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Orica Limited  
ABN 24 004 145 868

## **ASX Announcement**

### **ORICA DELIVERS SEVENTH CONSECUTIVE YEAR OF PROFIT GROWTH**

Orica today announced a net profit after tax and significant items of \$540 million for the full year ended 30 September 2008, an 11% increase on the previous full year.

Excluding the loss on individually significant items of \$33 million, net profit after tax was \$572 million, up 15% on 2007. Sales revenue increased 18% to \$6.5 billion. Cash flow from operating activities was up by 41% to \$737 million.

The Board has declared a final dividend of 55 cents per ordinary share, bringing the total ordinary dividend for 2008 to 94 cents per share, representing an increase of 5 cents or 6% on the 2007 final dividend. The 2008 dividend is franked at 20 cents per share.

Earnings per share (EPS) before significant items increased 14%, over the 2007 full year, to \$1.70. The seventh consecutive year of EPS growth.

Orica Managing Director Graeme Liebelt said the result showed the strength across Orica's business platforms despite some challenging market conditions during 2008, including unfavourable foreign exchange movements and rising input costs.

"The record result marks our seventh consecutive year of profit growth. It also highlights the continued strength in Orica's underlying earnings with all of our business platforms achieving double digit growth," Mr Liebelt said.

"Orica's Mining Services business had a record result, with an 11% increase in EBIT reflecting earnings growth in all regions from increasing volumes, benefits from increased ammonium nitrate prices and the successful integration of the former Dyno Nobel businesses. All regions within Mining Services achieved record results in 2008.

"The Dyno integration is now complete and has delivered synergies of \$92 million (against a targeted \$90 million) a full 12 months ahead of schedule. Our successful integration model is now being used to imbed the Minova-Excel businesses into Orica and this is on track to achieve the expected synergy targets.

"Minova earnings increased 144% to \$150 million as a result of underlying business growth, an additional three months' contribution from the base Minova business and an Excel contribution in line with expectations. Minova's underlying performance in the mining sector improved – most notably in emerging markets of Russia, Eastern Europe and China. The tunnelling business had a much improved second half with the benefit of some major projects in Europe.

“Consumer Products achieved underlying earnings growth of 10% to a record \$123 million. Most pleasingly, this business continues to increase its market share in Australia across all segments and reap the benefits from a strong focus on branding, innovation and customer service despite relatively subdued market conditions, particularly in New Zealand.

“The recently formed Chemicals division, comprising the former Chemical Services and Chemnet divisions, delivered underlying EBIT growth of 18% to \$146 million. The improvement in the Chemicals business is on the back of favourable market conditions for sodium cyanide and the benefit from our uprated Yarwun sodium cyanide plant. We also saw strong volume growth in most end markets for Watercare’s products and services despite continuing drought conditions in large areas of Australia. Chemnet’s bulk chemicals businesses in Australia, New Zealand and Latin America continue to improve and collectively are well ahead of our 18% return on net assets target.

“We saw great improvement in our operating cash flow, particularly in the second half of the year, reflecting not only our ongoing business profit growth but very good discipline across all of our businesses in managing working capital.

“With the successful completion of our \$900 million capital raising in August this year, we have a strong balance sheet with gearing at below 20%. Combined with our improved cash flow performance, this positions us well in the context of the uncertainty in global financial markets.

“Orica’s businesses have performed strongly and we are confident they will continue to do so. Accordingly, Group net profit (before significant items) in 2009 is expected to be higher than that reported in 2008. This is subject to global economic conditions and particularly their impact on demand in developing nations.”

## **10 November 2008**

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## RESULTS FOR THE YEAR ENDED 30 SEPTEMBER 2008

**Net profit after tax (NPAT) and significant items for the year ended 30 September 2008 was up 11% to \$540M, compared with the previous corresponding period (pcp) of \$488M. The loss on significant items was \$32.7M (\$10.1M loss in the pcp).**

**Orica's net profit after tax before significant items of \$572M was up 15% compared with the pcp.**

### FINANCIAL HIGHLIGHTS

- Sales revenue up 18% to \$6.5B. Underlying sales growth was 14% (excluding major acquisitions and divestments).
- EBIT up 19% to \$970M<sup>(1)</sup>.
- Earnings per ordinary share<sup>(1)</sup> up 14% to 170 cents.
- Post the rights issue, return on shareholders' funds<sup>(1)</sup> at 16.9% is down from 19.2% the pcp
- Gearing<sup>(2)</sup> at 19.1%, down from 33.2% in the pcp.
- Final ordinary dividend is 55 cents per share (cps) - franked at 20 cps. Total ordinary dividend for 2008 is 94 cps, an increase of 6% over the pcp (89 cps).

### BUSINESS HIGHLIGHTS

- Record result in Mining Services with EBIT up 11% to \$636M, reflecting earnings growth in most regions from increasing volumes, benefits from increasing ammonium nitrate (AN) prices and the successful integration of the former Dyno Nobel businesses.
- Minova EBIT was 144% ahead of the pcp at \$150M driven by underlying growth and a full years earnings contribution from Minova (nine months pcp) as well as earnings from Excel Mining Systems LLC (Excel) from November 2007 in line with expectations.
- Record performance in Consumer Products with EBIT up 21% to \$123M driven by increasing market share in Australia due to continuing investment in our brands and productivity.
- The result for Chemicals of \$146M (comprised of Chemical Services & Chemnet) was 15% ahead of last year, with a record result in Mining Chemicals in firm market conditions for sodium cyanide, and improving volumes in Watercare and Chemnet's bulk chemicals businesses.

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

A\$M	Year Ended September		Change F/(U)
	2008	2007	
Sales Revenue	6,544.1	5,527.2	18%
<i>Underlying Results</i>			
EBIT	970.1	812.7	19%
Net interest expense	(157.7)	(122.6)	(29%)
Tax expense	(211.9)	(166.2)	(27%)
Minority interests	(28.2)	(26.1)	(8%)
<b>NPAT and minority interests</b>	<b>572.3</b>	<b>497.8</b>	<b>15%</b>
Earnings per ordinary share (cents)	170.0	149.5	14%
Return on shareholders' funds	16.9%	19.2%	
<i>Results including Significant items:</i>			
Significant items after tax and minority interests	(32.7)	(10.1)	
<b>NPAT and minority interests</b>	<b>539.6</b>	<b>487.7</b>	<b>11%</b>
Earnings per ordinary share (cents)	159.8	146.3	9%
Return on shareholders' funds	15.9%	18.8%	
<i>Financial Items</i>			
Interim ordinary dividend per share	39.0	36.0	8%
Final ordinary dividend per share	55.0	53.0	4%
Total ordinary dividend per share	94.0	89.0	6%
Payout Ratio	56.0%	55.3%	
Net debt	1,020.5	1,305.7	22%
Gearing <sup>(2)</sup>	19.1%	33.2%	
Gearing (adjusted) <sup>(3)</sup>	23.8%	39.6%	
Interest cover (times)	6.1	6.6	
Average exchange rate (A\$/US\$)	90.6	80.7	(12%)

- Earnings for business platforms were adversely impacted by net unfavourable foreign exchange movements totalling \$38M.

