Orica Limited
ABN 24 004 145 868

ASX Announcement

ORICA REPORTS NET PROFIT AFTER TAX (NPAT) ON A CONTINUING OPERATIONS BASIS OF $211M FOR THE HALF YEAR ENDED 31 MARCH 2015

Building resilience through the cycle

- NPAT $211M from continuing operations, down 3% (pcp $218M)
- EBITDA from continuing operations down 5% to $472M (pcp: $499M);
- EBIT from continuing operations down 9% to $330M (pcp: $364M);
- Financial benefits of Orica's company-wide transformation program on track, delivering earnings support in first half;
- Earnings per ordinary share from continuing operations down 4% to 56.9c;
- Net operating and investing cash flows of $110m, down from $124m in the pcp. An additional $680M was received from the sale of the Chemicals business;
- Net debt of $1,894M down 20% on the pcp;
- Gearing at 29.4%, versus 36.5% in the pcp;
- Interest cover of 7.0 times (pcp: 6.7 times);
- Commencement of Orica's on-market share buy-back program;
- Interim dividend of 40 cents per share, no change to pcp; and
- Successful completion of the sale of the Chemicals business in February 2015.

Melbourne: Orica (ASX: ORI) today reported a net profit after tax of $211M on a continuing operations basis for the six month period ended 31 March 2015. The result is 3% lower than the prior corresponding period in the face of challenging external conditions.

The Orica Board has declared an interim dividend of 40 cents per share.

Interim CEO Alberto Calderon said: "Market conditions are unquestionably difficult but Orica is continuing to take action to mitigate the impact of market headwinds to build a foundation for earnings resilience through the cycle. This is an ongoing priority.

"While the mining price boom has ended, Orica's operations are more closely correlated to production volumes, which have remained steady.

"The diversity of Orica's portfolio and customer offer continues to underpin performance by providing broad exposure across commodities, customers and geographies.

“The period has also seen growth in revenue from Orica’s innovative range of advanced blasting products and services, extending Orica’s competitive differentiation by delivering products that enhance customer productivity and profitability. Importantly, we have also made significant progress in renewing and extending our customer contracts, particularly in Australia, albeit at prices more reflective of current market conditions.

“The initial financial returns from Orica’s transformation program are also now evident on the bottom line, with $79M of benefits achieved in the first half, offset by one-off costs of $64M. The full year contribution from the transformation process is expected to be in line with initial forecasts of $140M - $170M before implementation costs of $100M - $120M. We are focusing on unlocking further upside beyond 2015.

“Maintaining our focus on delivering the benefits of transformation to the bottom line is an important priority, as well as finding new opportunities for improvement,” he said.

Mr Calderon said Orica was continuing to closely monitor the ammonium nitrate supply/demand balance and was evaluating a number of available options to optimise supply.

Operations

Earnings Before Interest and Tax (EBIT) of $330M (down 9%) was impacted by lower net pricing across products and a shift in the regional mix across the portfolio, as well as reduced demand for ground support products.

Key features of the operating result from the period include:

- Global AN product volumes 3% higher against a backdrop of volatile markets
- Revenue from advanced blasting products and services up 9% with the benefits of contract wins in Brazil, Peru, Norway and CIS flowing through this period
- Lower Australian explosives volumes (down 5%) as a result of customer site closures and mine planning changes in Eastern Australia and customer cost focus at iron ore sites in the Pilbara
- AN product volume growth in North America (up 10%) from increased sales to existing customers, higher indirect sales and contract wins
- Higher volumes in Latin America (up 9%) and growth in advanced blasting products and services revenue (up 17%) from projects in Brazil and Peru
- Slightly higher earnings from operations in Europe, Middle East and Africa (up 2%) as a result of higher revenue generated by advanced blasting products and services, although explosives volumes were flat year on year and ground support volumes were lower
- Lower AN product volumes in Asia (down 3%) due to weak demand from coal customers and lower strip ratios
- Cyanide volumes up 28% as a result of improved demand, new contracts and customer destocking in prior corresponding period
- Ground support volumes weaker; steel volumes (down 12%) and resins and powders (down 17%).

Transformation Update

Orica's company-wide transformation program continues to progress strongly, with projects being rolled out across all areas, including supply, manufacturing, technology and customer facing functions.

Key progress items in the half year period include:

- Completion of supply contract renegotiations with 60% of Orica's strategic supplier base
- Optimisation of manufacturing footprint
- Reduction of approximately 550 operational support roles

Capital Management

On February 28, Orica completed the sale of its chemicals business to Funds advised by the Blackstone Group. At this time more than 1,000 Orica employees were transferred to the new entity which has been rebranded as Ixom.

