcement

ORICA REPORTS $602 MILLION PROFIT FOR 2013 FINANCIAL YEAR

Orica Limited (ASX: ORI) today announced a statutory net profit after tax (NPAT) and after individually material items of $602 million for the full year ended 30 September 2013, up $199 million or 49% compared with the previous corresponding period (pcp) of $403 million. Before individually material items, NPAT was $602 million, down from $650 million in the previous financial year.

The Board has declared a fully franked final dividend of 55 cents per ordinary share (cps).

Earnings before interest and tax (EBIT) were $985 million (4% below the pcp of $1,023 million). Earnings before interest, tax, depreciation and amortisation (EBITDA) were steady at $1,269 million.

Orica recorded full year sales revenue of $6.9 billion, up 3% on pcp. Net operating cash flows at $1,059 million, rose from $544 million in the pcp. Earnings per ordinary share were 165 cents, 7% lower than pcp.

The strategy of promoting product and service differentiation has led to an increased contribution from Mining Services across its explosives markets. Mining chemical products improved on the back of better plant performance.

Ground support markets were much weaker than expected in the second half of the year which led to an acceleration of the integration of the business into Mining Services. This program was completed by the end of the financial year with the costs included in the 2013 Financial Year.

Chemicals EBIT was $92 million, 8% below pcp, due to subdued demand.

Depreciation and interest charges were higher for the year.

Net profit after tax before individually material items in 2014 is expected to exceed 2013, however volatile market conditions add a greater degree of uncertainty.

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Orica Limited Profit Report

Results For The Full Year Ended 30 September 2013

- **Statutory net profit after tax (NPAT) and individually material items [(1)] for the full year ended 30 September 2013 was $602M. The previous corresponding period (pcp) was $403M.**
- **NPAT before individually material items [(2)] was $602M (pcp: $650M).**

Key Financials (before individually material items)

- EBITDA[(3)] was steady at $1,269M (pcp: $1,274M);
- EBIT[(4)] was down 4% at $985M (pcp: $1,023M);
- Net operating cash flows at $1,059M, up 95% from $544M in the pcp;
- Earnings per ordinary share down 7% to 165c;
- Return on shareholders' funds at 17.3%, down from 18.9% in the pcp;
- Gearing[(7)] was 36.9%, an improvement from 41.5% in the pcp;
- Interest cover of 6.6 times[(8)]; and
- Final fully franked ordinary dividend of 55 cents per share, up 2%.

Business Summary

- EBIT of $985M was 4% below the pcp. Weakness in demand and pricing for ground support products and services, combined with higher depreciation and lower asset sales has eroded the benefit of a stronger contribution from explosives and mining chemical products and services.
- Mining Services EBIT down 2% to $993M.
  - Contribution from explosives products and services was in line with pcp after adjusting for the impacts of prior year one off items;
  - Significant weakness in demand and pricing for ground support products and services and one off costs associated with the integration of the ground support business into the Mining Services division;
  - Increased contribution from mining chemicals products;
- Chemicals EBIT down 8% to $92M impacted by subdued conditions in most industrial markets in Australia and New Zealand.

$AM	2013	2012	Change
Sales Revenue	6,898.1	6,674.1	3%
EBITDA 3	1,269.2	1,274.0	0%
EBIT 4	984.8	1,022.6	(4%)
NPAT including individually material items 1	601.6	402.8	49%
NPAT 2	601.6	650.2	(7%)
EPS (cents)	165.4	177.9	(7%)
EPS after individually material items (cents)	165.4	109.2	51%
Net Operating Cashflow	1,058.7	544.1	95%

	2013	2012	Change
Dividends per share (cents)	94	92	2%
Return on shareholders' funds	17.3%	18.9%	
Return on shareholders' funds after individually material items	17.3%	11.7%	
Payout Ratio 5	57.4%	51.7%	
Net Debt 6	2,331.3	2,299.2	(1%)
Gearing 7	36.9%	41.5%	
Interest Cover (times) 8	6.6	8.0	
Average exchange rate (A$/US$) 9	99.5	103.2	4%

