

# ORICA LIMITED - PROFIT REPORT



## RESULTS FOR THE YEAR ENDED 30 SEPTEMBER 2005

Orica's earnings for the year ended 30 September 2005 were in line with the previous corresponding period, with net profit after tax<sup>(1)</sup> up 3% to \$335M.

NPAT after significant items of \$236M was down 28% compared to 2004.

### FINANCIAL HIGHLIGHTS

- Sales revenue up 11%.
- EBIT up 4% to \$577M.
- Earnings per share<sup>(2)</sup> up 3% to \$1.23; return on shareholders' funds<sup>(2)</sup> steady at 23%.
- Gearing<sup>(3)</sup> at 40.2%.
- Net interest expense \$103M, up 43%, with interest cover of 5.6 times.
- Final dividend increased to 46 cents per share (cps) - franked at 15 cps. Total dividend for 2005 is 71 cps (2004: 68 cps), franked at 23 cps (32.4%).

### BUSINESS HIGHLIGHTS

- Record results in Mining Services and Chemicals (Chemnet and Chemical Services), reflecting strong market conditions and further efficiency gains (including North American restructuring benefits) and earnings from acquired businesses in Chemicals.
- Consumer Products was down 2% as market conditions were softer compared with last year, especially the Australian retail sector.
- Fertiliser's earnings, pre significant items, were down 31% on 2004 due to poor seasonal conditions and increased market competition.

### MERGERS, ACQUISITIONS, DEVELOPMENT

- Announcement of a deal to acquire the European, Middle Eastern, African, Latin American and Asian businesses of Dyno Nobel from a Macquarie Bank consortium. Total consideration, including transaction costs, of \$969M.
- Further expansion at Yarwun (which will approximately double ammonium nitrate capacity) is progressing well with the plant expected to be commissioned by August 2006.
- Sale of Orica's 50% share of the Orica/Exxon Mobil Qenos joint venture.

A\$M	Year Ended September		
	2005	2004	Change F/(U)
Sales Revenue	5,126.7	4,610.5	11%
<i>Underlying Results:</i>			
EBIT	577.2	553.3	4%
Net interest expense	(103.1)	(72.3)	(43%)
Tax	(118.7)	(129.7)	8%
Minority interests	(20.5)	(25.7)	20%
<b>NPAT and minority interests</b>	<b>334.9</b>	<b>325.6</b>	<b>3%</b>
Earnings per share (cents)	122.7	119.0	3%
Return on shareholders' funds	23.2%	23.1%	
<i>Results including Significant items:</i>			
Significant items after tax and minority interests	(98.6)	2.2	
<b>NPAT and minority interests</b>	<b>236.3</b>	<b>327.8</b>	<b>(28%)</b>
Earnings per share (cents)	86.6	119.8	(28%)
Return on shareholders' funds	16.4%	23.3%	
<i>Financial Items</i>			
Interim ordinary dividend per share	25	23	9%
Final ordinary dividend per share	46	45	2%
Total ordinary dividend per share	71	68	4%
Payout Ratio	57.9%	57.1%	1%
Net debt	1,112	977	(14%)
Gearing	40.2%	37.4%	
Interest cover (times)	5.6	7.7	
Average exchange rate (A\$/US\$)	76.5	72.5	(5%)

- Continued bolt-on acquisitions in the Chemicals businesses with Woods & Woods, Keith Harris Flavours and Food, Aluminates and a majority position in the Andean Chemicals Group.

### OUTLOOK - 2006

- Further earnings growth, compared with 2005, dependent on seasonal conditions in the agricultural sector and the global economic environment.

(1) Net profit after tax (NPAT) and minorities before significant items.

(2) Before significant items.

(3) Net debt/net debt + equity

**ORICA LIMITED**  
**PROFIT REPORT - YEAR ENDED 30 SEPTEMBER 2005**

**REVENUE**

**Sales revenue increased by \$516M (+11%) to \$5,127M. Major factors were:**

- Underlying revenue improvement of \$289M driven primarily by:
  - improved mining volumes in all regions +\$236M; and
  - in the Chemicals businesses, revenue gains from improved prices and net volume increases (+\$46M);

Offset partly by:

- revenue decreases from the Fertiliser business (-\$62M) and Consumer Products (-\$3M).
- The impact of current year acquisitions and full year impact of 2004 acquisitions +\$249M
- Excluding acquisitions and foreign exchange impact, revenue growth was \$267M or 5.8%.

