

ASX Announcement

16 May 2017

Continued focus on core disciplines delivers sound 2017 interim result

Melbourne: Orica (ASX: ORI) today announced a solid first half financial result, with statutory net profit after tax (NPAT) of \$195 million for the six months ended 31 March 2017, 31% higher than the prior corresponding period (pcp) (\$149 million¹).

During the six month period there were indications that miners were beginning to return to more normal mine plans, and associated strip ratios. This development combined with our business improvement initiatives offset the impacts from the expected headwinds resulting mainly from increases in gas and ammonia prices in Australia and North America. As a result, underlying EBIT of \$314 million (pcp: \$317 million) highlighted a stabilisation of earnings after the downward trend that had been apparent over recent years.

Safety at Orica is regarded as the key priority across the business, and so it was devastating that in February an accident on a customer mine site in Peru resulted in the death of an employee. A full investigation was undertaken and a program has been implemented to ensure everyone at Orica understands the major hazards in their work, that the right controls are in place and adhered to at all times, and that all levels of leadership across the organisation are actively involved in hazard identification and in verifying the appropriate controls. This will forever be a priority focus at Orica.

Key components of the result include:

- Total ammonium nitrate (AN) volumes of 1.78 million tonnes (pcp: 1.71 million tonnes)
- EBIT before individually material items of \$314 million (pcp: \$317 million)
- EBITDA before individually material items of \$446 million (pcp: \$450 million)
- NPAT before individually material items of \$195 million (pcp: \$190 million)
- Business improvement initiatives delivered net benefits of \$53 million, which offset the previously flagged external headwinds
- Capital expenditure of \$114 million (pcp: \$137 million)
- Net operating and investing cash flows increased to \$84 million (pcp: \$10 million), underpinned by the generation of operating cash and a continued disciplined approach to capital expenditure
- Net debt of \$1.5 billion, with gearing at 35% (pcp: 43%)
- Interim ordinary dividend of 23.5 cents per share

Orica CEO Alberto Calderon said: "Our result for the first half demonstrates a returning predictability to our financial and operational results. While our turnaround will continue throughout FY17, our underlying EBIT reflects a stabilising business performance."

¹ Includes Australian Taxation Office Part IVA dispute settlement of \$41 million

“We have continued to focus on reinforcing core operational and financial disciplines, with solid results across all key components of our performance, and a significant reduction in net debt compared to the prior corresponding period.

“Despite the expected external headwinds during the period, we continued our focus on business improvement initiatives. These initiatives enabled us to successfully offset these headwinds. Importantly, we also began to see the beginnings of the normalisation of mine plans and the return of more sustainable strip ratios across our mining customer base.

“It is particularly pleasing that in our largest business – Australia Pacific and Indonesia – volumes grew by 10% and EBIT increased 12%,” Mr Calderon said.

Business Improvement Initiatives

Business improvement initiatives delivered \$53 million net benefits in the half. Mr Calderon said the initiatives would be embedded in the business, eventually creating a world class organisation well positioned for all parts of the cycle.

“The work we are doing today on business improvement taps into the enormous potential that exists in Orica and will ultimately deliver a more efficient and effective organisation. This touches every part of our organisation. We have involved more than one thousand Orica people across the globe to review the whole business and consider all factors that create value, including initiatives that generate revenue, reduce costs, deliver improved trade working capital, and capital expenditure. The program has so far generated more than 1,300 ideas and initiatives, with individual initiative benefits ranging from thousands of dollars to multi-millions, over FY17 and beyond. We are now embedding this in the organisation to go beyond a program to being a normal part of the way we do business,” he said.

Operations

Volumes either increased or were in line with the pcg across all four regions of Australia Pacific & Indonesia (API), North America, Latin America, and Europe, Africa and Asia (EAA).

In API, improved volumes and efficiencies supported an EBIT uplift. Volumes were up 10% from the pcg, with the normalisation of mining practices and favourable sentiment driving increased coal and iron ore volumes from existing and new customers. EBIT was 12% higher than the pcg, as a result of increased volumes, and business improvement initiatives offsetting known input cost increases.

Across North America, higher sales volumes through direct channels and improved placement of advanced products and service offerings (particularly in Canada and to Q&C markets) drove favourable volumes, mix and margin. Business improvement initiatives partially offset external headwinds. The stronger Australian dollar negatively impacted EBIT, which declined 5% against the pcg.

In Latin America AN volumes were maintained against the pcg, while EBIT margins declined slightly. EBIT decreased 20% against the pcg in a period marked by external competitive dynamics, including: increased competition; unfavourable sourcing costs; and negative price resets reflective of the broader Latin American market.

In EAA, higher demand drove an increase in AN volumes of 3%. Along with reduced costs, this resulted in an 8% increase in EBIT and improved EBIT margins against the pcg. Improved demand, better customer and service mix, and business improvement initiatives offset negative pricing resets and contract renewals.

The Minova turnaround continues, and while this will take time the decline in profitability has been arrested. Australian and North American markets have shown improvement, while Europe has declined due to challenging market conditions. EBIT improved to \$8.3 million, from a loss of \$2.2 million in the pcp.

Capital Management

Capital expenditure

Capital expenditure for the period was contained to \$114 million. Full year capital expenditure is expected to be in the previously advised range of approximately \$300 million to \$320 million.

Burrup Technical Ammonium Nitrate (TAN) Plant

A strategic decision was taken in 2012 to enter a joint venture with Yara (operator) for the Burrup TAN plant (Orica has a 45% economic interest with marketing rights).

The plant is currently in commissioning mode with handover from the construction contractor achieved in late March. A key focus of commissioning is to complete performance testing to ensure capability of the plant at design levels for a continuous period of time and resolution of remaining environmental licence approvals. The current plans remain unchanged, focusing on a ramp up of production in line with market demand.

The Burrup TAN plant is a 30 year plus asset situated in the Pilbara region in Western Australia, a market that is expected to grow over the next five years.

