

ORICA LIMITED PROFIT REPORT

RESULTS FOR THE FULL YEAR ENDED 30 SEPTEMBER 2009



Net profit after tax (NPAT) and individually material items for the year ended 30 September 2009 was up \$2M to \$542M, compared with the previous corresponding period (pcp) of \$540M.

Orica's NPAT before individually material items of \$646M was up 13% compared with the pcp (\$572M).

Operating cash flow improved by 16% to \$855M.

FINANCIAL HIGHLIGHTS

- Sales revenue up 13% to \$7.4B;
- EBIT up 12% to \$1.1B;
- Earnings per ordinary share ⁽¹⁾ at 174.6 cents, up 3% from the pcp;
- Gearing ⁽²⁾ at 21.6%, up from 19.1% in the pcp;
- Interest cover at 7.8 times; and
- Final ordinary dividend is 57 cents per share (cps) - franked at 20 cps, an increase of 2 cents over the pcp (55 cps).

BUSINESS HIGHLIGHTS

- Record results for Mining Services, Chemicals and DuluxGroup, assisted by productivity and efficiency initiatives, despite deteriorating market conditions;
- Strong cash flow performance and improvement in trade working capital over the pcp;
- Record result in Mining Services with EBIT up 16% to \$737M, reflecting margin improvement from pricing and productivity initiatives;
- Minova EBIT down 3% on the pcp negatively impacted by the under-recovery of steel input prices in the US market in the first half;
- Record result for Chemicals with EBIT at \$170M, 17% ahead of last year, reflecting strong demand for sodium cyanide, higher caustic prices and the delivery of synergies; and
- Record result in DuluxGroup with EBIT up 5% to \$129M driven by market share gains and productivity improvements.

(1) Before individually material items.

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

(3) Calculation as per Note (2) with Step-Up Preference Securities (SPS) notionally treated as 50% Debt and 50% equity.

Note: numbers in this report are subject to rounding.

A\$M	Year Ended September		Change F/(U)
	2009	2008	
Sales Revenue	7,411.0	6,544.1	13%
<i>Underlying Results</i>			
EBIT	1,082.5	970.1	12%
Net interest expense	(133.5)	(157.7)	15%
Tax expense	(263.0)	(211.9)	(24%)
Minority interests	(39.9)	(28.2)	(41%)
NPAT and minority interests	646.1	572.3	13%
Earnings per ordinary share (cents)	174.6	170.0	3%
Return on shareholders' funds	16.0%	16.9%	
<i>Results including individually material items:</i>			
Individually material items after tax and minority interests	(104.3)	(32.7)	
NPAT and minority interests	541.8	539.6	0%
Earnings per ordinary share (cents)	145.2	159.8	(9%)
Return on shareholders' funds	13.4%	15.9%	
<i>Financial Items</i>			
Interim ordinary dividend per share	40.0	39.0	3%
Final ordinary dividend per share	57.0	55.0	4%
Total ordinary dividend per share	97.0	94.0	3%
Payout Ratio	54.0%	56.0%	
Net debt	1,094.5	1,020.5	(7%)
Gearing ⁽²⁾	21.6%	19.1%	
Gearing (adjusted) ⁽³⁾	26.5%	23.8%	
Interest cover (times)	7.8	6.1	
Average exchange rate (A\$/US\$)	73.1	90.6	19%

OUTLOOK - 2010

- Orica expects earnings growth to continue in 2010. In light of the shape of the economic decline experienced in 2009, we anticipate first half conditions to be more difficult than those of the previous corresponding period. Subject to the rate of global economic recovery and the extent of further adverse movements in exchange rates, we expect Group net profit after tax (pre individually material items) in 2010 to be higher than that reported in 2009.

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PROFIT REPORT – FULL YEAR ENDED 30 SEPTEMBER 2009

REVENUE

- Sales revenue of \$7.4B increased by \$867M (+13%), driven primarily by:
 - Higher AN pricing;
 - Stronger demand for sodium cyanide in Mining Chemicals and higher average prices for caustic;
 - Market share increases in DuluxGroup;
 - The recovery of higher input costs across most business segments; and
 - Favourable foreign exchange movements (\$693M).
- Other income was down on the pcp by \$9M (-17%), mainly due to a reduction in currency gains in the current year (\$8M).