### OUTLOOK - 2009

- Orica's businesses have performed strongly and we are confident they will continue to do so. Accordingly, Group net profit (before significant items) in 2009 is expected to be higher than that reported in 2008. This is subject to global economic conditions and particularly their impact on demand in developing nations.

(1) Before significant items.

(2) Net debt/(net debt + book equity).

(3) Calculation as per Note (2) with SPS securities notionally treated as 50% Debt and 50% equity.

**ORICA LIMITED**  
**PROFIT REPORT – YEAR ENDED 30 SEPTEMBER 2008**

**REVENUE**

**Sales revenue increased by \$1.0B (+18%) to \$6.5B. Major items were:**

- Revenue (excluding major acquisitions and divestments) of \$6.3B improved \$780M (+14%), driven primarily by:
  - Ongoing growth in Mining Services due to firm demand in most regions, increasing AN prices from both increasing market prices and pass through of rising input costs;
  - A full 12 month contribution from the Minova businesses (nine months in the pcp);
  - Market share increases for Consumer Products in Australia; and
  - Increased volumes and firm market conditions for sodium cyanide and watercare products and an improvement across most Chemnet businesses;
  - Partly offset by unfavourable movements in exchange rates of \$247M;
- Sales revenue from the acquired Excel business was \$275M;
- Sales revenue of the divested Adhesives and Resins (A&R) in the pcp was \$38M; and
- Other income decreased \$7.7M on the pcp reflecting the profit on sale of the A&R business in the pcp.

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

- Total EBIT increased 19% to \$970M (pcp: \$813M) primarily due to:
  - Improvement in earnings from Mining Services of \$61M (11%) to a record \$636M, reflecting growth in all regions, benefits from improved AN pricing and generally favourable trading conditions;
  - Underlying growth and a full 12 month contribution from Minova, increasing earnings by \$34M and a net incremental EBIT from Excel of \$56M;
  - Record earnings in Consumer Products (market share, margin and productivity) and Chemicals (volume and margin);

Partly offset by:

- A net negative impact from unfavourable foreign exchange rates of \$38M; and
- Increased Corporate and Support costs of \$31M mainly due to a discretionary one-off bonus for all employees (\$15M), cost of the preference share buy-back (\$8M) and a break even insurance result (pcp - gain of \$9M).

**Revenue Summary**

A\$M	Year Ended September		Change F/(U)
	2008	2007	
Mining Services	3,552.1	3,111.2	14%
Minova	794.2	332.1	139%
Chemicals	1,406.1	1,329.5	6%
Consumer Products	875.4	826.3	6%
Other & Eliminations	(83.7)	(71.9)	(16%)
<b>Total sales revenue</b>	<b>6,544.1</b>	<b>5,527.2</b>	<b>18%</b>
Other income	53.8	61.5	(13%)
<b>Total</b>	<b>6,597.9</b>	<b>5,588.7</b>	<b>18%</b>

**Earnings Summary**

A\$M	Year Ended September		Change F/(U)
	2008	2007	
<b>EBIT</b>			
Mining Services	635.6	575.1	11%
Minova <sup>(1)</sup>	150.1	61.6	144%
Chemicals	146.1	127.4	15%
Consumer Products <sup>(2)</sup>	122.6	101.6	21%
Corporate Centre	(46.1)	(39.3)	(17%)
Other Support Costs	(38.2)	(13.7)	(179%)
<b>Total EBIT</b>	<b>970.1</b>	<b>812.7</b>	<b>19%</b>
Net Interest	(157.7)	(122.6)	(29%)
Tax expense	(211.9)	(166.2)	(27%)
Minority interests	(28.2)	(26.1)	(8%)
<b>NPAT and minority interests</b>	<b>572.3</b>	<b>497.8</b>	<b>15%</b>
Significant items after tax	(32.7)	(10.1)	
<b>NPAT and significant items</b>	<b>539.6</b>	<b>487.7</b>	<b>11%</b>

<sup>(1)</sup> Inclusive of \$2M acquisition accounting entries (2007:\$7M)

<sup>(2)</sup> Inclusive of \$10M Yates restructuring provision in 2007

**INTEREST**

- Net interest expense of \$158M increased by \$35M from the pcp, mainly due to:
  - Higher average net debt levels (\$66M) and higher average interest rates (\$1M); offset by
  - Interest income includes \$24M from income on the Excel net investment hedge (closed out during the financial year) and favourable foreign exchange impacts (\$8M).
- Interest cover was 6.1 times (pcp 6.6 times).

**ORICA LIMITED**  
**PROFIT REPORT – YEAR ENDED 30 SEPTEMBER 2008**

**TAX EXPENSE**

- Tax expense was \$212M with an effective tax rate of 26.1% (pcp: 24.1%). The higher effective rate was primarily as a result of a proportional movement in earnings to countries with higher tax rates and lower favourable adjustments compared with prior years.

**NET PROFIT**

- Net profit after tax before significant items increased 15% to \$572M (pcp: \$498M).
- Net profit after tax and significant items was up 11% to \$540M (pcp: \$488M).

**SIGNIFICANT ITEMS**

- Significant items for the period resulted in a loss after tax of \$33M (pcp: loss of \$10M). Major items in the current period related to the restructuring of the Chemicals business (\$14.7M) and the ongoing integration of Dyno Nobel (\$9M) and Minova/Excel (\$9M).

**DIVIDEND**

- Directors have increased the final ordinary dividend by 6% to 55 cps (pcp: 53 cps) - franked at 20 cps; and
- Franking capacity in the near term is forecast not to exceed 40%.

