

## ASX Announcement

### ORICA REPORTS INCREASE IN 2013 FINANCIAL HALF YEAR PROFIT

Orica (ASX: ORI) today announced a statutory net profit after tax and individual material items of \$267 million for the half year ended 31 March 2013, up \$14 million or 6% compared with the previous corresponding period (pcp) of \$253 million.

Earnings before interest and tax (EBIT) for the period rose 6% on the pcp to \$442 million and earnings before interest, tax, depreciation and amortisation (EBITDA) was \$578 million, up 8%. The Orica Board has declared an interim dividend of 39 cents per ordinary share (cps), franked at 15 cents cps.

The half year result reflects the early benefits associated with an increased service offering and an improved product mix, in addition to Orica's renewed focus on better manufacturing performance. Orica's EBIT result however was offset by the significant weakness in demand and pricing for ground support products and services and higher depreciation costs.

In Mining Services, a \$435 million EBIT (up 5% on pcp) reflected steady pricing for explosives, success in providing value added products and services in explosives and improved pricing and stronger demand for sodium cyanide (up 6%). Outside the Australia Pacific region, results were impacted by weakness in United States coal markets and most West European markets.

Chemicals achieved a 13% increase in EBIT to \$56 million (\$49 million in pcp), including due to improved conditions in the New Zealand dairy sector and Bronson & Jacobs volume and market growth.

Results for ground support products and services reflect difficult market conditions affecting demand in all regions. The global integration of these operations, primarily into Mining Services, has progressed rapidly towards full completion this financial year.

Orica recorded half year sales revenue of \$3.3 billion in line with the pcp. Net operating cash flows at \$295 million rose from \$39 million in the pcp. Earnings per share increased 8% to 73.5 cents.

Orica expects Group net profit after tax (pre individually material items) in 2013 to be higher than that reported in 2012, subject to global economic conditions.

**6 May 2013**

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# ORICA LIMITED PROFIT REPORT

## RESULTS FOR THE HALF YEAR ENDED 31 MARCH 2013

➤ **Statutory net profit after tax (NPAT) <sup>(1)</sup> for the half year ended 31 March 2013 was \$267M. The previous corresponding period (pcp) was \$253M.**

### FINANCIAL HIGHLIGHTS

- Earnings before interest and tax (EBIT)<sup>(2)</sup> up 6% to \$442M;
- Net operating cash flows at \$295M, up from \$39M in the pcp;
- EBIT before depreciation and amortisation (EBITDA)<sup>(3)</sup> up 8% to \$578M;
- Earnings per ordinary share up 8% to 73.5c;
- Return on shareholders' funds at 16.7% up from 14.6% in the pcp;
- Gearing<sup>(6)</sup> within target range at 43.0%;
- Interest cover of 6.7 times<sup>(7)</sup>; and
- Interim ordinary dividend is 39 cents per share (cps) – franked at 15 cps.

### BUSINESS HIGHLIGHTS

- EBIT of \$442M up 6% on pcp due to the non-recurrence of the Kooragang Island incident partly offset by significant weakness in demand and pricing for ground support products and services and higher depreciation.
- Mining Services EBIT up 5% to \$435M.
  - EBIT has been positively impacted by an increase in services and improvement in product mix. A decline in AN product only tonnes is partly offset by an increase in bulk volumes which improved 8% globally;
  - Global AN and bulk explosive volumes down 4% with reduced demand in US coal markets and most Western European markets;
  - Strong demand and pricing for mining chemicals; and
  - Significant weakness in demand and pricing for ground support products and services.
- Chemicals EBIT up 13% to \$56M with improved performance in the New Zealand dairy market and Bronson & Jacobs partly offset by subdued conditions in most industrial markets in Australia and New Zealand.