Revenue Summary	Year Ended September		
	2009	2008	Change F/(U)
A\$M			
Mining Services	4,057.8	3,552.1	14%
Minova	940.9	794.2	18%
Chemicals	1,548.3	1,406.1	10%
DuluxGroup	940.2	875.4	7%
Other & Eliminations	(76.2)	(83.7)	9%
Total sales revenue	7,411.0	6,544.1	13%
Other income	44.5	53.8	(17%)
Total	7,455.5	6,597.9	13%

EARNINGS BEFORE INTEREST AND TAX (EBIT)

- EBIT increased by 12% to \$1.1B (pcp: \$970M) primarily due to:
 - Productivity and synergy benefits of \$101M;
 - Favourable impact of foreign exchange movements of \$68M; and
 - Favourable ammonia lag of \$33M.
- Partly offset by:
 - Under-recovery in the market of US steel input prices of \$15M;
 - Net change of \$3M due to volume and price. Pricing improved largely due to improved ammonium nitrate pricing and higher average caustic prices, offset by lower volumes across most business segments due to slowdown in demand;
 - Inflationary effect on fixed costs of \$57M; and
 - Increased Corporate and Support costs of \$14M (refer below).

Earnings Summary	Year Ended September		
	2009	2008	Change F/(U)
A\$M			
EBIT			
Mining Services	736.5	635.6	16%
Minova	145.1	150.1	(3%)
Chemicals	170.4	146.1	17%
DuluxGroup	128.9	122.6	5%
Corporate Centre	(41.1)	(46.1)	11%
Other Support Costs	(57.3)	(38.2)	(50%)
Total EBIT	1,082.5	970.1	12%
Net Interest	(133.5)	(157.7)	15%
Tax expense	(263.0)	(211.9)	(24%)
Minority interests	(39.9)	(28.2)	(41%)
NPAT and minority interests	646.1	572.3	13%
Individually material items after tax	(104.3)	(32.7)	
NPAT and individually material items	541.8	539.6	0%

INTEREST

- Net interest expense of \$134M decreased by \$24M from the pcp, mainly due to lower average net debt levels post the 2008 Rights Issue and lower average interest rates; and
- Interest cover was 7.8 times (pcp 6.1 times).

CORPORATE CENTRE & SUPPORT COSTS

- Corporate centre costs of \$41M were \$5M lower than the pcp predominantly due to the costs associated with the cancellation of the 5% preference shares in the pcp (\$7.5M); and
- Other Support costs of \$57M were \$19M higher than the pcp, primarily due an increase in Botany related expenses (\$12M).

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TAX EXPENSE

- Tax expense was \$263M with an effective tax rate of 27.7% (pcp: 26.1%). The higher effective rate was primarily a result of a decrease in foreign deductions.

NET PROFIT

- Net profit after tax before individually material items increased 13% to \$646M (pcp: \$572M), and
- Net profit after tax and individually material items was up 0.4% to \$542M (pcp: \$540M).

INDIVIDUALLY MATERIAL ITEMS

- Individually material items for the period was a loss after tax of \$104M (pcp: loss of \$33M). This included costs related to restructuring and rationalisation activities within Mining Services (\$24M); impairment of the Marplex business as a result of the deterioration in business performance driven by adverse market conditions (\$14M); write down of the Botany Groundwater Treatment plant (\$43M); the ongoing integration of Minova/Excel (\$9M); finalisation of the Dyno Nobel integration (\$13M); and expenses relating to the indefinitely deferred demerger of DuluxGroup (\$15M); offset by a gain on derivatives of \$14M relating to the purchase of minority interests during the period.

DIVIDEND

- The directors have increased the final ordinary dividend by 2 cents to 57 cps (pcp: 55 cps) - franked at 20 cps; and
- Franking capacity in the near term is unlikely to exceed 40%.

Individually material items after tax and minority interests A\$M	Year Ended September	
	2009	2008
Restructuring & Rationalisation		
Mining Services	(24.4)	-
Chemicals	-	(14.7)
Asset Impairment Writedowns		
Marplex	(14.0)	-
Botany Groundwater Treatment Plant	(42.8)	-
Integration Expenses		
Dyno Nobel	(12.6)	(9.0)
Minova/Excel	(9.2)	(9.0)
Demerger Expenses		
DuluxGroup	(15.3)	-
Gain on derivatives	14.0	-
Total	<u>(104.3)</u>	<u>(32.7)</u>

Ordinary dividend	Year Ended September		Change F/(U)
	2009	2008	
Final Ordinary Dividend			
- CPS	57.0	55.0	4%
- Franking %	35.1%	36.4%	
Interim Ordinary Dividend			
- CPS	40.0	39.0	3%
- Franking %	35.0%	35.9%	
Total Ordinary Dividend			
- CPS	97.0	94.0	3%
- Franking %	35.1%	36.2%	

BANK DEBT FACILITIES

- In September 2009 Orica successfully extended existing facilities for 1, 2, 3, 4 and 5 years (\$50m in 1 year);
- The average term of the bank debt facilities is approximately 3 years;
- Bank debt facilities total \$2.1B of which \$0.2B was drawn at 30 September 2009;
- The facilities are multi currency, flexible and cancellable at Orica's option; and
- On average, margins on the bank facilities have increased by 190 bps in line with current market conditions.