Dividend

Orica's dividend policy of a payout range of 40% to 70% enables greater flexibility and ensures that shareholder returns reflect the Company's position and market conditions throughout the cycle.

The Board has declared an interim ordinary dividend of 23.5 cents per share (45% payout ratio), 12.8% franked at 3 cents per share. Shareholders registered as at the close of business on 1 June 2017 will be eligible for the dividend, which is payable to shareholders on 3 July 2017.

Outlook

While there has been some normalisation of mine plans, we anticipate that recovery will be gradual. We continue to focus on business improvement initiatives that improve profitability and drive shareholder value.

The outlook for 2017 remains unchanged from November 2016, despite an unfavourable \$15 million foreign exchange impact. Business improvement initiatives will continue to have a sustainable, positive impact in 2017 and beyond. There is a high level of confidence that business improvement initiatives will offset the known headwinds in the current year.

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Orica Limited

Results for the Half Year Ended 31 March 2017



Continued focus on core disciplines delivers sound 2017 interim result

Statutory net profit after tax (NPAT) attributable to the shareholders of Orica for the half year ended 31 March 2017 was \$195.2 million.

Summary

- Tragically, Orica had one fatality on a customer mine site in Peru in this half
- EBIT before individually material items⁽¹⁾ of \$314 million, down 1% on pcg
- NPAT before individually material items⁽²⁾ of \$195 million, up 3% on pcg
- Ammonium nitrate volumes up 4% on pcg at 1.78 million tonnes
- Net operating and investing cash flows⁽³⁾ increased to \$84 million, underpinned by the generation of operating cash and disciplined approach to capital expenditure
- Capital expenditure of \$114 million⁽⁴⁾, down 17% on pcg
- Net debt⁽⁵⁾ of \$1.5 billion and gearing⁽⁶⁾ at 35%
- Interim ordinary dividend of 23.5 cents per share

Group Results

| Half Year ended 31 March | 2017 A\$M | 2016 A\$M | Change % |
|--|--------------|--------------|-------------|
| Sales revenue | 2,437.4 | 2,553.4 | (5%) |
| EBITDA ⁽⁷⁾ | 445.5 | 450.1 | (1%) |
| EBIT⁽¹⁾ | 314.2 | 316.5 | (1%) |
| Net interest expense | (33.0) | (45.5) | 27% |
| Tax expense | (80.0) | (73.3) | (9%) |
| Non-controlling interests | (6.0) | (7.7) | 22% |
| NPAT before individually material items⁽²⁾ | 195.2 | 190.0 | 3% |
| Individually material items after tax | - | (41.0) | |
| NPAT after individually material items (statutory) | 195.2 | 149.0 | 31% |

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

Business Summary

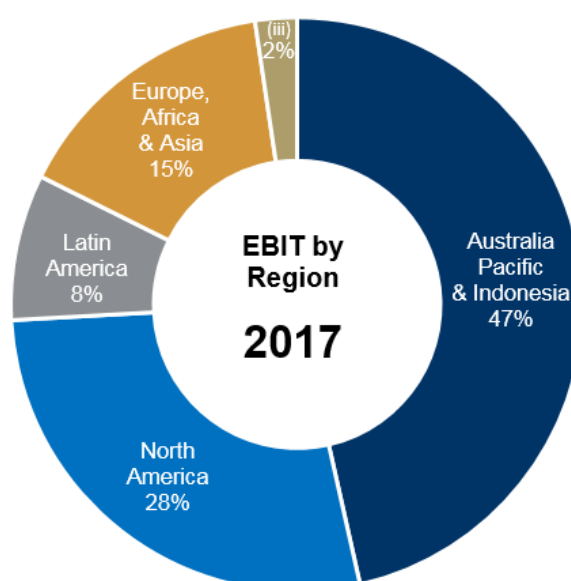
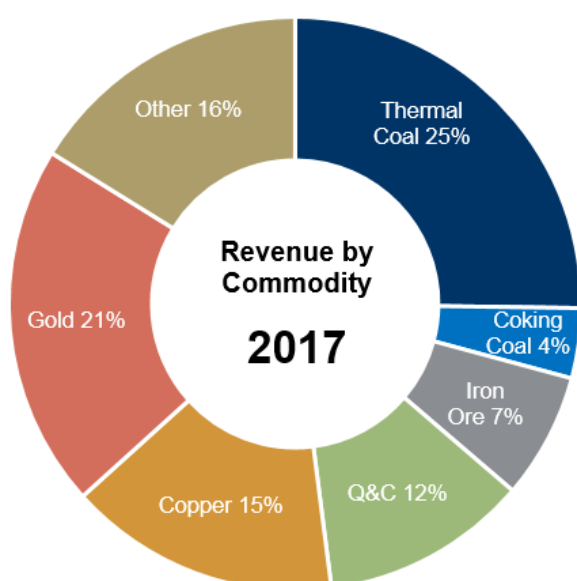
A summary of the performance of the segments for the March 2017 and March 2016 half years is presented below.

| Half Year ended 31 March 2017 A\$M | AN Tonnes (i) (‘000) | Sales Revenue (ii) | EBITDA | EBIT | Capital Expenditure |
|--|----------------------------|--------------------------|--------------|--------------|------------------------|
| Australia, Pacific and Indonesia | 624 | 754.2 | 222.1 | 162.4 | 58.1 |
| North America | 575 | 662.4 | 115.1 | 97.0 | 9.5 |
| Latin America | 304 | 435.4 | 41.7 | 28.9 | 5.0 |
| Europe, Africa and Asia | 276 | 507.5 | 69.4 | 53.6 | 12.0 |
| Minova | - | 211.8 | 13.2 | 8.3 | 2.9 |
| Global Support | - | 469.8 | (16.0) | (36.0) | 26.7 |
| Eliminations | - | (603.7) | - | - | - |
| Orica Group | 1,779 | 2,437.4 | 445.5 | 314.2 | 114.2 |

| Half Year ended 31 March 2016 A\$M | AN Tonnes (i) (‘000) | Sales Revenue (ii) | EBITDA | EBIT | Capital Expenditure |
|--|----------------------------|--------------------------|--------------|--------------|------------------------|
| Australia, Pacific and Indonesia | 566 | 766.0 | 207.9 | 145.2 | 59.4 |
| North America | 572 | 693.4 | 122.8 | 101.7 | 20.5 |
| Latin America | 304 | 470.5 | 48.1 | 36.1 | 10.7 |
| Europe, Africa and Asia | 268 | 559.4 | 68.3 | 49.9 | 21.8 |
| Minova | - | 210.7 | 6.1 | (2.2) | 1.9 |
| Global Support | - | 497.8 | (3.1) | (14.2) | 22.6 |
| Eliminations | - | (644.4) | - | - | - |
| Orica Group | 1,710 | 2,553.4 | 450.1 | 316.5 | 136.9 |

