Orica Limited
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ASX Announcement

ORICA REPORTS $242m PROFIT FOR HALF YEAR ENDED 31 MARCH 2014

Orica (ASX:ORI) today announced a statutory net profit after tax of $242 million for the half year ended 31 March 2014, compared with the previous corresponding period (PCP) of $263 million. All 2013 numbers have been restated for new accounting standards.

The result is in line with the update provided to the market in March 2014, indicating first half profit in 2014 would be less than the first half financial year 2013.

Earnings before interest and tax (EBIT) for the period was down 7% on the PCP to $402 million. Earnings before interest, tax, depreciation and amortisation (EBITDA) was $553 million, down 3%.

The result has been driven by lower Mining Services volumes and a reduced profit contribution from Chemicals.

Overall sales revenue of $3.36 billion was up 1% on the PCP. Net operating cash flows improved by 11% to $313 million and gearing reduced to 36.5% which is at the lower end of our target range. Earnings per share decreased 9% to 66 cents.

The Orica Board has declared an interim dividend of 40 cents per share, up 3% on the PCP and franked to 16 cents per share. The dividend is payable to shareholders on 1 July 2014.

The result includes Ground Support integration benefits of $12 million and the avoidance of $6 million of integration costs from the prior half resulting in an $18 million uplift versus the PCP.

Global explosives volumes were down 2%, largely due to the demand profile of international coal and Latin American metals markets.

In Australia, explosives volumes have grown by 5% driven by a 40% increase in volumes in the Pilbara offset by relatively flat volumes on the east coast.

Explosives volumes increased 44% in Africa and 22% in CIS on the PCP as a result of market share growth.

Chemicals' contribution to EBIT was down 32% to $39 million as a result of lower acid volumes caused by temporary customer site shut downs, lower caustic prices and rationalisations and write off costs in Latin America.

Group net profit after tax before individually material items in 2014 is expected to be in line with, or exceed, the restated FY2013 NPAT of $592.5 million influenced by the following assumptions:

- Expectations for Mining Services in H2 FY 2014
  - improved volumes, versus H2 FY 2013, in most markets;
  - current pricing pressure to continue; and
  - challenging ground support markets.
- Expectations for Chemicals in H2 FY 2014
  - volume improvements in sectors of the General Chemicals market with the resolution of customer operational issues; and
  - Watercare and caustic soda contributions to remain flat.

The expected uplift in explosives volumes in H2 FY 2014 will be the most influential factor in the full year results following a 2% volume decline on the PCP in H1 FY2014.

Full details of Orica's half-year financial performance are included in the Profit Report which is appended to this release.

13 May 2014

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Orica Limited Profit Report

Results For The Half Year Ended 31 March 2014

- **Statutory net profit after tax (NPAT)[(1)] for the half year ended 31 March 2014 was $242M. The previous corresponding period (pcp) was $263M[(2)].**
- **All 2013 numbers have been restated for new accounting standards**

Key Financials

- EBITDA[(3)] was down 3% to $553M (pcp: $571M);
- EBIT[(4)] was down 7% to $402M (pcp: $434M);
- Net operating cash flows at $313M, up 11% from $282M in the pcp;
- Earnings per ordinary share down 9% to 66c;
- Gearing[(7)] was 36.5%, an improvement from 43.1% in the pcp;
- Interest cover of 6.7 times[(8)] (pcp: 6.6 times); and
- Interim ordinary dividend of 40 cents per share, up 3%.

(Note: Restated NPAT for the full year ended 30 September 2013 was $592.5M[(2)])

Business Summary

- EBIT of $402M was 7% below the pcp. Lower demand across the Mining Services and Chemicals markets combined with rationalisation and write off costs in the Latin American Chemicals business have more than offset favourable foreign currency movements and ground support optimisation benefits.
- Mining Services EBIT down 2% to $419M.
  - Lower volumes across all product groups; explosives, ground support and mining chemicals. Explosives and ground support volumes have been impacted by weakness in demand from North American and Indonesian coal markets. Sodium cyanide volumes have largely been impacted by customer destocking; and
  - Additional costs associated with scheduled plant shutdowns, increased depreciation and redundancy costs.
- Chemicals EBIT down 32% to $39M, impacted by lower demand in Australia, temporary customer shutdowns and rationalisation and write off costs in the Latin American business identified as part of the Chemicals strategic review.