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

1) Equivalent to Net profit for the period attributable to shareholders of Orica Limited in Note 2 within the Orica Annual Report (Segment report).
2) Equivalent to Profit after income tax expense before individually material items attributable to shareholders of Orica Limited in the Segment report.
3) EBIT plus Depreciation and Amortisation.
4) EBIT (equivalent to Profit / (loss) before individually material items, net financing costs and income tax expense in the Segment report).
5) (Interim dividend cps x shares on issue at 31 March 2013) + (Final dividend cps x shares on issue at 30 September 2013)) / NPAT.
6) Total interest bearing liabilities less cash and cash equivalents.
7) Net debt / (net debt + book equity).
8) EBIT / Net interest expense.
9) Income Statement translation rate.

Note: numbers in this report are subject to rounding.

2014 Outlook

Group net profit after tax before individually material items in 2014 is expected to exceed 2013, however volatile market conditions add a greater degree of uncertainty.

Revenue

Sales revenue of $6.9B increased by $224M (3%), driven primarily by:

- Increased revenue from explosives products in all regions with the focus on supplying improved value propositions through more advanced technology products and services;
- Improved pricing for mining chemicals; and
- a stronger USD currency.

Offset by:

- Weakness in demand and pricing pressure for ground support products and services.

Earnings Before Interest and Tax (EBIT)

EBIT decreased by 4% to $985M (pcp $1,023M). Decreased earnings were attributed to:

- One-off costs associated with the integration of the ground support business into the Mining Services division ($29M);
- Reduced demand for ground support products and explosives was partly offset by higher volumes in the Chemicals business ($21M);
- Weakness in pricing for ground support and lower average pricing in the Chemicals business was partly offset by higher pricing for sodium cyanide ($33M);
- Higher other costs impacted by inflationary factors, the commencement of production from the Bontang plant and project start up costs in Africa ($35M);
- Increased depreciation mainly arising from commencement of the new Bontang plant and a full year of operation of the Kooragang Island ammonia plant ($33M); and
- Lower profit from land sales ($23M).

Partially offset by:

- Non-recurrence of the Kooragang Island shutdown costs incurred in the first half of 2012 (+$90M);
- Improved services and product mix particularly in North America and Latin America and higher explosives pricing in North America (+$36M); and
- A favourable FX impact due to the strengthening USD and other items (+$10M).

Revenue Summary

A$M	2013	2012	Change
Mining Services	5,770.2	5,629.8	2%
Chemicals	1,198.8	1,199.4	(0%)
Other & Eliminations	(70.9)	(155.1)	(54%)
Total sales revenue	**6,898.1**	**6,674.1**	**3%**
Other income	43.0	67.5	(36%)
Total	**6,941.1**	**6,741.6**	**3%**

Earnings Summary

A$M	2013	2012	Change
EBIT			
Mining Services	992.7	1,009.5	(2%)
Chemicals	92.0	100.4	(8%)
Corporate Centre and Support	(99.9)	(87.3)	(14%)
Total EBIT	**984.8**	**1,022.6**	**(4%)**
Net Interest	(150.2)	(128.2)	(17%)
Tax expense	(213.4)	(223.2)	4%
Non controlling interests	(19.6)	(21.0)	7%
NPAT and non controlling interests	**601.6**	**650.2**	**(7%)**
Individually material items after tax	-	(247.4)	
NPAT and individually material items	**601.6**	**402.8**	**49%**

Interest

Net interest expense of $150M was $22M higher than the pcp ($128M) due to lower capitalised interest following the commissioning of the Bontang plant and higher average debt levels partly offset by lower average interest rates. Capitalised interest was $12M (pcp: $38M) and interest cover was 6.6 times (pcp: 8.0 times).

Tax Expense

An effective underlying tax rate of 25.6% (pcp: 25.0%).