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

- Total EBIT increased 4% to \$577M (2004: \$553M) due to:
  - volume growth in the Mining Services and Chemnet businesses;
  - 2005 acquisitions and the full year impact of 2004 acquisitions;
  - improved underlying efficiencies. Notably, the North American Mining business achieved full year fixed cost savings of \$18M (2004: \$4M); and
  - Incremental earnings (before tax) from the sale and leaseback of assets of \$10M;

Offsetting:

- significantly reduced earnings from the Fertiliser business (-\$32M);
- costs of \$33M relating to growth and productivity initiatives, aimed at promoting sustainable growth and efficiency improvements across the Group;
- significant input cost increases across all businesses and the lag in their recovery; and
- increased goodwill amortisation charges relating to recent acquisitions (-\$5M).

Revenue Summary	Year Ended September		
	A\$M	2005	2004 Change F/(U)
Mining Services	1,987	1,734	15%
Fertilisers	1,074	1,136	(5%)
Consumer Products	769	772	(1%)
Chemical Services	412	367	12%
Chemnet	1,029	708	45%
Eliminations	(144)	(106)	(36%)
<b>Total sales revenue</b>	<b>5,127</b>	<b>4,611</b>	<b>11%</b>
Other operating revenue	135	124	9%
<b>Total operating revenue</b>	<b>5,262</b>	<b>4,735</b>	<b>11%</b>

Earnings Summary	Year Ended September		
	A\$M	2005	2004 Change F/(U)
<b>EBIT</b>			
Mining Services	333.7	270.1	24%
Fertilisers	72.0	104.0	(31%)
Consumer Products	97.4	99.8	(2%)
Chemical Services	60.9	50.9	20%
Chemnet	68.6	62.6	10%
Corporate Centre	(28.4)	(26.8)	(6%)
Other Support Costs	(27.0)	(7.3)	(270%)
<b>Total EBIT</b>	<b>577.2</b>	<b>553.3</b>	<b>4%</b>
Net Interest	(103.1)	(72.3)	(43%)
Tax expense	(118.7)	(129.7)	8%
Outside equity interests	(20.5)	(25.7)	20%
<b>NPAT and minority interests</b>	<b>334.9</b>	<b>325.6</b>	<b>3%</b>
Significant items after tax	(98.6)	2.2	
<b>NPAT and significant items</b>	<b>236.3</b>	<b>327.8</b>	<b>(28%)</b>

**INTEREST**

- Net interest expense was \$103M compared with \$72M in 2004. This increase is due to:
  - the full year impact of higher average debt levels arising from 2004 acquisitions;
  - the \$105M disputed tax payment;
  - the share buy-back (\$54M);
  - higher average interest rates resulting from the completion of a US\$559M Private Placement in May 2005;
  - higher floating interest rates; and
  - higher working capital in the first half.
- Interest cover was 5.6 times (2004: 7.7 times).

**TAX**

- Tax expense was \$119M with an effective tax rate of 25% (2004: 27%), mainly reflecting higher utilisation of U.S. tax losses.

**NET PROFIT**

- Net profit after tax and minority interests increased 3% to \$335M (2004: \$326M).
- Net profit after tax and significant items was down 28% to \$236M (2004: \$328M).

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**SIGNIFICANT ITEMS**

Significant items were a loss of \$99M after tax (2004 gain of \$2M). Major items in the current year were:

- \$34M write-off of capitalised and transaction costs relating to the sale of the 50% share of the Qenos joint venture;
- Increase in the environmental provision of \$18M after tax, relating to groundwater remediation at Botany; and
- \$46M restructuring and rationalisation costs associated with Fertilisers, the Chemicals businesses and the Group Corporate office.

**SHARE BUYBACK**

- On 3 November 2004, the Directors announced an on-market share buy-back of up to \$250M.
- During the year, Orica bought back 2,943,418 shares for total consideration of \$53.7M, at an average price of approximately \$18.24.
- In light of the funding required for the Dyno Nobel acquisition, the share buy-back is currently not active.

**DIVIDEND**

- Directors have increased the final dividend by 2% to 46 cps (2004: 45 cps) franked at 15cps.
- Full year dividend has increased by 4.4% to 71 cents (2004: 68 cents), franked at 23 cps, representing a payout ratio of 58%.
- Franking capacity is forecast to improve in 2006 due to the reduction in unutilised Australian tax losses. It is anticipated that dividends will be partly franked at a rate not greater than 50%.

