

# ORICA LIMITED - PROFIT REPORT

“Another year of achievement”



## RESULTS FOR YEAR ENDED 30 SEPTEMBER 2004

Orica continued to improve earnings with underlying net profit after tax<sup>(1)</sup> for the year ended 30 September 2004 up 20% to \$326M.

NPAT, after significant items, of \$328M was up 226% compared to the previous corresponding period (“pcp”).

### FINANCIAL HIGHLIGHTS

- 20% increase in underlying NPAT<sup>(1)</sup> to \$326M (pcp: \$270M).
- Sales revenue up 16%.
- Earnings per share<sup>(2)</sup> up 22% to \$1.19.
- Return on shareholders' funds<sup>(2)</sup> increased to 23% (pcp: 20%).
- Final dividend up 32% to 45 cents per share (cps) - franked at 21 cents.

### BUSINESS HIGHLIGHTS

- Record results in Mining, Chemicals and Consumer Products reflecting robust market conditions, further efficiency gains and benefits from acquired businesses.
- Improved profitability from Fertilisers reflecting some drought recovery and a full year impact of Pivot earnings (pcp included 4 months) in addition to significant delivered synergies from the merger of Incitec Fertilizers and Pivot.

### MERGERS, ACQUISITIONS, DEVELOPMENT

- Completion of the acquisition of Indian Explosives Limited and Initiating Explosives Systems India.
- Successful early commissioning of 40% additional ammonium nitrate capacity at Kooragang Island (New South Wales).
- Purchase of SMI electronic detonator technology from Sasol in South Africa.
- Signing of a Mining Services Joint Venture agreement with the Znamja group in the Kuzbass region of Siberia.
- Completion of the acquisition of Yates Consumer Lawn and Garden Care business.
- Acquisition of Bronson and Jacobs food and speciality chemicals business.
- Acquisition of Marplex Group of companies.

A\$M	Year Ended September		
	2004	2003	Change F/(U)
Sales Revenue	4,610.5	3,958.6	16%
<i>Underlying Results:</i>			
EBIT	553.3	442.3	25%
Net interest expense	(72.3)	(60.7)	(19%)
Tax	(129.7)	(96.5)	(34%)
Minority interests	(25.7)	(14.8)	(74%)
<b>NPAT and minority interests</b>	<b>325.6</b>	<b>270.3</b>	<b>20%</b>
Earnings per share	119.0	97.2	22%
Return on shareholders' funds	23.1%	19.6%	
<i>Results including Significant items:</i>			
Significant items after tax and minority interests	2.2	(169.6)	
<b>NPAT and minority interests</b>	<b>327.8</b>	<b>100.7</b>	<b>226%</b>
Earnings per share	119.8	36.2	231%
<i>Financial Items</i>			
Interim ordinary dividend per share	23	18	28%
Final ordinary dividend per share	45	34	32%
Total ordinary dividend per share	68	52	31%
Payout Ratio	57.1%	53.5%	7%
Net debt	977	877	(11%)
Gearing	37.4%	35.7%	
Interest cover (times)	7.7	7.3	
Average exchange rate (A\$/US\$)	72.5	61.5	(18%)

### OUTLOOK - 2005

- Continued strong earnings momentum (subject to normal caveats around extent and timing of rainfall and general economic conditions) driven by:
  - ongoing improvements in our businesses;
  - full year impact of recent acquisitions; and
  - impact of recent ammonium nitrate plant expansions on the East Coast of Australia; partially offset by
  - increased expenditure on growth projects and business development activities (of up to \$30M, before tax).

<sup>(1)</sup> Net profit after tax (NPAT) and minorities before significant items.

<sup>(2)</sup> Before significant items.

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**REVENUE**

**Sales revenue increased by \$652M (+16%) to \$4,611M. Major factors were:**

- Acquisitions +\$594M.
- Underlying volume improvement of +\$255M driven by:
  - some recovery from the drought;
  - strong consumer confidence and manufacturing activity;
  - improved mining volumes in Australia and parts of Latin America and Europe; and
  - some improvement in North American coal volumes.
- Currency movements -\$164M.
- Divestments - Crop Care (reported in Other Operations) -\$33M.