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BALANCE SHEET

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

- Trade working capital (TWC) has decreased by \$104M compared to the pcp as a result of an underlying improvement of \$51M, combined with a favourable foreign exchange impact of \$53M;
- Rolling TWC to sales ⁽²⁾ has remained at 14.5% (pcp: 14.5%);
- Net property, plant and equipment (PP&E) is \$23M up on the pcp due to spend on growth projects (\$212M), sustenance capital (\$159M) and PP&E from acquired businesses (\$5M); offset by depreciation (\$203M), asset write downs (\$70M), foreign exchange translation (\$66M) and disposals (\$10M). Significant capital spend during the period included Mining Services growth projects including Bontang (\$72M), Kooragang Island upgrade (\$15M), the Russian Olkon Bulk emulsion plant (\$11M), Brownsburg EBS plant (\$9M) and Nanling (\$6M) and Gladstone caustic soda storage tanks (\$8M) within Chemicals. Spend on smaller growth projects make up the residual capital expenditure;
- Intangible assets are down \$256M due to the impact of foreign exchange translation on intangible assets (\$275M), amortisation (\$45M) and impairment (\$9M); partly offset by acquisition of businesses/entities and buyout of minorities (\$52M) and additions of intangibles (\$21M);
- Net other liabilities decreased by \$66M mainly due to an increase in net tax balance sheet accounts (\$46M) and a reduction in provisions (\$63M), partly offset by a decrease in investments in associates (\$41M);
- Net debt increased by \$74M mainly as a result of adverse foreign exchange movements (\$90M);
- Orica shareholders' equity decreased by \$361M, mainly due to a decrease in the foreign currency translation reserve of \$433M, partly offset by earnings net of dividends paid; and
- Minority interests have increased by \$15M due to higher business profits, partly offset by minority interest buyouts.

Balance Sheet			
A\$M	Sept 2009	March 2009	Sept 2008
Inventories	619.8	834.8	824.3
Trade Debtors	865.2	954.5	1,023.6
Trade Creditors	(763.1)	(883.9)	(1,021.6)
Total Trade working capital	722.0	905.4	826.3
Net property, plant & equipment	2,075.0	2,141.1	2,052.3
Intangible assets	2,756.5	3,174.2	3,012.6
Net other liabilities	(486.2)	(471.8)	(552.3)
Net debt	(1,094.5)	(1,477.0)	(1,020.5)
Net Assets	3,972.8	4,271.9	4,318.4
Orica shareholders' equity	3,860.7	4,159.8	4,221.5
Minority interests	112.1	112.1	96.9
Equity	3,972.8	4,271.9	4,318.4
Gearing	21.6%	25.7%	19.1%
Gearing (adjusted) ⁽¹⁾	26.5%	30.0%	23.8%

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

• **Key balance sheet movements since March 2009 were:**

- TWC decreased by \$183M, due to an underlying improvement of \$93M and the favourable impact of foreign exchange translation of \$90M;
- Net property, plant and equipment is down \$66M mainly due to depreciation (\$101M), foreign exchange translation impacts (\$98M), and asset write downs (\$62M); partly offset by spending on growth projects (\$127M) and sustenance spending (\$71M);
- Intangible assets decreased by \$418M, mainly arising from the impact of foreign exchange translation (\$409M) and amortisation (\$22M), partly offset by acquisitions (\$10M); and
- Net debt decreased by \$383M largely due to second half earnings before depreciation and amortisation (\$727M), a decrease in TWC of \$183M; partly offset by capital spend of \$213M, dividends paid of \$165M, income tax paid of \$92M and interest paid of \$68M.

GEARING

- Accounting gearing (net debt/(net debt + equity)) increased to 21.6% from 19.1% in September 2008. In accordance with accounting standards, the SPS securities are recognised as equity; and
- Adjusted gearing, which treats the SPS securities as 50% equity and 50% debt (Standard & Poors credit rating treatment), was 26.5% (pcp 23.8%).