	Six Months Ended March		
		Restated[2]	
A$M	2014	2013	Change
Sales Revenue	3,357.3	3,325.3	1%
EBITDA [3]	552.8	570.9	(3%)
EBIT [4]	402.4	434.4	(7%)
NPAT [1]	242.1	262.5	(8%)
EPS (cents)	66.0	72.4	(9%)
Net Operating Cashflow	312.6	281.9	11%

	Six Months Ended March		
		Restated[2]	
	2014	2013	Change
Dividends per share (cents)	40	39	3%
Payout Ratio [5]	61.3%	54.5%	6.8pts
Net Debt [6]	2,370.3	2,561.9	7%
Gearing [7]	36.5%	43.1%	6.6pts
Interest Cover (times) [8]	6.7	6.6	0.1times

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

1) Equivalent to Net profit for the period attributable to shareholders of Orica Limited disclosed in the Income Statement within Appendix 4D – Orica Half Year Report.
2) 2013 numbers have been restated for new accounting standards. Refer to Appendix 4D Note 17.
3) EBIT plus Depreciation and Amortisation.
4) EBIT (equivalent to Profit from operations as disclosed in the Income Statement within Appendix 4D – Orica Half Year Report.)
5) (Interim dividend cps x shares on issue at 31 March 2014) / NPAT.
6) Total interest bearing liabilities less cash and cash equivalents.
7) Net debt / (net debt + book equity).
8) EBIT / Net interest expense.

Note: numbers in this report are subject to rounding.

Revenue
Sales revenue of $3.4B increased by $32M (1%), driven primarily by:
- Increased revenue for explosives products in all regions except Asia. Increases in North America and Latin America were driven by favourable currency movements.

Offset by:
- Lower volumes for mining chemicals;
- Weakness in demand and pricing pressure for ground support products and services; and
- Lower demand for products in the Chemicals business and temporary customer shutdowns.

Earnings Before Interest and Tax (EBIT)
EBIT decreased by 7% to $402M (pcp:$434M).

Decreased earnings were attributed to:
- Reduced demand for explosives, sodium cyanide and ground support products ($32M);
- Lower demand in Australian chemicals markets and rationalisation and write-off costs in the Latin American Chemicals business identified in the Chemicals strategic review ($18M);
- Increased depreciation, prior to foreign currency impacts, primarily at Bontang, and Carseland ammonium nitrate plants, and the Antofagasta initiating systems plant ($7M); and
- Additional costs associated with scheduled plant shutdowns at Kooragang Island and Yarwun, industrial action at the Kooragang Island site and redundancy costs incurred in optimising the operational model, net of cost saving initiatives ($17M).

Partially Offset by:
- Relatively flat pricing across global markets with explosive price increases in North America and Europe largely offsetting declines in ground support pricing (+$4M);
- Ground support integration and optimisation benefits (+$18M); and
- A favourable foreign exchange (FX) impact due to the lower AUD (+$20M).

Interest
Net interest expense of $60M was lower than the pcp ($66M) due to a lower average interest rate and higher capitalised interest associated with the Burrup ammonium nitrate project. Capitalised interest was $13M (pcp:$9M). Interest cover was relatively steady at 6.7 times.

Revenue Summary

	Six Months Ended March		
A$M	2014	Restated 2013	Change
Mining Services	2,801.7	2,754.9	2%
Chemicals	591.4	613.8	(4%)
Other & Eliminations	(35.8)	(43.4)	(18%)
Total sales revenue	**3,357.3**	**3,325.3**	1%
Other income	17.8	13.6	31%
Total	**3,375.1**	**3,338.9**	**1%**

Earnings Summary

	Six Months Ended March		
A$M	2014	Restated 2013	Change
EBIT			
Mining Services	418.9	427.3	(2%)
Chemicals	38.6	56.6	(32%)
Corporate Centre and Support	(55.1)	(49.5)	(11%)
Total EBIT	**402.4**	**434.4**	(7%)
Net Interest	(60.2)	(66.2)	9%
Tax expense	(87.4)	(96.6)	10%
Non controlling interests	(12.7)	(9.1)	(40%)
NPAT and non controlling interests	**242.1**	**262.5**	**(8%)**

Tax Expense
An effective underlying tax rate of 25.5% (pcp: 26.2%).