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

- Total underlying EBIT increased 25% to \$553M (pcp: \$442M) due to:
  - organic growth;
  - ongoing cost efficiencies;
  - improved product mix;
  - the net impact of acquisitions and divestments; and
  - reduced depreciation charges following asset life extensions at Kooragang Island and Gibson Island in line with extended gas contracts;

**offsetting**

- increased costs associated with growth projects and executive loan forgiveness;
- additional spending on Miex® and other Advanced Watercare projects;
- increased marketing spend in Consumer Products; and
- increased environmental provisions in Fertilisers.

**INTEREST**

- Net interest expense was \$72M compared with \$61M in the pcp. This increase is due to:
  - higher average debt levels following acquisition activities;
  - completion of 5% share buy-back; and
  - higher average interest rates following the completion of a US\$185M Private Placement in October 2003 (increasing the tenor of debt to an average of 9.2 years). Interest cover was 7.7 times (pcp: 7.3 times).

**Revenue Summary**

A\$M	Year Ended September		
	2004	2003	Change F/(U)
Mining Services	1,734	1,663	4%
Fertilisers	1,136	760	49%
Consumer Products	772	658	17%
Chemicals	1,063	923	15%
Other Operations	-	33	(100%)
Eliminations	(94)	(78)	(21%)
<b>Total sales revenue</b>	<b>4,611</b>	<b>3,959</b>	<b>16%</b>
Other operating revenue	124	185	(33%)
<b>Total operating revenue</b>	<b>4,735</b>	<b>4,144</b>	<b>14%</b>

**Earnings Summary**

A\$M	Year Ended September		
	2004	2003	Change F/(U)
<b>EBIT</b>			
Mining Services	270.1	247.4	9%
Fertilisers	104.0	42.8	143%
Consumer Products	99.8	89.1	12%
Chemicals	113.5	106.6	6%
Other Operations	-	(13.5)	(100%)
Corporate Centre	(26.8)	(23.2)	(16%)
Other Support Costs	(7.3)	(6.9)	(6%)
<b>Total EBIT</b>	<b>553.3</b>	<b>442.3</b>	<b>25%</b>
Net Interest	(72.3)	(60.7)	(19%)
Tax expense	(129.7)	(96.5)	(34%)
Outside equity interests	(25.7)	(14.8)	(74%)
<b>NPAT and minority interests</b>	<b>325.6</b>	<b>270.3</b>	<b>20%</b>
Significant items after tax	2.2	(169.6)	
<b>NPAT and significant items</b>	<b>327.8</b>	<b>100.7</b>	<b>226%</b>

**TAX**

- Tax expense was \$130M with an effective tax rate of 27% (pcp: 25%). The increase is largely attributable to the increased level of non-tax deductible goodwill following the buyout of the Incitec minorities, the merger of Incitec Fertilizers and Pivot and other recent acquisitions.
- A full year tax rate of around 27% is sustainable over the medium term (excluding acquisitions).

**NET PROFIT**

- Net profit after tax and minority interests increased 20% to \$326M (pcp: \$270M).
- Net profit after tax and significant items was \$328M (pcp: \$101M).

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**SIGNIFICANT ITEMS**

Significant items were a gain of \$2M after tax (pcp loss of \$170M). Major items in the current year were:

- Loss of \$7M in relation to legacy items consisting of:
  - \$39M profit on surplus asset sales at Deer Park (Victoria, Australia) and Waitawa (New Zealand);
 offset by
  - \$46M increase in environmental provisions for groundwater remediation at Botany;
- Restructuring and rationalisation costs associated with the North America Mining Services business of \$28M; and
- \$37M net tax refund in relation to a sale and leaseback transaction previously disallowed by the Australian Taxation Office (“ATO”).

Significant items after tax	Year Ended September		
	A\$M	2004	2003 Change F/(U)
<b>Genos</b>			
Genos Botany Losses	-	(16.3)	
Genos Write-off	-	(123.2)	
		<u>-</u>	<u>(139.5)</u>
<b>Legacy items</b>			
Environmental provision	(45.5)	(27.5)	
Surplus property sales	38.8	31.8	
		<u>(6.7)</u>	<u>4.3</u>
<b>Restructuring &amp; Rationalisation</b>			
Restructuring costs	(15.5)	(34.4)	
Asset impairment	(12.3)	-	
		<u>(27.8)</u>	<u>(34.4)</u>
<b>Taxation</b>			
Sale & leaseback tax refund	36.7	-	
<b>Total</b>		<u>2.2</u>	<u>(169.6)</u>

**DIVIDEND**

- Directors have increased the final dividend by 32% to 45 cps (pcp: 34 cps) franked at 21cps.
- Full year dividend has increased by 31% to 68 cents (pcp: 52 cents), representing a payout ratio of 57%.
- Franking capacity is forecast to improve to around 50% in 2005 due to the reduction in unutilised Australian tax losses.

