

Appendix 4D Half Year Report

Name of entity:	ORICA LIMITED
ABN:	24 004 145 868

Half year ended (‘current period’)	Half year ended (‘previous corresponding period’)
31 March 2017	31 March 2016

Results for announcement to the market

				<i>AUD million</i>
Consolidated revenue from operations	down	(4.5)%	to	2,437.4
Profit after tax, attributable to shareholders	up	31.0%	to	195.2
Net profit for the period, attributable to shareholders before individually material items	up	2.7%	to	195.2

Dividends	Amount per security	Franked amount per security at 30% tax
Interim dividend - Ordinary Cents	23.50	3.00
Previous corresponding period Interim dividend - Ordinary Cents	20.50	10.00

Record date for determining entitlements to the dividend:

Ordinary Shares

1 June 2017

Payment date of dividend:

Ordinary Shares

3 July 2017

	31 March 2017	30 September 2016	31 March 2016
Net tangible asset backing per ordinary security	Cents 359.0	Cents 326.4	Cents 307.1

For the profit commentary and any other significant information needed by an investor to make an informed assessment of Orica’s results please refer to the accompanying Orica Limited Profit Report.

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Income Statement

For the period ended 31 March:

	Notes	2017 \$m	2016 \$m
Sales revenue	(2b)	2,437.4	2,553.4
Other income	(2c)	37.3	24.2
Expenses			
Raw materials and inventories		(878.6)	(968.6)
Employee benefits expense		(514.9)	(547.0)
Depreciation and amortisation expense		(131.3)	(133.6)
Purchased services		(170.7)	(158.0)
Repairs and maintenance		(98.3)	(78.1)
Outgoing freight		(131.4)	(149.4)
Lease payments - operating leases		(25.1)	(25.1)
Other expenses		(228.5)	(218.8)
Share of net profit of associates accounted for using the equity method		18.3	17.5
Total		(2,160.5)	(2,261.1)
Profit from operations		314.2	316.5
Net financing costs			
Financial income		11.9	15.0
Financial expenses		(44.9)	(60.5)
Net financing costs		(33.0)	(45.5)
Profit before income tax expense		281.2	271.0
Income tax expense	(9)	(80.0)	(114.3)
Net profit for the period		201.2	156.7
Net profit for the period attributable to:			
Shareholders of Orica Limited		195.2	149.0
Non-controlling interests		6.0	7.7
Net profit for the period		201.2	156.7
		cents	cents
Earnings per share attributable to ordinary shareholders of Orica Limited:			
Basic earnings per share	(3)	52.0	40.1
Diluted earnings per share	(3)	51.8	40.1

The Income Statement is to be read in conjunction with the accompanying notes.

Statement of Comprehensive Income

For the period ended 31 March:

	2017	2016
	\$m	\$m
Profit for the period	201.2	156.7
Other comprehensive income		
Items that may be reclassified subsequently to profit or loss:		
<i>Exchange differences on translation of foreign operations</i>		
Exchange loss on translation of foreign operations	(40.1)	(112.2)
Net loss on hedge of net investments in foreign subsidiaries	(7.0)	(116.0)
Tax expense on hedge of net investments in foreign subsidiaries	(7.3)	(14.6)
Tax expense on hedge of net investments in foreign subsidiaries	(54.4)	(242.8)
<i>Sundry items:</i>		
Net Cash flow hedges	2.1	(8.2)
Items that will not be reclassified subsequently to profit or loss:		
Net actuarial gain/(loss)	38.1	(22.4)
Other comprehensive loss for the period	(14.2)	(273.4)
Total comprehensive income/(loss) for the period	187.0	(116.7)
Attributable to:		
Shareholders of Orica Limited	185.7	(127.6)
Non-controlling interests	1.3	10.9
Total comprehensive income/(loss) for the period	187.0	(116.7)

The Statement of Comprehensive Income is to be read in conjunction with the accompanying notes.

Balance Sheet

as at:

	Notes	31 March 2017 \$m	30 September 2016 \$m
Current assets			
Cash and cash equivalents	(10)	364.6	328.0
Trade receivables		580.3	565.4
Other receivables		98.8	122.3
Inventories		573.3	517.8
Other assets		58.0	44.4
Total current assets		1,675.0	1,577.9
Non-current assets			
Other receivables		32.3	28.9
Investments accounted for using the equity method	(6)	192.4	188.1
Property, plant and equipment		2,698.9	2,725.3
Intangible assets		1,537.2	1,558.8
Deferred tax assets		390.3	408.3
Other assets		81.2	108.5
Total non-current assets		4,932.3	5,017.9
Total assets		6,607.3	6,595.8
Current liabilities			
Trade payables		755.8	778.8
Other payables		258.9	282.4
Interest bearing liabilities	(10)	374.2	321.7
Provisions		165.5	166.1
Other liabilities		47.9	41.8
Total current liabilities		1,602.3	1,590.8
Non-current liabilities			
Other payables		4.5	7.2
Interest bearing liabilities	(10)	1,522.2	1,555.7
Provisions		428.5	484.2
Deferred tax liabilities		84.3	70.2
Other liabilities		78.3	104.5
Total non-current liabilities		2,117.8	2,221.8
Total liabilities		3,720.1	3,812.6
Net assets		2,887.2	2,783.2
Equity			
Ordinary shares	(5)	2,049.5	2,025.3
Reserves		(533.5)	(489.9)
Retained earnings		1,371.7	1,247.1
Total equity attributable to ordinary shareholders of Orica Limited		2,887.7	2,782.5
Non-controlling interests in controlled entities		(0.5)	0.7
Total equity		2,887.2	2,783.2

The Balance Sheet is to be read in conjunction with the accompanying notes.