Net Profit
NPAT decreased 8% to $242M (pcp: $263M).

2014 Outlook
Group net profit after tax before individually material items in 2014 is expected to be in line with, or exceed, the restated FY2013 NPAT of $592.5M influenced by the following assumptions:

Expectations for Mining Services in H2 FY 2014
- improved volumes, versus H2 FY 2013, in most markets;
- current pricing pressure to continue; and
- challenging ground support markets.

Expectations for Chemicals in H2 FY 2014
- volume improvements in sectors of the General Chemicals market with the resolution of customer operational issues; and
- Watercare and caustic soda contributions to remain flat.

The expected uplift in explosives volumes in H2 FY 2014 will be the most influential factor in the full year results following a 2% volume decline pcp in H1 FY2014.

Key Points

- EBIT contribution from Mining Services down 2% to $419M;
- The contribution from explosives products was in line with pcp, due to increases in explosives margins being offset by scheduled plant shutdowns and redundancy costs;
- Global explosives volumes were down 2% due to reduced demand in US and Indonesian coal markets and Latin American metals markets. This was partially offset by growth in the Pilbara iron ore region, European quarry and construction markets and increased market share in the emerging markets of Africa and Russia;
- Improved product mix with bulk emulsion volumes up 1%, offset by a reduction in AN volumes of 5%. Increased demand for emulsion products from Western European quarry and construction markets and Africa and CIS growth markets more than offset reductions in AN demand from North American and Indonesian coal markets and Latin America;
- Pricing for explosives, in local currency, has been flat to slightly down in most markets apart from North America and some countries in Europe, where modest price increases have been achieved;
- Reduced contribution from mining chemicals products primarily due to customer destocking impacts; and
- Ground support integration and optimisation benefits have been offset by weaker product demand from the coal sector and increased competition.

Regional Summaries

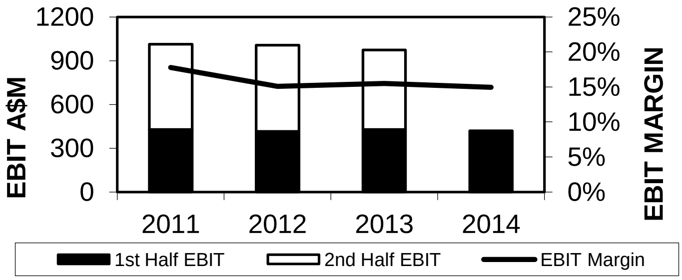
Australia/Pacific

- EBIT of $255M, down 10% ($28M) on the pcp. The earnings decline was due to lower volumes of mining chemical products and scheduled plant shutdowns and redundancy costs, partially offset by higher volumes in the Pilbara region;
- Explosives volumes were up 5% due to 40% growth in the Pilbara region, flat volumes in the North East region partially offset by a decline of 2% in the South East region and 28% in PNG;
- Steady contribution from explosives products with pressure on explosives pricing, offset by volume increases;

	Six Months Ended March		
		Restated	
Earnings (A$M)	**2014**	**2013**	**Change**
Sales Revenue	2,801.7	2,754.9	2%
Sales by Product Group *			
- Explosives	2,295.3	2,183.0	5%
- Ground Support	339.5	364.1	(7%)
- Mining Chemicals	159.6	191.5	(17%)
Total Mining Services	2,794.4	2,738.6	2%
EBIT	418.9	427.3	(2%)
Operating Net Assets	5,956.2	5,453.6	9%
EBIT:			
Australia/Pacific	254.6	282.3	(10%)
North America	51.2	56.3	(9%)
Latin America	36.1	37.7	(4%)
EMEA	42.2	22.8	85%
Other	34.8	28.2	23%
Other comprises:			
North America - Operations	29.8	23.1	29%
Latin America - Operations	18.5	16.8	10%
Global Hub - Operations	(36.8)	(38.9)	5%
Global Hub	11.5	1.0	1050%
Asia & Head Office	23.3	27.2	(14%)
Total Mining Services Other	**34.8**	**28.2**	**23%**

* Excludes intercompany sales

EBIT Trend



2014 Volumes

'000 Tonnes	AN [1]	Emulsion Products [2]	Total
Australia/Pacific	176	402	578
North America	415	192	607
Latin America	118	204	322
EMEA	40	160	200
Asia [3]	85	63	148
Mining Services	**834**	**1,021**	**1,855**

Variance - 2014 vs 2013 Volumes

	AN [1]	Emulsion Products [2]	Total
Australia/Pacific	32%	(4%)	5%
North America	(10%)	1%	(7%)
Latin America	(12%)	(3%)	(6%)
EMEA	8%	26%	22%
Asia [3]	(27%)	(9%)	(20%)
Mining Services	**(5%)**	**1%**	**(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 Appendix 4D – Orica Half Year Report.