**Note: numbers in this report are subject to rounding.**

A\$M	Six Months Ended March		
	2013	2012	Change F/(U)
Sales Revenue	3,331.2	3,290.7	1%
EBITDA <sup>(3)</sup>	578.2	537.1	8%
EBIT <sup>(2)</sup>	441.7	418.7	6%
Net interest expense	(66.2)	(65.3)	(1%)
Tax expense	(98.9)	(90.0)	(10%)
Non controlling interests	(9.8)	(10.1)	3%
<b>Net profit for the period <sup>(1)</sup></b>	<b>266.8</b>	<b>253.3</b>	<b>5%</b>
<i>Earnings per ordinary share (cents)</i>	73.5	67.9	8%
Return on shareholders' funds	16.7%	14.6%	
<i>Financial Items</i>			
Interim ordinary dividend per share (cents)	39.0	38.0	3%
Payout Ratio <sup>(4)</sup>	53.6%	54.8%	
Net Debt <sup>(5)</sup>	2,553.6	2,297.9	(11%)
Gearing <sup>(6)</sup>	43.0%	41.1%	
Interest cover (times) <sup>(7)</sup>	6.7	6.4	
Average exchange rate (A\$/US\$) <sup>(8)</sup>	103.8	103.2	(1%)

### DIVIDEND

- The directors have declared an interim ordinary dividend of 39 cps – franked at 15 cps; and
- It is anticipated that dividends in the near future are unlikely to be franked at a rate of more than 40%.

### OUTLOOK – 2013

- We expect Group net profit after tax (pre individually material items) in 2013 to be higher than that reported in 2012, subject to global economic conditions.

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) EBIT (equivalent to profit from operations as disclosed in the Income Statement within Appendix 4D - Orica Half Year Report).
- 3) EBIT plus depreciation and amortisation.
- 4) (Interim dividend cps x shares on issue at 31 March 2013) / NPAT.
- 5) Total interest bearing liabilities less cash and cash equivalents.
- 6) Net debt / (net debt + book equity).
- 7) EBIT / Net interest expense.
- 8) Income Statement translation rate.

**ORICA LIMITED**  
**PROFIT REPORT – HALF YEAR ENDED 31 MARCH 2013**

**REVENUE**

- Sales revenue of \$3.3B was in line with the pcp, driven primarily by:
  - Improved pricing and stronger demand for mining chemicals;
  - Stronger underlying explosives demand in Australia, Chile and Canada; and
  - Higher revenue from value added products and services in the explosives market.

Offset by:

- Weakness in demand and pricing pressure for ground support products and services; and
- Reduced demand for explosives in USA coal markets and most Western European markets.

**EARNINGS BEFORE INTEREST AND TAX (EBIT)**

- EBIT increased by 6% to \$442M (pcp \$419M). Increased earnings were attributed to:
  - Non-recurrence of the Kooragang Island ammonia and AN plant shutdown costs incurred in the first half of 2012 (\$90M);
  - Higher prices for sodium cyanide partly offset by margin pressure in European explosive markets (\$19M); and
  - Increased services and improved product mix for explosives in most regions outside of Europe (\$15M).

Partially offset by:

- Significant weakness in demand and pricing for ground support products and services (\$47M);
- Lower AN and bulk explosives volumes with reduced demand in US coal markets and most Western European markets (\$11M);
- Fixed cost increases of \$18M impacted by inflationary factors, project start up costs in emerging markets and start up of the Bontang ammonium nitrate plant;
- Increased depreciation mainly arising from the ammonia plant at Kooragang Island and the Bontang plant (\$18M); and
- Lower associate income due to weakness in US coal markets (\$5M).

Revenue Summary	Six Months Ended March		
	A\$M	2013	2012
Mining Services	2,770.3	2,758.9	0%
Chemicals	604.3	618.5	(2%)
Other & Eliminations	(43.4)	(86.7)	(50%)
<b>Total sales revenue</b>	<b>3,331.2</b>	<b>3,290.7</b>	<b>1%</b>
Other income	13.6	18.9	(28%)
<b>Total</b>	<b>3,344.8</b>	<b>3,309.6</b>	<b>1%</b>

Earnings Summary	Six Months Ended March		
	A\$M	2013	2012
<b>EBIT</b>			
Mining Services	435.2	416.1	5%
Chemicals	55.7	49.4	13%
Other	(49.2)	(46.8)	(5%)
<b>Total EBIT</b>	<b>441.7</b>	<b>418.7</b>	<b>6%</b>
Net Interest	(66.2)	(65.3)	(1%)
Tax expense	(98.9)	(90.0)	(10%)
Non controlling interests	(9.8)	(10.1)	3%
<b>NPAT and non controlling interests</b>	<b>266.8</b>	<b>253.3</b>	<b>5%</b>

**INTEREST**

- Net interest expense of \$66M was \$1M higher than the pcp (\$65M) due to lower capitalised interest and higher debt levels partly offset by lower average interest rates;
- Capitalised interest was \$9M (pcp: \$22M); and
- Interest cover was 6.7 times (pcp: 6.4 times).