**MERGERS & ACQUISITIONS, DEVELOPMENT**

- The purchase of Excel for approximately A\$781M was completed on 26 October 2007;
- Minova acquired Strata Control Systems (SCS) in May 2008 and in the September quarter has acquired more small complementary bolt-on businesses in Africa, Germany and Poland;
- Mining Services is progressing well on the development of the 300ktpa AN manufacturing facility in Bontang, Indonesia with cumulative spend to date of \$76M;
- Given the tight market conditions, other AN expansion options continue to be progressed;
- Mining Services announced the Nanling Initiating Systems JV in China with a new plant expected in 2010, a JV with South West Energy in the USA and the acquisition of an additional 49% interest (taking Orica's interest to 99%) in Samex, an explosives distribution business in Peru (to be completed in November 2008);
- Consumer Products has made steady progress in developing a business in China and in November 2008 acquired Sopel, a small decorative coatings company; and

Significant items after tax and minority interests A\$M	Year Ended September	
	2008	2007
<b>Restructuring &amp; Rationalisation</b>		
Marplex	-	(16.4)
Chemicals	(14.7)	-
	(14.7)	(16.4)
<b>Dyno Nobel and Minova Expenditure</b>		
Integration costs	(18.0)	(33.4)
	(18.0)	(33.4)
<b>Other</b>		
Adhesives & Resins profit on sale	-	23.7
Tax indemnity - Cropcare	-	16.0
	-	39.7
<b>Total</b>	<b>(32.7)</b>	<b>(10.1)</b>

Ordinary dividend	Year Ended September		
	2008	2007	Change F/(U)
Final Ordinary Dividend			
- CPS	55.0	53.0	4%
- Franking %	36.4%	32.1%	
Interim Ordinary Dividend			
- CPS	39.0	36.0	8%
- Franking %	35.9%	38.9%	
<b>Total Ordinary Dividend</b>			
- CPS	94.0	89.0	6%
- Franking %	36.2%	34.8%	

- Chemical Services' Watercare division continues to successfully work on the commercialisation of new technologies with MIEX<sup>®</sup> and Advanced Water Treatment's product and services offerings continuing to gain market acceptance.

**BANK DEBT REFINANCING**

- In addition to the successful refinancing in December 2007, Orica has recently extended \$1.0B of its bank debt facilities until October 2009;
- A further total of \$1.1B of bank debt facilities have maturity dates in December 2010 and 2012;
- Following the rights issue, no bank debt was drawn under any of the above facilities at year end;
- The facilities are multi currency, flexible and cancellable at Orica's option; and
- Facility costs on the 1 year facility have increased by approximately 45 bps in line with current market conditions. Facility costs on the 2 year and 4 year tranches remain unchanged.

**ORICA LIMITED**  
**PROFIT REPORT – YEAR ENDED 30 SEPTEMBER 2008**

**BALANCE SHEET**

• **Key balance sheet movements since September 2007 were:**

- The increase in trade working capital (TWC) was \$87M from the pcp, partly due to the impact of the acquisition of Excel (\$26M) and the impact of FX translation on TWC (\$44M). An increase in underlying TWC due to business growth was offset by improvement in TWC management.
- Rolling TWC to sales has marginally improved to 14.5% (pcp: 14.6%);
- Net property, plant and equipment (PP&E) is \$309M up on the pcp mainly due to increased spend on growth projects. Of significance, Mining Services growth projects including Bontang (\$68M), EBS project at Brownsburg (\$22M) and Emirates plant relocation (\$10M); Chemnet sulphuric acid storage tanks in Darwin (\$20M); new OCP powder coatings site (\$12M) and Gladstone caustic soda storage tanks (\$12M). Additionally, acquisitions including Excel, contributed \$37M and foreign exchange translation increased PP&E by \$31M;
- Intangible assets are up \$957M mainly due to the acquisition of Excel (\$747M), other acquisitions (\$69M) and impact of foreign exchange translation to intangible assets (\$171M) offset by amortisation of \$41M;
- Net other liabilities decreased by \$52M mainly due to the mark to market of net derivative assets (\$50M), net provision movements (\$27M) and an increase in prepayments (\$26M), partly offset by an increase in non-trade creditors (\$41M);
- Net debt decreased by \$285M as a result of operating cash flows and proceeds from the rights issue offset by the acquisition of Excel and various growth projects;
- Orica shareholders equity increased by \$1,655M, mainly due to an increase in share capital of \$1,179M (primarily from the Rights Issue (\$885M) and shares issued from the underwritten Orica Dividend Reinvestment Plan (\$286M)). Other contributing factors include an increase in retained earnings (\$196M) and an increase in the foreign currency translation reserve (\$263M); and
- Outside equity interests have increased by \$36M due to capital contributions and higher business profits offset by dividends paid.

Balance Sheet			
A\$M	Sept 2008	March 2008	Sept 2007
Inventories	824.3	716.6	604.3
Trade Debtors	1,023.6	871.1	795.3
Trade Creditors	(1,021.6)	(674.8)	(660.6)
Total Trade working capital	826.3	912.9	739.0
Net property, plant & equipment	2,052.3	1,840.9	1,742.9
Intangible assets	3,012.6	2,806.5	2,055.5
Net other liabilities	(552.3)	(465.6)	(604.1)
Net debt	(1,020.5)	(2,184.5)	(1,305.7)
<b>Net Assets</b>	<b>4,318.4</b>	<b>2,910.2</b>	<b>2,627.6</b>
Orica shareholders' equity	4,221.5	2,827.3	2,566.7
Outside equity interests	96.9	82.9	60.9
<b>Equity</b>	<b>4,318.4</b>	<b>2,910.2</b>	<b>2,627.6</b>
<b>Gearing</b>	<b>19.1%</b>	<b>42.9%</b>	<b>33.2%</b>
<b>Gearing (adjusted) <sup>(1)</sup></b>	<b>23.8%</b>	<b>47.8%</b>	<b>39.6%</b>

<sup>(1)</sup> Gearing recalculated with SPS Securities notionally reclassified as 50% equity and 50% debt.

• **Key balance sheet movements since March 2008 were:**

- TWC decreased by \$87M, largely due to a focussed effort. TWC to sales improved to 14.5% from 14.9%;
- Net property, plant and equipment is up \$211M mainly due to acquisitions (\$15M), ongoing development of Bontang (\$46M), the EBS project at Brownsburg (\$14M), new powder coatings site (\$12M), Gladstone caustic soda storage (\$12M) and foreign exchange translation adjustment (\$32M);
- Intangible assets increased by \$206M, mainly arising from acquisitions (\$49M) and foreign exchange translation impacts on intangibles (\$174M) offset by amortisation of \$21M; and
- Net debt decreased by \$1,164M primarily due to funds flowing from the Rights Issue (\$885M). Other contributing factors include dividend payments replaced by shares issued from the underwritten Orica Dividend Reinvestment Plan (\$123M) and a reduction in trade working capital requirement (\$87M).