- Lower contribution from mining chemicals as volumes declined 17%, with gold miners destocking and changing operational plans to reduce sodium cyanide consumption;
- Increased contribution from ground support products as delivery of the integration synergies more than offset softer market conditions for products and services; and
- Additional costs associated with Kooragang Island and Yarwun scheduled plant shutdowns compared to the pcp, industrial action at the Kooragang Island site and redundancy costs incurred in optimising the operational model.

North America

- EBIT of $51M, down 9% ($5M) on the pcp due to lower explosives demand from Eastern US coal markets and severe winter weather conditions. EBIT including the contribution from the global hub was $81M, up 2% ($1.6M) due to the non-recurrence of higher AN purchase costs that occurred in the pcp;
- Explosives volumes were down 7% on the pcp with 15% lower demand from the US coal markets, partially offset by 4% growth in quarry and construction volumes;
- Modest increases in explosives pricing for bulk products; and
- Decline in contribution from ground support products due to lower demand from Eastern US coal customers and continued competitor pricing pressure. Steel and resin volumes declined 7% and 16% respectively.

Latin America

- EBIT of $36M, down 4% ($1.6M) on the pcp. EBIT including the contribution from the global hub was steady at $55M, with a focus on higher margin products and services despite lower volumes;
- Explosives volumes were down 6% following reduced customer requirements in Chile and Peru, partially offset by increased volumes in Colombia and new business in Brazil; and
- Pressure on explosives pricing was largely offset by continued progress in providing advanced services to customers.

Europe, Middle East and Africa (EMEA)

- EBIT of $42M, up 85% ($19M) on the pcp due to increasing market share in emerging markets and favourable winter weather conditions;
- Explosives volumes increased 22% due to growth in emerging markets of Africa and CIS combined with increased quarry and construction activity in Western Europe and the Nordics. Volumes were up 44% in Africa and 22% in CIS on a pcp basis;
- Increased margins for explosives, supported by price increases for products in certain countries and success in shifting customers to higher margin products and advanced service offerings;
- Steady returns from ground support products and associated services in conjunction with integration benefits; and
- Significant increase in African contribution driven by new customer demand.

Other (Asia, Global Hub and Head Office)

- EBIT of $35M, up 23% ($7M) on the pcp. Excluding profit from the Global Hub underlying EBIT was $23M, down 14% ($4M) on the pcp. In addition, Global Hub Operations costs were $2M lower at $37M;
- Explosives volumes declined 20% in Asia, mainly attributable to a 29% decline in Indonesian volumes due to weak Indonesian coal markets, selective mining and the temporary closure of two key mines related to specific customer issues;
- Returns from the Indonesian market benefited from higher production rates at the Bontang ammonium nitrate plant and cost reduction programs;
- Explosives pricing pressure in the Indonesian and Indian markets; and
- Higher initiating system product volumes and steady pricing in China.

Perspectives for H2 2014

- Demand conditions are expected to improve in most explosives markets particularly the Pilbara region, CIS, Africa and quarry and construction markets in Europe and US;
- General pricing pressure is expected to continue;
- Sodium cyanide volumes are expected to improve in the second half, with annual volumes to remain relatively flat compared to the pcp. Pricing weakness is expected to impact margins in the second half; and
- Ground support markets are expected to remain challenging.