Net Profit

NPAT before individually material items decreased 7% to $602M (pcp: $650M).

Individually Material Items

There were no individually material items for the period. A loss of $247M after tax relating to an impairment of goodwill in Minova was recorded in the pcp.

Key Points

- EBIT contribution from Mining Services down 2% to $993M;
- The contribution from explosives products was in line with last year after adjusting for the prior year impact of the Kooragang Island shutdowns and asset sales;
- Globally, total explosives volumes (refer to table below) were down 2% with reduced demand in US coal markets and Latin America partly offset by growth in the Pilbara iron ore region, South Eastern Australian coal markets and the emerging markets of Africa and Russia;
- Improved product mix with bulk emulsion volumes up 6% offset by a reduction in AN volumes down 10%. Declines in explosives volumes in North American coal markets and the Latin American market have been offset by higher margin sales to US metals markets, improved customer mix in Latin America and higher volumes in Australia;
- Pricing for explosives has been flat to slightly down in most markets apart from North America where modest price increases have been achieved;
- Strong growth in Electronic Blasting Systems (EBS) with volumes up 11% versus the pcp;
- Increased contribution from mining chemicals; and
- Significant decline in contribution from ground support products and services due to weaker demand and continued pricing pressure. One off costs of $29M in integrating the ground support business into Mining Services were incurred during 2013.

Regional Summaries

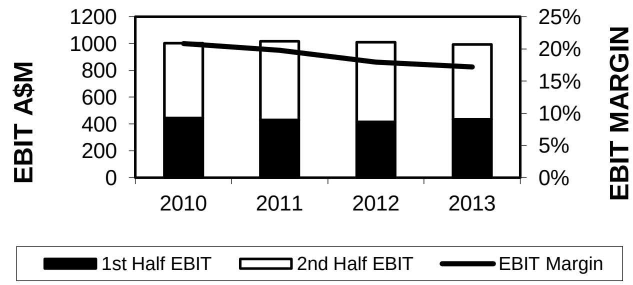
Australia/Pacific

- EBIT of $623M, up 20% ($105M) on the pcp;
- Higher contribution from explosives with volumes up 5% on market share growth in the Pilbara and the South East region partially offset by lower volumes in the North East region. Volumes increased 18% in the South East region and 67% in the Pilbara and declined 9% in the North East;
- Steady margins for explosives supported by a shift to higher margin products and services;

Earnings (A$M)	2013	2012	Change
Sales Revenue	5,770.2	5,629.8	2%
Sales by Product Group*			
- Explosives	4,630.6	4,371.9	6%
- Ground Support	732.9	853.9	(14%)
- Mining Chemicals	385.6	339.8	13%
Total Mining Services	5,749.1	5,565.6	3%
EBIT	992.7	1,009.5	(2%)
Operating Net Assets	5,589.5	5,064.7	10%
EBIT:			
Australia/Pacific	623.3	518.4	20%
North America	108.9	144.2	(24%)
Latin America	86.7	83.8	3%
EMEA	63.8	135.4	(53%)
Other	110.0	127.7	(14%)
Other comprises:			
North America - Operations	63.1	57.8	9%
Latin America - Operations	28.1	29.7	(5%)
Global Hub - Operations	(46.9)	(53.8)	13%
Global Hub	44.3	33.7	31%
Asia & Head Office	65.7	94.0	(30%)
Total Mining Services Other	**110.0**	**127.7**	**(14%)**

* Excludes intercompany sales

EBIT Trend



2013 Volumes

'000 Tonnes	AN [1]	Emulsion Products [2]	Total
Australia/Pacific	297	910	1,207
North America	818	514	1,332
Latin America	252	416	668
EMEA	147	228	375
Asia [3]	213	128	341
Mining Services	**1,727**	**2,196**	**3,923**