At the same time Orica announced it would undertake an on-market share buyback of up to $400M over 12 months. The share buyback has commenced and will continue in the second half.

Outlook

Global markets remain volatile and uncertain and FY15 profit guidance continues to be difficult to provide in these circumstances.

After incorporating two months of additional information, key assumptions are:

- Global explosives volumes are expected to be around 3.75 million tonnes (+/- 100kt), with explosives volumes down in Australia and higher volumes in the Americas. 2H15 volumes in Australia are expected to be in line with 1H15
- Explosives prices have substantially been reset; full impact to flow through in 2H15
- Sodium cyanide volumes expected to be up by approximately 10% from FY14. Pricing has stabilised
- Ground support markets are expected to remain challenging
- Orica's operating costs are anticipated to reduce as a result of the transformation program with net pre tax benefits of $140-170m and implementation costs of $100-120m in 2015
- Net interest costs to be approximately 15 - 20% lower than 2014
- Depreciation and amortisation is expected to be at similar levels to 2014
- Effective tax rate to be broadly in line with 2014
- Ongoing focus on capital discipline will see capital expenditure in the range of $400 - $430m for continuing operations

Interim Dividend

The Board has declared an interim dividend of 40 cps franked to 14 cps (40cps 1H14). The dividend record date is 1 June 2015 and is payable 1 July 2015.

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- **Analysts' Contact:** Delphine Cassidy, Investor Relations
  Mobile: +61 (0) 419 163 467

- **Media Contact:** Sam Stevens, General Manager, Corporate Communications
  Mobile: +61 (0) 400 693 915

- **Web site**: www.orica.com / www.twitter.com/OricaLimited

Orica Limited Profit Report

Results for the Half Year Ended 31 March 2015

- **Statutory net profit after tax (NPAT)[1] for the half year ended 31 March 2015 was $222m (previous corresponding period (pcp): $242m).**
- **On a continuing operations basis, NPAT[1] for the half year ended 31 March 2015 was $211m. (pcp: $218m).**

Key Financials

- Successful completion of the sale of the Chemicals business in February 2015
- EBITDA[2] from continuing operations down 5% to $472m (pcp: $499m)
- EBIT[3] from continuing operations down 9% to $330m (pcp: $364m)
- Earnings per ordinary share from continuing operations down 4% to 56.9c
- Net operating and investing cash flows of $110m, down from $124m in the pcp. An additional $680m was received from the the sale of the Chemicals business
- Net debt[4] of $1,894m down 20% on the pcp
- Gearing[5] at 29.4%, versus 36.5% in the pcp
- Interest cover of 7.0 times[6] (pcp: 6.7 times)
- Interim ordinary dividend of 40 cents per share, unchanged from pcp
- On-market share buyback program of up to $400m over 12 months initiated

Summary

- Orica continues to demonstrate resilient earnings and solid cash generation amid challenging market conditions across most of its global markets. Explosives volumes were up 3%, and revenue from advanced products and services was up 9%
- Delivery of transformation program benefits of $79m with one-off transformation costs of $64m
- EBIT from continuing operations of $330m was 9% below the pcp, reflecting change in regional sales mix and challenging pricing conditions, offset by a net transformation program contribution of $15m; $17m in foreign exchange benefits; and $12m profit from asset sales
- NPAT from continuing operations of $211m was down 3% on reduced operational earnings, partly offset by lower interest expense and a lower effective tax rate

	Six months ended 31 March		
A$M	**2015**	**2014**	**Change**
Continuing operations			
Sales Revenue	2,809.4	2,801.7	0%
EBITDA [2]	472.1	499.0	(5%)
EBIT [3]	330.0	363.8	(9%)
NPAT [1]	211.0	218.2	(3%)
EPS (cents)	56.9	59.5	(4%)

	Six months ended 31 March		
	2015[7]	**2014**	**Change**
Dividends per share (cents)	40.0	40.0	0%
Payout Ratio [8]	66.9	61.3%	5.6pt
Net Debt [4]	1,894.4	2,370.3	(20%)
Gearing [5]	29.4%	36.5%	7.1pt
Interest Cover (times) [6]	7.0	6.7	0.3 x
Net Operating & Investing Cash flow [9]	109.6	124.4	(12)

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

1 Equivalent to Net profit for the period attributable to shareholders of Orica Limited disclosed in Note 11 within Appendix 4D–Orica Half Year Report.
2 EBIT plus Depreciation and Amortisation.
3 EBIT (equivalent to Profit from operations as disclosed in Note 11 within Appendix 4D – Orica Half Year Report).
4 Total interest bearing liabilities less cash and cash equivalents.
5 Net debt / (net debt + equity).
6 EBIT / Net interest expense.
7 Includes 5 months of Chemicals' result only as the sale of the Chemicals business was successfully completed in February 2015
8 (Interim dividend cps x shares on issue at 31 March 2015) / NPAT.
9 Excludes $680m proceeds from sale of Chemicals business

Note: numbers in this report are subject to rounding and stated in Australian dollars unless otherwise noted.