**TAX EXPENSE**

- An effective underlying tax rate of 26.3% (pcp: 25.5%).

**NET PROFIT**

- NPAT increased 5% to \$267M (pcp: \$253M).

**INDIVIDUALLY MATERIAL ITEMS**

- There were no individually material items for the period (pcp: nil).

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**PROFIT REPORT – HALF YEAR ENDED 31 MARCH 2013**

**BALANCE SHEET**

• **Key balance sheet movements since March 2012 were:**

- Trade working capital (TWC) has increased by \$35M from the pcp as a result of an underlying increase of \$53M, partially offset by a favourable foreign exchange impact of \$15M and divestments of \$3M;
- The underlying increase in TWC mostly reflects an increase in inventories due to the timing of imported AN shipments into Latin America and increased stock levels in North America;
- Rolling TWC to sales<sup>(2)</sup> increased to 13.6% (pcp 13.0%);
- Net property, plant and equipment (PP&E) is \$375M up on the pcp due to spend on growth projects (\$369M), sustaining capital (\$252M) and capitalised interest (\$22M). These were partially offset by depreciation (\$232M), disposals (\$28M) and foreign exchange translation (\$8M). Spending on growth projects in the period included Bontang (\$30M), Kooragang Island (\$98M) and HONCE (\$22M);
- Intangible assets decreased by \$386M versus pcp due to the impairment of Minova goodwill (\$367M) in the second half of 2012, amortisation (\$37M) and the impact of foreign exchange translation (\$19M), offset by capital expenditure (\$32M) and capitalised interest (\$4M);
- Net other liabilities have decreased by \$327M. Major movements include increased investments accounted for using the equity method (\$173M), increased net indirect tax receivables (\$40M), decreased net deferred tax liabilities (\$29M) and increased deferred settlements from sale of assets (\$22M);
- Net debt increased by \$256M due primarily to capital expenditure and investments; and
- Orica shareholders' equity increased by \$90M, mainly due to increased earnings net of dividends declared and an increase in shares on issue to satisfy the settlement of dividends under the Dividend Reinvestment Plan, partially offset by a decrease in the foreign currency translation reserve (\$61M).

Balance Sheet			
A\$M	March 2013	Sept 2012	March 2012
Inventories	760.7	693.6	695.6
Trade Debtors	916.8	884.3	875.7
Trade Creditors	(850.2)	(855.7)	(779.4)
Total Trade working capital	827.3	722.2	791.9
Net property, plant & equipment	3,198.1	3,034.4	2,823.5
Intangible assets	2,028.9	2,046.9	2,414.6
Net other liabilities	(118.4)	(257.8)	(445.4)
Net debt	(2,553.6)	(2,299.2)	(2,297.9)
<b>Net Assets</b>	<b>3,382.3</b>	<b>3,246.5</b>	<b>3,286.7</b>
Orica shareholders' equity	3,253.9	3,121.5	3,164.0
Non controlling interests	128.4	125.0	122.7
<b>Equity</b>	<b>3,382.3</b>	<b>3,246.5</b>	<b>3,286.7</b>
<b>Gearing<sup>(1)</sup></b>	<b>43.0%</b>	<b>41.5%</b>	<b>41.1%</b>

- The underlying increase in TWC was mostly the result of increased inventories in Latin America due to the timing of imported AN shipments, and increased debtors in Australia due to timing of receipts from major customers at September 2012;
- Net PP&E was up \$164M mainly due to growth spend (\$161M), sustaining capital (\$118M) and capitalised interest (\$7M), offset by depreciation (\$118M) and foreign exchange translation impacts (\$3M);
- Intangible assets decreased by \$18M due to amortisation (\$18M) and the impact of foreign exchange translation (\$11M), offset by capital expenditure (\$10M) and capitalised interest (\$2M); and
- Net debt increased by \$254M largely due to the ordinary dividends paid in the first half of \$172M and capital expenditure of \$299M, investments of \$127M offset by operating cash flows in the first half of \$295M.