Variance - 2013 vs 2012 Volumes

	AN [1]	Emulsion Products [2]	Total
Australia/Pacific	(14%)	14%	5%
North America	(9%)	(1%)	(6%)
Latin America	(10%)	(7%)	(8%)
EMEA	3%	11%	8%
Asia [3]	(15%)	26%	(3%)
Mining Services	**(10%)**	**6%**	**(2%)**

1. AN includes prill and solution sold externally
2. Emulsion products include bulk emulsion and packaged emulsion
3. Included in "Mining Services Other" as disclosed in Note 2 within the Orica Annual Report

- Improved contribution from mining chemicals due to higher sodium cyanide prices and improved production performance at the Yarwun facility; and
- Significant reduction in contribution from ground support products and services due to volume and price declines in key underground coal markets. The integration of the Australian ground support activities into Mining Services has delivered efficiency improvements in the second half.

<u>North America</u>

- EBIT of $109M, down 24% ($35M) on the pcp. EBIT including the contribution from the global hub was $172M, down 15% ($30M) on the pcp. The earnings decline is due mainly to the reduction in contribution from ground support products, higher purchase costs for ammonium nitrate as a result of a third party supplier outage and weaker demand for explosives from coal markets;
- Explosives volumes were down 6% on the pcp with 14% lower demand from the Eastern coal region partly offset by 6% growth in metals markets in Canada and South West US. Quarry and Construction volumes improved during the second half. Modest increases in explosives pricing for bulk products sold into the metals markets and good EBS pricing across the business largely offset the impact of reduced explosives volumes; and
- Significant decline in contribution from ground support products as a result of weaker demand. Whilst steel volumes were flat, chemical volumes declined 20% as customers switched to lower cost alternatives.

<u>Latin America</u>

- EBIT of $87M, up 3% ($3M) on the pcp. EBIT including the contribution from the global hub was $115M, up 1% ($1M) due to a focus on higher margin products and services and the favourable impact from a land sale later in the second half of $10M;
- Explosives volumes were down 8% following the loss of low margin business in Peru, weaker metals markets in Brazil and customer strikes in Colombia; and
- Moving towards a services oriented offering has led to start up costs ahead of future revenue benefits.

<u>Europe, Middle East and Africa (EMEA)</u>

- EBIT of $64M, down 53% ($72M) on the pcp due to structurally challenging conditions in most ground support markets, non recurrence of land sales ($27M) from pcp and the impact of a weak first half year result for explosives products due to the protracted European winter and slow economic growth in European markets;
- Explosives volumes increased 8% due to stronger growth in the second half of the year in the emerging markets of Africa and CIS. Volumes were up 19% in Africa and 32% in CIS on a year on year basis;
- Pricing for explosives products remained weak;
- Significant decline in contribution from ground support products due to weak European coal markets. Many European coal producers struggled to compete with cheap coal imports from North America; and
- Project start up costs impacted negatively on the results for the African region.

<u>Other (Asia, Global Hub and Head Office)</u>

- EBIT of $110M, down 14% ($18M) on the pcp. Excluding profit in the global hub related to operations in North America and Latin America the underlying EBIT was $19M, down 53% ($21M) on the pcp;
- One-off costs associated with the integration of the ground support business into Mining Services;
- Significant decline in contribution from ground support in China due to weak demand and increased competition;
- Explosives volumes declined 3% in Asia with a 15% decline in Indonesian volumes partly offset by higher Indian volumes. The decline in Indonesian volumes was due to the temporary closure of two key customer sites related to specific customer issues;
- Explosives pricing in Indonesia was stable due to the contracted customer profile, while pricing pressure continued in the Indian market;
- Lower explosive product volumes and pricing in China; and
- Global Hub Operations costs of $47M were down $7M on the pcp due mainly to lower research and development recharges and other support costs.