Revenue

Sales revenue from continuing operations of $2.8b was flat, primarily driven by:

- Favourable currency movements;
- Higher volumes across bulk explosives and cyanide products; and
- Growth in revenue from advanced products and services of 9%.

Largely offset by:

- Lower volumes of initiating systems and ground support products; and
- Lower average pricing for explosives and mining chemicals reflecting challenging markets and competitive conditions.

Earnings Before Interest and Tax (EBIT)

EBIT from continuing operations decreased by 9% to $330m (pcp: $364m).

Decreased earnings were attributed to:

- A regional shift in demand, combined with an unfavourable product mix of $38m;
- Lower net pricing across explosives products of $28m;
- Lower net pricing across cyanide and ground support products of $12m; and
- Once-off transformation costs of $64m.

Partially offset by:

- Transformation benefits of $79m;
- Favourable foreign exchange contribution of $17m largely due to the lower AUD; and
- Profit on asset sales of $12m.

Interest Expense

Net interest expense of $48m was lower than the pcp ($60m) due to lower average debt levels, lower interest rates and higher capitalised interest associated with the Burrup ammonium nitrate project. Capitalised interest was $17m (pcp: $13m). Interest cover increased to 7.0 times.

Tax Expense

An effective tax rate from continuing operations of 22.7% (pcp: 24.3%) was lower mainly due to a change in geographical profit mix and non taxable profit from asset sales due to the utilisation of capital losses.

Revenue Summary

	Six months ended 31 March		
A$M	**2015**	**2014**	**Change %**
Continuing Operations	2,809.4	2,801.7	0
Chemicals	497.4	591.4	(16)
Eliminations	(27.5)	(35.8)	(23)
Total Sales Revenue	**3,279.3**	**3,357.3**	**(2)**
Other Income	13.9	17.8	(22)
Total	**3,293.2**	**3,375.1**	**(2)**

Earnings Summary

	Six months ended 31 March		
A$M	**2015**	**2014**	**Change %**
EBIT			
Mining Services	407.5	418.9	(3)
Corporate Costs	(77.5)	(55.1)	(41)
EBIT from Continuing Operations	**330.0**	**363.8**	(9)
Chemicals	8.3	38.6	(78)
Total EBIT	**338.3**	**402.4**	(16)
Net Interest	(48.0)	(60.2)	20
Tax expense	(60.9)	(87.4)	30
Non controlling interests	(7.3)	(12.7)	43
NPAT	**222.1**	**242.1**	**(8)**
NPAT comprising:			
-Continuing operations	211.0	218.2	(3)
-Discontinued operations	11.1	23.9	(54)
Total	**222.1**	**242.1**	**(8)**

Corporate Costs

Corporate costs of $78m were higher than the pcp ($55m) due to costs associated with the transformation program of $21m, higher net hedging and insurance costs of $10m, offset by profit from asset sales of $12m.

Discontinued Operations

The sale of the Chemicals business was completed in February 2015 and is reported as discontinued operations.

EBIT from discontinued operations was $8m for the period (pcp: $39m) and included the pre-tax accounting loss on sale of the Chemicals business of $23m.

NPAT of $11m included 5 months of earnings of $20m and an accounting net loss from divestment of $9m.

MINING SERVICES

Key Points

- EBIT contribution from Mining Services was down 3% to $408m.
- Continued challenging market conditions across coal markets in Australia, Indonesia and North America and iron ore markets globally negatively impacted demand for explosives and ground support products.
- Global AN related products volumes were up 3% (54kt) versus the prior year. Stronger sales of AN related products into North America and Latin America were offset by weaker volumes into Australian and Asian markets. Volumes in EMEA were flat.
- Growth in AN volumes into indirect channels and traded product sales, particularly in North America and Latin America, negatively impacted product mix with lower volume of emulsion based products (down 2%).
- Ground Support product volumes were down globally, with steel volumes down 12% and resins and powders down 17% versus the prior year.
- Cyanide volumes were up 28% versus the prior year influenced by improved overall demand, new contracts and customer destocking in the pcp.
- Lower average pricing for explosives and cyanide products reflected challenging markets and competitive conditions. Pricing for ground support products was generally flat.
- Growth in revenue from advanced products and services of 9% despite challenging market conditions. Advanced products and services represented 24% of explosives sales.
- Significant progress on transformation activities including realisation of supply efficiency benefits and operating cost reductions.
- Favourable foreign exchange benefits of $17m consisting of transactional and translational impacts.