Ordinary dividend	Year Ended September		
		2004	2003 Change F/(U)
Final Ordinary Dividend			
- CPS	45	34	32%
- Franking %	46.7%	19.1%	
Interim Ordinary Dividend			
- CPS	23	18	28%
- Franking %	30%	25%	
<b>Total Ordinary Dividend</b>			
- CPS	68	52	31%
- Franking %	41.2%	21.1%	

**SHARE BUYBACK**

- During the year, Orica completed a 5% on market share buy-back by purchasing the remaining 3.3% of share capital outstanding under the scheme at the beginning of the year.
- The total number of shares bought back, during 2003 and 2004 was 13,954,402 for total consideration of \$176.8M.
- On 3 November 2004, Directors announced a further on market share buy-back of up to \$250M.

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**STATEMENT OF FINANCIAL POSITION**

Orica's "balance sheet" remains strong.

- Trade working capital has increased by \$16M since March 2004 due to acquisitions (+\$71M) offset by underlying improvements in existing businesses, especially Fertilisers following the winter cropping season. Compared to the pcp, trade working capital was \$96M higher due to the impact of several acquisitions and higher sales volumes across all businesses during the year.
- Net property, plant and equipment is \$68M higher than March 2004 and \$81M higher than September 2003. The increases are due mainly to acquisitions and increased spending on sustenance and expansion capital partially offset by lower depreciation.
- Net other assets are \$33M lower than March 2004 due primarily to the net increase in environmental cleanup provisions (+\$70M) and higher tax liabilities on higher profits offsetting the impact of goodwill recognised on recent acquisitions (Bronson and Jacobs and Marplex). Compared to the pcp, net other assets are \$20M lower due to higher tax liabilities on higher profits and increased environmental provisions partially offset by the impact of goodwill recognised on acquisitions.

**CASH FLOW**

Net operating cash inflows of \$588M due to:

- EBITDA 17% higher to \$724M;
- Lower net interest paid of \$5M due to the interest received on the sale and leaseback tax settlement offset partially by higher interest paid on debt;
- Lower tax paid of \$18M reflecting proceeds from the sale and leaseback settlement with the ATO offset partially by higher global tax paid;
- Increased investment in trade working capital of \$15M(excluding the impact of acquisitions) due to the higher level of sales volumes across all businesses during the year.

**Balance Sheet**

A\$M	Sept 2004	March 2004	Sept 2003
Inventories	745	728	583
Trade Debtors	648	569	501
Trade Creditors	(625)	(546)	(413)
Total Trade working capital	767	751	671
Net property, plant & equipment	1,518	1,450	1,437
Net other assets	330	363	350
Net debt	(977)	(1,029)	(877)
<b>Net Assets</b>	<b>1,638</b>	<b>1,535</b>	<b>1,581</b>
Orica shareholders' equity	1,429	1,338	1,385
Outside equity interests	209	197	196
<b>Equity</b>	<b>1,638</b>	<b>1,535</b>	<b>1,581</b>
<b>Gearing</b>	<b>37.4%</b>	<b>40.1%</b>	<b>35.7%</b>

- Net debt at \$977M has decreased since March 2004, in line with seasonal factors, surplus asset sales and a tax refund, but is \$100M higher than 2003 due to higher average debt levels following the buyout of the Incitec minorities, share buy-back and the impact of several acquisitions.
- Minority interests have increased due to the higher profits from Incitec Pivot.
- Gearing (net debt/net debt + equity) at 37.4% is 2.7pts lower than March 2004 and well within the new targeted gearing range(35% to 45%).