(i) Includes AN prill and solution and Emulsion products including bulk emulsion and packaged emulsion.

(ii) Includes external and inter-segment sales.



(iii) Minova EBIT comprises 2% of EBIT by Region in 2017

Note: The above charts exclude Global Support and Eliminations

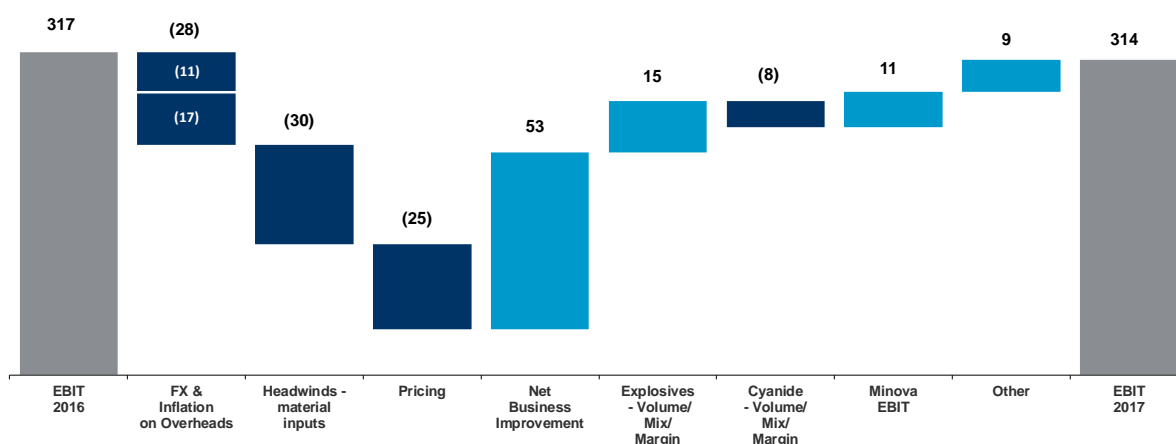
Review of Operations

Safety at Orica is regarded as a key priority across the business. Tragically, in February an accident on a customer mine site in Peru resulted in the death of an employee. A full investigation was undertaken and a program has been implemented to ensure everyone at Orica understands the major hazards in their work, that the right controls are in place and adhered to at all times, and that all levels of leadership across the organisation are actively involved in hazard identification and in verifying the appropriate controls.

Ammonium nitrate volumes for the first half of 2017 were 1.78 million tonnes, up 4% on the pc. Sales into coal markets across Australia and North America were up due to normalisation of mining practices and favourable domestic sentiment. Sustained high gold prices largely due to uncertainty within financial markets resulted in continued firm global demand from the gold sector. Activity in the quarry and construction (Q&C) segment, particularly in North America, was up due to increased activity on infrastructure projects.

Despite the higher AN sales volumes, sales revenue at \$2.4 billion was down 5% on the pc. This was due to a combination of lower input commodity indices impacting rise and fall arrangements, customer price negotiations and the appreciation of the Australian Dollar (AUD) against most major currencies. Despite this Orica has maintained margin with EBIT of \$314 million, in line with the pc.

A number of known headwinds as a result of contractual increases in raw material costs that cannot be recovered from existing contracts, in particular gas and ammonia, as well as the impact of pricing across explosives and cyanide products have been offset by business improvement initiatives. Whilst foreign exchange has had an adverse impact on the translation of foreign denominated earnings into AUD the impact of increased volumes from the Australia Pacific and Indonesia segment has kept EBIT in line with the pc. For this reason the outlook for 2017 remains unchanged, despite an unfavourable foreign exchange impact of \$15 million for the full year.



Key items in the above chart:

FX and inflation on overheads

Inflation on fixed cost overheads had an adverse effect of \$17 million. The AUD exchange rate appreciated against most major currencies adversely impacting earnings by \$11 million in 2017.

Headwinds

Contracted increases in gas and ammonia prices have reduced margins in the Australian and North American businesses by some \$30 million in the first half of the year.

Pricing

A negative pricing impact of \$25 million is in line with expectations. All regions continue to remain under pricing pressure driven by the oversupply in domestic and global ammonium nitrate and cyanide markets. Orica remains focused on maintaining a balanced outlook between retaining market share and securing plant loading.

Net business improvement

Ongoing business improvement initiatives have offset the headwinds. These include favourable product sourcing, optimisation of the Initiating System network, improving plant efficiencies, centralisation of transactional activities and further headcount reductions.

Explosives – volume/mix/margin

The impact of volume, mix and margin was favourable by \$15 million due to higher sales volume particularly from Australia Pacific and Indonesia. Continued diversification and market placement of premium products, including bulk emulsion and EBS, contributed to a favourable product mix.

Cyanide – volume/mix/margin

Cost increases in key manufacturing inputs, particularly gas, has decreased cyanide margins. In addition, a planned turnaround of the plant in March resulted in lower production volumes.

Minova

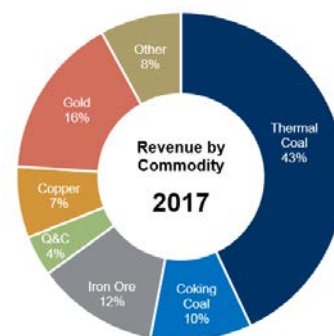
Minova achieved improved earnings, largely due to a profit from the divestment of a business in China, improved market conditions, particularly in US coal and construction markets and procurement savings from supply chain initiatives.