Earnings

	Six months ended 31 March		
A$M	**2015**	**2014**	**Change %**
Sales by Product Group			
- Explosives	2,359.8	2,302.6	2
- Ground Support	291.6	339.5	(14)
- Mining Chemicals	156.8	159.6	(2)
Total Mining Services	**2,808.2**	**2,801.7**	**0**
EBIT:			
Australia/Pacific	239.2	254.6	(6)
North America	58.2	51.2	14
Latin America	25.1	36.1	(30)
EMEA	43.0	42.2	2
Other:			
Global Hub - North America	42.8	29.8	44
Global Hub - Latin America	26.9	18.5	45
Asia & Other[1]	(27.7)	(13.5)	nm
Total Other	42.0	34.8	21
EBIT	**407.5**	**418.9**	(3)

[1] Includes Asia trading, Global Hub operational costs and other central costs associated with Mining Services

Orica operates a Global Hub representing a centralised functional model across purchasing, manufacturing, supply chain and research and development activities. By centralising these activities into a single location, operational performance is optimised through centralised planning and control and removal of duplication.

North America and Latin America EBIT contributions as disclosed in their respective regional summaries include Global Hub contributions associated with sales in these regions.

2015 Volumes and percent change vs. 2014

	AN[1]		Emulsion Products[2]		Total	
'000 Tonnes	**kt**	**%**	**kt**	**%**	**kt**	**%**
Australia/Pacific	167	(9)	382	(3)	549	(5)
North America[3]	428	21	175	(9)	603	10
Latin America	137	13	222	6	359	9
EMEA	16	93	184	(4)	201	-
Asia[4]	76	(10)	67	7	144	(3)
Mining Services	**825**	**10**	**1,031**	**(2)**	**1,856**	**3**

[1] AN includes prill and solution sold externally.
[2] Emulsion products include bulk emulsion & packaged emulsion.
[3] 2014 AN volumes have been restated to exclude volumes sourced on behalf of joint venture partners.
[4] Included in "Mining Services Other" as disclosed in Note 2 within Appendix 4D – Orica Half Year Report.

Regional Summaries

Australia/Pacific

- EBIT of $239m was down 6% versus the pcp with reduced demand for explosives and ground support products and lower pricing generally, partly offset by transformation program benefits.
- **Explosives volumes** were down 5% (29kt) with a reduction in volumes in Eastern Australia coal markets (down 8%) and the Pilbara iron ore market (down 16%) partly offset by an increase in sales to third party suppliers.
- Volumes into coal markets were influenced by weak market conditions, low coal prices and a focus on operating costs resulting in some customer site closures, curtailment of production and mine planning changes during the period. Contract losses also negatively impacted volumes.
- Volumes into the Pilbara iron ore market were impacted by continued customer focus on minimising waste stripping in response to low iron ore prices.
- Despite challenging market conditions and lower volumes, revenue from **advanced products and services** increased 8%.
- **Cyanide volumes** were up 28% influenced by customer destocking in the pcp and increased demand from new mines.
- **Ground support volumes** for both steel and chemical products were down versus the pcp, impacted by weak demand from underground coal markets, some site closures and increased competition.
- **Pricing** across all product groups was generally lower in response to more difficult market conditions.
- The **transformation program** is well advanced with net benefits realised from supplier and labour efficiency programs.
- The unfavourable impact of lower manufacturing volumes at the Yarwun AN plant was offset by improved manufacturing volumes at the Kooragang Island ammonia plant and the Yarwun cyanide plant.

North America

- EBIT of $58m. Including the contribution from Global Hub activities, EBIT was $101m.
- Modest recovery in most markets, transformation program benefits, and contracting success more than offset the softer Western Canadian coal market.
- **Explosives volumes** were up 10% (57kt), largely due to increased volumes into coal markets. However, underlying market conditions in Western Canada were weak. Strong growth through indirect channels and recent contract wins more than offset the weaker market conditions.
- Quarry and construction markets in the USA showed moderate growth, though this was offset by lower construction and infrastructure projects in Canada.
- Volumes into metals markets were up 4%, driven by increased volumes into precious metals mines in Canada and increased volumes through indirect channels, particularly in South West USA.
- **Ground support volumes** were down due to weak demand from coal markets. Resins showed some resilience, 1% down versus the pcp, whilst steel volumes were down 9%.
- **Pricing** for explosives was generally flat to slightly up during the period. Pricing for ground support products was marginally down.
- Significant benefits were delivered through the transformation program. The supplier efficiency program positively impacted the average cost of material inputs. Other operational efficiencies also positively impacted EBIT in the period, including benefits from previously announced restructuring activities in ground support.
- Foreign exchange movements contributed favourably to EBIT by $7m.