⁽²⁾ Rolling 12-month average TWC / Rolling 12-month total sales

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CASH FLOW

• Net operating cash inflows increased by \$118M to \$855M, compared with the pcp mainly due to:

- EBITDA growth of \$141M to \$1,330M (pcp \$1,189M);
- \$12M reduction in interest paid, mainly due to lower interest rates and lower average net debt level compared to the same period last year; and
- A significant improvement in working capital management resulting in a cash inflow of \$104M (compared to an outflow of \$30M in the pcp).

Offset by:

- An increase in non-trade working capital outflows of \$124M largely due to \$82M spend on Mining Services restructuring activities, integration expenses in the Mining Services and Minova businesses and indefinitely deferred DuluxGroup demerger costs, and foreign exchange movements; and
- \$45M increase in income tax paid due to earnings growth and the timing of payments.

• Net investing cash outflows of \$516M decreased by \$754M from \$1,270M in the pcp. The decrease was mainly due to:

- A reduction in acquisitions of \$702M. In the pcp, \$781M of acquisition spend related to Excel; and
- \$48M reduction in sustenance capital spending.

• Net financing cash inflows decreased by \$796M to \$331M outflow (pcp inflow \$465M) mainly due to:

- A reduction in proceeds from share issues of \$1,066M. The pcp contained proceeds from the Rights Issue along with proceeds received from the fully underwritten Dividend Reinvestment Plan (DRP);
- A net increase in outflows of \$24M to acquire shares on market for the LTEIP program; and
- An increase in dividends and distributions paid of \$174M due to the absence in the current year of the fully underwritten DRP.

Partly offset by:

- An increase in inflows from borrowings of \$467M (outflow of \$390M in the pcp).

Statement of Cash Flows	Year Ended September		
	2009	2008	Change F/(U)
A\$M			
Net operating Cash Flows			
EBIT	1,082.5	970.1	12%
Add: Depreciation	202.7	177.6	(14%)
Add: Amortisation	45.0	41.1	(9%)
EBITDA	1,330.2	1,188.8	12%
Net interest paid	(136.5)	(148.5)	8%
Net income tax paid	(235.4)	(190.0)	(24%)
Trade Working Capital mvt	104.3	(29.9)	
Non Trade Working capital mvt	(207.7)	(83.5)	
	<u>854.9</u>	<u>736.9</u>	
Net investing cash flows			
Capital spending			
Sustenance capital ⁽¹⁾	(159.2)	(207.4)	23%
Growth capital	(211.7)	(218.9)	3%
Total Capital Spending	<u>(370.9)</u>	<u>(426.3)</u>	13%
Acquisitions	(167.0)	(869.2)	81%
Proceeds from surplus asset sales and businesses	21.6	25.5	(15%)
	<u>(516.3)</u>	<u>(1,270.0)</u>	
Net financing cash flows			\$M
Net proceeds from share issues (inclusive of minorities)	3.4	1,069.3	(1,065.9)
Net (payments)/proceeds from LTEIP ⁽²⁾	(31.3)	(7.5)	(23.8)
Movement in borrowings	77.5	(389.5)	467.0
Dividends paid - Orica Limited	(324.9)	(155.2)	(169.7)
Distributions paid - SPS securities	(37.5)	(41.5)	4.0
Dividends paid - Minority shareholders	(18.3)	(10.4)	(7.9)
	<u>(331.1)</u>	<u>465.2</u>	<u>(796.3)</u>
⁽¹⁾ Sustenance capital			
Routine	(159.2)	(198.9)	
Major shutdown/turnaround	-	(8.5)	
Total	<u>(159.2)</u>	<u>(207.4)</u>	
⁽²⁾ LTEIP - long term employee equity incentive plans			

ORICA SPS

- Two further instalments totalling \$38M on the SPS securities were paid during the period; and
- The distributions were unfranked and the distribution rate was calculated as the sum of the 180 Bank Bill Swap Rate (BSBW) plus a margin of 1.35%. The distribution rate for the current period ending 29 November 2009 is 4.57%.

ORICA LIMITED
PROFIT REPORT – FULL YEAR ENDED 30 SEPTEMBER 2009
MINING SERVICES

Record result with sales up 14% to \$4.1B and EBIT up 16% to \$737M.