**DEBT FACILITIES**

- Net debt of \$2.6B, up \$256M from the pcp;
- The weighted average tenor of drawn debt facilities is approximately 4.5 years;
- Total US Private Placement debt is approximately \$1.3B;
- Drawn debt under bilateral bank facilities and export credit agency funding was \$0.9B and \$0.1B respectively, with a total facility size of \$2.3B; and
- The weighted average tenor of bilateral bank facilities is approximately 2.8 years.

**GEARING**

- Gearing<sup>(1)</sup> increased from 41.1% at 31 March 2012 to 43.0% and is within our target range of 35% to 45%.

<sup>1)</sup> Net debt/(net debt + equity).

<sup>2)</sup> Rolling 12-month average TWC / 12-month total sales.

**ORICA LIMITED**  
**PROFIT REPORT – HALF YEAR ENDED 31 MARCH 2013**

**CASH FLOW**

- Net operating cash inflows increased by \$256M to \$295M, compared with the pcp mainly due to:
  - The non-recurrence of costs associated with the Kooragang Island incident in the prior period;
  - A lower cash outflow from the funding of trade working capital of \$84M, due mainly to improved creditor days and lower payments to ammonia creditors (following the closure of Kooragang Island ammonia plant in the pcp significant ammonia purchases were made to supply the ammonium nitrate plants at Kooragang Island and Yarwun);
  - Lower outflows from non trade working capital of \$53M; and
  - Lower adverse FX movements on debt and reserves of \$45M.
- Net investing cash outflows increased by \$93M to \$400M, compared with the pcp, mainly due to:
  - Increased spend on investments of \$84M from the pcp. The spend of \$127M in the current period was associated with the Burrup project;
  - Higher sustaining capital of \$27M, offset by
  - An increase in proceeds from the sale of surplus assets of \$15M, mainly due to deferred payments received from assets sold in the second half of 2012.
- Net financing cash flows decreased by \$52M to \$130M compared with the pcp, mainly due to:
  - A net decrease in proceeds from external borrowings of \$83M;
  - Higher dividends paid to ordinary shareholders of \$5M; and
  - Higher dividends paid to Non Controlling Interest shareholders of \$4M.

Partly offset by:

- Additional share proceeds of \$18M primarily received for repayment of LTEIP loans;
- Decreased payments of \$10M for shares purchased on market for the LTEIP plan; and
- The non-recurrence of SPS distribution of \$11M in the first half of 2012 following the repurchase of SPS in November 2011.

Statement of Cash Flows	Six Months Ended March			
	A\$M	2013	2012	Change F/(U)
<b>Net operating cash flows</b>				
EBIT	441.7	418.7	6%	
Add: Depreciation	118.2	100.4	(18%)	
Add: Amortisation	18.3	18.0	(2%)	
EBITDA	578.2	537.1	8%	
Net interest paid	(70.0)	(83.4)	16%	
Net income tax paid	(66.2)	(72.9)	9%	
Trade Working Capital mvt <sup>(1)</sup>	(106.6)	(190.5)	44%	
Non Trade Working capital mvt <sup>(2)</sup>	(37.9)	(90.7)		
FX mvt on debt/reserves	(2.2)	(46.9)		
Other	(0.1)	(13.9)		
	<u>295.2</u>	<u>38.8</u>		
<b>Net investing cash flows</b>				
Capital spending				
Sustaining capital <sup>(3)</sup>	(124.6)	(97.4)	(28%)	
Growth capital <sup>(4)</sup>	(174.2)	(177.4)	2%	
Total Capital Spending <sup>(5)</sup>	(298.8)	(274.8)	(9%)	
Acquisitions/investments	(127.2)	(43.1)	(195%)	
Proceeds from surplus asset sales, investments and businesses	26.5	11.5	130%	
	<u>(399.5)</u>	<u>(306.4)</u>		
<b>Net financing cash flows</b>				\$M
Net proceeds from share issues (inclusive of non controlling interests)	43.2	25.3	17.9	
Net (payments)/proceeds from LTEIP <sup>(*)</sup>	(9.6)	(19.9)	10.3	
Movement in borrowings	274.2	357.4	(83.2)	
Dividends paid - Orica Limited	(171.5)	(166.6)	(4.9)	
Distributions paid - SPS securities	-	(11.1)	11.1	
Dividends paid - NCI shareholders	(6.7)	(3.1)	(3.6)	
	<u>129.6</u>	<u>182.0</u>	<u>(52.4)</u>	