Latin America

- EBIT of $25m. Including the contribution from Global Hub activities, EBIT was $52m.
- **Explosives volumes** were up 9% (29kt), due to higher volumes in Peru and Colombia partly offset by lower Venezuela sales. Unfavourable product mix from increased traded AN volumes across the region resulted in a slight decline in the proportional mix of emulsion based products and a decline in initiating systems volumes.
- **Advanced products and services** remained a strong contributor to revenue, with growth of 17% in the period, driven by projects in Brazil and Peru.
- Foreign exchange movements contributed favourably to EBIT by $4m.

Europe, Middle East and Africa (EMEA)

- EBIT of $43m was up 2% versus the pcp with an increase in advanced service offerings and transformation benefits, partly offset by lower volumes of ground support products.
- **Explosives volumes** were flat year on year, with growth in the Nordics, South West Europe and CIS markets offset by lower volumes into Turkey, where volumes have been challenged by increased competition. Volumes in Africa were flat, with delays in the ramp-up of activity in Zambia.
- **Ground support volumes** were lower with resins and powders down 21% and steel down 23% in Western Europe and the UK, due in part to customer closures and a slow-down in coal mining activity.
- Revenue from **advanced products and services** increased 9% in the period due mainly to new contracts in Norway and CIS.
- **Pricing** across explosives and ground support products was generally flat to slightly up.
- The transformation program is well advanced with net benefits realised in the period.
- Foreign exchange movements contributed favourably to EBIT by $2m.

Other (Asia, Global Hub and Head Office)

- The respective hub contributions associated with centralising activities (including purchasing, manufacturing, supply chain and research and development) in relation to the North American and Latin American operations are discussed above
- EBIT was down $14m due to weaker market conditions in Asia and one-off transformation program costs. Global Hub operational costs and other costs were generally in line with pcp.
- **Explosives volumes** in Asia declined 3% (4kt) versus the pcp impacted by lower volumes in Indonesia (down 6%) due to weak demand from coal customers and lower strip ratios, suspension of supply into Mongolia in response to lower coal prices, partly offset by higher volumes of bulk emulsions in India.
- **Pricing** for explosives products declined versus the pcp due to lower spot pricing in Indonesia due to the increased availability of imported AN. This has also put downward pressure on pricing in the Indonesian contracted market. Pricing in India also declined due to increased competition.
- Bontang manufactured tonnes were down 23% compared to the pcp due in part to local licensing and operational issues in January, coupled with reduced export demand.
- Foreign exchange movements contributed favourably to EBIT by $4m.

Balance Sheet

Key balance sheet movements since September 2014 were:

- Trade working capital (TWC) reduced by $84m. Excluding the impact of the Chemicals business sale, TWC increased by $56m comprising a foreign exchange translation impact of $32m and an underlying increase of $24m. The underlying movement was largely due to an increase in inventory of $35m, partly offset by an increase in payables of $10m.
- Net property, plant and equipment (PP&E) decreased by $133m due to the disposal of the Chemicals business of $338m and depreciation of $135m, offset by growth and sustaining capital of $150m, capitalisation of interest of $11m and a positive foreign exchange translation impact of $187m. Spending on growth projects in the period included Burrup ammonium nitrate project ($30m) and on-site emulsion plants in CIS and Brazil of $13m.
- Intangible assets decreased by $36m due to the disposal of the Chemicals business of $142m and amortisation of $20m, offset by capital expenditure on the global IT system and research and development projects of $45m, capitalisation of interest of $6m and a positive foreign exchange translation impact of $75m.
- Net other liabilities decreased by $57m, due to the disposal of the Chemicals business ($52m).
- The reduction of $342m in net debt was the result of operating cash flow of $279m generated in the 6-month period and the net cash proceeds received from the sale of the Chemicals business ($680m), partly offset by the payment of the 2014 final dividend of $208m and capital expenditure of $191m and other net cash flows and foreign exchange translation on net debt of $217m.