A\$M	Significant items after tax	
	Year Ended September	
	2005	2004
<b>Qenos</b>		
Divestment related costs	(34.0)	-
	<u>(34.0)</u>	<u>-</u>
<b>Legacy Issues</b>		
Environmental provision	(18.4)	(45.5)
Sale of property, plant & equipment	-	38.8
	<u>(18.4)</u>	<u>(6.7)</u>
<b>Restructuring &amp; Rationalisation</b>		
Mining Services		
restructuring	-	(15.5)
asset impairment	-	(12.3)
Fertilisers	(31.0)	-
Corporate	(10.6)	-
Chemical Services	(4.6)	-
	<u>(46.2)</u>	<u>(27.8)</u>
<b>Taxation</b>		
Sale & leaseback tax refund	-	36.7
<b>Total</b>	<u>(98.6)</u>	<u>2.2</u>

Ordinary dividend	Year Ended September		
	2005	2004	Change F/(U)
Final Ordinary Dividend			
- CPS	46	45	2%
- Franking %	33%	47%	
Interim Ordinary Dividend			
- CPS	25	23	9%
- Franking %	32%	30%	
<b>Total Ordinary Dividend</b>			
- CPS	71	68	4%
- Franking %	32%	41%	

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**STATEMENT OF FINANCIAL POSITION**

- At \$613M, trade working capital has decreased from \$767M compared with 2004 (-20%) and from \$949M as at 31 March 2005 (-35%). This reflects a renewed focus on all elements of trade working capital across the Group.
- Net property, plant and equipment is \$84M higher than March 2005 and \$133M higher than September 2004. The increases are due mainly to spending on the Yarwun Ammonium Nitrate and Sodium Cyanide expansions, the Botany Groundwater treatment plant, and the impact of acquisitions.
- Net other assets are \$56M lower than March 2005 due primarily to:
  - an increase in provisions (\$29M), mainly those relating to environmental obligations and restructuring;
  - the amortisation of intangible assets relating to previous acquisitions (-\$22M);
  - an increase in non-trade payables (\$18M), relating mainly to accrued interest payable;
  - offset by a \$23M increase in the amount of future income tax benefit recognised.
- Compared to 2004, net other assets are \$171M higher, due primarily to:
  - an increase in non-trade receivables of \$133M, following the payment of \$105M to the Australian Taxation Office (ATO) for disputed tax on the sale of the Pharmaceuticals business in 1998 and an insurance receivable in respect of a claim relating to plant damage in Brazil (\$12M);
  - a decrease in provisions of \$23M, mainly relating to spending on environmental obligations and restructuring; and
  - an increase in investments of \$12M relating to the Queensland Gas Company Ltd.
- Net debt at \$1,112M has decreased by \$329M since 31 March 2005, in line with seasonal factors and a focus on sustenance spending and trade working capital, but has increased \$135M compared with 2004 due to higher average debt levels following the \$105M payment relating to the disputed tax assessment and the share buy-back (\$54M);

<b>Balance Sheet</b>			
A\$M	<b>Sept 2005</b>	<b>March 2005</b>	<b>Sept 2004</b>
Inventories	826	956	745
Trade Debtors	557	668	648
Trade Creditors	(770)	(675)	(625)
Total Trade working capital	<u>613</u>	<u>949</u>	<u>767</u>
Net property, plant & equipment	1,651	1,567	1,518
Net other assets	501	557	330
Net debt	(1,112)	(1,441)	(977)
<b>Net Assets</b>	<b>1,653</b>	<b>1,632</b>	<b>1,638</b>
Orica shareholders' equity	1,460	1,434	1,429
Outside equity interests	193	198	209
<b>Equity</b>	<b>1,653</b>	<b>1,632</b>	<b>1,638</b>
<b>Gearing</b>	<b>40.2%</b>	<b>46.9%</b>	<b>37.4%</b>

- Minority interests have decreased due to lower profits from Incitec Pivot.
- At 40.2%, gearing (net debt/net debt + equity) was well within the targeted gearing range (35% to 45%).