HIGHLIGHTS

- Significant productivity and efficiency improvements along with restructuring activities delivered a record result with EBIT up \$101M, despite difficult trading conditions and soft demand;
- Benefits of improved AN pricing continued;
- Strong volumes in global gold markets and thermal coal markets in Australia and Indonesia, partly offset weak demand in base metal, infrastructure and US thermal coal markets;
- Strong Electronic Blasting Systems (EBS) revenue growth period on period;
- Benefit of falling input costs, with favourable lag impact on cost pass-throughs of approximately \$33M; and
- Foreign exchange movements, net of hedging costs, positively impacted earnings by \$49M.

BUSINESS SUMMARIES

Australia/Asia

- EBIT of \$408M, up 17% on the pcp, achieved mostly through improved AN pricing and productivity benefits from disciplined cost management;
- Favourable lag impact on ammonia cost recovery;
- AN volumes generally flat with strong demand from thermal coal markets in Australia and Indonesia offset by softer demand in base metal and metallurgical coal markets; and
- Negative impact from foreign exchange of \$5M (transactional impact).

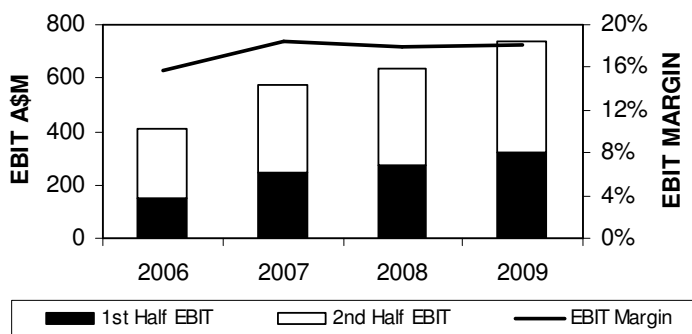
North America

- EBIT of \$123M, up 26% on the pcp, despite difficult market conditions;
- Favourable impact from foreign exchange on earnings net of hedging costs of \$20M;
- AN volumes down 6% due to significant slowdown in infrastructure markets and US thermal coal markets;
- Impact to earnings of volume slowdown mostly offset by the benefits of productivity programs implemented swiftly in response to slowdown in demand; and
- Acquisitions delivered to expectations.

EARNINGS

A\$M	Year Ended September		Change F/(U)
	2009	2008	
Sales Revenue	4,057.8	3,552.1	14%
EBIT	736.5	635.6	16%
Operating Net Assets	2,541.5	2,675.8	(5%)
EBIT:			
Australia/Asia	407.6	347.1	17%
North America	122.6	97.2	26%
Latin America	116.5	93.6	24%
EMEA	89.8	97.7	(8%)

EBIT TREND



Latin America

- EBIT of \$117M, up 24% on the pcp;
- Favourable impact of foreign exchange on earnings of \$25M (mostly transactional); and
- Generally flat market conditions with volumes slightly down in base metal markets.

Europe, Middle East and Africa (EMEA)

- EBIT of \$90M, down 8% on the pcp;
- Favourable foreign exchange benefit of \$9M (mostly translational);
- Volume down on the pcp due to significant downturn in infrastructure markets, with volumes in that segment down between 20-30%; offset mostly by
- Cost reductions from productivity initiatives and improved recovery of input cost changes.

PERSPECTIVES FOR 2010

- Slow recovery in base metal, infrastructure and US thermal coal markets;
- Continued growth in EBS and Blast Based Services (BBS);
- Further productivity benefits to be delivered from restructuring initiatives; and
- Negative earnings impact of a stronger Australian dollar.

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MINOVA

EBIT down by 3%.

HIGHLIGHTS

- Integration activity is on plan with \$26M EBIT synergies delivered;
- Softer volumes due to difficult trading conditions in the US and Eastern Europe, however volumes in most other markets remained steady despite the global slowdown;
- Prices remained reasonably steady in most markets except the US steel business, where earnings were significantly impacted in the first half by the under-recovery in the market of steel input prices (\$15M) and increased competitor activity;
- Tunnelling activity showed steady growth with contribution up 18% on the pcp;
- Bolt-on acquisitions, including Strata Control Systems (Australia), BWZ (Germany) and Arnall (Poland), delivered to expectations; and
- Foreign exchange movements, net of hedging costs, positively impacted earnings by \$11M.

BUSINESS SUMMARIES

Minova Americas:

- EBIT significantly impacted by the under-recovery in the market of steel input costs;
- Bolt volumes down 10% and resin capsules down 4% due to a significant reduction in coal production volumes and market share losses in 2008;
- Subdued pricing for bolts and resins due to increased competitor activity;
- Net benefit of foreign exchange movements after hedging costs; and
- Productivity and restructuring initiatives are delivering benefits.