Share buy-back program

- On 2 March 2015, Orica announced an on-market share buy-back program of up to $400m over 12 months.
- To the end of March, 1.36m shares to the value of $27m were purchased ($8m cash outflow at March).

Balance Sheet

A$M	Mar 2015	Sep 2014
Inventories	655.2	727.4
Trade Debtors	753.2	863.0
Trade Creditors	(846.0)	(944.3)
Total Trade working capital	562.4	646.1
Net PP&E	3,661.4	3,794.9
Intangible assets	2,352.1	2,388.5
Net other liabilities	(136.8)	(193.7)
Net debt	(1,894.4)	(2,236.7)
Net Assets	**4,544.7**	**4,399.1**
Orica shareholders' equity	4,395.7	4,263.0
Non controlling interests	149.0	136.1
Equity	4,544.7	4,399.1
Gearing [1]	**29.4%**	**33.7%**

[1] Net debt/(Net Debt + Equity)

Funding

- Solid operating cash flow performance and proceeds from the sale of Chemicals further improved the credit metrics. Undrawn committed bank facilities of $1.7b, complemented by additional cash at bank of $0.5b in preparation for up-coming maturities, provide a strong liquidity position. Total debt facilities were $4.0b.
- The half year gearing decreased to 29.4% from 33.7% at September 2014 (and 36.5% versus pcp).
- Total drawn debt of $2.4b is composed of $2.2b of US Private Placement and $0.2b of committed facilities. The duration of drawn debt is 5.5 years (6.3 years pcp). Orica's Standard & Poor's credit rating is BBB (stable outlook).

Cash Flow

- Net operating and investing cash flows increased by $665m to $790m (pcp: $124m).

  After excluding the net cash proceeds from the sale of the Chemicals business of $680m, net operating and investing cash flows decreased slightly by $15m from the pcp due to lower net operating cash flows of $34m offset by lower capital expenditure of $19m.

- Net operating cash inflows decreased by $34m to $279m (pcp: $313m), mainly due to:
  - Lower earnings contribution for 2015 from continued and discontinued operations;
  - Higher cash outflows for trade working capital of $82m, primarily due to the impact from discontinued operations of $100m offset by a reduction in trade working capital from continuing operations of $18m; and
  - Higher cash outflows from non trade working capital of $19m.

  Partially offset by:
  - Higher volatility of the AUD against major currencies, compared to the pcp, resulted in a favourable foreign exchange outcome on the translation of debt and reserves of $85m (pcp: $5m);
  - Lower tax payments of $41m, impacted by lower tax expense and timing of payments; and
  - Lower interest payments of $6m.

- Net investing cash increased by $699m to $510m (pcp: outflow $188m), largely due to:
  - Net cash proceeds received from the sale of the Chemicals business of $680m; and
  - Lower spend on capital expenditure of $19m, to $191m, across growth projects and sustaining capital.

- Net financing cash outflows increased by $377m to $524m (pcp: $147m) with movements including:
  - A net repayment of borrowings of $304m due to increased net operating and investing cash flows;
  - Higher dividend payments as a result of the on-market share purchase of $52m to satisfy the Dividend Reinvestment Plan (DRP) from the 2014 final dividend;
  - $8m for the commencement of Orica's on-market share buy-back program; and
  - Partially offset by no repayments of LTEIP loans (PCP: $14m).

Statement of Cash Flows

	Six months ended March		
A$M	**2015**	**2014**	**Change %**
Net operating cash flows			
EBIT	338.3	402.4	(16)
Add: Depreciation	135.1	131.0	3
Add: Amortisation	20.0	19.4	3
EBITDA	493.4	552.8	(11)
Net interest paid	(68.2)	(74.3)	8
Net income tax paid	(88.4)	(129.3)	32
Trade Working Capital mvt[1]	(136.9)	(54.7)	>100
Non Trade Working capital mvt[2]	(6.0)	12.8	
FX mvt on debt/reserves	85.2	5.3	
	279.1	312.6	(11)
Net investing cash flows			
Capital spending			
Sustaining capital[3]	(85.8)	(99.4)	14
Growth capital[4]	(105.4)	(111.2)	5
Total Capital Spending[5]	(191.2)	(210.6)	9
Acquisitions	(0.5)	(1.5)	67
Proceeds from surplus asset sales	20.7	22.3	(7)
Proceeds from sale of investments and businesses	681.4	1.6	>100
	510.4	(188.2)	>100
Net Operating and Investing Cash flows	789.5	124.4	>100
Net financing cash flows			
Net proceeds from share issues (inclusive of non controlling interests)	1.1	2.1	(48)
Net proceeds from LTEIP[6]	-	13.9	>100
Share buy back	(8.4)	-	(>100)
Movement in borrowings	(304.1)	(0.6)	(>100)
Dividends paid – Orica Limited	(208.1)	(154.3)	(35)
Dividends paid – NCI shareholders	(4.5)	(8.4)	46
	(524.0)	(147.3)	>100
Net Cash flows	265.5	(22.9)	

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.