Statement of Changes in Equity

For the period ended 31 March

	Ordinary shares \$m	Retained earnings \$m	Foreign currency translation reserve \$m	Cash flow hedge reserve \$m	Other reserves \$m	Total \$m	Non- controlling interests \$m	Total equity \$m
2016								
Balance at 1 October 2015	1,954.4	1,247.0	(69.7)	(65.7)	(81.4)	2,984.6	2.6	2,987.2
Profit for the period	-	149.0	-	-	-	149.0	7.7	156.7
Other comprehensive income	-	(22.4)	(246.0)	(8.2)	-	(276.6)	3.2	(273.4)
Total comprehensive income for the period	-	126.6	(246.0)	(8.2)	-	(127.6)	10.9	(116.7)
Transactions with owners, recorded directly in equity								
Total changes in contributed equity	51.5	-	-	-	-	51.5	-	51.5
Share-based payments expense	-	-	-	-	3.1	3.1	-	3.1
Dividends/distributions	-	(207.0)	-	-	-	(207.0)	-	(207.0)
Dividends declared/paid to non-controlling interests	-	-	-	-	-	-	(5.2)	(5.2)
Balance at the end of the period	2,005.9	1,166.6	(315.7)	(73.9)	(78.3)	2,704.6	8.3	2,712.9
2017								
Balance at 1 October 2016	2,025.3	1,247.1	(341.3)	(62.9)	(85.7)	2,782.5	0.7	2,783.2
Profit for the period	-	195.2	-	-	-	195.2	6.0	201.2
Other comprehensive income	-	38.1	(49.7)	2.1	-	(9.5)	(4.7)	(14.2)
Total comprehensive income for the period	-	233.3	(49.7)	2.1	-	185.7	1.3	187.0
Transactions with owners, recorded directly in equity								
Total changes in contributed equity	24.2	-	-	-	-	24.2	-	24.2
Share-based payments expense	-	-	-	-	4.0	4.0	-	4.0
Dividends/distributions	-	(108.7)	-	-	-	(108.7)	-	(108.7)
Dividends declared/paid to non-controlling interests	-	-	-	-	-	-	(2.5)	(2.5)
Balance at the end of the period	2,049.5	1,371.7	(391.0)	(60.8)	(81.7)	2,887.7	(0.5)	2,887.2

The Statement of Changes in Equity is to be read in conjunction with the accompanying notes.

Statement of Cash Flows

For the period ended 31 March:

	2017	2016
	\$m	\$m
	Inflows/ Notes (Outflows)	Inflow s/ (Outflow s)
Cash flows from operating activities		
Receipts from customers	2,663.3	2,921.8
Payments to suppliers and employees	(2,418.9)	(2,692.9)
Interest received	11.9	15.0
Borrowing costs	(63.5)	(79.3)
Dividends received	13.8	15.9
Other operating revenue received	18.8	14.7
Net income taxes paid	(70.9)	(62.7)
Net cash flows from operating activities	154.5	132.5
Cash flows from investing activities		
Payments for property, plant and equipment	(87.5)	(107.3)
Payments for intangibles	(26.7)	(29.6)
Payments for purchase of businesses/controlled entities and Investments	(0.3)	(3.4)
Proceeds from sale of property, plant and equipment	32.6	34.3
Net proceeds from sale of businesses/controlled entities	13.1	-
Proceeds from sale of investments	0.3	-
Disposal costs from sale of businesses/controlled entities	(1.9)	(16.8)
Net cash flows used in investing activities	(70.4)	(122.8)
Cash flows from financing activities		
Proceeds from long term borrowings	555.2	2,650.8
Repayment of long term borrowings	(555.2)	(2,405.8)
Net movement in short term financing	53.3	(131.2)
Dividends paid - Orica ordinary shares	(87.1)	(156.3)
Dividends paid - non-controlling interests	(2.9)	(5.2)
Payments for finance leases	(0.9)	(0.3)
Proceeds from issue of ordinary shares	0.6	0.8
Net cash used in financing activities	(37.0)	(47.2)
Net increase/(decrease) in cash held	47.1	(37.5)
Cash at the beginning of the period	316.2	260.8
Effects of exchange rate changes on cash	(5.3)	(25.6)
Cash at the end of the period	358.0	197.7
Reconciliation of cash		
Cash at the end of the period as shown in the statement of cash flows is reconciled to the related items in the balance sheet as follows:		
Cash	(10) 364.6	242.2
Bank overdraft	(6.6)	(44.5)
	358.0	197.7

The Statement of Cash Flows is to be read in conjunction with the accompanying notes.

1. Accounting policies

The significant accounting policies adopted in preparing the financial report of Orica Limited ('the Company' or 'Orica') and of its controlled entities (collectively 'the Group') are stated below to assist in a general understanding of this half year financial report.