**Cash Flow Items**

A\$M	Year Ended September		
	2004	2003	Change F/(U)
<b>Net operating Cash Flows</b>			
EBIT	553	442	25%
Add: Depreciation	138	153	10%
Add: Amortisation	33	23	(47%)
EBITDA	724	618	17%
Net interest paid	(58)	(63)	8%
Net income tax paid	(45)	(63)	28%
Trade Working Capital mvt	(15)	114	
Non Trade Working capital mvt	(18)	(105)	
Total	<u>588</u>	<u>500</u>	
<b>Net investing cash flows</b>			
Capital spending			
Sustenance capital	(146)	(84)	(74%)
Growth capital	(53)	(36)	(48%)
Sub-total	<u>(199)</u>	<u>(120)</u>	(66%)
Acquisitions	(254)	(416)	39%
Proceeds from surplus asset sales, businesses and investments	72	150	(52%)
Total	<u>(381)</u>	<u>(386)</u>	
<b>Net financing cash flows</b>			<b>\$M</b>
Movement in borrowings	142	31	111
Dividends paid - Orica shareholders	(157)	(115)	(42)
Dividends paid - Other shareholders	(11)	(45)	34
Other	(118)	(37)	(81)
Total	<u>(144)</u>	<u>(166)</u>	22

**ORICA LIMITED**  
**PROFIT REPORT - YEAR ENDED 30 SEPTEMBER 2004**

- Non trade working capital outflow of \$18M primarily reflects restructuring payments (-\$34M) made during the year (Incitec Pivot and North American Mining Services) partially offset by the amortisation of major shutdown costs (+\$14M).

Net investing cash outflow of \$381M due to:

- Sustenance capital spending at \$146M was 74% higher than pcp due in part to spending at acquired businesses. A focus on increasing the productivity of existing assets continues;
- Growth capital spending of \$53M largely related to the Kooragang Island ammonium nitrate expansion and de-bottlenecking the sodium cyanide plant at Yarwun;
- Proceeds from asset sales of \$72M were primarily due to the sale of surplus assets; and
- Acquisitions of \$254M included Yates Consumer Lawn and Garden Care business, Indian Explosives Limited and Initiating Explosives Systems India, Bronson and Jacobs and Marplex.

Net financing cash outflows of \$144M included:

- An increase in borrowings of \$142M to meet funding requirements in the first half;
- Dividend payments of \$168M; and
- Other financing of \$118M related to the on market share buy-back partially offset by the net receipts from exercise of share options.

Cash Flow Items	Year Ended September		
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<b>Net operating Cash Flows</b>			
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Trade Working Capital mvt	(15)	114	
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Total	<u>588</u>	<u>500</u>	
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Sub-total	<u>(199)</u>	<u>(120)</u>	(66%)
Acquisitions	<u>(254)</u>	<u>(416)</u>	39%
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<b>Net financing cash flows</b>			<b>\$M</b>
Movement in borrowings	142	31	111
Dividends paid - Orica shareholders	(157)	(115)	(42)
Dividends paid - Other shareholders	(11)	(45)	34
Other	(118)	(37)	(81)
Total	<u>(144)</u>	<u>(166)</u>	22

## **STRATEGY**

Orica turns science into solutions for our customers and our vision is to be the best performing science-based solutions company in the world.

Our vision will be achieved by:

- Securing market leadership positions in niche markets, which build on our strengths and create economic value for our shareholders

Orica aims to continue to deliver above average market returns and our strategy of “building on strength” is based on three principles:

- Market leadership in all businesses;
- Growing only value adding businesses - those that have “earned the right to grow”; and
- Related growth of our existing businesses.

This is a relatively low risk approach, but has the capability of producing superior returns.

We see growth coming from four areas:

- Industry growth;
- Productivity improvements;
- Expansion capital; and
- Mergers and acquisitions.

Orica’s businesses have strong operating cash flows which can fund future growth and by adhering to our strict financial criteria, continuing the focus on Efficiency and Culture, we are confident that the growth strategy will lead to increased earnings, increased dividends and above average returns for shareholders.

Major strategic projects in fiscal 2004 were:

### Fertilisers:

- Successful integration of Australia’s leading fertiliser company, Incitec Pivot Limited.