(\*) LTEIP - long term employee equity incentive plans

**ORICA SPS**

- No distribution on the SPS was paid during the period.
- On 29 November 2011 Orica repurchased the SPS using existing bilateral banking facilities. The repurchased amount was \$500M.

- 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 sustenance 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.

**ORICA LIMITED**  
**PROFIT REPORT – HALF YEAR ENDED 31 MARCH 2013**  
**MINING SERVICES**

**KEY POINTS**

- Increased services and improved product mix with a reduction of 13% in AN product only sales partly offset by an increase in bulk volumes up 8% globally versus pcp;
- AN and bulk explosive volumes down 4% with reduced demand in US coal markets and most Western European markets partly offset by market share growth in the Pilbara iron ore region;
- Pricing for explosives steady in most markets;
- Strong growth in Electronic Blasting Systems (EBS) with volumes up 16% versus the pcp;
- Stronger demand for sodium cyanide and other mining chemicals;
- Improved manufacturing performance for sodium cyanide; and
- Significant weakness in demand and pricing for ground support products and services.

**BUSINESS SUMMARIES**

Australia/Pacific

- EBIT of \$289M, up 47% (\$93M) on the pcp;
- AN and Bulk explosive volumes up 2%, with market share growth in the Pilbara largely offset by the impact of rain on the east coast;
- Success in moving towards value added products and services in explosives market;
- Steady pricing for explosives;
- Improved performance at manufacturing facilities;
- Improved pricing and stronger demand for sodium cyanide with volumes up 6%; and
- Significant volume decline for ground support products and services.

North America

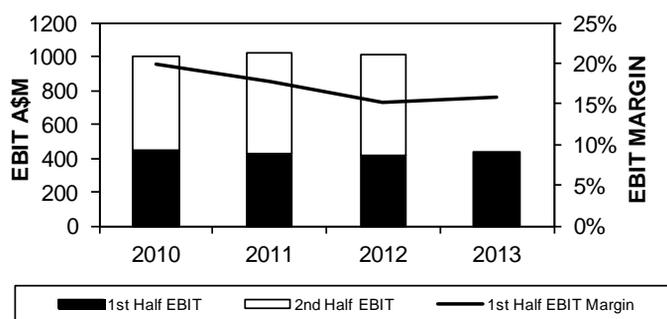
- EBIT of \$58M, down 19% (\$13M) on the pcp due mainly to the decline in contribution from ground support products as a result of weaker demand from coal markets; and
- AN and bulk explosives volumes down 10% on the pcp due to weak US coal markets partly offset by growth in metals markets in Canada and South West US.

**EARNINGS**

**EBIT up 5% to \$435M.**

A\$M	Six Months Ended March		
	2013	2012	Change F/(U)
Sales Revenue	2,770.3	2,758.9	0%
EBIT	435.2	416.1	5%
Operating Net Assets	5,283.9	5,258.9	0%
<b>EBIT:</b>			
Australia/Pacific	288.5	196.0	47%
North America	57.5	70.6	(19%)
Latin America	37.7	44.1	(15%)
EMEA	23.3	51.9	(55%)
Other	28.2	53.5	(47%)

**EBIT TREND**



Latin America

- EBIT of \$38M, down 15% (\$6M) on the pcp mainly due to a reduction in AN and bulk explosive volumes (down 3%) particularly in Brazil; and
- Solid underlying market conditions and success in moving towards a services oriented offering has led to an increase in start up costs ahead of future revenue benefits.

Europe, Middle East and Africa (EMEA)

- EBIT of \$23M, down 55% (\$29M) on the pcp due to structurally challenging conditions in most markets for ground support and explosive products exacerbated by the protracted European winter;
- Margins for explosives products negatively impacted by increased competition, particularly in the Nordics; and
- Good growth in emerging markets of Africa and CIS, though project start up costs have negatively impacted EBIT in the period.