Other

Other includes the non-repeat of one off costs in 2016.

Australia Pacific & Indonesia

| Half Year ended 31 March | 2017 | 2016 | Change % |
|----------------------------------|-------|-------|-------------|
| Total AN & Emulsion Volumes | 624 | 566 | 10% |
| Emulsion as a % of total volumes | 60% | 59% | 1% |
| Total sales revenue | 754.2 | 766.0 | (2%) |
| EBITDA | 222.1 | 207.9 | 7% |
| EBIT | 162.4 | 145.2 | 12% |



Commodity exposure

Thermal and coking coal represents the main commodity exposure at 53% reflecting Orica's extensive customer footprint and positioning across Eastern Australia and Indonesia. Sales into this segment were up, as domestic coal output increased. Sales into gold markets remained steady on the back of firm gold prices. Demand from iron ore customers has increased marginally, as production has increased due to continued robust construction and infrastructure activity in China.

Volumes

Explosives volumes were up 10% (58kt) underpinned by improved demand from Australian surface coal customers, the securing of a new contract in late 2016, and stronger demand in the Pilbara region and Indonesia. The recovery in coal prices saw customers increase production in line with their existing capacity. Pilbara iron ore volumes were up, while Indonesia benefitted from a contract win in the second half of 2016 albeit at lower margins.

Sales of Initiating Systems, particularly conventional detonators, increased in line with AN demand improvements across key regions. Cyanide volumes were broadly in line with the pcg.

Revenue from advanced products and services as a percentage of total explosives revenue increased to 25%, as customers sought higher volumes of premium bulk emulsion due to wet weather conditions as well as the flow through of a new coal contract.

EBIT performance drivers

Volume, mix and margin was overall favourable in the half driven largely by an increase in volumes and improved mix. Contribution from explosives products was up on the back of higher AN sales volumes across key markets including surface coal, the Pilbara and Indonesia. The scheduled plant turnaround at Kooragang Island and resulting lower plant utilisation unfavourably impacted results, however this was partly shielded by favourable third party ammonia prices. The impact of higher gas costs at Kooragang Island has also unfavourably impacted the cost base in the first half of the year. Contribution from cyanide was down with the scheduled plant turnaround impacting on utilisation levels and higher domestic gas prices impacting manufactured costs.

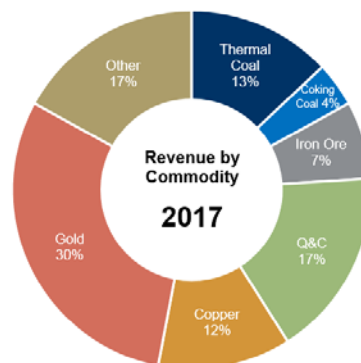
Business improvement initiatives during the period included improvements within procurement and supply chain processes, and optimisation across the operational and support workforce.

Price resets and contract renewals had a negative impact in the first half, however the quantum was smaller than in previous years. The oversupply in domestic and global ammonium nitrate and cyanide markets continues to place pressure on pricing.

Whilst the Australia Pacific & Indonesia business has been impacted by known headwinds including increased raw material costs and further price resets and renewals in 2017, these have been more than offset by business improvement initiatives and improved volumes that has resulted in a 12% increase in EBIT on the pcg. Importantly the business is seeing the early onset of normalisation of mine plans.

North America

| Half Year ended 31 March | 2017 | 2016 | Change % |
|----------------------------------|-------|-------|-------------|
| Total AN & Emulsion Volumes | 575 | 572 | 1% |
| Emulsion as a % of total volumes | 41% | 37% | 4% |
| Total sales revenue | 662.4 | 693.4 | (4%) |
| EBITDA | 115.1 | 122.8 | (6%) |
| EBIT | 97.0 | 101.7 | (5%) |



Commodity exposure

Sales to the largest segments gold and Q&C markets remained strong, due to firm gold prices and continued strong activity in infrastructure projects across the region. Sales to coal customers increased due to colder winter temperatures, improved domestic sentiment and the successful winning of new contracts in Canada.

Volumes

Overall explosives volumes were slightly up on the pcg, with higher sales activity in Canada largely offset by the US. Canada's volume performance was underpinned by higher output at customer operations as well as the impact of contract wins. Sales in the US were down through indirect channels as a result of a contract loss and our joint venture partner sourcing bulk AN directly from the manufacturer. Sales into Q&C markets were ahead of the pcg with stronger demand for aggregate driven by increased infrastructure spend.

Product mix was favourable across the AN portfolio, aided by higher sales of premium emulsion products into Q&C and Canadian markets.

Revenue from advanced products and services as a percentage of total explosives revenue was 27%. Service levels increased, particularly with customers in Canada and Q&C customers in the US.

EBIT performance drivers

Volume, mix and margin was favourable due to the benefit of higher sales volumes through direct channels and improved placement of advanced products and service offerings, notably in Canada and to Q&C markets. This had a positive effect on manufacturing plant utilisation at Carseland and Brownsburg. Contractual increases in third party AN product costs in the US adversely impacted the cost base. This was partly mitigated by business improvement initiatives across procurement activities, efficiencies in logistics and more advanced products and services.

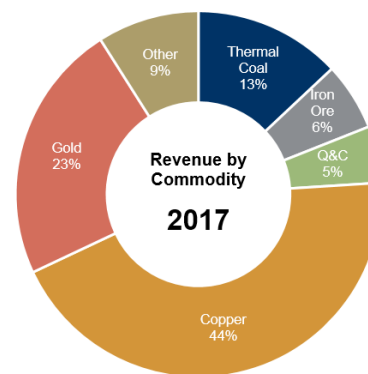
Price resets and contract renewals had a negative impact during the year, primarily from the first half roll through of contract renegotiations with gold and copper customers in Canada that were finalised in the 2016 financial year.