**GEARING**

- Post the successful Rights Issue, accounting gearing (net debt/(net debt + equity)) decreased to 19.1% from 33.2% in September 2007. In accordance with accounting standards, the SPS securities are recognised as equity.
- Adjusted gearing, which treats the SPS securities as 50% equity and 50% debt (Standard & Poors credit rating treatment), was 23.8% (pcp 39.6%).

**ORICA LIMITED**  
**PROFIT REPORT – YEAR ENDED 30 SEPTEMBER 2008**

**CASH FLOW**

- Net operating cash inflows increased by \$213M to \$737M, compared with the pcp mainly due to:
  - EBITDA growth of \$193M to \$1,189M (pcp \$996M);
  - A reduction in non-trade working capital outflows of \$89M, partly due to reduced spend, in comparative terms, on environmental, restructuring and decommissioning provisions (\$27M), an increase in non-trade creditors and foreign exchange movements; and
  - A reduction in trade working capital outflows of \$19M.
 Partly offset by:
  - \$40M increase in interest paid, mainly due to the higher net average debt level during the year following the acquisition of Excel; and
  - \$49M increase in income tax paid due to earnings growth and the timing of payments.
- Net investing cash outflows of \$1,270M increased by \$98M from \$1,172M in the pcp. The increase was mainly due to:
  - \$98M reduction in proceeds from surplus asset sales and businesses. The pcp inflow was mainly due to the Adhesives and Resins divestment; and
  - Increased capital spending of \$89M;
 Partly offset by:
  - \$89M decreased spending on acquisitions, with the current period spending mainly due to the Excel acquisition and various smaller bolt-on acquisitions. The pcp cash outflow was mainly attributable to the Minova acquisition;
- Net financing cash inflows increased by \$440M to \$465M mainly due to:
  - Proceeds from share issues including underwritten DRP (\$1,069M);
  - There was no share buyback program in the current year (\$115M in pcp);
  - Cash dividends paid to Orica shareholders decreased by \$97M primarily due to an increase in the Orica Dividend Reinvestment Plan acceptance rate;
  - A reduction of \$32M for shares required for the LTEIP (Long Term Executive Incentive Plan) program. In the current period, new shares were issued to satisfy the majority of LTEIP requirements whereas in the pcp, shares were acquired on market; and
 Partly offset by:
  - A reduction in borrowings of \$390M.

Statement of Cash Flows	Year Ended September		
	2008	2007	Change F/(U)
A\$M			
<b>Net operating Cash Flows</b>			
EBIT	970.1	812.7	19%
Add: Depreciation	177.6	153.3	(16%)
Add: Amortisation	41.1	29.9	(38%)
EBITDA	1,188.8	995.9	19%
Net interest paid	(148.5)	(108.3)	(37%)
Net income tax paid	(190.0)	(141.4)	(34%)
Trade Working Capital mvt	(29.9)	(49.2)	
Non Trade Working capital mvt	(83.5)	(172.7)	
	<u>736.9</u>	<u>524.3</u>	
<b>Net investing cash flows</b>			
Capital spending			
Sustenance capital <sup>(1)</sup>	(207.4)	(132.1)	(57%)
Growth capital	(218.9)	(204.9)	(7%)
Total Capital Spending	<u>(426.3)</u>	<u>(337.0)</u>	(26%)
Acquisitions	(869.2)	(958.3)	9%
Proceeds from surplus asset sales and businesses	25.5	123.5	(79%)
	<u>(1,270.0)</u>	<u>(1,171.8)</u>	
<b>Net financing cash flows</b>			<u>\$M</u>
Net proceeds from share issues (inclusive of minorities)	912.8	26.3	886.5
Net proceeds from share issues (DRP) <sup>(2)</sup>	156.5	-	156.5
Net (payments)/proceeds from LTEIP <sup>(3)</sup>	(7.5)	(39.2)	31.7
Movement in borrowings	(389.5)	459.0	(848.5)
Dividends paid - Orica Limited	(155.2)	(244.5)	89.3
Distributions paid - SPS securities	(41.5)	(44.4)	2.9
Dividends paid - Minority shareholders	(10.4)	(17.6)	7.2
Share buybacks	-	(114.8)	114.8
	<u>465.2</u>	<u>24.8</u>	<u>440.4</u>
<sup>(1)</sup> Sustenance capital			
Routine	(198.9)	(123.4)	
Major shutdown/turnaround	(8.5)	(8.7)	
Total	<u>(207.4)</u>	<u>(132.1)</u>	
<sup>(2)</sup> Shares issued to the underwriter of the Dividend Reinvestment Plan			
<sup>(3)</sup> LTEIP/SESLP - long term employee equity incentive plans			

**ORICA SPS**

- Two further distributions on the SPS securities were paid during the period totalling \$41.5M; and
- The distributions are unfranked and the distribution rate is calculated as the sum of the 180 Bank Bill Swap Rate (BBSW) plus a margin of 1.35%. The distribution rate for the current period ending 29 November 2008 is 9.38%.

**STRATEGY**

Orica’s strategy for sustainable profit growth and strong return on investment is driven by three fundamental rules:

- securing market leadership positions in its chosen growth markets. This enables the Company to better service customers, develop and retain technological advantage and achieve benefits of scale;
- growing only those businesses that have “earned the right to grow”; and
- growing “close to the core”.

We are disciplined in assessing growth opportunities against our strict financial criteria (including 18% RONA in the third full year of operation/ownership) and by performing thorough due diligence.

This strategy has been successful and a key part of delivering seven years of profitable growth.

It is a relatively low risk approach that has the potential to produce superior returns for shareholders in the longer term.

The Pipeline of New Investments Chart below illustrates the major list of potential growth opportunities.

**2008 REVIEW OF INITIATIVES**

We were pleased to have successfully completed our \$900 million capital raising in August this year.