### Mining Services:

- Further expansion of ammonium nitrate production to meet growing mining services demand in Australia/Asia:
  - Commissioning (three months ahead of schedule) of an additional 40% capacity increase at Kooragang Island (New South Wales); and
  - Approval of a 10% capacity (25,000 tonnes) increase in the Yarwun (Queensland) plant for \$13.5M scheduled for completion in March 2005 followed by potentially a further 300,000 tonnes capacity increase for approximately \$110M in mid 2006.
- Establishment of a Mining Services Joint Venture in the Kuzbass region of Siberia. The Joint Venture will require funding of approximately US\$11M, which will be provided equally by both parties.
- Completion of the purchase of SMI electronic detonator technology from Sasol for \$19M.

### Chemicals:

- Acquisition of Bronson and Jacobs food and speciality chemicals business for \$114M.
- Acquisition of the Marplex Group of companies for \$44M.

### Consumer Products:

- Acquisition of the Yates Consumer Lawn and Garden Care business for \$45M.

**ORICA LIMITED**  
**PROFIT REPORT - YEAR ENDED 30 SEPTEMBER 2004**  
**MINING SERVICES**

**Profitability increased by 9% to \$270M. This is the best full year result on record for Mining Services.**

**HIGHLIGHTS**

- Record profit in Australia/Asia.
- Volume growth across all regions.
- Successful completion of the acquisition of Indian Explosives Limited and Initiating Explosives Systems India and the electronic detonator technology from Sasol in South Africa.
- Successful commissioning in August 2004 of an additional 40% ammonium nitrate capacity at Kooragang Island (New South Wales).
- Doubling of i-kon™ electronic detonator sales over pcp.

**BUSINESS SUMMARIES**

Australia/Asia

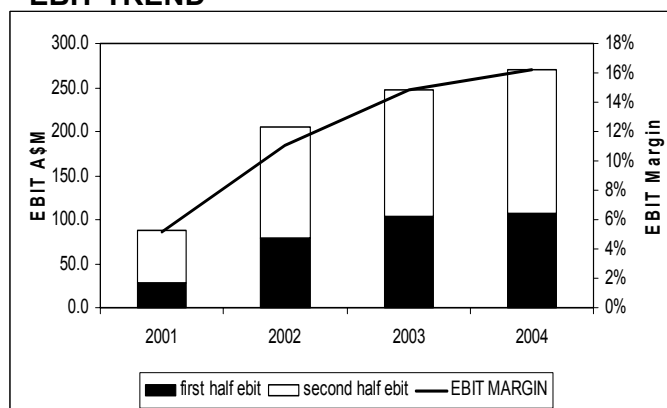
- Sales volumes up in Australia driven by demand in the Hunter Valley (NSW) and the Bowen Basin (Queensland). Sales revenue up 8% on a like for like basis.
- Improved product mix leading to improved margins.
- Ammonia input costs increased substantially over pcp.
- Profitability adversely impacted by the interruption of gas supply to Kooragang Island following the explosion at Santos' Moomba plant in the first half of the financial year.

North America

- Improved volumes driven by stronger demand for coal fired electricity generation in the second half of the financial year and a strong quarry and construction market. Sales revenue in AUD was down due to depreciation of the USD (excluding the impact of exchange rates, sales revenue was up 14%).
- Increases in variable input costs (\$62M), especially ammonia were largely, but not fully, recovered through increased selling prices. The inherent lag in rise and fall contracts, and aggressive competitor pricing in the marketplace resulted in a net adverse EBIT impact of \$6M.
- Reduced fixed costs and capital following commencement of business restructuring and rationalisation program.
- Restructuring benefits of \$4M delivered in 2004.

A\$M	Year Ended September		
	2004	2003	Change F/(U)
Sales Revenue	1,734	1,663	4%
EBIT	270.1	247.4	9%
Net Assets	1,086	1,049	(4%)
RONA	25.3%	24.2%	
<b>EBIT:</b>			
Australia/Asia	157.8	136.8	15%
North America	49.1	47.1	4%
Latin America	38.1	41.1	(7%)
Europe	25.1	22.4	12%

**EBIT TREND**



Latin America

- Growth in volumes in most regions, except Venezuela.
- Profitability adversely impacted by strength of local currencies offsetting benefits of increased i-kon™ sales in Argentina, Chile and Mexico.

Europe

- Improved volumes in Scandinavia, Spain and Germany offsetting lower sales in Turkey.
- Increased electronic detonator volumes.
- During the year, an insurance claim, following the explosion in 2002 at the Wurgendorf plant, was settled which favourably impacted current year earnings.