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**CASH FLOW**

Net operating cash inflows of \$376M due to:

- EBITDA 4% higher (\$29M);
- Higher net interest paid of \$24M, due to higher debt levels and higher interest rates;
- Higher tax paid of \$59M, reflecting the low net tax paid in 2004 as a result of the proceeds from the settlement of the sale and leaseback dispute with the ATO, and higher tax payments globally in the current year;
- The disputed tax payment of \$105M;
- Decrease in trade working capital of \$167M due to a renewed focus on all elements of trade working capital;
- Non-trade working capital outflow of \$253M (2004 \$18M), due largely to:
  - an insurance receivable relating to the Lorena plant in Brazil (\$12M);
  - Receivables relating to the sale of land at Port Kembla (\$14M); and
  - Spending relating to environmental provisions and restructuring (\$125M).

Net investing cash outflow of \$301M due to:

- Sustenance capital spending of \$142M, marginally lower than 2004 (\$146M);
- Growth capital spending of \$212M largely related to the ammonium nitrate expansions (completed and in progress) at Yarwun (\$75M), expansion of the sodium cyanide plant at Yarwun (\$12M), Mobile Manufacturing Unit upgrades (\$12M), completion of the Kooragang Island Nitric Acid expansion (\$8M) and capital spend on the Botany Groundwater recycling project (\$48M);
- Proceeds from asset sales of \$119M were primarily due to the sale of surplus assets and proceeds from sale and leaseback transaction; and
- Acquisitions of \$66M included Aluminates, Keith Harris, Woods and Woods and a 51% majority position in the Andean Chemicals Group.

Net financing cash outflows of \$8M included:

- An increase in borrowings of \$221M to meet funding requirements;

Cash Flow Items	Year Ended September		
	A\$M	2005	2004 Change F/(U)
<b>Net operating Cash Flows</b>			
EBIT	577	553	4%
Add: Depreciation	136	138	1%
Add: Amortisation	40	33	(20%)
EBITDA	753	724	4%
Net interest paid	(82)	(58)	(41%)
Net income tax paid	(104)	(45)	(132%)
Disputed amended tax assessment	(105)	-	(100)%
Trade Working Capital mvt	167	(15)	
Non Trade Working capital mvt	(253)	(18)	
Total	<u>376</u>	<u>588</u>	
<b>Net investing cash flows</b>			
Capital spending			
Sustenance capital	(142)	(146)	3%
Growth capital	(212)	(53)	(301%)
Sub-total	<u>(354)</u>	<u>(199)</u>	(78%)
Acquisitions	(66)	(254)	74%
Proceeds from surplus asset sales, businesses and investments	119	72	(65%)
Total	<u>(301)</u>	<u>(381)</u>	
<b>Net financing cash flows</b>			
			<u>\$M</u>
Movement in borrowings	221	142	79
Dividends paid - Orica shareholders	(178)	(157)	(21)
Dividends paid - Other shareholders	(24)	(11)	(13)
Other	(27)	(118)	91
Total	<u>(8)</u>	<u>(144)</u>	136

- Dividend payments of \$202M; and
- Other financing (-\$27M), being the cash outflow on the share buy-back (-\$54M) partially offset by cash inflow from the exercising of share options (+\$27M).

## ORICA LIMITED

### PROFIT REPORT - YEAR ENDED 30 SEPTEMBER 2005

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#### STRATEGY

Orica turns science into solutions for our customers and, in turn, create value for our shareholders.

The achievement of this vision will be apparent through the consistent and sustainable achievement of above-average returns to our shareholders.

Our strategy for sustainable profit growth will be achieved by:

- Securing market leadership positions in selected 'niche' markets, which build on our strengths and enable us to better serve customers, develop and retain technological advantage and achieve the benefits of scale;
- Growing only value adding businesses - those that have "earned the right to grow"; and
- Growing only our best businesses "close to the core".

Strict financial criteria, such as assessing potential new investments at a target Return On Net Assets of 18% by the third full year of ownership, will provide the financial discipline required for assessing growth opportunities.

Orica sees growth coming from four areas: Industry and Organic Growth; Productivity Improvements; Expansion Capital; and Mergers and Acquisitions.

Orica's businesses have strong operating cash flows which can help fund future growth.

This strategy is a relatively low risk approach that has the potential to produce superior returns for our shareholders.