Foreign exchange impacts from the appreciation of the AUD unfavourably impacted results.

The impact of contractual headwinds from increases in the cost base and price resets have been offset by further business improvement initiatives and improved placement of advanced products and services offering, resulting in margins remaining steady on the pcg. The impact of unfavourable foreign exchange has had a negative impact on EBIT year on year.

Latin America

| Half Year ended 31 March | 2017 | 2016 | Change % |
|----------------------------------|-------|-------|-------------|
| Total AN & Emulsion Volumes | 304 | 304 | - |
| Emulsion as a % of total volumes | 69% | 61% | 8% |
| Total sales revenue | 435.4 | 470.5 | (7%) |
| EBITDA | 41.7 | 48.1 | (13%) |
| EBIT | 28.9 | 36.1 | (20%) |



Commodity exposure

Copper and gold remain the key commodity markets for the region with firm copper and gold prices supporting activity in these segments. Sales to thermal coal were up due to recent contract wins and the expansion of customer operations. This was offset by lower activity in the Q&C sector.

Volumes

Overall explosives volumes were flat. Operations in Brazil and Colombia, were up on the pcg due to the benefit of recent contract wins, as well as the expansion of thermal coal customer operations following new capital investment. Volumes in Peru and Argentina were down, impacted by a contract loss and the temporary closure of a customer operation in Argentina. Limited activity in Venezuela, as a result of recent economic challenges, also impacted volumes. Across the AN product portfolio there was improved product mix with emulsion up 8%.

Cyanide volumes were flat with the pcg.

Revenue from advanced products and services as a percentage of total explosives revenue increased to 36%. This was due to the continued expansion of Orica's advanced services offering and pull through of premium products including bulk emulsion and EBS detonators, notably in Colombia and Chile.

EBIT performance drivers

Volume, mix and margin was favourable to the pcg as a result of improved market placement of advanced product and service offerings including premium bulk emulsion and EBS detonators as well as business improvement initiatives across procurement activities and logistics. This benefit was offset by unfavourable product sourcing costs from the closure of the Antofagasta packaged explosives plant in Chile following the tragic explosion in September 2016. As a result of this explosion a full review of safety was performed at all plants in the region. This led to a decision to temporarily reduce the output from other plants to further improve safety standards. This has placed increased pressure on sourcing costs as the region temporarily sources alternate products for these plants.

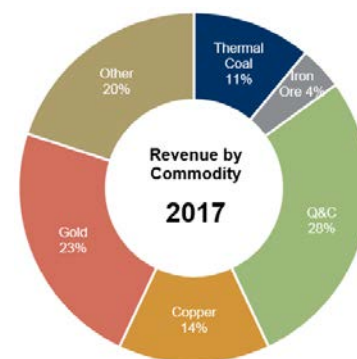
Price resets and contract renewals had a significant negative impact, due to pricing pressure. Further pricing impacts are expected to adversely affect the second half as contract renewals take effect.

Overheads and other expenses were favourable despite some one off costs to support business improvement initiatives.

Whilst volumes have remained flat the impact of higher sourcing costs associated with replacement product, pricing pressure on contracts in explosives and cyanide and reduced activity in Venezuela in 2017 has resulted in a decline in EBIT.

Europe, Africa and Asia (EAA)

| Half Year ended 31 March | 2017 | 2016 | Change % |
|----------------------------------|-------|-------|----------|
| Total AN & Emulsion Volumes | 276 | 268 | 3% |
| Emulsion as a % of total volumes | 90% | 91% | (2%) |
| Total sales revenue | 507.5 | 559.4 | (9%) |
| EBITDA | 69.4 | 68.3 | 1% |
| EBIT | 53.6 | 49.9 | 8% |



Commodity exposure

Sales into gold markets across Africa and Asia were ahead of the pc, buoyed by firm gold prices. Sales into the Q&C markets were down due to lower demand from niche tunnelling markets in South East Asia.

Volumes

Explosives volumes were up by 3% despite the divestment of central European businesses in September 2016. Europe's operations benefitted from the continued recovery in regional markets, particularly in Turkey following stabilisation in the domestic economy, as well as across the CIS, Norway and Estonia which have all benefitted from growth in existing customer operations. Volumes in Africa were slightly down with the impact of a full service contract loss in the second half of 2016 offset by higher demand from thermal coal customers in Mozambique. Asia was impacted by lower demand from niche tunnelling markets in South East Asia and a slow-down in customer mining activity in the Philippines. The lower tunnelling activity also impacted on EBS sales with volumes down on the pc.

Cyanide volumes across the region were up with improved demand from customers in Africa albeit at lower pricing levels.

Revenue from advanced products and services as a percentage of total explosives revenue was 21% underpinned by the continuation of strategic growth and service offerings, particularly in the CIS.

EBIT performance drivers

Volume, mix and margin was favourably impacted by higher AN sales volumes and favourable customer and improved service mix offering particularly in Europe. Business improvement initiatives, including product rationalisation and supplier renegotiations, further benefitted performance.

Price resets and contract renewals had a negative impact, largely in Africa as competitors sought to maintain and improve plant utilisation through lower pricing. Despite this prices were maintained or improved across Europe and Asia. Pressure on cyanide pricing as a result of global over-supply has seen realised prices decreasing substantially, thereby impacting cyanide margins.

The impact of **overheads and other income** was favourable. This was due to organisation delayering as well as the non-repeat of customer closure costs in Norway and foreign exchange losses incurred in the pc, offset by inflation impacts across the region. Depreciation was lower following the divestment of central European businesses in September 2016.

Minova

| Half Year ended 31 March | 2017 | 2016 | Change % |
|--------------------------------|-------|-------|----------|
| Steel products ('000 tonnes) | 63 | 58 | 8% |
| Resins & Powders ('000 tonnes) | 62 | 59 | 6% |
| Total sales revenue | 211.8 | 210.7 | 1% |
| EBITDA | 13.2 | 6.1 | >100% |
| EBIT | 8.3 | (2.2) | >100% |

Sector & Industry exposure

Minova operates across a number of sectors and industries including coal, hard rock, civil tunnelling, construction, geotechnical and services, providing quality products, technical innovation and safe cost effective solutions to technical ground control challenges.