**OUTLOOK - 2005**

- Benefit of additional ammonium nitrate capacity on East Coast of Australia.
- Further benefits realised from North America Mining Services restructuring program.
- Full year benefit of improvement in North America coal markets.
- Ammonia input costs and purchased ammonium nitrate costs expected to remain high.

**ORICA LIMITED**  
**PROFIT REPORT - YEAR ENDED 30 SEPTEMBER 2004**  
**FERTILISERS**

Incitec Fertilizers merged with Pivot Limited on 1 June 2003 creating Australia's leading manufacturer and distributor of fertiliser, Incitec Pivot Limited.

Fertilisers delivered significantly improved earnings in the year ended 30 September 2004 compared to the pcp reflecting some recovery from the drought, full year earnings from Pivot and delivery of significant merger synergies.

**HIGHLIGHTS**

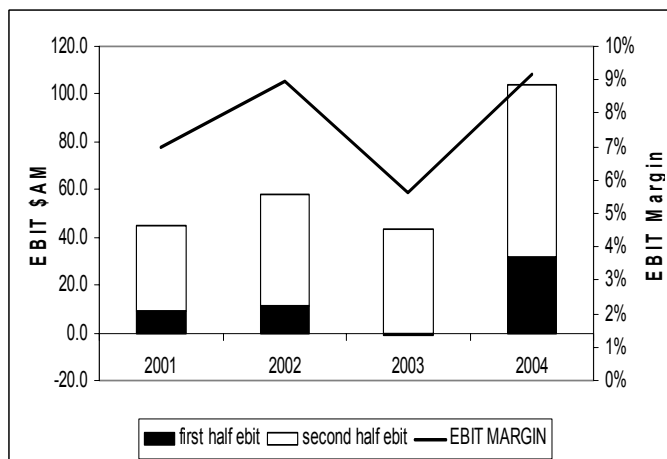
- Leading East Coast Australia market share retained despite strong competition.
- Synergies of \$50M delivered.
- Some recovery from the drought (albeit patchy across regions)

**BUSINESS SUMMARY**

- Revenue growth of \$376M (+49%) due to:
  - Additional sales from the merged Pivot business of \$302M, and
  - Incitec Fertilizers sales improved by approximately \$74M (11%) reflecting higher global fertiliser prices and improved sales mix (bias towards manufactured products compared to traded product).
- Some improvement in volumes (+\$11M).
- Overall prices were higher than 2003 due to:
  - Improved manufacturing margins (+\$20M) from higher global urea prices (increased from US\$135/t to US\$161/t) and freight rates were partially offset by strong competition in a soft market, particularly in ammonium phosphates (-\$8M); and
  - Higher sulphuric acid (up \$6M).
- Delivered efficiency benefits of \$50M (pcp: \$6M).
- Increased depreciation and amortisation charges of \$8M
- Increased environmental cleanup provision for Parafield Gardens (South Australia) of \$12M.
- EBIT contribution from Pivot of \$28M (pcp: \$10M).

A\$M	Year Ended September		
	2004	2003	Change F/(U)
Sales Revenue	1,136	760	49%
EBIT	104.0	42.8	143%
Net Assets	674	686	2%
RONA	15.3%	8.7%	

**EBIT TREND**



**OUTLOOK - 2005**

- Continued dry conditions in East Coast of Australia, particularly New South Wales.
- Adverse hedging impact due to expiry of zero cost collared hedge positions and move to less favourable bought option position.
- Global urea prices currently above trend levels.

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**PROFIT REPORT - YEAR ENDED 30 SEPTEMBER 2004**  
**CONSUMER PRODUCTS**

**Earnings significantly improved to a record EBIT of \$100M (+12% on pcp) with a focus on improved product mix and reducing the cost base of the business.**

**HIGHLIGHTS**

- Sales revenue growth of 17%, with eleven months contribution from Yates. Excluding Yates, revenue was up around 4%.
- Sales and margin improvement through favourable business and product mix changes underwritten by increased investment on marketing and product launches of \$7M.
- Integration of Yates Consumer Lawn and Garden Care business progressing to plan.
- EBIT margin slightly reduced due to the inclusion of Yates.
- Trade working capital to sales of 11.8% at year end reflecting continued discipline around capital management.