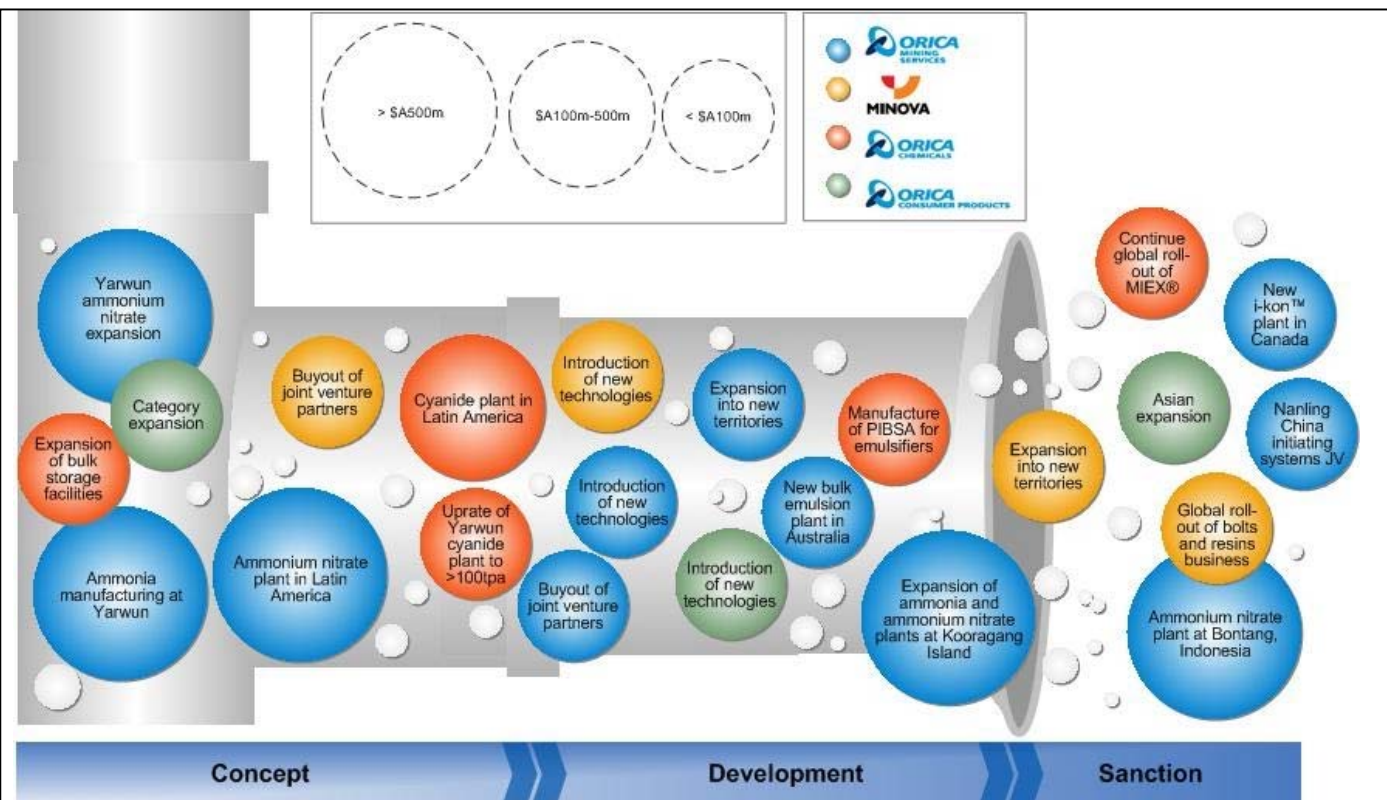
As a result of this injection of funds and the ongoing focus on operating cash generation from our businesses, Orica has a very strong balance sheet and is well poised for investment in growth opportunities as they emerge over the coming years.

Orica has seen profit growth coming from four key areas:

- Industry and Organic Growth,
- Productivity Improvement,
- Expansion Capital Expenditure, and
- Smaller scale “bolt-on” Mergers and Acquisitions (M&A).

The emphasis has been on investing in initiatives that play to our businesses competitive advantages.

Given the significant large scale M&A activity over the past two years, we have predominantly been in a period of consolidation.



**2008 REVIEW OF INITIATIVES (continued)**

**Mining Services (OMS):**

- OMS continues to leverage its position as the pre-eminent global commercial explosives player and has a number of significant growth opportunities ahead.
- With increasing global demand for ammonium nitrate (AN) and a tightening supply side position, OMS has three large scale organic AN growth projects in the pipeline. OMS has already announced the commencement of construction of a 300 ktpa AN plant in Bontang, Indonesia. This project is progressing to plan and we have invested approximately \$76M thus far. Market demand in Indonesia is already in excess of the plant's capacity.
- Two other large scale AN projects are currently in development or concept phase. At our integrated (natural gas feedstock) AN plant at Kooragang Island, NSW we have lodged the appropriate planning applications for a brownfield expansion. Secondly, a feasibility study is progressing on the concept of establishing a greenfield (ammonia feedstock) AN plant in Latin America, most likely in Peru. We expect to be in a position to move to the development phase during 2009.
- On a smaller scale, OMS will continue to invest in growing the business organically as its customers increase output, adopt new technologies and open new mines. For example, to support the growth of new technologies, we completed the uprate of the Electronic Blasting Systems (EBS) plant at Brownsburg, Canada for a total investment of \$42M.
- Having established a strong track record of successfully integrating businesses, OMS will continue to pursue strategic joint ventures and small bolt-on acquisitions. In the current year we announced the establishment of the Nanling Initiating Systems JV in China (April), entered into a 50/50 JV with South West Energy, a distributor in the USA at the end of September and acquired 49% of the Samex explosives distribution business in Peru (to be completed in November 2008).

**Minova:**

- To complement the acquisition of Minova, on 26 October 2007, Orica completed the acquisition of Excel Mining Systems LLC (Excel). Excel is the leading supplier of metal based strata reinforcement products for underground mining in the USA.
- The integration of Minova/Excel is progressing to plan and we are confident we have the right management team in place to deliver on productivity, combined product offering (resin and steel) and geographic growth opportunities that exist.
- Minova completed the acquisition of Strata Control Systems in Australia (May 2008), recently acquired two small steel bolt producers, Arnall in Poland and BWZ in Germany and has entered a global distribution agreement with Atlas Copco.

**Chemicals:**

- To enable improved customer service, reduce duplication of effort and improve productivity in our chemicals businesses, the Chemnet and Chemical Services divisions were combined in July.
- Plans have been developed that will deliver annual EBIT improvement of approximately \$14M by 2010 at an after tax cost of approximately \$15M (significant items in 2008). A number of these initiatives have already been implemented.
- Chemical's Mining Chemicals division continues to pursue growth opportunities with the benefit of last year's successful 80ktpa sodium cyanide uprate at Yarwun delivered this year. Geographic expansion for sodium cyanide and the potential to uprate Yarwun further continue to be assessed.
- Watercare is successfully introducing its expanded capability in new geographies and downstream water treatment solutions. The commercialisation of MIEX® continues to gather momentum, albeit the geographic extent of the demand required additional investment during 2008.