(i) Basis of preparation

This general purpose financial report for the half year reporting period ended 31 March 2017 has been prepared in accordance with the requirements of applicable Accounting Standards including AASB 134 "Interim Financial Reporting", the Corporations Act 2001 and other mandatory professional reporting requirements.

The half year financial report has been prepared by a for-profit entity in accordance with the requirements of applicable Australian Accounting Standards and the Corporations Act 2001 and complies with International Financial Reporting Standards (IFRS) adopted by the International Accounting Standards Board. It has been prepared on a historical cost basis, except for derivative financial instruments, superannuation commitments and investments in financial assets which have been measured at fair value as per their applicable standards. It is presented in Australian dollars which is Orica's functional and presentation currency. Orica is domiciled in Australia.

It is recommended that the Half Year Report is read in conjunction with the Annual Financial Report of Orica Limited as at 30 September 2016.

The amounts shown have been rounded off, except where otherwise stated, to the nearest tenth of a million dollars, the Company being in a class specified in the ASIC Class Order 2016/191 dated 24 March 2016.

(ii) Changes in accounting policies

Except as described below, the accounting policies applied by the Group in the financial report are the same as those applied by the Group in its consolidated financial report for the year ended 30 September 2016.

The standards relevant to Orica that has been adopted during the period are:

- AASB 2015-2 Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101.
- AASB 2014-3 Amendments to Australian Accounting Standards – Accounting for Acquisitions of Interests in Joint Operations.
- AASB 2014-4 Clarification of Acceptable Methods of Depreciation and Amortisation.

These standards do not have a material impact on the financial statements and impact mainly on disclosures. Standards taking effect in future years:

- AASB 9 (2014) Financial Instruments, AASB 2014-7 Amendments to Australian Accounting Standards

arising from AASB 9 (December 2014) and AASB 2014-8 Amendments to Australian Accounting Standards arising from AASB 9 (December 2014) – Application of AASB 9 (December 2009) and AASB 9 (December 2010) - available for annual reporting periods on or after 1 January 2018.

- AASB 15 Revenue from Contracts with Customers and AASB 2014-5 Amendments to Australian Accounting Standards arising from AASB 15 available for annual reporting periods on or after 1 January 2018.
- AASB 16 Leases - available for annual reporting periods on or after 1 January 2019.

The Group expects to adopt these standards in the 2018 and subsequent financial years.

The Group is currently assessing the impact of adopting AASB 9 and AASB 15, including undertaking an analysis of the available transition options, on-going and transition financial reporting impacts and potential changes to information technology systems, and expects to have completed this project by 30 September 2017.

Under AASB 16 the present value of the Group's operating lease commitments as defined under the new standard, excluding low value leases and short term leases, will be shown as right of use assets and as lease liabilities on the balance sheet.

This standard will have an impact on the Group's earnings and shareholders' funds at transition and in future years. It must be implemented retrospectively, either with the restatement of comparatives or with the cumulative impact of application recognised as at 1 October 2019 under the modified retrospective approach. AASB 16 contains a number of practical expedients. Under the modified retrospective approach, on a lease-by-lease basis, the right of use of an asset may be deemed to be equivalent to the liability at transition or calculated retrospectively as at inception of the lease.

The financial impact of adopting AASB 16 has not yet been determined.

To date, work has focused on the identification of the provisions of the standard which will most impact the Group. In 2017, work on these issues and their resolution will continue and work on the financial reporting impacts will commence as well as assessment of likely changes to systems.

2. Segment report

(a) Identification and description of segments

Orica's reportable segments are based on the internal management structure as reported to the Group's Chief Operating Decision Maker (the Group's Managing Director and Chief Executive Officer).

The reporting segments under the operating model are as follows:

Reportable segments	Products/services
<ul style="list-style-type: none"> • Australia/Pacific and Indonesia • North America • Latin America • Europe, Africa and Asia 	Manufacture and supply of commercial explosives and blasting systems including technical services and solutions to the mining and infrastructure markets, and supply of mining chemicals including sodium cyanide for gold extraction.
<ul style="list-style-type: none"> • Minova 	Manufacture and supply of specialty bolts, accessories and chemicals for stabilisation and ventilation systems in underground mining and civil tunnelling works.
<ul style="list-style-type: none"> • Global Support 	Corporate and support costs which cannot otherwise be allocated to other segments on a reasonable basis, operation of the Botany Groundwater Treatment Plant and non-operating assets.