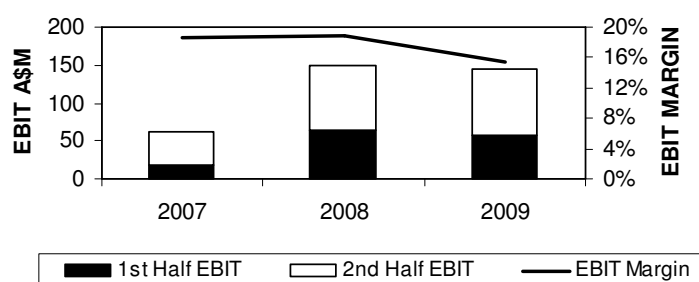
Minova Europe:

- Contribution from bolt-on acquisitions of Arnall and BWZ delivering to expectations;
- Steady volumes into coal markets in Poland, Germany, the UK and the Czech Republic;
- Stronger tunnelling activity period on period;
- Volume declines in Russia and the Ukraine due mainly to slowdown in metallurgical coal markets; and
- Net unfavourable EBIT impact of foreign exchange due to significant devaluation of currencies in Eastern Europe.

EARNINGS

A\$M	Year Ended September		Change F/(U)
	2009	2008	
Sales Revenue	940.9	794.2	18%
EBIT	145.1	150.1	(3%)
Operating Net Assets	1,701.0	1,873.8	(9%)

EBIT TREND



Australia, Pacific and Africa (APA):

- Market conditions in Australia were reasonably firm with volumes in line with prior period despite some temporary mine closures;
- Contribution from the Strata Control Systems acquisition in 2008 delivering to expectations;
- Favourable product mix in Australia, with an increase in contribution from emergency services;
- Penetration of the Chinese market continues with strong volume and sales growth in firm market conditions; and
- Market share maintained in South Africa despite softer market conditions. Small bolt-on acquisitions are delivering in line with expectations.

PERSPECTIVES FOR 2010

- Increasing investment and resources in China;
- Geographic and technology expansion through small bolt-on acquisitions;
- Slow recovery in mining markets across most regions and steady demand in civil engineering markets;
- Negative earnings impact of a stronger Australian dollar;
- Tight cost control and productivity focus; and
- Continued progress on the integration of acquisitions.

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CHEMICALS

Record result with sales up 10% to \$1.5B and EBIT up 17% to \$170M.

HIGHLIGHTS

- Record result from Mining Chemicals;
- Merger of Chemnet and Chemical Services is complete and synergies tracking to expectations with EBIT benefits of \$12M delivered in the period;
- Additional productivity benefits delivered through tight cost control and restructuring initiatives across all business segments in response to economic conditions and slowdown in demand;
- Higher average global caustic price; and
- Performance turnaround in Bronson & Jacobs.

BUSINESS SUMMARIES

General Chemicals

- General Chemicals sales up 7% on the pcp due mainly to the recovery of cost increases (impacted mostly by foreign exchange) which offset the impact of lower volume;
- Significant improvement in Bronson & Jacobs with sales up 4% on the pcp reflecting improved customer service and increased market share in the food and nutrition market segments;
- The Latin American business achieved significant volume growth period on period, though experienced margin pressure from rising input costs; and
- Significant volume declines in Marplex (-25%); Chemnet Australia (-15%) and Chemnet NZ (-10%) due to slowdown in the automotive, mining, construction and manufacturing sectors in Australia and New Zealand, partly offset by new volumes associated with the Shell lubricants business in New Zealand.

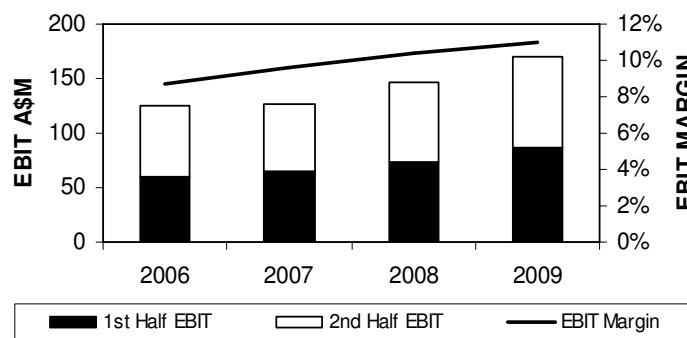
Watercare

- Sales in Watercare were up 13% on the pcp reflecting higher global caustic prices; and
- Volumes down compared to the pcp due to slowdown in demand for all major product groups.