6 LTEIP: Long Term Employee Equity Incentive Plans.

STRATEGY AND BUSINESS DEVELOPMENT

Overview of Orica's business strategy

Orica's strategy is to create sustainable shareholder value through customer focused and capital efficient supply of advanced blasting services, mining chemicals and ground support services and products.

These are delivered through Orica-owned manufacturing and third-party sourcing that underpins security of supply for customers.

Orica's market-leading solutions maximise our customers' capacity to:

- transform mineral resources into recoverable reserves;
- increase mine productivity and mill throughput;
- increase mineral recovery;
- reduce energy consumption;
- operate safely; and
- improve noise, vibration and fume control.

Orica's capacity to ensure security of supply is a key differentiator and competitive advantage. The company's portfolio of third party supply arrangements and its broad footprint of manufacturing and distribution assets provide extensive supply capability across Australia Pacific, Asia, Europe, Africa, Latin America and North America.

Business Development

Consistent with Orica's strategy, in 2015 work continued on a number of growth projects including:

- As at 31 March 2015, the construction of the ammonium nitrate plant in the Pilbara, Western Australia, for the Burrup Joint Venture (45% owned by Orica) is overall 95% complete. Site construction is 85% complete, with electrical and piping trades finishing. Commissioning is scheduled to be completed in late 2015 with production ramping up in 2016.
- A number of site emulsion plants were constructed to support regional blasting activities:
  - The 60,000t Kalumbila (Zambia) emulsion plant was commissioned with operational production in November 2014.
  - The 40,000t Apatit (Russia) emulsion plant (and 8 MMU's) was commissioned and operational production commenced in December 2014.
  - The 54,000t Salobo (Brazil) modular emulsion plant commissioned and operational production commenced in April 2015.
  - The Pueblo Viejo (Dominican Republic) emulsion plant has been designed and fabrication is underway for completion in June 2015.
- The Global Enterprise Project (implementing a new business IT platform) is in the second year of a three year program. The project is tracking to plan and is over 50% complete and expected to be fully implemented at the end of 2016. Key areas of focus are global processes across Asset Management, Finance, Supply Chain and Commercial.

SUSTAINABILITY

People

As at March 2015, Orica had 12,693 employees, located in over 50 countries. During the reported period approximately 1,000 employees transferred to IXOM as part of the Chemicals sale and approximately 550 roles were removed from the continuing business operations as part of the transformation program.

Further progress was made in training operational employees and supervisors to globally-consistent standards and in developing Orica's leaders, with all senior leaders participating in a global leadership program facilitated by the London Business School. Further expansion of Orica's graduate program to incorporate Russia commenced, building on the program's expansion into Africa in 2014.

Executive remuneration framework changes announced at the full year were implemented, along with simplification of performance-based pay arrangements for other employees.

General productivity improvements continued to be achieved through streamlining operations as part of Orica's transformation program and embedding flexibility in collective agreements.

Safety, Health, Environment and Community (SHEC)

Orica continued to strengthen its processes and procedures which support ongoing improvement in sustainability performance in the period. Key achievements include:

- Full integration of the risk and SHEC management systems;
- The definition of performance metrics for all key controls are currently being deployed throughout Orica via Key Control Data Sheets; and
- Implementation of the next tranche of modules in the new integrated SHEC information management and reporting system ENABLON.

Orica's All Worker Recordable Case Rate (number of recordable injuries and illnesses per 200,000 hours worked) has improved to 0.37. Key initiatives have continued to further embed safety into Orica's activities including ongoing fatality prevention, injury reduction and vehicle safety programs.

Activities focused on improving Orica's environmental performance and management practices have also continued in the period. There are now more than 300 site-specific environmental management plans in place at Orica operated facilities. Work continues to optimise the nitrous oxide abatement technology installations at Orica's nitric acid plants. Greenhouse gas abatement projects at sites in Australia, Canada and Indonesia have reduced nitrous oxide emissions by more than 900,000 tonnes of carbon dioxide equivalent (CO_2-e) in 2014, compared to 2010 baseline performance.