Major strategic initiatives in the year ended 30 September 2005 were:

#### Mining Services:

- Agreement to acquire the European, Middle Eastern, African, Asian and Latin American business of Dyno Nobel from a Macquarie Bank consortium.
- Commitment to, and progress towards completing, a near doubling of ammonium nitrate manufacturing capacity at our Yarwun plant in Northern Queensland. This will become the largest industrial grade ammonium nitrate plant in the world, ahead of Orica's plant in Carseland, Canada.

#### Fertilisers:

- Commencement of a restructuring of the Fertiliser business to ensure that it remains the lowest cost supplier of fertilisers on Australia's East coast.

#### Consumer Products:

- Completion of a number of projects aimed at increasing efficiency, including the consolidation and relocation of all of the businesses' call centres to Wellington, New Zealand. The business is currently assessing a number of further growth opportunities.

#### Chemnet:

- Acquisition of Keith Harris, Woods & Woods and a majority position in the Andean Chemicals Group.

#### Chemical Services:

- Acquisition of Aluminates and completion of the sodium cyanide plant uprate at Yarwun.

#### Group:

- Commencement of initiatives to establish key processes and capabilities to deliver sustainable growth and productivity improvements.

**ORICA LIMITED**  
**PROFIT REPORT – YEAR ENDED 30 SEPTEMBER 2005**  
**MINING SERVICES**

**Profitability increased by 24% to \$334M. This is the best result on record for Mining Services.**

**HIGHLIGHTS**

- Record profit in Australia/Asia, North America and Europe.
- Volume growth across all regions.
- Successful renegotiation of major contracts in North America.
- Full year benefit of North American restructuring program.
- North American business is now operating at a RONA well in excess of 18%.
- Increased sales of i-kon™ and UniTronic™ electronic detonators compared to 2004 (+101%).

**BUSINESS SUMMARIES**

Australia/Asia

- Sales volumes have remained strong in Australia and Indonesia driven by an increase in coal production. Sales revenue up 20% over 2004.
- Increase in ammonium nitrate (AN) demand has been partly met by higher cost imported tonnes (78Kt), which has adversely impacted margins (-\$15M).
- Increases in ammonia input costs on locally produced tonnes of AN were largely recovered as a result of rise and fall clauses in sales contracts (albeit with a lag).
- Margins improved in second half due to reduced level of AN imports resulting from strong manufacturing performance and uprates at the Yarwun and Kooragang Island plants.
- Strong sales of electronic detonators compared to 2004 (+217%)

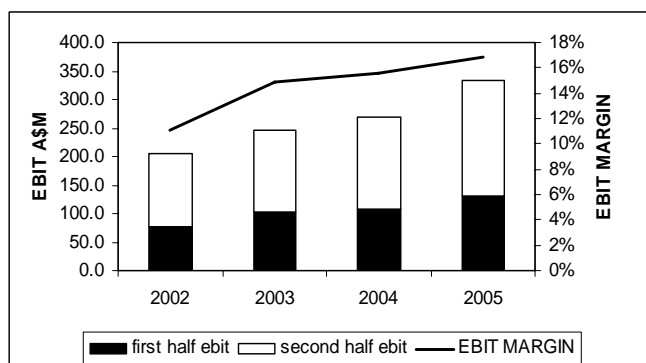
North America

- Sales revenue was up 10% in local currency terms.
- Improved volumes driven by strengthening quarry and construction market and stronger demand for coal fired electricity generation.
- Delivered incremental restructuring benefits of \$14M (full year \$18M, 2004 \$4M).
- Successful renegotiation of two major contracts on mutually acceptable terms.
- Business now operating at a RONA well in excess of 18%.

**EARNINGS**

A\$M	Year Ended September		
	2005	2004	Change F/(U)
Sales Revenue	1,987.0	1,734.3	15%
EBIT	333.7	270.1	24%
Net Assets	1,170.6	1,086.1	(8%)
RONA	30%	25%	
<b>EBIT:</b>			
Australia/Asia	197.1	157.8	25%
North America	70.4	49.1	43%
Latin America	34.3	38.1	(10%)
Europe	31.9	25.1	27%

**EBIT TREND**



Latin America

- Growth in volumes in all regions, except Brazil.
- Profitability adversely impacted by strength of local currencies largely offsetting benefits of increased i-kon™ sales in Argentina, Chile and Mexico.
- Part recovery of increased input costs.

Europe

- Increased production of electronic detonators.
- Improved volumes in Germany (domestic and export markets), Turkey (favourable weather and improved quarry market) and Scandinavia.