**ORICA LIMITED**  
**PROFIT REPORT – HALF YEAR ENDED 31 MARCH 2013**  
**MINING SERVICES**

Other (Asia, Global Hub and Head Office)

- EBIT of \$28M, down 47% (\$25M) on the pcp;
- Restructuring costs for the ground support business included in the period;
- Significant decline in contribution from ground support in China due to weak demand and increasing competition;
- Volumes flat in Indonesia versus pcp with growth in the contracted market offset by lower spot sales;
- Lower explosives prices in India due to the contract pricing profile of our major customers;
- Lower explosive product volumes in China; and
- Contribution from the Global Hub down \$7M versus pcp mainly due to lower volumes in North America and Latin America, higher purchase costs for ammonium nitrate in North America as a result of a third party supplier plant outage in the period and higher global hub costs.

**PERSPECTIVES FOR 2013**

- Growth in margins with increased service offering and higher margin products;
- Coal markets to remain challenged;
- Market conditions in Europe expected to remain difficult; and
- Continued restructuring of ground support and the delivery of synergies following the integration with Mining Services.

**Global Hub Earnings Components**

A\$M	Six Months Ended March		Change F/(U)
	2013	2012	
<b>EBIT:</b>			
North America - Operations	23.1	26.0	(11%)
Latin America - Operations	16.8	18.0	(7%)
Global Hub - Operations	<u>(38.9)</u>	<u>(36.5)</u>	(7%)
<b>Global Hub</b>	1.0	7.5	(87%)
Asia and Head Office	<u>27.2</u>	<u>46.0</u>	(41%)
Total Other	28.2	53.5	(47%)

**ORICA LIMITED**  
**PROFIT REPORT – HALF YEAR ENDED 31 MARCH 2013**  
**CHEMICALS**

**KEY POINTS**

- Improved performance in the New Zealand dairy market and Bronson & Jacobs partly offset by subdued conditions in most industrial markets in Australia and New Zealand;
- Non recurrence of supply disruptions to industrial customers from the Kooragang Island incident in the pcp;
- Solid growth in the Latin American construction market segments;
- Lower global caustic soda prices; and
- Focus on market share, product mix and productivity.

**BUSINESS SUMMARIES**

General Chemicals

- Sales down 3% on the pcp and higher margins;
- Increased demand from the dairy market for cleaning chemicals in New Zealand;
- Volume and margin growth in Bronson & Jacobs through market rationalisation and more favourable product mix;
- Generally soft demand in the Australian construction, manufacturing and agriculture industries with the major contributor being the strength of the Australian dollar;
- Good growth in Latin American construction markets, partly offset by softer demand for industrial chemicals; and
- Delivery of productivity improvements.

Watercare

- Sales in line with the pcp with higher volumes as a result of warmer, drier summer conditions on the Australian east coast, offsetting lower global caustic soda prices.

**PERSPECTIVES FOR 2013**

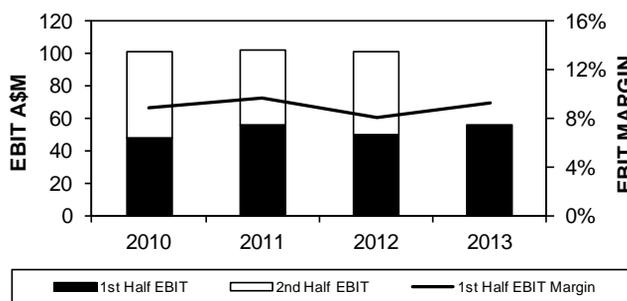
- Continued growth in the Latin American chemicals business;
- Softer second half demand in the New Zealand dairy industry due to drought conditions; and
- Lower average caustic soda prices in the second half.