Condensed notes to the consolidated half year financial report

2. Segment report (continued)

(b) Reportable segments 2017 \$m	Australia/Pacific and Indonesia	North America	Latin America	Europe, Africa and Asia	Minova	Global Support	Eliminations	Consolidated
Revenue								
External sales	728.2	583.9	420.2	485.1	210.5	9.5	-	2,437.4
Inter-segment sales	26.0	78.5	15.2	22.4	1.3	460.3	(603.7)	-
Total sales revenue	754.2	662.4	435.4	507.5	211.8	469.8	(603.7)	2,437.4
Other income (refer to note 2c)⁽¹⁾	(0.3)	(0.1)	5.3	7.8	8.8	15.8	-	37.3
Total revenue and other income	753.9	662.3	440.7	515.3	220.6	485.6	(603.7)	2,474.7
Results before individually material items								
Profit/(loss) before financing costs and income tax	162.4	97.0	28.9	53.6	8.3	(36.0)	-	314.2
Financial income								11.9
Financial expenses								(44.9)
Profit before income tax expense								281.2
Income tax expense								(80.0)
Profit after income tax expense								201.2
Profit attributable to non-controlling interests								(6.0)
Profit after income tax expense before individually material items attributable to shareholders of Orica Limited								195.2
Individually material items (refer to note 2d)								
Gross individually material items	-	-	-	-	-	-	-	-
Tax on individually material items	-	-	-	-	-	-	-	-
Net individually material items attributable to non-controlling interests								-
Individually material items attributable to shareholders of Orica Limited								-
Net profit for the period attributable to shareholders of Orica Limited								195.2
Segment assets	2,667.1	856.6	572.4	817.8	375.8	1,317.6	-	6,607.3
Segment liabilities	350.5	149.9	161.4	293.8	93.3	2,671.2	-	3,720.1
Investments accounted for using the equity method	5.1	178.4	5.8	1.9	-	1.2	-	192.4
Acquisitions of PPE and intangibles	72.9	9.5	4.7	11.4	3.0	26.1	-	127.6
Impairment of inventories	1.1	1.2	1.2	-	0.1	3.0	-	6.6
Impairment of trade receivables	-	-	4.3	2.9	0.2	2.8	-	10.2
Depreciation and amortisation	59.7	18.1	12.8	15.8	4.9	20.0	-	131.3
Non-cash expenses: - share based payments	1.0	0.9	0.6	1.1	0.4	-	-	4.0
Share of associates net profit equity accounted	1.0	16.2	1.3	(0.2)	-	-	-	18.3

⁽¹⁾ Includes foreign currency gains/losses in various reportable segments.

Condensed notes to the consolidated half year financial report

2. Segment report (continued)

(b) Reportable segments 2016 \$m	Australia/Pacific and Indonesia	North America	Latin America	Europe, Africa and Asia	Minova	Global Support	Eliminations	Consolidated
Revenue								
External sales	733.5	608.9	448.2	541.0	206.7	15.1	-	2,553.4
Inter-segment sales	32.5	84.5	22.3	18.4	4.0	482.7	(644.4)	-
Total sales revenue	766.0	693.4	470.5	559.4	210.7	497.8	(644.4)	2,553.4
Other income (refer to note 2c)⁽¹⁾	0.1	5.2	7.3	(4.9)	0.6	15.9	-	24.2
Total revenue and other income	766.1	698.6	477.8	554.5	211.3	513.7	(644.4)	2,577.6
Results before individually material items								
Profit/(loss) before financing costs and income tax	145.2	101.7	36.1	49.9	(2.2)	(14.2)	-	316.5
Financial income								15.0
Financial expenses								(60.5)
Profit before income tax expense								271.0
Income tax expense								(73.3)
Profit after income tax expense								197.7
Profit attributable to non-controlling interests								(7.7)
Profit after income tax expense before individually material items attributable to shareholders of Orica Limited								190.0
Individually material items (refer to note 2d)								
Gross individually material items	-	-	-	-	-	-	-	-
Tax on individually material items	-	-	-	-	-	(41.0)	-	(41.0)
Net individually material items attributable to non-controlling interests								-
Individually material items attributable to shareholders of Orica Limited								(41.0)
Net profit for the period attributable to shareholders of Orica Limited								149.0
Segment assets	2,774.3	877.8	591.5	901.0	400.7	1,285.6	-	6,830.9
Segment liabilities	377.0	233.4	168.5	268.2	-	3,070.9	-	4,118.0
Investments accounted for using the equity method	3.2	176.3	4.9	3.4	-	0.5	-	188.3
Acquisitions of PPE and intangibles	78.3	20.5	10.8	16.0	1.0	29.0	-	155.6
Impairment of inventories	0.1	0.2	0.6	2.4	-	-	-	3.3
Impairment of trade receivables	0.3	-	7.8	4.6	1.4	-	-	14.1
Depreciation and amortisation	62.7	21.1	12.0	18.4	8.3	11.1	-	133.6
Non-cash expenses: - share based payments	0.7	0.5	0.1	0.3	0.1	1.4	-	3.1
Share of associates net profit equity accounted	1.1	15.6	1.1	(0.3)	-	-	-	17.5

⁽¹⁾ Includes foreign currency gains/losses in various reportable segments.

2. Segment report (continued)

	Consolidated	
	2017 \$m	2016 \$m
(c) Other income		
Other income	18.8	14.7
Net foreign currency gains	(3.5)	(3.5)
Profit from sale of investments/businesses	10.9	-
Net profit on sale of property, plant and equipment	11.1	13.0
Total other income	37.3	24.2

	2017			2016		
	Gross \$m	Tax \$m	Net \$m	Gross \$m	Tax \$m	Net \$m
(d) Individually material items						
Profit after income tax includes the following individually material items of expense:						
Settlement of Australian Tax Action	-	-	-	-	(41.0)	(41.0)
Individually material items	-	-	-	-	(41.0)	(41.0)
Non-controlling interests in individually material items	-	-	-	-	-	-
Individually material items attributable to shareholders of Orica	-	-	-	-	(41.0)	(41.0)

(e) Geographical segments

The presentation of geographical revenue is based on the geographical location of customers. Segment assets are based on the geographical location of the assets.