Perspectives for 2014

- Subdued demand conditions in most explosives markets excluding the Pilbara, CIS and Africa where growth is expected to continue;
- General pricing pressure is expected to continue although the impact on margins is expected to be offset by efficiency gains and the provision of higher value customer offerings;
- Sodium cyanide volumes are expected to remain flat on an annual basis, although customer destocking in the short term will most likely see softer volumes in the first half; and
- The non-recurrence of the one off costs of integrating the ground support activities and delivery of synergies following the integration into Mining Services.

Key Points

- EBIT contribution from Chemicals down 8% to $92M;
- Generally subdued conditions in most industrial markets in Australia and New Zealand and an increasingly competitive environment;
- Improved performance in the New Zealand chemicals business and Bronson & Jacobs;
- Lower global caustic soda prices; and
- Continued focus on enhancing margins by improving product mix and reducing costs.

Earnings (A$M)	2013	2012	Change
Sales Revenue	1,198.8	1,199.4	(0%)
EBIT	92.0	100.4	(8%)
Operating Net Assets	651.2	630.3	3%
Business Sales*:			
General Chemicals	970.7	968.5	0%
Watercare	237.2	240.4	(1%)

* Excludes intercompany sales

Business Summaries

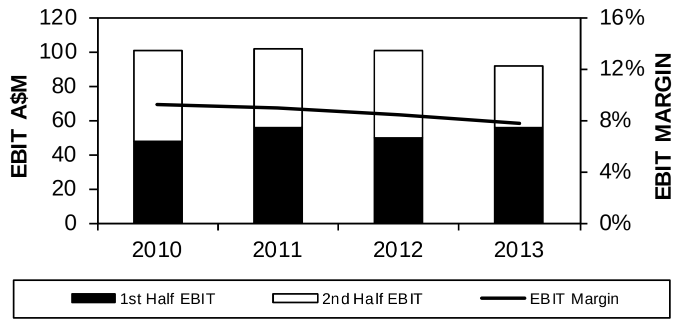
General Chemicals

- Sales in line with pcp reflecting higher volumes in Latin America and New Zealand, offset by lower sales of traded products in Australia;
- Lower demand for bulk chemicals and increased market competition;
- Generally soft demand in the Australian construction, manufacturing and agriculture industries with continued difficult economic conditions;
- Improved performance from New Zealand driven by increased demand from the dairy market and new business in the pulp and paper sector;
- Earnings growth in Bronson & Jacobs through a strategic focus on improving product mix in Australia and New Zealand and growth in Asia, combined with tight cost control; and
- Growth in Latin American construction markets and improved sales of industrial chemicals in the second half.

Watercare

- Sales largely in line with pcp with lower global caustic soda prices and pricing pressure from increased competition, offset by higher sales volumes.

EBIT Trend



Perspectives for 2014

- Business conditions in most industrial markets are expected to remain challenging;
- Increased competition within the Watercare business and stable global caustic soda prices anticipated;
- Growth in Latin America and Asia; and
- Continued focus on market share, product mix and productivity.

Balance Sheet

Key balance sheet movements since September 2012 were:

- Trade working capital (TWC) has decreased by $23M from the pcp as a result of an underlying decrease of $102M and divestments of $2M, partially offset by an unfavourable foreign exchange impact of $80M;
- The underlying decrease in TWC reflects improved trading terms in most regions;
- Net property, plant and equipment (PP&E) was $421M up on the pcp including an FX movement of $139M on translation. Other major movements were spend on growth projects ($279M), sustaining capital ($257M) and capitalised interest ($9M), partially offset by depreciation ($248M). Spending on growth projects in the period included Kooragang Island ($80M) and HONCE ($32M);
- Intangible assets increased by $171M from pcp due primarily to FX translation ($181M) and capital expenditure ($30M), partially offset by amortisation ($37M);
- Net other liabilities have decreased by $211M. Major movements include increased investments ($229M) primarily Burrup, partially offset by increased net tax liability ($63M);
- Net debt increased by $32M due primarily to dividend payments and cash spent on capital projects including the investment in Burrup ($200M) being mostly offset by higher operating cashflows; and
- Orica shareholders' equity increased by $732M driven mainly by increased earnings net of dividends declared and a movement in the foreign currency translation reserve ($347M).