EARNINGS

A\$M	Year Ended September		
	2009	2008	Change F/(U)
Sales Revenue	1,548.3	1,406.1	10%
EBIT	170.4	146.1	17%
Operating Net Assets	789.7	791.6	(0%)
Business Sales:			
General Chemicals	1,046.3	979.4	7%
Watercare	253.3	223.8	13%
Mining Chemicals	257.2	231.7	11%

EBIT TREND



Mining Chemicals

- Sales in Mining Chemicals up 11% on the pcp, primarily attributable to stronger demand for sodium cyanide and the favourable impact of a weaker Australian dollar.

PERSPECTIVES FOR 2010

- Sodium cyanide demand expected to remain firm;
- Expected decline in average caustic prices;
- Slow recovery in demand in automotive and general manufacturing sectors;
- Negative earnings impact of a stronger Australian dollar;
- Synergies from the Chemicals merger will continue to flow through; and
- Continued focus on productivity and cost control.

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DULUXGROUP

Record result with sales up 7% on the pcp to \$940M, and EBIT up 5% on the pcp to \$129M.

HIGHLIGHTS

- Sales revenue increased by 7% on the pcp despite market decline and increased competition;
- Earnings growth for Paints driven by market share growth;
- Earnings growth for Selleys driven by new products and category growth;
- Yates restructuring complete with focus now on brand investment and innovation; and
- Strong productivity focus across all business segments in response to soft market conditions and rising input costs.

BUSINESS SUMMARIES

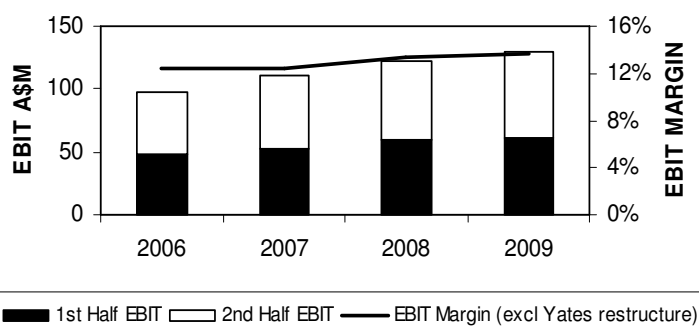
Coatings

- Sales revenue growth of 8% on the pcp;
- Australian Retail earnings were ahead of last year primarily due to market share increases (which offset the impact of overall market decline) and continuing marketing investment in key brands;
- Australian trade paint earnings were down on last year due to weaker market conditions which offset the benefit of market share gains and improved productivity;
- New Zealand earnings were down on lower market volumes;
- Texture Coatings earnings were in line with the pcp;
- Woodcare earnings were marginally above the pcp;
- Powder coatings ANZ business delivered earnings well below pcp due to significant decline in market demand;
- Strong performance from PNG, driven by volume growth; and
- Sales growth in China following acquisition of Sopel business in November 2008.

EARNINGS

A\$M	Year Ended September		
	2009	2008	Change F/(U)
Sales Revenue	940.2	875.4	7%
EBIT	128.9	122.6	5%
Operating Net Assets	290.1	279.0	4%
Business Sales:			
Coatings	699.9	650.9	8%
Home and Garden (Selleys & Yates)	240.3	224.5	7%

EBIT TREND (1)



Home Improvement and Garden Care

- Earnings growth for Selleys driven by revenue and productivity improvements; and
- Continued earnings improvement by Yates, delivering productivity benefits from the recently completed restructuring program and ongoing marketing initiatives.

PERSPECTIVES FOR 2010

- Market softness expected to continue, particularly in Powders and New Zealand;
- Continued development of China business platform; and
- Continued focus on productivity and cost control.

(1) Excludes the \$9.5M Yates restructuring provision in 2007

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SUSTAINABILITY

SAFETY

We are sad to report the tragic deaths of four employees in separate incidents across the world in October and November 2008. Orica is committed to eliminating fatalities from our workplaces and ensuring the ongoing safety of our employees and contractors. The Company is continuing to implement preventative measures and learnings arising from these fatalities, as well as other serious incidents, and participates in external benchmarking.

The Company achieved an all worker recordable case rate (number of injuries and illnesses per 200,000 hours worked) of 0.69, compared with 0.72 for the previous year. Whilst the overall rate has improved, this in no way lessens the ongoing focus on safety in all the businesses as we strive for the goal of "no injuries to anyone, ever".