	Revenue		Non-current assets *	
	2017 \$m	2016 \$m	2017 \$m	2016 \$m
Australia	652.1	649.0	2,306.5	2,292.8
United States of America	359.9	369.2	409.7	416.2
Other **	1,425.4	1,535.2	1,758.4	1,888.5
Consolidated	2,437.4	2,553.4	4,474.6	4,597.5

* Excluding: financial derivatives (included within other assets and other liabilities), deferred tax assets and post-employment benefit assets.

** Other than Australia and United States of America, sales to other countries are individually less than 10% of the Group's total revenues.

Condensed notes to the consolidated half year financial report

3. Earnings per share (EPS)

	Consolidated	
	2017 \$m	2016 \$m
(a) As reported in the income statement		
Reconciliation of earnings used in the calculation of EPS attributable to ordinary shareholders of Orica Limited		
Net profit for the period from continuing operations	201.2	156.7
Net profit for the period attributable to non-controlling interests	(6.0)	(7.7)
Net profit for the period from continuing operations attributable to ordinary shareholders	195.2	149.0
Earnings used in calculation of basic EPS attributable to ordinary shareholders of Orica Limited	195.2	149.0

	Number of shares	
Weighted average number of shares used as the denominator:		
Number for basic earnings per share	375,588,431	371,207,007
Effect of executive share options and rights*	1,108,774	9,948
Number for diluted earnings per share	376,697,205	371,216,955

* The weighted average number of options and rights that have not been included in the calculation of diluted earnings per share as they are not dilutive.

	2017 Cents per share	2016 Cents per share
Total attributable to ordinary shareholders of Orica Limited		
Basic earnings per share	52.0	40.1
Diluted earnings per share	51.8	40.1

	Consolidated	
	2017 \$m	2016 \$m
(b) Adjusted for individually material items		
Reconciliation of earnings used in the calculation of EPS adjusted for individually material items attributable to ordinary shareholders of Orica Limited		
Net profit for the period	201.2	156.7
Net profit for the period attributable to non-controlling interests	(6.0)	(7.7)
Adjusted for individually material items (refer to note 2 (d))	-	41.0
Earnings used in calculation of EPS attributable to ordinary shareholders of Orica Limited	195.2	190.0

	2017 Cents per share	2016 Cents per share
Total attributable to ordinary shareholders of Orica Limited before individually material items		
Basic earnings per share	52.0	51.2
Diluted earnings per share	51.8	51.2

4. Dividends and distributions

Consolidated

	2017 \$m	2016 \$m
Dividends and distributions		
Dividends paid or declared in respect of the half year ended 31 March were:		
Ordinary shares		
final dividend of 56 cents per share, 35.7% franked at 30.0%, paid 18 December 2015		207.0
final dividend of 29 cents per share, 27.6% franked at 30.0%, paid 9 December 2016	108.7	
Dividends paid in cash or satisfied by the issue of shares under the dividend reinvestment plan during the half year were as follows:		
paid in cash	87.1	156.3
DRP - satisfied by issue of shares	21.6	50.7

Subsequent events

Since the end of the half year, the directors declared the following dividend:
Interim dividend on ordinary shares of 23.5 cents per share, 12.8% franked at 30%, payable 3 July 2017.

The Company's Dividend Reinvestment Plan (DRP) continues to be available to eligible shareholders. For the interim dividend, shares will be allocated based on the arithmetic average of the daily volume weighted average market price of all shares sold through a normal trade on the ASX for a period of 7 days from 6 to 15 June 2017 inclusive. The last date for receipt of election notices for participation in the interim dividend under the DRP is Friday 2 June 2017. Shares issued pursuant to the DRP will rank equal to all other ordinary shares. No discount applies to the DRP.

Conduit foreign income (CFI) component:

Interim dividend:		Interim dividend:	
Current period - Ordinary	20.5 cents	Previous period - Ordinary	10.5 cents

5. Contributed equity

Movements in issued and fully paid shares of Orica since 1 October 2015 were as follows:

Details	Date	Number of shares	Issue price \$	\$m
Ordinary shares				
Opening balance of ordinary shares issued	1-Oct-15	370,113,526		1,954.4
Shares issued under the Orica dividend reinvestment plan	18-Dec-15	3,318,655	15.27	50.7
Shares issued under the Orica GEESP plan ⁽¹⁾		-		0.8
Balance at the end of the period	31-Mar-16	373,432,181		2,005.9
Shares issued under the Orica dividend reinvestment	1-Jul-16	1,497,325	12.99	19.4
Balance at the end of year	30-Sep-16	374,929,506		2,025.3
Shares issued under the Orica dividend reinvestment plan	9-Dec-16	1,246,245	17.37	21.6
Deferred shares issued to settle 2016 Short-Term Incentive		-	-	2.0
Shares issued under the Orica GEESP plan ⁽¹⁾		-		0.6
Balance at the end of the year	31-Mar-17	376,175,751		2,049.5

⁽¹⁾ Shares issued under the Orica General Employee Exempt Share Plan.