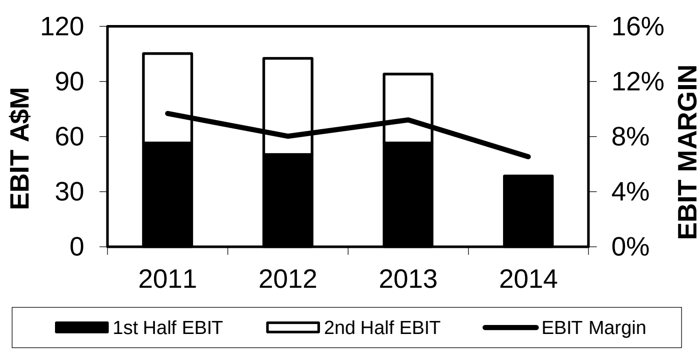
Key Points

- EBIT contribution from Chemicals down 32% to $39M;
- Lower demand in mining, agriculture and industrial markets in Australia and continued competitive pressures;
- Improved performance from the New Zealand business;
- Temporary customer shutdowns impacted sales to mining customers; and
- Rationalisation and write off costs of $11m recognised in the Latin American business following the Chemicals strategic review.

Earnings (A$M)	Six Months Ended March 2014	Restated 2013	Change
Sales Revenue	591.4	613.8	(4%)
EBIT	38.6	56.6	(32%)
Operating Net Assets	629.4	657.7	(4%)
Business Sales*:			
General Chemicals	450.4	462.9	(3%)
Watercare	112.6	122.4	(8%)

* Excludes intercompany sales

EBIT Trend



Business Summaries

General Chemicals

- Sales down 3% on the pcp reflecting lower volumes to the mining, agricultural and industrial sectors in Australia, partially offset by higher sales in New Zealand;
- Lower volumes in the Australian business were due to the combination of subdued market conditions and temporary customer shutdowns;
- Improved New Zealand business performance, driven by increased demand from the dairy and pulp and paper sectors and favourable FX benefits; and
- The strategic review of the Chemicals business identified $11m of rationalisation and write off costs in Latin America.

Watercare

- Sales down 8% on the pcp reflecting reduced global caustic soda pricing; and
- Lower volumes due to temporary customer shutdowns and reduced market demand.

Perspectives for H2 2014

- Volume improvements are expected across the General Chemicals market in the second half with customer operational issues expected to be resolved;
- Watercare contribution is expected to remain flat in the second half, with markets remaining competitive and subdued caustic soda pricing; and
- Continue the strategic review of the Chemicals business and repositioning of the Latin American segment.

Balance Sheet

Balance Sheet A$M	Mar 2014	Restated Sep 2013	Restated Mar 2013
Inventories	759.7	793.1	760.7
Trade Debtors	907.2	929.1	928.1
Trade Creditors	(914.2)	(1,023.8)	(854.6)
Total Trade working capital	752.7	698.4	834.2
Net property, plant & equipment	3,627.5	3,583.2	3,253.6
Intangible assets	2,344.5	2,340.0	2,137.8
Net other liabilities	(235.4)	(277.5)	(285.1)
Net debt	(2,370.3)	(2,334.2)	(2,561.9)
Net Assets	**4,119.0**	**4,009.9**	**3,378.6**
Orica shareholders' equity	3,980.0	3,871.0	3,250.9
Non controlling interests	139.0	138.9	127.7
Equity	4,119.0	4,009.9	3,378.6
Gearing [1]	**36.5%**	**36.8%**	**43.1%**

Key balance sheet 6-month movements since September 2013 were:

- Trade working capital (TWC) increased by $54M. Lower debtor and inventory levels were more than offset by the timing of payments to creditors and an FX translation increase of $14M;
- Net property, plant and equipment increased by $44M mainly due to growth spend ($100M), sustaining capital ($96M) and capitalised interest ($11M), offset by depreciation ($131M) and a negative FX translation ($27M). Spending on growth projects in the period included Burrup ammonium nitrate project ($57M) and HONCE initiating system plant ($7M);
- Intangible assets increased by $5M due mainly to capital expenditure ($15M); capitalised interest ($2M) and a positive FX translation ($7M), partially offset by amortisation ($19M);
- Net other liabilities decreased by $42M. Major movements included a reduction in tax payables due to the timing of tax payments ($57M) and a reduction in net derivative financial liabilities ($17M); and
- Net debt increased by $36M largely due to the payment of the 2013 final dividend of $154M and capital expenditure of $211M, partially offset by higher operating cash flow generation of $313M.