The supply of products to coal markets across North America, Europe and Australia represents over 50% of sales revenue. Compared to the pcp, conditions in North American markets have improved. Conditions in Europe were subdued due to some customer mine closures and project delays.

The expansion and differentiation of operations, both geographically and specifically into hard rock, infrastructure and civil and tunnelling markets continues to progress in line with expectations.

Volumes

Steel volumes were up 8% due to higher demand from US coal customers as well as higher utilisation in civil and tunnelling projects across the Nordics and Austria.

Resins and Powders volumes were up 6% through improved demand across North American coal markets as well as expansion and further application into complementary markets. Demand in Europe was down through on-going consolidation activity across Poland's coal mining sector as well as some operational closures in Germany.

Performance summary

EBIT performance has improved from the pcp, particularly in North America and Australia Pacific. In addition, the first half of 2017 benefitted from the divestment of a business in China of \$8 million. North America's result improved due to favourable conditions in coal and construction markets as well as procurement savings from supply chain initiatives. Australia's operations benefitted from higher demand for stabilisation and ventilation services with coal customers. Europe and Africa was slightly down on the pcp, due to challenging market conditions and restructuring costs taken in the first half.

Progress has been made on the turnaround strategy, resulting in an improvement in underlying EBIT. Importantly the structure and foundation for improvement in the business performance has been put in place and is expected to deliver an improved performance going forward.

Global support

| Half Year ended 31 March | 2017 | 2016 | Change % |
|--------------------------|---------------|---------------|--------------|
| EBIT | (36.0) | (14.2) | >(100%) |
| Adjusted for: | | | |
| Net gain on asset sales | 7.6 | 9.7 | (22%) |
| Adjusted EBIT | (43.6) | (23.9) | (83%) |

EBIT

After adjusting for asset sales, global support EBIT was unfavourable to the pcg largely due to costs associated with business improvement initiatives that are being implemented globally throughout Orica and one-off environmental provisions.

Asset sales in the period included the divestment of land at Bacong (Philippines).

Net interest expense

Adjusted net interest expense of \$52 million was lower than the pcg aided by lower average net debt levels.

| Half Year ended 31 March | 2017 | 2016 | Change % |
|--------------------------------------|-------------|-------------|------------|
| Statutory net interest expense | 33.0 | 45.5 | 27% |
| Adjusted for: | | | |
| Capitalised interest | 19.2 | 16.6 | 16% |
| Discounting on provisions | (0.5) | (0.7) | 27% |
| Adjusted net interest expense | 51.7 | 61.4 | 16% |

Tax expense

An effective tax rate of 28.4% (pcg: 27.0%) was higher due to an increase in non-creditable dividend withholding tax partly offset by higher other foreign deductions and lower non-allowable interest deductions. This has resulted in tax expense increasing 9% on the pcg to \$80 million.

Group Cash Flow

| Half Year ended 31 March | 2017 | 2016 | Variance A\$M |
|--|--------------|----------------|------------------|
| Net Operating cash flows | 154.5 | 132.5 | 22.0 |
| Net Investing cash flows | (70.4) | (122.8) | 52.4 |
| Net Operating and Investing Cash Flows⁽³⁾ | 84.1 | 9.7 | 74.4 |
| Dividends – Orica Limited | (87.1) | (156.3) | 69.2 |
| Dividends – non controlling interest shareholders | (2.9) | (5.2) | 2.3 |
| Adjusted net cash flows | (5.9) | (151.8) | 145.9 |
| Movement in borrowings and other net financing cash flows ⁽⁸⁾ | 53.0 | 114.3 | (61.3) |
| Net cash flows⁽⁹⁾ | 47.1 | (37.5) | 84.6 |

Performance highlights

The Group delivered strong first half net operating and investing cash flows of \$84 million. This reflects the continued focus on working capital and strict adherence to Orica's Capital and Investment Management Framework. Group cash conversion at 57% includes higher sustaining capital spend on the scheduled Kooragang Island and Yarwun Cyanide plant turnarounds.

Net Operating cash flows

Net cash generated from operating activities was underpinned by first half earnings, offset by an investment in working capital, particularly inventory since September 2016.

Net Investing cash flows

Net investing cash outflows comprised capital expenditure offset by cash inflows from divestments. These included the sale of a business in China and land at Bacong (Philippines) as well as final proceeds from divestments undertaken in 2016 including land at Botany (NSW) and businesses in central Europe.

Capital expenditure at Burrup was \$11 million in the period and is expected to be completed in the second half. Scheduled plant turnarounds have commenced in the first half at Kooragang Island and Yarwun Cyanide, with Carseland and the remaining Kooragang Island spend to be undertaken in the second half.

Debt Management and Liquidity

| | 31 Mar 2017 | 30 Sep 2016 | Variance A\$M |
|---------------------------------|----------------|----------------|------------------|
| Interest bearing liabilities | 1,896.4 | 1,877.4 | 19.0 |
| Less: Cash and cash equivalents | 364.6 | 328.0 | 36.6 |
| Net Debt ⁽⁵⁾ | 1,531.8 | 1,549.4 | (17.6) |
| Gearing % ⁽⁶⁾ | 34.7% | 35.8% | (1.1 pts) |