Key balance sheet movements since March 2013 were:

- TWC decreased by $128M due to an underlying decrease of $217M partially offset by an unfavourable foreign exchange translation impact of $89M;
- The underlying decrease in TWC reflects improved trading terms in most regions;
- Net PP&E was up $257M mainly due to FX translation ($142M), growth spend ($118M) and sustaining capital ($138M), offset by depreciation ($130M);

Balance Sheet

A$M	Sept 2013	March 2013	Sept 2012
Inventories	793.1	760.7	693.6
Trade Debtors	926.5	916.8	884.3
Trade Creditors	(1,020.5)	(850.2)	(855.7)
Total Trade working capital	699.1	827.3	722.2
Net property, plant & equipment	3,455.4	3,198.1	3,034.4
Intangible assets	2,217.9	2,028.9	2,046.9
Net other liabilities	(47.0)	(118.4)	(257.7)
Net debt	(2,331.3)	(2,553.6)	(2,299.2)
Net Assets	**3,994.1**	**3,382.3**	**3,246.5**
Orica shareholders' equity	3,853.0	3,253.9	3,121.5
Non controlling interests	141.1	128.4	125.0
Equity	**3,994.1**	**3,382.3**	**3,246.5**
Gearing [1]	**36.9%**	**43.0%**	**41.5%**

- Intangible assets increased by $189M due mainly to FX translation ($192M) and capital expenditure ($20M), partially offset by amortisation ($18M); and
- Net debt decreased by $222M as a result of operating cash flow generated in the second half of the financial year being partially offset by the cash spend on capital of $350M which included $73M for Burrup in addition to $115M in ordinary dividend payments.

Debt

Net debt of $2.3B was in line with the pcp. Total debt of $4.6B, comprised US Private Placement of $1.9B, bilateral bank facilities of $2.2B, export credit agency funding of $0.1B and drawn commercial paper of $0.4B. Total undrawn committed debt facilities is $2.1B.

The weighted average tenor of bilateral bank facilities is approximately 2.1 years. The September US Private Placement issue increased the duration of the drawn debt profile from 4.5 years at the end of March 2013 to approximately 6.6 years at year end.

Gearing

Gearing(1) decreased from 41.5% at 30 September 2012 to 36.9% and is within the company's target range of 35% to 45%.

1) Net debt/(net debt + equity).

Cash Flow

- Net operating cash inflows increased by $515M to $1,059M (pcp: $544M), mainly due to:
  - Improved creditor days in most regions resulted in a $143M increase in cashflows;
  - Cashflows from non trade working capital increased by $139M due to higher indirect tax refunds, costs associated with the non-recurrence of costs associated with the Kooragang Island incident in the prior period and lower environmental spend in the current year;
  - The depreciation of the AUD against the USD, CAD and EUR has resulted in a favourable FX movement on translation of debt and reserves of $65M (pcp: $46M unfavourable); and
  - Lower tax paid due to the timing of tax instalments of $32M.
- Net investing cash outflows increased by $69M to $743M (pcp: $674M), primarily due to:
  - Increased spend on investments of $120M from the pcp mainly associated with the Burrup project of $200M in the current period (pcp: $41M) and higher sustaining capital of $35M, partly offset by lower capital spend on growth projects of $91M.
- Net financing cash flows decreased by $384M to an outflow of $351M (pcp: $33M inflow), major movements included:
  - A net decrease in proceeds from external borrowings of $416M as more cash was available in the period to repay debts; and
  - Higher dividends paid to Non Controlling Interest shareholders of $10M.

  Partly offset by:
  - Additional share proceeds of $18M primarily received for repayment of LTEIP loans;
  - Decreased payments of $10M for shares purchased on market for the LTEIP plan; and
  - The non-recurrence of SPS distributions of $11M paid in the first half of 2012.