Orica continues to improve the process for determining its community investment priorities. The second round of Orica's new Community Partnerships Program has recently been completed, ensuring that investments better reflect the Company's global footprint, growth regions and the priorities of local communities. Stakeholder management plans continue to be developed and used to guide engagement across key sites and regions.

Significant remediation projects at Deer Park and Yarraville (Vic), Villawood and Botany (NSW), Engene (Norway) and Seneca (North America) are progressing in consultation with local communities and environmental regulators. Remediation projects have been completed and land divested at parts of the Botany (NSW) site.

Australian Tax Transparency - Tax Return Data for 2014

As an Australian company with operations in more than 50 countries and customers in more than 100 countries Orica supports the efforts of various governments around the world, the G20 and the OECD to ensure increased tax transparency.

Orica applies a high level of governance to its tax affairs and is committed to complying with all relevant laws in the jurisdictions in which it operates.

In 2013, legislation was passed requiring the Australian Tax Office to publish specific 2014 Income Tax Return data of corporate tax entities that report a total income of $100 million or more. Information relating to the Company's Australian operations is provided in the table below.

A$M	2014	2013[1]
Total Income[2]	2,884	2,984
Taxable Income[3,4]	227	453
Statutory Tax Rate[5]	30%	30%
Actual Tax Payable[4,6]	43	111

1. As would have been reported to the ATO had the new legislation taken effect for the 2013 tax year.
2. Total Australian income (includes sales, dividends, interest income etc.) before all expenses (for example, interest, employee costs, depreciation).
3. Taxable income after allowing for all deductible expenses and tax exempt income.
4. Taxable income and tax payable are lower in 2014 compared to 2013 mainly due to a decrease in Australian earnings, foreign exchange gains and losses and timing adjustments in relation to provisions (eg.environmental, employee entitlements etc.)
5. Australian Statutory tax rate
6. Includes offset reductions of $25 million (2013 $25 million) relating to franking credits, foreign income tax and research and development.

The 2015 full year result will include more detail in relation to tax strategy and tax governance process, taxes paid by geographical region and tax expense commentary.

CORPORATE

Transformation Program

The purpose of the transformation program is to improve the Company's cost base, efficiency, asset management capabilities, customer focus and commercial agility to ensure Orica's capacity to sustain profitable growth across varying market conditions.

Good progress had been made on the transformation program over the past six months.

Following a strategic assessment of Orica's suppliers, over 60% of supplier contracts have been renegotiated, with the remaining contract negotiations still to be finalised.

An organisational restructure has resulted in approximately 550 operational support roles being removed from the Global business in this half.

Manufacturing optimisation initiatives are in progress with improving plant efficiencies, automation and SKU rationalisation being key focus areas. In addition, manufacturing footprint rationalisation has commenced with selected manufacturing sites having been closed in this process, with more expected to follow.

For the six months ended 31 March 2015, the program delivered an EBIT benefit of $79m, with associated one-off implementation costs of $64m, principally being related to transformation office establishment and restructuring costs.

For the full year, the transformation program is on target to deliver an EBIT benefit of approximately $140-170m, which will be partly offset by one-off costs of $100-120m.

Dividend

The directors have declared an interim ordinary dividend of 40 cps. The dividend is 35% franked at 14 cps. The dividend is payable to shareholders on 1 July 2015 and shareholders registered as at the close of business on 1 June 2015 will be eligible for the final dividend. Ex-dividend date is 28 May 2015. It is anticipated that dividends in the near future are unlikely to be franked at a rate of more than 40%.

2015 Outlook

Global markets remain volatile and uncertain and FY15 profit guidance continues to be difficult to provide in these circumstances.

After incorporating two months of additional information, key assumptions are:

- Global explosives volumes are expected to be around 3.75 million tonnes (+/- 100kt), with explosives volumes down in Australia and higher volumes in the Americas. 2H15 volumes in Australia are expected to be in line with 1H15
- Explosives prices have been substantially reset; full impact to flow through in 2H15
- Sodium cyanide volumes expected to be up by approximately 10% from FY14. Pricing has stabilised.
- Ground support markets are expected to remain challenging
- Orica's operating costs are anticipated to reduce as a result of the transformation program with net pre tax benefits of $140-170m and implementation costs of $100-120m in 2015
- Net interest costs to be approximately 15 - 20% lower than 2014
- Depreciation and amortisation is expected to at similar levels to 2014
- Effective tax rate to be broadly in line with 2014
- Ongoing focus on capital discipline will see capital expenditure in the range of $400 - $430m for continuing operations

For Further Information

Investors
Delphine Cassidy
Mobile: +61 (0) 419 163 467

Media
Sam Stevens
Mobile: + 61 (0) 400 693 915