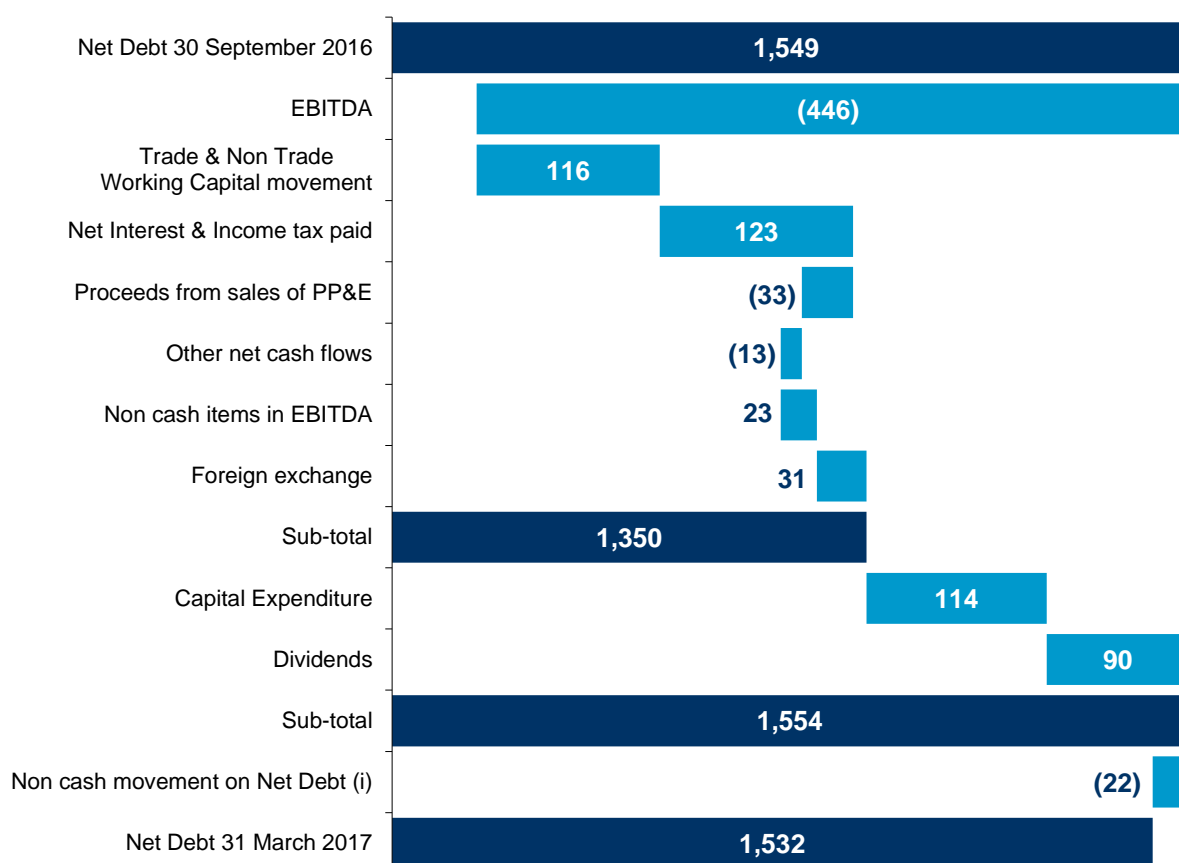
Interest bearing liabilities of \$1,896 million comprises \$1,762 million of US Private Placements and \$134 million of committed and other bank facilities. The average duration of drawn debt is 4.7 years (5.4 years pcp).

Undrawn committed bank facilities of \$1,650 million, with total debt facilities totalling \$3,524 million provide for a strong liquidity position.

Gearing at 34.7% is slightly below the Group targeted range of 35% - 45%. Since September 2016, gearing has reduced by 1.1 percentage points.

The table below illustrates the movement in net debt for March 2017.

Movement in Net Debt (A\$m)



(i) Non cash movements on Net Debt comprise foreign exchange translation

Refinancing activity highlights

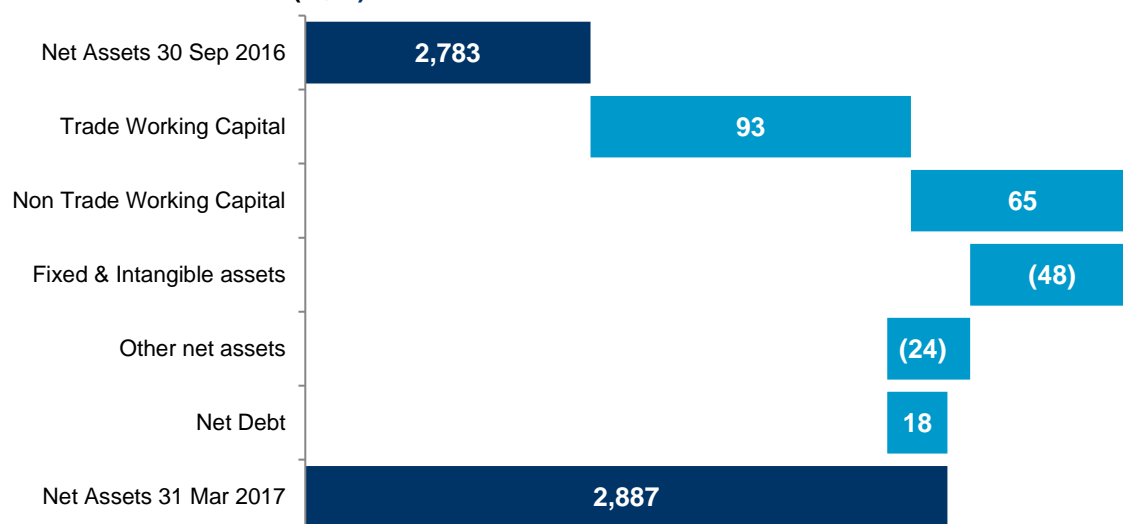
In April 2017, the Group successfully closed a US Private Placement bond issue for a term of 10 years. The bond was well supported with financial participation across 30 investors.

The bond issue funded in early May 2017 for proceeds of \$398 million. The proceeds were applied against the \$292 million redemption of existing US Private Placement bonds maturing in May 2017. The residual proceeds of \$106 million were applied against the repayment of bank debt.

The bond issue extends Orica's drawn debt maturity profile to 6.3 years (from 4.7 years at 31 March).