Statement of Cash Flows

A$M	2013	2012	Change
Net operating cash flows			
EBIT	984.8	1,022.6	(4%)
Add: Depreciation	247.9	214.7	(15%)
Add: Amortisation	36.5	36.7	1%
EBITDA	1,269.2	1,274.0	(0%)
Net interest paid	(153.3)	(158.2)	3%
Net income tax paid	(141.8)	(174.1)	19%
Trade Working Capital mvt [1]	21.4	(121.9)	118%
Non Trade Working capital mvt [2]	-	(138.6)	
FX mvt on debt/reserves	64.9	(45.7)	
Other	(1.7)	(91.4)	
	1,058.7	544.1	
Net investing cash flows			
Capital spending			
Sustaining capital [3]	(268.7)	(234.2)	(15%)
Growth capital [4]	(303.9)	(394.7)	23%
Total Capital Spending [5]	(572.6)	(628.9)	9%
Acquisitions	(203.8)	(84.0)	(143%)
Proceeds from surplus asset sales, investment and businesses	33.1	39.0	(15%)
	(743.3)	(673.9)	
Net financing cash flows			**$M**
Net proceeds from share issues (inclusive of non controlling interests)	43.4	25.5	17.9
Net (payments)/proceeds from LTEIP *	(9.6)	(19.9)	10.3
Movement in borrowings	(80.1)	335.9	(416.0)
Dividends paid - Orica Limited	(286.0)	(289.1)	3.1
Distributions paid - SPS securities	-	(11.1)	11.1
Dividends paid - NCI shareholders	(18.8)	(8.5)	(10.3)
	(351.1)	32.8	(383.9)

*LTEIP: long term employee equity incentive plans

1) Opening trade working capital (TWC) less closing TWC (excluding TWC acquired and disposed of during the year).

2) Non trade working capital: primarily includes other receivables, other assets, other payables and provisions.
Movement: opening non trade working capital (NTWC) less closing NTWC (excluding NTWC acquired and disposed of during the year).

3) Capital expenditure other than growth expenditure.

4) Capital expenditure that results in earnings growth through either cost savings or increased revenue.

5) Total growth and sustaining expenditure reconcile to total payments for property plant and equipment and intangibles as disclosed in the Statement of Cash flows within the Orica Annual Report.

Orica values people and the environment. The Company's value of 'No Accidents Today' guides its actions and culture.

Our People

Orica has a diverse workforce of over 14,500 people. To ensure all employees have an understanding of Orica's vision, values, strategy and the core competencies required to achieve Company objectives, a global training program called Seven Pillars was commenced. The two-day training program was completed by 6,750 employees in 2013 and is on track to reach 85 percent of all employees by April 2014.

The first stage of a project to migrate all employees information onto one global HR information system, PeopleNet, was completed during 2013. The project will improve the way Orica organises, recruits, rewards and develops its workforce.

Sustainability Governance

In 2012 Orica launched Project Sustain, a global initiative to review Orica's Safety, Health, Environment, Community (SHEC) systems and structures. The objective was to ensure consistent leadership and fit for purpose solutions to improve Orica's organizational SHEC and risk management capabilities. Project Sustain concluded at the end of 2013, with a number of initiatives identified for implementation over the coming year.

Safety, Health, Environment and Community (SHEC)

Orica achieved an All Worker Recordable Case Rate (number of injuries and illnesses per 200,000 hours worked) of 0.54 and worked fatality free.

During 2013, Orica's energy consumption increased compared to the previous year, primarily due to the Kooragang Island Ammonia Plant being fully operational in the period. Ammonia production is Orica's most energy intensive process. Greenhouse gas abatement projects commissioned in 2012 at sites in Australia, Canada and Indonesia have reduced nitrous oxide emissions by more than 750,000 tonnes of carbon dioxide equivalent (CO_2e) in 2013, compared to pre-abatement levels. Nitrous oxide abatement installed at the Bontang, Indonesia plant in November 2012 received registration under the United Nations Framework Convention on Climate Change (UNFCCC) Clean Development Mechanism (CDM) program.