**OUTLOOK - 2006**

- Continuation of robust global mining volumes.
- Focus on delivery of synergy benefits from Dyno Nobel acquisition.
- Yarwun AN expansion expected to be commissioned in August 2006.
- Increased market penetration of electronic detonators.
- Continued need to import ammonium nitrate into Australia to meet local demand prior to Yarwun expansion.
- Ammonia input costs and purchased ammonium nitrate costs expected to remain high.

**ORICA LIMITED**  
**PROFIT REPORT – YEAR ENDED 30 SEPTEMBER 2005**  
**FERTILISERS**

Fertilisers earnings were \$72M (down 31% on 2004) due to poor seasonal conditions and strong competition negatively impacting earnings.

**HIGHLIGHTS**

- \$30M (before tax) cost reduction program in progress.
- Leading East Coast Australia market share position retained despite strong competition.

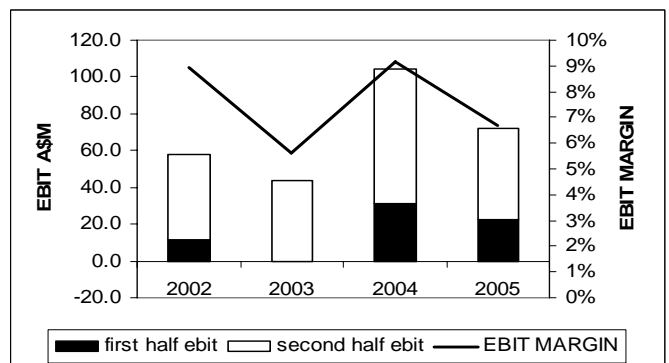
**BUSINESS SUMMARY**

- Revenue was down 5% to \$1,074M due to:
  - Decline in sales volumes (8%); and
  - Impact of strong competition (-\$21M), which prevented the full increase in landed import parity prices for ammonium phosphates and traded urea being passed on to customers;
- Volume decrease of 8% represents approximately 300,000 tonnes (2.6M tonnes, 2004: 2.9M tonnes) due to:
  - Fertiliser volumes sold to pasture markets improved through market share gains and good demand from beef graziers and the dairy segment;
  - Extremely dry conditions during pre-plant period and the late winter break impacted winter crop markets; and
  - Increased competition in fertiliser wholesaling reducing sales to Elders and Landmark by 42% to 512kt (2004: 880kt).
- Increased manufacturing margin (\$7M), resulting from selling price of manufactured product increasing by \$18M from higher global urea prices (increased from US\$161/t to US\$227/t) and freight rates, offset partially by increased gas costs (- \$11M).
- Reduction in customer rebates (+\$8M).
- An increase in phosphate rock costs (-\$10M) due to limited product availability and increased shipping rates.

**EARNINGS**

A\$M	Year Ended September		
	2005	2004	Change F/(U)
Sales Revenue	1,073.9	1,135.6	(5%)
EBIT	72.0	104.0	(31%)
Net Assets	602.7	674.1	11%
RONA	11%	15%	
EBITA	82.6	114.8	(28%)

**EBIT TREND**



- Reverting to a less favourable currency hedge position (2005 hedges are at AUD/USD rate of 68 cents, whilst 2004 hedges were at an AUD/USD rate of 58 cents), which adversely impacted EBIT by \$17M.
- Reduced depreciation charges of \$5M resulting from the extension of asset lives, following extension of gas contracts, in the second half of the previous financial year.

**OUTLOOK - 2006**

- Impact of market competition changes not clear, but there will be a renewed earnings momentum from the cost reduction program.
- Strong global fertiliser prices underpinning manufacturing profitability.
- Early seasonal conditions look positive with good summer crop planted and an improved moisture profile across Southern Australia. Dam levels remain low which will impact irrigated crops (including cotton).



**ORICA LIMITED**  
**PROFIT REPORT - YEAR ENDED 30 SEPTEMBER 2005**  
**CONSUMER PRODUCTS**

**Earnings reduced by 2% to \$97M due to softening Australian market conditions caused by weakening retail demand and reduced growth in the Australian economy, partly offset by a robust commercial market in Australia and a strong market in New Zealand.**

**HIGHLIGHTS**

- Sales revenue down marginally compared with 2004. Profitability adversely impacted by business mix, as retail volumes declined.
- Market share increases in Australian commercial segment and New Zealand paint market.
- New Zealand business delivered strongly again, with revenues up 8% and earnings growth of over 20%.
- New product launches across all businesses supported by continued brand investment.
- Successful implementation of productivity initiatives underpinned business performance.