The number of significant distribution incidents increased to 43 compared to 24 in the previous year, including the death of five members of the public in four separate events in which no fault was attributed to the contract carriers. There continues to be an ongoing focus on reducing distribution incidents as the Company implements enhanced and consistent transport safety procedures across both the Group and within its transport service providers.

SUSTAINABILITY

Progress continues to be made towards meeting the Challenge 2010 targets (internal targets the Company has set). In comparison to actual 2008 levels, improvement has been made in the current year on the following:

- Total greenhouse gas emissions, measured in tonnes of carbon dioxide equivalent (CO₂e) emitted per tonne of production, have reduced by 20.4% (greenhouse gas emissions are 0.82 tCO₂e/t compared to 1.03 tCO₂e/t in pcp);
- Water consumption, measured in kilolitres per tonne, has reduced by 7.3% (2.16 kL/t compared to 2.33 kL/t in pcp);
- Waste generation, measured as tonnes per kilotonne of production, has reduced by 13.0% (waste generated 4.20 t/kt compared to 4.83 t/kt in pcp); and

- Total energy consumption, measured in gigajoules per tonne of production, has reduced by 2.1% (energy consumption was 4.57 GJ/t compared to 4.67 GJ/t in pcp).

The levels of greenhouse gas emissions, water consumption and waste generation per unit of production are already effectively at or below our 2010 targets.

In 2009 we emitted approximately 3.1 million tonnes of CO₂ equivalent, of which approximately 65% is nitrous oxide (N₂O), a by-product of nitric acid production. Nitric acid is a key input in the production of AN. The majority of these emissions can be abated using proven technologies.

One of Orica's 10 Priority Actions to progress us towards our "No Harm" aspiration is to install N₂O abatement technology on our global nitric acid plants. Abatement technology installed at our facility in Carseland, Canada in May 2008 has abated more than 580,000t CO₂e since installation. In July 2009 abatement technology was installed at our facility in Bacong, the Philippines. Abatement levels of over 75% have been achieved to date.

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.

Orica continues to devote considerable resources to cleaning up legacy sites and is committed to dealing with environmental issues from the past in an honest and practical way.

Progress continues to be made in exploring options to export Hexachlorobenzene (HCB) waste for destruction in dedicated facilities in Europe.

The Botany Groundwater Treatment Plant continues to operate at a level required to contain the groundwater plume and treated water is being sold to industrial customers in the Botany precinct.

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DEVELOPMENT

MERGERS & ACQUISITIONS

Given economic uncertainty and general slowdown in demand in most of our market segments, 2009 has been a period of consolidation and integration of recent acquisitions. This included:

- The continued integration of Minova/Excel, which is on-track with synergies of \$26M now delivered;
- The successful integration of bolt-on acquisitions in Mining Services, Minova and DuluxGroup, with acquisitions delivering to or above expectations. This includes, the acquisitions of Strata Control Systems, BWZ and Arnall in Minova, South West Energy in Mining Services and Sopol in DuluxGroup, among other smaller acquisitions; and
- The acquisition of an additional 49% interest (taking Orica's interest to 99%) in Samex, an explosives distribution business in Peru, which was completed in November 2008.

BUSINESS DEVELOPMENT

During the year, work progressed on a number of growth projects within our mining businesses. This included:

- The continued development of the 300ktpa AN facility in Bontang, Indonesia. Cumulative spend to date is \$148M. The Engineering, Procurement and Construction contract was signed in May 2009 and site piling work commenced in August 2009. The overall project is tracking to plan with commissioning expected in 2011;
- The continuation of feasibility work on AN expansion opportunities in Australia and Latin America. Orica's proposed Latin American AN project in Marcona, Peru, was granted state significance by the Ministry of Production in September 2009, an important step in the planning approval process. The optimal timing of these projects is dependent on market conditions and an improvement in demand;

- Feasibility work on an ammonia plant expansion project at Kooragang Island for a proposed uprate of 65ktpa to the existing ammonia plant, with a target completion date of late 2011;
- The commencement of engineering design work for a non-electric detonator initiating systems facility in Nanling, China, commissioning of which is expected early 2011. Orica has entered a Joint Venture arrangement for the construction and operation of the plant, with 51% ownership; and
- Feasibility work on a sodium cyanide plant expansion project at Yarwun for a proposed uprate of 15kt, increasing capacity to 95kt, with a target commissioning date of 2011.

Further Information

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