5. Contributed equity (continued)

Long Term Equity Incentive Plan (LTEIP) options over unissued shares:

As at March 2017 there are no options outstanding. The 522,534 options outstanding as at September 2016 have lapsed during the period.

Rights over unissued shares:

Vesting date	Balance 30 Sep 15	Issued during the period	Exercised during the period	Lapsed during the period	Balance 31 Mar 16	Issued during the period	Exercised during the period	Lapsed during the period	Balance 30 Sep 16
30 Sep 19	-	-	-	-	-	-	-	-	-
19 Dec 18	-	2,163,913	-	-	2,163,913	-	-	(84,038)	2,079,875
19 Dec 18	-	-	-	-	-	150,793	-	-	150,793
19 Dec 17	1,288,862	-	-	(118,573)	1,170,289	-	-	(76,855)	1,093,434
19 Dec 16	523,867	-	-	(39,980)	483,887	-	-	(26,830)	457,057
19 Dec 15	8,481	-	-	(8,481)	-	-	-	-	-
19 Dec 15	435,036	-	-	(435,036)	-	-	-	-	-
Various	13,671	74,739	(11,068)	(2,603)	74,739	13,876	(16,139)	-	72,476
Total	2,269,917	2,238,652	(11,068)	(604,673)	3,892,828	164,669	(16,139)	(187,723)	3,853,635

Rights over unissued shares:

Vesting date	Balance 30 Sep 16	Issued during the period	Exercised during the period	Lapsed during the period	Balance 31 Mar 17
30 Sep 19	-	1,712,055	-	(11,639)	1,700,416
19 Dec 18	2,079,875	-	-	(122,977)	1,956,898
20 Dec 18	150,793	-	-	-	150,793
19 Dec 17	1,093,434	-	-	(52,731)	1,040,703
19 Dec 16	457,057	-	-	(457,057)	-
19 Dec 15	-	-	-	-	-
19 Dec 15	-	-	-	-	-
Various	72,476	9,096	(5,327)	-	76,245
Total	3,853,635	1,721,151	(5,327)	(644,404)	4,925,055

6. Investments accounted for using the equity method

(a) Investments accounted for using the equity method

The table below shows the material investments (based on carrying values). All other investments are included in "Other".

Name	Principal activity	Ownership		Consolidated Carrying amount		
		2017	2016	Mar 2017	Sep 2016	Mar 2016
		%	%	\$m	\$m	\$m
Nelson Brothers, LLC ⁽¹⁾	Manufacture and sale of explosives	50.0	50.0	35.2	35.1	36.7
Nelson Brothers Mining Services LLC ⁽¹⁾	Supply of explosives	50.0	50.0	33.6	34.2	32.4
Southwest Energy LLC ⁽¹⁾	Sale of explosives	50.0	50.0	108.2	105.2	106.1
Other	Various			15.4	13.6	13.1
				192.4	188.1	188.3

⁽¹⁾ Entities are incorporated in USA and their balance date is 30 September.

7. Businesses acquired

The Group has not acquired any businesses or entities in either 2017 or 2016.

8. Businesses disposed

Disposal of businesses/controlled entities

2017

On 7 October 2016 Minova (Tianjin) Co., Ltd was disposed by the consolidated entity.

2016

No businesses or entities were disposed by the consolidated entity in the period.

	Consolidated	
	2017	2016
	\$m	\$m
Net consideration ⁽¹⁾	13.1	-
Carrying value of net assets of businesses/controlled entities disposed		
inventories	0.1	-
property, plant and equipment	7.4	-
intangibles	0.7	-
foreign currency translation reserve	(6.0)	-
	2.2	-
Less non-controlling interests at date of disposal	-	-
Profit on sale of business/controlled entities	10.9	-

⁽¹⁾ Includes \$3 million for the final settlement of the disposal of explosives businesses in Germany, Poland, Czech Republic and Slovenia which was sold on 30 September 2016.

9. Taxation

	Consolidated	
	2017	2016
	\$m	\$m
a) Income tax expense recognised in the income statement		
Current tax expense		
Current period	64.5	46.9
Deferred tax	9.8	22.7
Settlement of Australian Tax Action	-	41.0
Under provided in prior years	5.7	3.7
Total income tax expense in income statement	80.0	114.3
b) Reconciliation of income tax expense to prima facie tax payable		
Income tax expense/(benefit) attributable to profit before individually material items		
Profit from operations before individually material items	281.2	271.0
Prima facie income tax expense calculated at 30% on profit	84.4	81.3
Tax effect of items which (decrease)/increase tax expense:		
variation in tax rates of foreign controlled entities	(10.8)	(10.8)
tax under provided in prior years	5.7	3.7
non taxable profit on sale of property, plant and equipment	(2.2)	(2.8)
other foreign deductions	(13.3)	(10.3)
non creditable dividend withholding tax	10.2	-
non allow able interest deductions	1.7	4.7
sundry items	4.3	7.5
Income tax expense attributable to profit before individually material items	80.0	73.3
Income tax expense attributable to individually material items		
Profit/(loss) from individually material items	-	-
Prima facie income tax expense calculated at 30% on individually material items	-	-
Tax effect of items which increase tax expense:		
settlement of Australian Tax Action	-	41.0
Income tax expense attributable to profit/(loss) on individually material items	-	41.0
Income tax expense reported in the income statement	80.0	114.3