As part of Orica's commitment to improve community engagement processes, stakeholder plans were developed at a number of manufacturing sites in Australia and New Zealand. Further stakeholder plans will be developed globally during 2014.

Remediation activities for historical operations were undertaken at a number of Orica sites. At Botany, Australia, remediation works have recommenced at the former Chloralkali site. Testing indicates that there is no unacceptable risk to human health or the environment posed by the mercury contamination. Planned work is expected to take 2 years. The New South Wales Environmental Protection Authority (NSW EPA) commenced a review of historical data to assess the need for any further independent testing surrounding the Orica Botany site. Orica has expressed support publicly for the EPA's approach, including any additional testing being independently conducted using scientifically rigorous methods.

Orica is currently the subject of legal proceedings issued by the NSW EPA in relation to incidents at its Kooragang Island and Botany sites that occurred during 2010 and 2011. Orica has entered guilty pleas to the charges involved. A sentencing and mitigation hearing was held in the NSW Land & Environment Court in December 2012. The matter is currently adjourned pending a decision from the Court.

Orica pleaded guilty to four counts of breaching the Queensland Environmental Protection Act as a result of unauthorised stormwater and effluent releases from its Yarwun facility between February 2010 and February 2012. There was no evidence of any environmental damage as a result of the discharges. The Court ordered Orica to pay a fine of \$432,000. No convictions have been entered. As part of the fine, Orica contributed a total of \$250,000 to three community based environmental groups - green turtle research at Port Curtis, Australian Conservation Volunteers and Gladstone Healthy Harbours Partnership.

Orica is also the subject of legal proceedings issued by the Victorian Environmental Protection Authority in relation to an incident involving fluorosilicic acid that occurred in September 2010 in Gippsland, Victoria. Orica is yet to enter a plea in relation to these proceedings.

Business Development

During the period, work continued on a number of growth projects, including:

- The expansion of the ammonium nitrate plant at Kooragang Island, Australia. Demand for explosives in south eastern Australia continues to grow albeit at a slower rate than previously forecast. It is estimated that demand for ammonium nitrate in the South East region will exceed current installed capacity by 100ktpa in 2015. It is planned that this supply shortage will be serviced by a 70ktpa capacity expansion to 500ktpa. Approximately $40M will be spent installing a 10,000t nitric acid tank to supplement the existing nitric acid supply and release latent capacity within the AN plant. This expansion is a capital light, low risk solution to meeting customer demand prior to the planned KI expansion to 750ktpa. The additional 70ktpa capacity is scheduled to be commissioned by mid 2015; and
- Construction of the ammonium nitrate plant at the Burrup Joint Venture in Pilbara, Western Australia (45% owned by Orica). The project design is largely complete and all major contracts have been awarded. Site construction is focused on civil works in preparation for modules that are due to start arriving on site in late 2013. The project is over 52% complete with module fabrication 28% complete and site construction 30% complete. The project remains on time and budget with commissioning scheduled for mid to late 2015 calendar year.

Corporate

In September Orica successfully raised US$415M in the US Private Placement debt market. The issue was comprised of two tranches - US$350M in a 10 year tranche, issued at a coupon rate of 4.59% and US$65M in a 12 year tranche, issued at a coupon rate of 4.74%. Proceeds from the issue were used to repay committed bank lines and commercial paper.

Dividend

The directors declared a fully franked final ordinary dividend of 55 cps. This brings the total annual dividend to 94 cps, 2 cents or 2% higher than the pcp. The dividend is fully franked due to increased Australian profits in 2013 and the timing of Australian tax payments. The final dividend is payable to shareholders on 13 December 2013 and shareholders registered as at the close of business on 25 November 2013 will be eligible for the final dividend. It is anticipated that dividends in the near future are unlikely to be franked at a rate of more than 50%.

Further Information

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