**BUSINESS SUMMARIES**

Paints and Woodcare

- Sales remained broadly in line with 2004, with:
  - Australian retail segment experiencing volume declines, compounded by one-time inventory reductions by some major retail customers;
 offset partially by:
  - Australian trade business profitability improvement due to strong commercial sector, tactical marketing and efficiency gains;
  - market share gains and improved performance in Woodcare and New Zealand Paints.
- Procurement efficiencies, the continued strength of the AUD, and price increases reduced the impact of increases in raw material costs.
- Marketing investments drove some market share gains in Australia and New Zealand.

Other

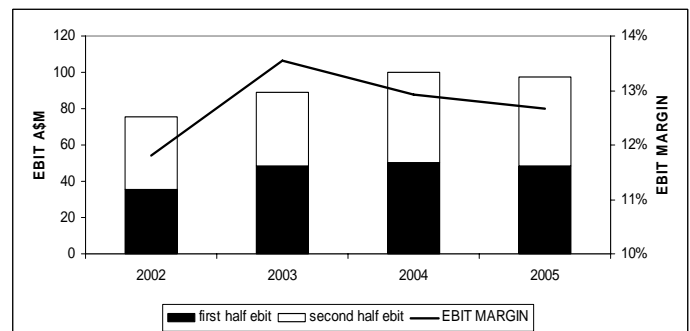
- Powder coatings business had continued growth in New Zealand and reduced demand in Australia.

**EARNINGS**

A\$M	Year Ended September		
	2005	2004	Change F/(U)
Sales Revenue	768.5	772.4	(1%)
EBIT	97.4	99.8	(2%)
Net Assets	212.3	217.4	2%
RONA	45%	50%	
<b>Business Sales:</b>			
Paints	520.6	524.2	(1%)
Other*	260.1	263.9	(1%)

\* Selleys, Yates & Powders

**EBIT TREND**



- New product launches and relaunches in Selleys have continued to gain market acceptance.
- Selleys performance impacted by soft Australian retail demand and water restrictions on car-care range.
- Yates' performance behind plan resulting from a weaker retail segment and water restrictions.
- Reinvestment in the Yates brand (\$3M).
- Yates' synergies on integration are ahead of plan, further supported by IT system integration implemented in May '05 and a management restructure now completed.

**OUTLOOK - 2006**

- Overall, flat demand for decorative paints in both Australia and New Zealand is forecast with expected reduced end market demand offset by non-repeat of retailers' inventory reductions.
- Recent investment in brand equity and new products to continue to deliver benefits.
- Further upward pressure on input costs expected.

**ORICA LIMITED**  
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**CHEMNET**

**Chemnet increased profitability by 10% to a record full year result of \$69M.**

**HIGHLIGHTS**

- Chemnet achieved sales revenue of \$1Bn for the first time, up 45% over 2004, albeit at lower margins.
- Strong performance from the New Zealand business.
- Completed acquisitions of Woods & Woods, Keith Harris Flavours & Food and 51% interest in Andean Chemicals Group in Latin America.