**BUSINESS SUMMARIES**

Paints and Woodcare

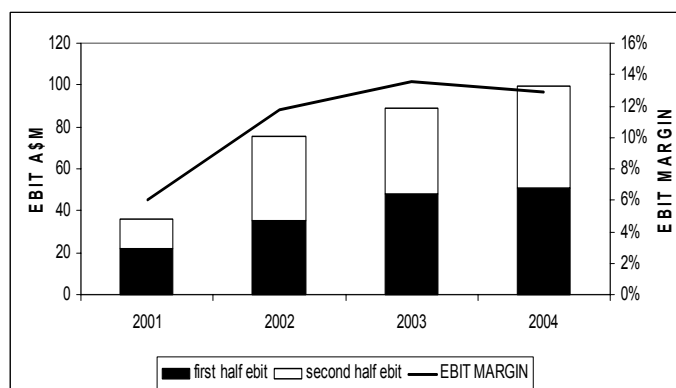
- Sales up over 3% with solid underlying demand in both trade and retail segments and prices remaining largely unchanged.
- Profitability improvement delivered through focus on product sales mix, increased marketing and contribution from new product innovations.
- Increases in raw material costs largely offset by the appreciation of the AUD.
- Increased marketing spend due to extensive new product development activity during the year.
- Continuation of favourable market conditions in New Zealand (both volume and market growth).
- Market share broadly in line with the previous year.
- Improved customer service levels and further improvement in working capital, particularly inventory and trade debtors.

Other

- Adverse impact of drought and legislation of water restrictions around Australia on both garden care and car care market segments.
- Product relaunches including Liquid Nails, No More Gaps and the Lush range of lawn care products.

A\$M	Year Ended September		
	2004	2003	Change F/(U)
Sales Revenue	772	658	17%
EBIT	99.8	89.1	12%
Net Assets	217.4	183.8	(18%)
RONA	49.8%	44.3%	
<b>Business Sales:</b>			
Paints	524.2	505.2	4%
Other	263.9	163.7	61%

**EBIT TREND**



- Selleys profitability significantly improved through strong top line growth and continued improvements in cost and operational efficiency.
- Parfix brand of sealants and adhesives added to the Selleys portfolio.
- Integration of Yates on track with ongoing focus on profit improvement through cost reduction, operational efficiency and sales development.
- Continued growth in the powder coatings segment.

**OUTLOOK - 2005**

- Demand in trade paints to remain steady whilst retail demand will be dependant on continuing consumer confidence in Australia and New Zealand.
- Full year impact of the Yates integration.
- Upward pressure on input costs due to oil and commodity pricing outlook.
- Further benefits of investment in brand equity and new products to flow through.

**ORICA LIMITED**  
**PROFIT REPORT - YEAR ENDED 30 SEPTEMBER 2004**  
**CHEMICALS**

**Chemicals increased profitability by 6% to \$114M over the record 2003 result.**

**HIGHLIGHTS**

- Sales revenue in excess of \$1Bn for the first time.
- Several acquisitions successfully integrated in the business and on track to meet Orica's investment criteria.
- Increased investment in Miex® and other growth projects.
- Excellent manufacturing performance with all plants running well.
- Successful expansion of the sodium cyanide plant at Yarwun (Queensland) to 50 ktpa.

**BUSINESS SUMMARIES**

Chemnet

- Underlying sales up with good demand in major market segments.
  - volume growth of 7% in Australia (mainly in building, refrigerants, industrial and surfactants segments); and
  - volume growth of 9% in NZ (record volumes in the dairy segment).
- Efficiencies and returns from acquisitions realised due to well executed integration.
- Adversely impacted by shortage of domestic sulphuric acid following a number of smelter closures.
- Strength of the AUD and NZD against the USD adversely impacting contracts based on fixed percentage margins.

ChlorAlkali

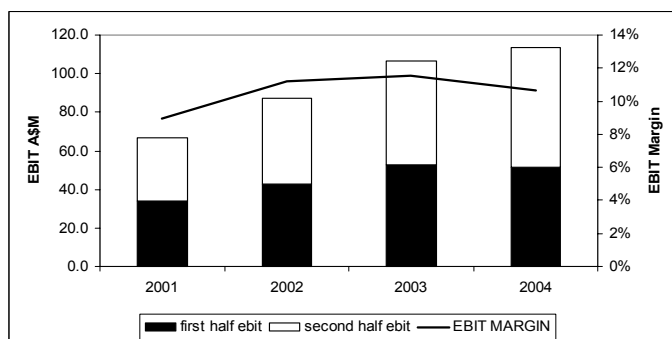
- Sales to water treatment markets slightly down on pcp following the mild 2003/04 summer.
- Net caustic soda prices down largely due to significant competitor pricing pressure offset partially by improved volumes.