**EARNINGS**

**EBIT up 13% to \$56M.**

A\$M	Six Months Ended March		
	2013	2012	Change F/(U)
Sales Revenue	604.3	618.5	(2%)
EBIT	55.7	49.4	13%
Operating Net Assets	655.8	659.8	(1%)
<b>Business Sales:</b>			
General Chemicals	483.7	498.3	(3%)
Watercare	125.7	125.7	0%

**EBIT TREND**



# ORICA LIMITED

## PROFIT REPORT – HALF YEAR ENDED 31 MARCH 2013

### SUSTAINABILITY

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Orica values people and the environment. In the first half of 2013 the Company has continued to work towards its goal of 'No Accidents Today'.

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

#### **Sustainability Governance**

In 2012 Orica launched Project Sustain, a global initiative with the vision of equipping Orica to be a socially responsible company through being a global innovator and leader in Safety, Health, Environment, Community and Risk performance.

To date a number of key initiatives have been completed, and currently Orica's Sustainability Strategy is being reviewed to align with globally recognised standards.

#### **Safety, Health, Environment and Community (SH&E)**

For the period Orica achieved an All Worker Recordable Case Rate (number of injuries and illnesses per 200,000 hours worked) of 0.50 and worked fatality free. Distribution incidents and process excursion incidents were at similar levels to the corresponding period. The initiatives under Project Sustain are progressing and providing consistent leadership and standardised 'fit for purpose' solutions to improve Orica's Safety, Health, Environment, Community and Risk capabilities.

For the first half of 2013, Orica's energy consumption increased compared to the corresponding period last year. This was primarily due to the Kooragang Island Ammonia Plant operating consistently throughout the period. Ammonia production is Orica's most energy intensive process.

Net greenhouse gas intensity has improved over the first half of 2013 compared to the same period in 2012, due to abatement activities. Secondary nitrous oxide abatement was installed at the Bontang nitric acid plant in November 2012. The project received registration under the United Nations Framework Convention on Climate Change (UNFCCC) Clean Development Mechanism (CDM) program and began generating carbon credits in November. It is estimated that the annual reduction in nitrous oxide emissions from this project will exceed 140,000 tonnes of carbon dioxide equivalent.

In the first half of the 2012/13 Orica year, new abatement projects at sites in Australia, Canada and Indonesia reduced nitrous oxide emissions in excess of 400,000 tonnes of CO<sub>2</sub>e.

Following events of recent years at Kooragang Island and Yarwun, Orica has strengthened community policies, standards, and practices across the global business. Efforts in 2012 to rebuild community trust at Kooragang Island are continuing in 2013. In the first half of 2013 the Orica Yarwun Stakeholder Engagement Plan was developed in consultation with the Yarwun site leadership team.

At Botany, Australia in early 2012, community representatives raised queries about potential for off-site migration of mercury beyond the Botany site boundary, associated with historical practices. The NSW Environmental Protection Authority has announced a review of historical data as the basis to assess needs for any further independent testing surrounding the Orica Botany site. Orica has publicly expressed support for the EPA's approach. Orica reaffirms the necessity for any additional testing to be independently conducted using scientifically rigorous methods.

#### **Our People**

A new online human resources management solution (PeopleNet) is being implemented globally. The implementation of PeopleNet is a strategic initiative to further improve the management of the Orica workforce into the future.

## **BUSINESS DEVELOPMENT**

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

- Commissioning of the Bontang plant is now complete. The plant produced 105kt of ammonium nitrate in the period and is currently operating at annualised rates consistent with name plate capacity of 300ktpa;
- The expansion of the ammonium nitrate plant at Kooragang Island, Australia. The feasibility study, statutory approvals and design work have been completed. Current market conditions are such that further consultation with customers will be undertaken to determine the optimal timing of construction;
- Construction of the HONCE initiating systems plant in China continued. Plant commissioning commenced in January 2013 and will occur progressively over the next 12 months. Commissioned sections of the plant are being handed over to the operations team for production ramp up. The total project cost is within initial AUD estimates;
- The first bulk emulsion plant in the Pilbara region was commissioned during the period; and
- Site earthworks and civil work commenced at the Burrup Joint Venture in Pilbara, Western Australia (45% owned by Orica) in October 2012. Engineering work is over 50% complete. The module fabrication contract has been awarded with a majority of work being undertaken offsite to minimise costs. The first module is due on site later in 2013. Work is progressing to schedule with commissioning estimated in late 2015 calendar year.

### **Further Information**

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