10. Financial instruments

(a) Standby arrangements and credit facilities

Reconciliation of net debt:

	Mar 2017 \$m	Sep 2016 \$m	Mar 2016 \$m
Current interest bearing liabilities	374.2	321.7	63.6
Non-current interest bearing liabilities	1,522.2	1,555.7	2,232.5
Less cash and cash equivalents	(364.6)	(328.0)	(242.2)
Net debt	1,531.8	1,549.4	2,053.9

Credit facilities:

	Mar 2017 \$m	Sep 2016 \$m	Mar 2016 \$m
Unsecured bank overdraft facilities available	108.7	122.0	122.0
Amount of facilities undrawn	102.1	110.3	77.5
Committed standby and loan facilities available	3,524.1	3,618.0	3,642.1
Amount of facilities unused	1,649.6	1,767.0	1,411.2

The bank overdrafts are payable on demand and are subject to an annual review. The maturity dates of the committed standby and loan facilities range from 1 May 2017 to 25 October 2030 (2016: 28 April 2016 to 25 October 2030).

10. Financial instruments (continued)

(b) Fair value hierarchy

Valuation of financial assets and liabilities (included within other on Balance sheet)

The carrying value of derivatives equals their fair values. All are defined as Level 2 under AASB 7 Financial Instruments:

Disclosures. The inputs are observable for the assets or liabilities, either directly (i.e., as prices) or indirectly (i.e., derived from prices). There has been no movement between levels since September 2016.

Valuation techniques include, where applicable, reference to prices quoted in active markets, discounted cash flow analysis, fair value of recent arm's length transactions involving the same instruments or other instruments that are substantially the same, and option pricing models. Changes in default probabilities are included in the valuation of derivatives through the use of credit and debit valuation adjustments.

The fair value of forward exchange contracts are calculated by reference to forward exchange market rates for contracts within similar maturity profiles at the time of valuation.

The fair values of cross currency interest rate swaps and interest rate swaps and other financial liabilities measured at fair value are determined using valuation techniques which utilise data from observable markets. Assumptions are based on market conditions existing at each balance date. The fair value is calculated as the present value of the estimated future cash flows using an appropriate market based yield curve, which is independently derived and representative of Orica's cost of borrowings.

11. Critical accounting judgements and estimates

The significant judgements made by Management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at the year ended 30 September 2016 except for the update below:

Environmental Provisions

Following the successful export and destruction of a trial shipment of the Botany hexachlorobenzene (HCB) in early 2017, management are progressing with further applications for the remainder of the waste to be safely exported and destroyed. The calculation of the provision was revised to reflect management's current best estimate of total costs for destruction of the HCB stockpile which is now \$39 million.

12. Contingent liabilities

There have been no significant developments with respect to the contingent liabilities, primarily relating to environmental and taxation matters, disclosed in the Annual Report for the year end September 2016. Updates to specific individual contingent liabilities are set out below:

(a) Taxation

(a) (i) German Tax Action

As a result of an income tax audit covering the 2005 to 2015 years, the German Central Tax Office ("the CTO") has challenged Orica's tax returns under laws which were announced in 2012 and introduced in 2013 in relation to a financing arrangement by Orica of its German group from 2005 onwards. The amount of the possible reassessment for the 2005 to 2015 years is approximately \$87 million. Assessments for the period 2005 to 2008 have been received. Orica believes that the laws do not apply to these arrangements and in addition should not be applied retrospectively.

(a) (ii) Australian Tax Audit

As a result of an income tax audit covering the 2010 to 2011 years, the Australian Taxation Office ("the ATO") has challenged Orica's tax returns in relation to thin capitalisation valuations of land and buildings and intellectual property resulting in a denial of interest deductions. Assessments for 2010 to 2015 amounting to \$48 million have been received from the ATO. Interest and penalties for this period have been assessed by the ATO at \$21 million. Orica believes that the valuations are in accordance with the tax law and has lodged objections against the assessments.

As part of the income tax audit for 2010 and 2011, the ATO has challenged the residence of a German subsidiary of Orica. The ATO considers that the subsidiary should be a resident of Australia. Assessments for 2010 and 2011 amounting to \$28 million have been received from the ATO. Estimated interest for 2010 and 2011 is \$10 million. The amount of possible reassessment for the years 2012 to 2015, including interest, is \$36 million. Orica believes the subsidiary is a German resident and only German tax, not Australian tax is payable on the relevant income.

13. Events subsequent to balance date

On 16 May 2017, the directors declared an interim dividend of 23.5 cents per ordinary share payable on 3 July 2017. The financial effect of this dividend is not included in the financial statements for the period ended 31 March 2017 and will be recognised in the 30 September 2017 financial statements.

The directors have not become aware of any other significant matter or circumstance that has arisen since 31 March 2017, that has affected or may affect the operations of the Group, the results of those operations, or the state of affairs of the Group in subsequent years, which has not been covered in this report.