**Consumer Products:**

- In light of the extreme volatility currently being experienced in equity and financial markets, on 7 November, Orica announced it has deferred the proposed demerger of Consumer Products indefinitely.
- OCP has been steadily developing a presence in China and in November 2008 acquired a small decorative coatings business based in Shanghai.
- OCP has maintained its leadership position in Australia and New Zealand and continues to invest in brands and R&D.

**ORICA LIMITED**  
**PROFIT REPORT – YEAR ENDED 30 SEPTEMBER 2008**  
**MINING SERVICES**

**Record result with sales up 14% to \$3.6B and profitability up 11% to \$636M.**

**HIGHLIGHTS**

- Profitability up \$60.5M due to steady growth in most regions with continued robust volumes in Australia/Asia and Latin America and generally favourable market conditions;
- AN pricing increasing as contracts rollover;
- Continued growth in EBS, with the commissioning of the Brownsburg manufacturing facility nearing completion, and other customer productivity driven technologies such as Blast Based Services (“BBS”) providing strong growth;
- Dyno integration is fundamentally complete. Some manufacturing rationalisation projects to be finalised in 2009. Estimated synergies delivered in 2008 total \$92M;
- The bolt-on acquisition program continues with a number of small acquisitions completed in North America and EMEA; and
- Significant increases in ammonia prices negatively impacted earnings by \$22M (timing issue).

**BUSINESS SUMMARIES**

Australia/Asia

- EBIT of \$347.1M, up 11% on the pcp. Negative impact from foreign exchange of \$12M;
- Overall volume growth was strong at 11% largely driven by increased mining activity and some market share gains in Australia from increased availability of domestic AN; and
- AN pricing increasing as contracts roll, benefiting from global AN supply tightening.

North America

- EBIT of \$97.2M, up 17% on the pcp. Negative impact from foreign exchange on the translation of earnings was \$6M;
- Overall volumes were up 8% with mining activity reasonably strong, offset partly by softening in construction markets;
- EBS sales volumes were up 62%, BBS sales up three fold; and
- Acquisitions are delivering to expectation.

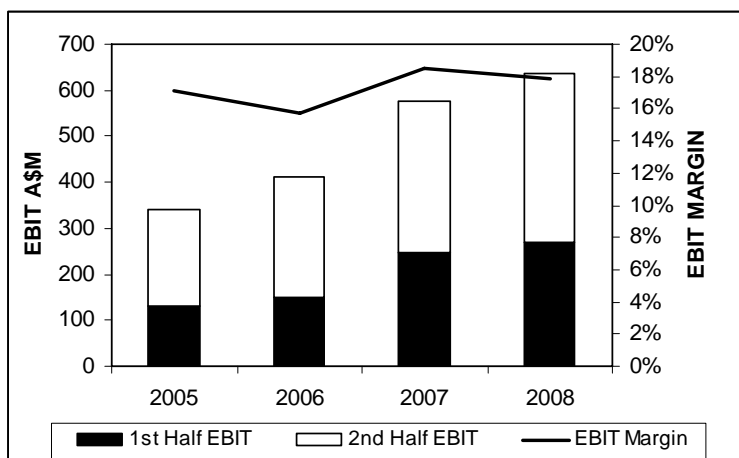
Latin America

- EBIT of \$93.6M, up 11% on the pcp, with overall volume up 14%. Negative impact from foreign exchange was \$14M, mainly impacting Chile.
- Significant cost reductions in Brazil following productivity program; and
- Strong EBS (volumes up 63%) and BBS sales up 100%.

**EARNINGS**

A\$M	Year Ended September		Change F/(U)
	2008	2007	
Sales Revenue	3,552.1	3,111.2	14%
EBIT	635.6	575.1	11%
Operating Net Assets	2,675.8	2,307.1	16%
RONA	26%	26%	
<b>EBIT:</b>			
Australia/Asia	347.1	313.6	11%
North America	97.2	83.3	17%
Latin America	93.6	84.5	11%
EMEA	97.7	93.7	4%

**EBIT TREND**



Europe, Middle East and Africa (EMEA)

- EBIT of \$97.7M, up 4% on the pcp.
- Overall volume up 5%, with strong demand in Turkey and Estonia and good progress in developing markets such as Ghana and Kazakhstan; and
- Final closure of Troisdorf is scheduled to occur December 2008.

**PERSPECTIVES FOR 2009**

- Market conditions for volumes remain firm;
- Availability of AN globally remains tight;
- Easing in ammonia prices;
- Steady ongoing easing of infrastructure constraints in Australia;
- Further growth opportunities in emerging markets (eg China, Russia and Africa);
- Continued growth in EBS and BBS; and
- A weakening Australian dollar will positively impact translated earnings.

**ORICA LIMITED**  
**PROFIT REPORT – YEAR ENDED 30 SEPTEMBER 2008**  
**MINOVA**

**Earnings growth continues for Minova with EBIT growth of 144% to \$150M.**

**HIGHLIGHTS**

- Minova brand has been adopted worldwide;
- Succession of key management is complete. Global team in place based out of Melbourne;
- Most mining markets continue to have a steady outlook;
- Tunnelling activity has been much stronger in the second half with some significant projects completed by our expert team in Europe;
- Excel was acquired effective 26 October 2007;
- Excel earnings contribution to date (including a stronger second half) and the progress on the integration is in line with expectations;
- Several small bolt-on acquisitions completed.
- Global distribution agreement has been entered into with Atlas Copco;
- Solid growth in earnings continues in emerging markets including the Commonwealth of Independent States (CIS), Africa and China;
- The EBIT result is inclusive of an additional three months from Minova, a one-off negative acquisition stock adjustment of \$2M (\$7M in the pcp for Minova) and additional amortisation of \$13M; and
- Rising steel prices have impacted margins (primarily a timing issue).

**BUSINESS SUMMARIES**

Minova Americas:

- The management structure in the US has settled since April and sound progress has been made on developing the combined resin/steel product offering for the market as well as looking at productivity initiatives in manufacturing;
- The Cadiz site has been closed and corporate functions have been consolidated in Georgetown, Kentucky; and
- A small operation has been established in Canada and the study of the feasibility of entering Latin America is well underway.

Minova Europe:

- EBIT growth in Europe came primarily from the following:
  - organic growth in mature mining markets such as Poland and the UK;
  - improved tunnelling activity in Switzerland and the Czech Republic;

**EARNINGS**

A\$M	Period Ended March		Change F/(U)
	2008	2007	
Sales Revenue	794.2	332.1	139%
EBIT	150.1	61.6	144%
Operating Net Assets	1,873.8	905.6	107%
RONA*	13.6%	10.1%	

\* 2007 EBIT excl \$7m IFRS acquisition adjs and extrapolated to 12 months. RONA calc incl \$38.6M taxation and financial structuring benefits in 2008.