Key balance sheet 12-month movements since March 2013 were:

- TWC decreased by $81M as a result of an underlying reduction in debtors and inventory partially offset by an FX translation increase of $96M;
- Net PP&E was $374M up on the pcp. Increases were due to spending on growth projects ($285M), sustaining capital ($234M), capitalised interest ($14M) and a positive FX translation ($120M), partially offset by depreciation ($261M);
- Intangible assets increased by $207M due primarily to a positive FX translation ($199M) and capital expenditure ($48M), partially offset by amortisation ($38M);
- Net debt decreased by $192M due primarily to higher operating cashflows, reduced cash spend on the Burrup project ($66M) and other capital projects ($146M), partially offset by higher tax paid ($63M); and
- Orica shareholders' equity increased by $729M driven mainly by increased earnings net of dividends and a movement in the foreign currency translation reserve ($372M).

Debt

Total debt facilities of $4.4B, comprised US Private Placement of $1.9B, bilateral bank facilities of $2.0B, export credit agency funding of $0.1B and drawn commercial paper of $0.4B. Total undrawn committed debt facilities is $1.9B.

The duration of the drawn debt profile improved from 4.5 years at the end of March 2013 to approximately 6.3 years at the end of March 2014. The weighted average tenor of bilateral bank facilities is approximately 1.8 years.

Gearing

Gearing[(1)] decreased from 43.1% at 31 March 2013 to 36.5% 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 $31M to $313M (pcp: $282M), mainly due to:
  - Lower cash outflows for trade working capital of $59M primarily due to a reduction in debtors and inventory across most regions compared to pcp; and
  - Cashflows from non trade working capital increased $50M largely due to a reduction in prepayments and higher indirect tax receipts;

  Partially offset by:
  - Higher tax payments of $63M.
- Net investing cash outflows decreased by $207M to $188M (pcp: $396M), primarily due to:
  - Lower sustaining capital of $26M; and
  - Lower spend on growth projects of $186M compared to pcp with spending on Burrup lower by $66M, Kooragang Island expansion project lower by $49M and Bontang lower by $9M.
- Net financing cash flows decreased by $277M to an outflow of $147M (pcp: $130M inflow), major movements included:
  - A net decrease in borrowings of $275M due to the lower capital spend and increased operating cashflows; and
  - Lower repayments of LTEIP loans of $25M partially offset by no on-market purchase of shares to satisfy the LTEIP plan (pcp: $10M);

  Partially offset by:
  - Increased take up of the Dividend Reinvestment Plan from 13% in the pcp to 23% resulted in a lower cash dividends payment ($17M).

Statement of Cash Flows	**Six Months Ended March**		
		Restated	
A$M	**2014**	**2013**	**Change**
Net operating cash flows			
EBIT	402.4	434.4	(7%)
Add: Depreciation	131.0	118.2	11%
Add: Amortisation	19.4	18.3	6%
EBITDA	552.8	570.9	(3%)
Net interest paid	(74.3)	(70.0)	(6%)
Net income tax paid	(129.3)	(65.9)	(96%)
Trade Working Capital mvt [1]	(54.7)	(113.5)	52%
Non Trade Working capital mvt [2]	12.8	(37.4)	134%
FX mvt on debt/reserves	5.3	(2.2)	341%
	312.6	281.9	11%
Net investing cash flows			
Capital spending			
Sustaining capital [3]	(99.4)	(125.1)	21%
Growth capital [4]	(111.2)	(297.0)	63%
Total Capital Spending [5]	(210.6)	(422.1)	50%
Acquisitions	(1.5)	-	-
Proceeds from surplus asset sales, investment and businesses	23.9	26.5	(10%)
	(188.2)	(395.6)	52%
Net financing cash flows			
Net proceeds from share issues (inclusive of non controlling interests)	2.1	5.2	(60%)
Net (payments)/proceeds from LTEIP *	13.9	28.4	(51%)
Movement in borrowings	(0.6)	274.2	(100%)
Dividends paid - Orica Limited	(154.3)	(171.5)	10%
Dividends paid - NCI shareholders	(8.4)	(6.7)	(25%)
	(147.3)	129.6	(214%)

*LTEIP: long term employee equity incentive plans

1) September (opening) trade working capital (TWC) less March (closing) TWC (excluding TWC acquired and disposed of during the 6-month period).
2) Non trade working capital: primarily includes other receivables, other assets, other payables and provisions.
   Movement: September (opening) non trade working capital (NTWC) less March (closing) NTWC (excluding NTWC acquired and disposed of during the 6-month period).
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 Appendix 4D – Orica Half Year Report.