Orica Limited and its Controlled Entities

Directors' Declaration on the Financial Report set out on pages 3 to 19

In accordance with a resolution of the Directors of Orica Limited, we state that:

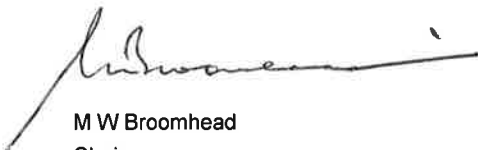
In the Directors' opinion:

(a) the financial statements and notes, set out on pages 3 to 19, are in accordance with the Corporations Act 2001, including:

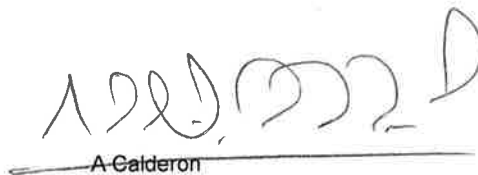
(i) giving a true and fair view of the financial position of the Group as at 31 March 2017 and of its performance for the half year ended on that date; and

(ii) complying with Accounting Standard AASB 134 "Interim Financial Reporting" and Corporations Regulations 2001; and

(b) there are reasonable grounds to believe the Company will be able to pay its debts as and when they become due and payable.



M W Broomhead
Chairman



A Calderon
Managing Director and Chief Executive Officer

Dated at Melbourne this 16th day of May 2017.

Orica Limited and its Controlled Entities

Directors' Report

The directors of Orica Limited (Orica) present the consolidated financial report in the form of Appendix 4D of the Australian Stock Exchange (ASX) Listing Rules, for the period ended 31 March 2017 and the auditor's review report thereon.

Directors

The directors of the Company during or since the end of the half year are:

M W Broomhead, Chairman
A Calderon, Managing Director and Chief Executive Officer
M N Brenner
I D Cockerill
Lim C O
K A Moses
G T Tilbrook

The office of the company secretary is held by K Gray.

Review and results of operations

A review of the operations of the Group during the period and of the results of those operations is contained in the accompanying Orica Limited Profit Report.

Events subsequent to balance date

The directors have not become aware of any significant matter or circumstance (other than referred to in note 13) that has arisen since 31 March 2017, that has affected or may affect the operations of the Group, the results of those operations, or the state of affairs of the Group in subsequent years, which has not been covered in this report.


Lead Auditor's Independence Declaration

A copy of the lead auditor's independence declaration as required under Section 307C of the Corporations Act 2001 is set out on page 22.

Rounding

The amounts shown in this report and in the financial statements have been rounded off, except where otherwise stated, to the nearest tenth of a million dollars, the Company being in a class specified in the ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 dated 24 March 2016.

Signed on behalf of the board in accordance with a resolution of the Directors of Orica Limited.



M W Broomhead
Chairman



A Calderon
Managing Director and Chief Executive Officer

Dated at Melbourne this 16th day of May 2017.



Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

To the Directors of Orica Limited

I declare that, to the best of my knowledge and belief, in relation to the review for the half-year ended 31 March 2017 there have been:

- i. no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the review; and
- ii. no contraventions of any applicable code of professional conduct in relation to the review.

KPMG

Alison Kitchen

Partner

Melbourne, Australia

16 May 2017



Independent Auditor's Review Report

To the shareholders of Orica Limited

Report on the Half-year Financial Report

Conclusion

We have reviewed the accompanying **Half-year Financial Report** of Orica Limited.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the Half-year Financial Report of Orica Limited is not in accordance with the *Corporations Act 2001*, including:

- giving a true and fair view of the **Group's** financial position as at 31 March 2017 and of its performance for the Half-year ended on that date; and
- complying with *Australian Accounting Standard AASB 134 Interim Financial Reporting* and the *Corporations Regulations 2001*.

The **Half-year Financial Report** comprises:

- Consolidated balance sheet as at 31 March 2017
- Consolidated income statement, Consolidated statement of comprehensive income, Consolidated statement of changes in equity and Consolidated statement of cash flows for the Half-year ended on that date
- Notes 1 to 13 comprising a summary of significant accounting policies and other explanatory information
- The Directors' Declaration.

The **Group** comprises Orica Limited and the entities it controlled at the Half year's end or from time to time during the Half-year.

Responsibilities of the Directors for the Half-year Financial Report

The Directors of the Company are responsible for:

- the preparation of the Half-year Financial Report that gives a true and fair view in accordance with *Australian Accounting Standards* and the *Corporations Act 2001*
- for such internal control as the Directors determine is necessary to enable the preparation of the Half-year Financial Report that is free from material misstatement, whether due to fraud or error.



Auditor's responsibility for the review of the Half-year Financial Report

Our responsibility is to express a conclusion on the Half-year Financial Report based on our review. We conducted our review in accordance with *Auditing Standard on Review Engagements ASRE 2410 Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the Half-year Financial Report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's financial position as at 31 March 2017 and its performance for the half-year ended on that date; and complying with *Australian Accounting Standard AASB 134 Interim Financial Reporting* and the *Corporations Regulations 2001*. As auditor of Orica Limited, *ASRE 2410* requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a Half-year Financial Report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with *Australian Auditing Standards* and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

KPMG

Alison Kitchen

Partner

Melbourne, Australia

16 May 2017