- organic growth in emerging markets of CIS, Ukraine and Kazakhstan; and
- benefits from small complementary bolt-on acquisitions (steel bolt businesses) in Germany (BWZ) and Poland (Arnall); offset by
- a slowing German Coal business and delays in tunnelling projects in Spain.

Australia Pacific and Africa (APA):

- Minova Australia improved EBIT in generally firm conditions;
- Acquisition of Strata Control Systems (SCS), producer of steel bolts for hard rock markets, was completed in May and has contributed slightly ahead of expectation;
- The South African business completed a couple of minor acquisitions which have added much needed scale to its operations; and
- Our 55/45 joint venture in China, Ruichy Minova, continues to gather momentum and is successfully penetrating the Chinese resin market. To complement our offering, a steel bolt plant is in the process of being constructed and is expected to be operating in early 2009.

**PERSPECTIVES FOR 2009**

- Demand for resources in emerging markets including CIS, Eastern Europe, Africa, Latin America and China is positive;
- Further benefit from a combined “Orica” capability in the tunnelling and mining markets;
- Continuing progress on the integration of acquisitions; and
- A weakening Australian dollar will positively impact translated earnings.

**ORICA LIMITED**  
**PROFIT REPORT – YEAR ENDED 30 SEPTEMBER 2008**  
**CHEMICALS**

**Chemicals increased EBIT 15% to \$146M. Excluding the impact of the disposal of divested businesses, earnings were up by 18%. Record result for Mining Chemicals. HIGHLIGHTS**

- Chemnet and Chemical Services were merged in July 2008 to form the Chemicals Division;
- Plans are in place to deliver annualised EBIT benefits of \$14M from the merger by 2010;
- Strong growth in Watercare despite continuation of drought conditions in large areas of Australia with sales up 13% on the pcp;
- Benefit of the Yarwun sodium cyanide plant uprate was main driver behind the 26% increase in sales in Mining Chemicals; and
- Negative impact on earnings from adverse exchange rates was \$8M.

**BUSINESS SUMMARIES**

Chemnet

- Chemnet sales up 6% on the pcp due to improved volumes in bulk chemicals (Chemnet Australia and NZ);
- The Latin American business continues to develop with increased EBIT over pcp; and
- Marplex was marginally down on pcp from continuing slowdown in Australasia's manufacturing sectors; and
- Bronson and Jacobs, whilst improving in the second half, continues to face difficulties in replacing principals.

Watercare

- Sales in Watercare were up 13% on the pcp attributable primarily to stronger sales volumes, pricing discipline, the benefit of acquisitions, cyclically high caustic prices; and
- MIEX® continues to gather momentum in many regions. There are now 21 operational MIEX® plants worldwide and a further 16 plants are in the design or construction phase.

Mining Chemicals

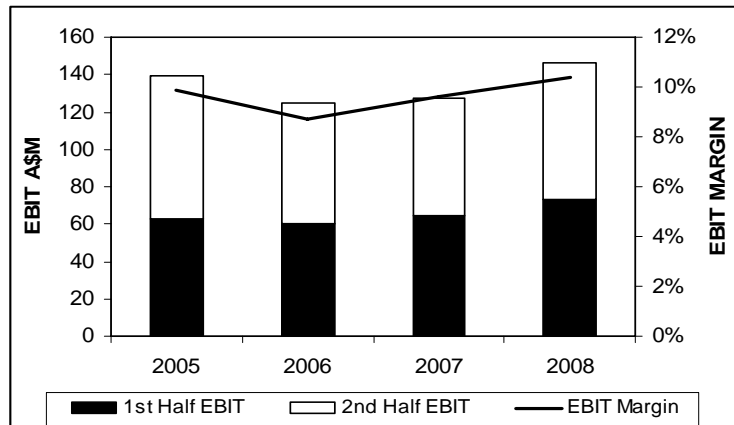
- Firm market conditions for the gold industry prevailed in 2008. Supply of sodium cyanide continues to be tight; and
- Full year impact of Yarwun sodium cyanide uprate (20ktpa) delivered additional volumes and also improved EBIT margins as manufactured tonnes replaced previously traded tonnes.

**EARNINGS**

A\$M	Year Ended September		
	2008	2007	Change F/(U)
Sales Revenue	1,406.1	1,329.5	6%
EBIT	146.1	127.4	15%
Operating Net Assets	784.1	732.4	7%
RONA	19%	17%	
<b>Business Sales:</b>			
Chemnet	979.4	927.7	6%
Watercare	223.8	198.0	13%
Mining Chemicals	187.3	148.8	26%
Industrial Chemicals <sup>(1)</sup>	48.6	81.6	(40%)

<sup>(1)</sup> 2007 includes contribution from Adhesives & Resins

**EBIT TREND**



Industrial Chemicals

- Specialty Chemicals' volumes remain steady as a result of ongoing strength in the resources sector.

**PERSPECTIVES FOR 2009**

- Chemicals merger benefits will continue to flow through;
- Sodium cyanide demand to remain firm;
- Prices for caustic expected to remain relatively high;
- Demand in automotive and general manufacturing sectors expected to remain soft in short-term;
- Sales revenue in Watercare will continue to be impacted in Southern Australia if drought-enforced water restrictions continue; and
- Continuing focus on supply chain efficiency programs and repositioning low margin business to more value added offerings and stronger markets.

**ORICA LIMITED**  
**PROFIT REPORT – YEAR ENDED 30 SEPTEMBER 2008**  
**CONSUMER PRODUCTS**

**Record EBIT performance with underlying earnings up 10% on the pcp to \$123M. Total reported earnings up by 21% as the pcp included \$10M Yates restructuring provision.**

**HIGHLIGHTS**

- Sales revenue increased by 6% on the pcp;
- Record earnings for Paints and Selleys driven by strong market share growth;
- Strong turnaround in the Yates business, with restructure benefits complemented by market share gains and market growth; and

**BUSINESS SUMMARIES**

Coatings

- Sales revenue growth of 6% on the pcp driven by record market share gains;
- Australian Retail earnings were ahead of last year primarily on volume growth driven by market share increases through major channel partners and continuing investment in marketing spend and brand recognition;
- Australian trade paint earnings grew as a result of ongoing investment, higher market share and increased distribution;
- New Zealand earnings were down significantly on lower volumes in deteriorating market conditions;
- Texture Coatings again delivered double digit earnings growth on the pcp due to both market share and industry growth. Additional resources have been put into this division to meet expected future growth;
- Strong Woodcare earnings growth, driven by increased share and benefit of owning the Cabot's brand in Australia;
- Powder coatings ANZ business delivered earnings in line with the pcp;
- Strong performance from PNG, driven by volume growth; and
- Raw material cost increases were offset by a combination of price management and productivity improvements.