People

Orica has a diverse workforce of over 14,000 people. The project to migrate all employee information onto one global HR information system, PeopleNet, was completed at the end of March 2014. The project has delivered a global system to 58 countries worldwide, translated into 10 languages.

The global Seven Pillars training program is on track to be finalised by the end of April, with 11,000 employees completing the program as at March 31st.

Orica Recognition Awards were held in early 2014. 11 teams, comprising over 700 employees globally, were recognised for their outstanding team and individual achievements in delivering to customers and living Orica's values.

A new performance management framework was launched to ensure that Orica's managers and employees recognise outstanding performance and behaviour in line with Orica's values.

Sustainability Governance

Orica finalised the development of a new Safety, Health, Environment and Community (SHEC) management system in the first half of 2014. It provides a clear and consistent approach to SHEC management and practices across Orica and is aligned with leading industry practice. The new SHEC information management reporting system (Enablon) is on target to launch incident management, action planning and performance reporting modules in the third quarter of FY2014.

Safety, Health, Environment and Community (SHEC)

Orica worked fatality free for the first six months of 2014, following on from a fatality free 2013. For the period Orica achieved an All Worker Recordable Case Rate (number of recordable injuries and illnesses per 200,000 hours worked) of 0.39, an improvement from 0.50 for the corresponding period last year. Implementation of targeted fatality prevention and injury reduction programs in manufacturing and for driver safety are well underway.

Site-specific Environmental Management Plans (EMPs) are now in place at Orica's 12 largest operating sites and implementation at other sites is continuing. Development of stakeholder plans for Orica's key operating sites is also continuing, with a total of 26 plans having been finalised to date.

Orica has been engaging with the Australian Government around the proposed Emissions Reduction Fund which would replace the current Carbon Pricing Mechanism (CPM). Work to optimise the nitrous oxide abatement technology installations at Kooragang Island and Yarwun nitric acid plants has continued to minimise greenhouse gas emissions and liability under the CPM.

Orica is the subject of legal proceedings issued by the NSW Environmental Protection Authority and the NSW Office of Heritage and Environment in relation to environmental incidents that occurred in 2013 at Orica's Kooragang Island site and in the Hunter Valley. Orica is yet to enter a plea in relation to the alleged offences in those legal proceedings.

Business Development

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

- Construction of the ammonium nitrate plant at the Burrup Joint Venture in the Pilbara, Western Australia (45% owned by Orica). Overall the development is 76% complete with the primary focus of the period being on module assembly in Batam, Indonesia. To date three of the ten modules have been delivered to the Burrup site. Site construction is 46% complete with civil works ready for the progressive delivery of the modules. Recruitment of operational staff has commenced with training scheduled to start in December 2014. A construction contract for the supply of 60 houses for the operational workforce has been entered into with the first house due for handover in July 2014. The project remains on time and budget with commissioning scheduled for mid to late 2015 calendar year.

- A feasibility study into the potential expansion of the ammonium nitrate plant at Kooragang Island, Australia has determined the viability of installing a 10,000t nitric acid tank to supplement the existing nitric acid supply to utilise 70ktpa of additional capacity within the AN plant. Permitting and licencing is underway for the project. This expansion is a capital light, low risk solution to meeting customer demand.

- Construction commenced on the Apatit bulk emulsion plant in Russia. Civil works, the purchase of long lead equipment and on site building construction was undertaken during the period. Commencement of building works during the summer months will enable construction to meet the scheduled completion date of December 2014.

Corporate

Chemicals Strategic Review
A strategic review of the Chemicals business is underway. The review is expected to be completed in 2014 and is exploring all possible options for the business' future.

Cost and Productivity Review
A program to enhance and accelerate company wide cost reviews is underway. External consultants have been appointed to work with a cross-functional Orica team to test all areas of operating spend, labour productivity, production/yield, capital and implementation capability. Benefits and costs of this program will be detailed at the full year results announcement in November.

Dividend

The directors declared an interim ordinary dividend of 40 cps. The dividend is franked at 16 cps. The dividend is payable to shareholders on 1 July 2014 and shareholders registered as at the close of business on 2 June 2014 will be eligible for the interim 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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