Adhesives and Resins

- Volumes up 11% driven by improved wood panel markets (across Australia, New Zealand and Indonesia).
- Small decline in margins due to increased volumes in lower value resin sales.

A\$M	Year Ended September		
	2004	2003	Change F/(U)
Sales Revenue	1,063	923	15%
EBIT	113.5	106.6	6%
Net Assets	760	568	(34%)
RONA	18%	21%	
<b>Business Sales:</b>			
Chemnet	707.6	576.0	23%
ChlorAlkali	144.0	143.5	0%
Mining Chemicals	99.0	97.1	2%
Adhesives & Resins	128.3	118.4	8%

**EBIT TREND**



Mining Chemicals

- Cyanide sales up 8% following strong demand from gold miners offshore.
- Input costs, particularly ammonia and freight, up \$3M.
- Significant pressure on sodium cyanide pricing arising from competitor activity, particularly in the first half of the financial year.

MIEX®

- Progress on commercialisation continues to be made in the USA, Europe, Asia and South Africa.
- Commercialisation costs of \$11M (pcp: \$9M) reflecting increased activity in the USA, Europe and parts of Asia.

**OUTLOOK - 2005**

Continued earnings momentum driven by:

- Full year impact of earnings from acquired businesses;
- Organic growth in existing businesses; and
- Improved performance in Mining Chemicals due to recent plant expansion.

**ORICA LIMITED**  
**PROFIT REPORT - YEAR ENDED 30 SEPTEMBER 2004**  
**OTHER OPERATIONS, CORPORATE CENTRE AND OTHER SUPPORT SERVICES**

**PLASTICS AND DIVESTED BUSINESSES**

A\$M	Year Ended September	
	2004	2003
Sales Revenue	-	33
EBIT	-	(13.5)
<b>EBIT:</b>		
Qenos	-	(11.3)
Crop Care	-	(2.2)

**QENOS HOLDINGS PTY LTD**

Orica's investment in Qenos was written off to zero in March 2003 and equity accounting discontinued. In September 2004, Qenos concluded an agreement to restructure its debt facilities and a formal sale process is now underway.

**CORPORATE CENTRE AND OTHER SUPPORT COSTS**

- Corporate centre costs of \$26.8M were \$3.6M above pcp due to higher costs associated with business development projects (+\$2M), community sponsorship program (+\$0.6M) and increased salary and incentive costs (+1M) .
- Other support costs of \$7.3M were \$0.4M higher than pcp.
  - During the year provisions of \$4M were recognised in relation to the Senior Executive Loan Plan forgiveness (including fringe benefits tax) following the achievement of 2004 share price hurdle.
  - Net insurance costs were approximately \$4M lower than the pcp reflecting a lower number of claims in the current year.

**CULTURE**

Orica is committed to developing a culture driven by commercial and financial outcomes and personal accountability.

The principles are now common language in Orica, have been incorporated into the induction program for new starters/acquired businesses and form the basis of the leadership behaviour of senior managers.

Progress on the four cultural principles:

1. Safety, Health & Environment (SH&E)

Good progress was made in safety with an all worker (includes employees and contractors) recordable case rate of 0.74, which equates to the number of injuries and illnesses per 200,000 hours worked. There were 95 cases recorded (109 in the previous year) tragically one of these was a fatality to a contractor.

2. Commercial Ownership

Commercial ownership continues to be a highlight and is reflected in the financial results. Profit improvement was largely driven by well executed business integrations and self-help improvements rather than the external environment where market conditions were somewhat mixed.

3. Creative Customer Solutions

Progress was made in the commercialisation of the Miex<sup>®</sup> water treatment technology and other Advanced Watercare products in Chemicals, i-kon<sup>™</sup> electronic detonator system in Mining Services and several new product launches in Consumer Products. Focus will increasingly turn to this principle as we grow our businesses.

4. Working Together

The benefits of working together have helped deliver the strong earnings improvement in the year.

**Further Information**

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