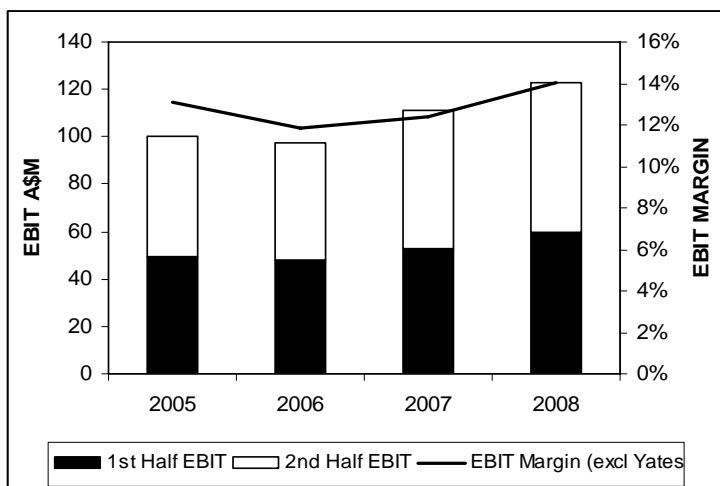
Home Improvement and Garden Care

- Record result for Selleys driven by market share growth and productivity improvements; and
- Earnings increase in Yates is a result of delivering cost saving benefits from the ongoing restructuring program and increased volumes through new product development and marketing initiatives.

**EARNINGS**

A\$M	Year Ended September		Change F/(U)
	2008	2007	
Sales Revenue	875.4	826.3	6%
EBIT	122.6	101.6	21%
Underlying EBIT <sup>(1)</sup>	122.6	111.1	10%
Operating Net Assets	279.0	242.7	15%
RONA	47%	44%	
<b>Business Sales:</b>			
Coatings	650.9	613.2	6%
Home Improvement and Garden Care *	224.5	213.2	5%
* Selleys & Yates			
<sup>(1)</sup> Excluding the impact of the 2007 Yates restructuring provision			

**EBIT TREND**



**PERSPECTIVES FOR 2009**

- Uncertainty surrounding a softening in consumer confidence and weak general housing market conditions. Economic conditions in NZ expected to remain difficult;
- Raw material prices to increase due to a significant softening of the Australian dollar; and
- Continued development of a business platform in China with the acquisition in November 2008 of Sopel, a complementary small decorative coatings business located in Shanghai.

**ORICA LIMITED**  
**PROFIT REPORT – YEAR ENDED 30 SEPTEMBER 2008**  
**CORPORATE CENTRE AND CULTURE**

**CORPORATE CENTRE & SUPPORT COSTS**

- Corporate Centre costs of \$46M were \$7M higher than the pcp mainly due to the costs of the cancellation of the 5% preference shares (\$8M).
- Other support costs of \$38M were \$24M higher than the pcp, primarily due to the costs associated with a discretionary one-off bonus for all Orica employees globally (\$15M) and the prior year including a positive insurance result of \$9M (the current year was break even after costs associated with the incident in Mexico in September 2007).

**CULTURE**

Orica is committed to its Deliver the Promise culture program which is underpinned by four principles:

- Safety, Health and Environment (SH&E);
- Commercial Ownership;
- Creative Customer Solutions; and
- Working Together.

These principles apply globally and are currently being rolled out to employees from the recently acquired Minova Group of businesses.

While there are many examples of success for each principle, outlined below is an update on our safety performance and progress in relation to the important issue of sustainability.

1. Safety

The Group achieved an all worker recordable case rate (AWRCR - number of injuries and illnesses per 200,000 hours worked) of 0.72, compared with 0.60 for the previous year. Whilst the overall rate has increased, most incidents were relatively minor in nature.

The addition of the steel bolting and fabrication businesses of Excel Mining Systems and Strata Control Systems, which typically have a higher AWRCR, has provided new challenges which are being progressively addressed. We will continue to implement preventative processes from benchmarking and learnings arising from actual incidents. This is consistent with Company being committed to ensuring the safety of our employees to achieve its stated objective of “no injuries to anyone, ever”.

The number of significant distribution incidents was 24 compared to 28 in 2007. There continues to be a focus on reducing distribution incidents as Orica implements enhanced and consistent transport safety procedures across the Group.

2. Sustainability

In terms of sustainability, Orica's stated aspiration is “no harm to people or the environment” and progress continues to be made towards meeting the Challenge 2010 goals (internal targets the Company has set). In comparison to actual 2007 levels, improvement has been made in the current year on the following:

- despite higher production levels, energy use, measured as gigajoules per tonne, has reduced by 20% (consumption is 4.2 GJ/tonne compared to 5.2 GJ/tonne in pcp);
- total greenhouse gas emissions, measured as tonnes of carbon dioxide equivalent (CO<sub>2</sub>e) emitted per tonne of production, have reduced by 31% (greenhouse gas emissions are 1.07tCO<sub>2</sub>e/t compared to 1.56tCO<sub>2</sub>e/t in pcp);
- water consumption, measured as kilolitres per tonne, has reduced by 14% (2.4 kL/t compared to 2.8 kL/t in pcp); and
- waste generation, measured as tonnes per kilotonne of production, has reduced by 13% (waste generated 4.6t/kt compared to 5.3t/kt in pcp).

The levels of energy use, water consumption and waste generation are already effectively at or below our 2010 targets.

In terms of greenhouse gas emissions, we emit approximately 4 million tonnes of CO<sub>2</sub> equivalent of which approximately 70% is from the production of nitric acid, a key input in the production of AN. Importantly, the majority of these emissions can be abated using proven technologies. In the current year we have successfully trialled one of these abatement technologies at our Carseland plant in Canada which resulted in emission reduction of approximately 90%.

The abatement program will continue across other ammonium nitrate plants, including those in Australia, over the coming years. In introducing these solutions, Orica will continue to work with governments and be cognisant of any impact from emissions trading markets as they continue to develop.

Progress continues to be made on the plan to export and destroy the stored Hexachlorobenzene (HCB) waste in Europe.

**Further Information**

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