Group Balance Sheet

Movement in Net Assets (A\$m)



Performance highlights

Trade working capital⁽¹⁰⁾ has increased by \$93 million from September 2016 in line with expectations with inventory driving most of the increase. Compared to the pcp, trade working capital is down \$169 million (30%). The Group remains focused on delivering sustainable improvement in working capital management initiatives.

Non trade working capital⁽¹¹⁾ increased by \$65 million largely from the non-cash actuarial gain of \$56 million on the Group's defined benefit pension plans.

The reduction in **fixed & intangible assets** of \$48 million was largely due to capital invest of \$114 million being below the depreciation and amortisation expense of \$131 million, further reduced by a foreign exchange translation of \$32 million.

Other net assets decreased by \$24 million largely from the impact of taxation and derivative financial instruments.

Dividend

The Board has declared an interim ordinary dividend of 23.5 cps. The dividend is 12.8% franked at 3.0 cps. The dividend represents a payout ratio of 45%.

The dividend is payable to shareholders on 3 July 2017 and shareholders registered as at the close of business on 1 June 2017 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 35%.

Enhanced Tax Transparency Reporting

Australian Tax Transparency – Tax Return Data for 2016

Information relating to Orica's Australian operations is provided in the table below.

| | 2016 A\$M | 2015 A\$M |
|--------------------------|--------------|--------------|
| Total income (i) | 2,629 | 2,802 |
| Taxable income (ii) | 95 | 270 |
| Statutory tax rate (iii) | 30% | 30% |
| Tax liability | 29 | 81 |
| Offset reductions (iv) | (23) | (24) |
| Tax payable | 6 | 57 |

- (i) Total Australian income (includes sales, dividends, interest income etc.) before all expenses (for example, interest, employee costs, depreciation).
- (ii) Taxable income after allowing for all deductible expenses and tax exempt income.
- (iii) Australian Statutory tax rate.
- (iv) Includes offset reductions of \$23 million (2015 \$24 million) relating to franking credits, foreign income tax and research and development.

Burrup Technical Ammonium Nitrate (TAN) Plant

A strategic decision was taken in 2012 to enter a joint venture with Yara (operator) for the Burrup TAN plant (Orica has a 45% economic interest with marketing rights).

The plant is currently in commissioning mode with handover from the construction contractor achieved in late March. A key focus of commissioning is to complete performance testing to ensure capability of the plant at design levels for a continuous period of time and resolution of remaining environmental approvals. The current plans remain unchanged, focusing on a ramp up of production in line with market demand.

The Burrup TAN plant is a 30 year plus asset situated in the Pilbara region in Western Australia, a market that is expected to grow over the next five years.

2017 Outlook

While there has been some external optimism on market conditions, we anticipate that recovery will be gradual. We continue to focus on business improvement initiatives that improve profitability and drive shareholder value.

Outlook for 2017 remains unchanged, despite an unfavourable \$15 million of foreign exchange impact. These include:

- Global explosives volumes in the range of 3.5 million tonnes, +/- 5%.
- Cyanide volumes expected to be in line with FY16.
- Minova focused on improving performance under the new structure, and expected to remain cashflow positive.
- Headwinds of approximately \$60 million expected from price resets; \$50 million to \$70 million from previously negotiated material input contracts; and increased depreciation and amortisation post Burrup commissioning. These headwinds are to be offset by FY16 business improvement initiative benefits and expected FY17 new business improvement initiatives.
- Continued focus on capital discipline will see FY17 capital expenditure in the range of \$300 million to \$320 million (including scheduled maintenance at Kooragang Island and Carseland and remaining Burrup spend).
- Effective tax rate (excluding individually material items) to be marginally higher than FY16, and interest expense will also rise following completion of the Burrup project.

Business improvement initiatives will continue to have a sustainable, positive impact in 2017 and beyond. There is a high level of confidence that business improvement initiatives will offset the known headwinds in the current year.

Footnotes

The following footnotes apply to this results announcement:

- (1) EBIT (equivalent to Profit/(loss) before financing costs and income tax expense disclosed in note 2 within Appendix 4D – Orica Half Year Report) before individually material items.
- (2) Equivalent to net profit for the period after income tax expense before individually material items attributable to shareholders of Orica Limited disclosed in note 2 within Appendix 4D – Orica Half Year Report.
- (3) Equivalent to net cash flow from operating and investing activities (as disclosed in the Statement of Cash Flows within Appendix 4D – Orica Half Year Report).
- (4) Comprises total payments for property, plant and equipment and intangibles as disclosed in the Statement of Cash Flows within Appendix 4D – Orica Half Year Report.
- (5) Total interest bearing liabilities less cash and cash equivalents as disclosed in note 10 within Appendix 4D – Orica Half Year Report.
- (6) Net debt / (net debt + total equity)
- (7) EBIT before individually material items plus Depreciation and Amortisation expense.
- (8) Equivalent to net cash used in financing activities (as disclosed in the Statement of Cash Flows within Appendix 4D – Orica Half Year Report) excluding Dividends paid to Orica ordinary shareholders and non-controlling interests.
- (9) Equivalent to net increase in cash held disclosed in the Statement of Cash Flows within Appendix 4D – Orica Half Year Report.
- (10) Comprises inventories, trade receivables and trade payables disclosed within Appendix 4D – Orica Half Year Report.
- (11) Comprises other receivables, other assets, other payables and provisions.

Forward-looking statements

This announcement has been prepared by Orica Limited. The information contained is for informational purposes only. The information contained in this presentation is not investment or financial product advice and is not intended to be used as the basis for making an investment decision. This announcement has been prepared without taking into account the investment objectives, financial situation or particular needs of any particular person.

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Past performance is no guarantee of future performance.

Non-International Financial Reporting Standards (Non-IFRS) information

This report makes reference to certain non-IFRS financial information. This information is used by management to measure the operating performance of the business and has been presented as this may be useful for investors. This information has not been reviewed by the Group's auditor. The 2017 Half Year Results presentation includes non IFRS reconciliations. Forecast information has been estimated on the same measurement basis as actual results.

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