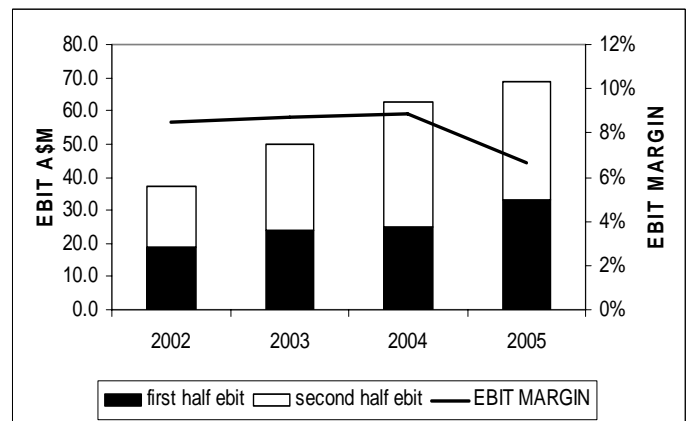
**BUSINESS SUMMARY**

- Revenue growth of \$322M (+45%) due to:
  - additional sales of \$230M from recently acquired businesses; and
  - underlying sales solid with good demand in major market segments, volume growth in Australia (mainly mining, building, and consumer segments) and New Zealand (mainly plastics, pulp and paper, rubber, and building segments).
- Reduced EBIT margin due to acquired businesses not yet earning required rate of return and business mix impact as acquired businesses constitute lower margin business.
- Earnings from the PVC compound business have been negatively impacted by increased competition from Asian imports.
- Pricing impacts were relatively neutral with contract pricing structure enabling increased input costs to be passed onto customers.
- Strength of the AUD and NZD against the USD adversely impacting earnings from contracts based on fixed percentage margins.
- Continued focus on integration of recent acquisitions. Successfully integrated Marplex onto Orica’s SAP platform.

**EARNINGS**

A\$M	Year Ended September		
	2005	2004	Change F/(U)
Sales Revenue	1,029.5	707.6	45%
EBIT	68.6	62.6	10%
Net Assets	394.2	383.8	(3%)
RONA	18%	21%	

**EBIT TREND**



**OUTLOOK – 2006**

Continued earnings momentum driven by:

- Organic growth in existing businesses reflecting continued growth in the economy.
- Completing acquisition integration to maximise synergy benefits and achieve Orica investment criteria within required timeframe.
- Progress toward transforming Chemnet’s supply chain to achieve cost reductions and improve efficiency.
- Delivery of customer focused process improvement across Chemnet business.

**ORICA LIMITED**  
**PROFIT REPORT – YEAR ENDED 30 SEPTEMBER 2005**  
**CHEMICAL SERVICES**

**Chemical Services increased profitability by 20% to a record full year result of \$61M.**

**HIGHLIGHTS**

- Sales revenue of \$412M (up 12%), excluding the impact of the Aluminates acquisition underlying revenue growth was 11%.
- Successful integration of Aluminates business into ChlorAlkali business unit.
- Record performance for ChlorAlkali business.
- Stronger second half result for Mining Chemicals.

**BUSINESS SUMMARIES**

ChlorAlkali

- Strong sales growth of \$20M (14%) due to:
  - higher world alumina caustic prices; and
  - five months contribution from Aluminates acquisition (\$7M)
  - partly offset by lower volumes in some derivative ChlorAlkali products (hydrochloric acid sales volumes were adversely impacted by industrial issues at customer facilities).
- Laverton (Victoria) and Botany (NSW) chlorine plants continue to operate above nameplate capacity.

Adhesives and Resins

- Volumes were down 10% driven by lower New Zealand volumes arising from extended customer plant shut downs and competitive impacts in Australia.
- Decline in margins due to increased raw material prices not fully recovered in the marketplace.
- Business restructure completed to reduce overall cost base.

Mining Chemicals

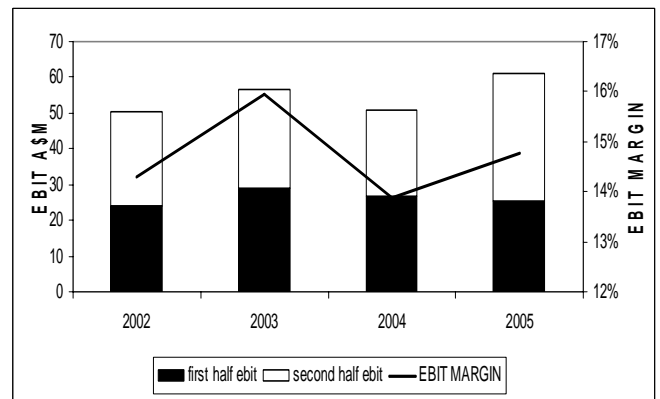
- Cyanide sales volumes up 3% with strong domestic demand from gold miners offset by lower exports.
- Improved second half pricing partly offset margin pressure arising from increased raw material costs (ammonia, freight and caustic soda) and the appreciation of the AUD against the USD.
- Strong emulsifier volume growth (24%) through leveraging Mining Services global footprint.

**EARNINGS**

A\$M	Year Ended September		
	2005	2004	Change F/(U)
Sales Revenue	411.9	366.5	12%
EBIT	60.9	50.9	20%
Net Assets	385.5	376.3	(2%)
RONA*	18%	18%	
<b>Business Sales:</b>			
ChlorAlkali	164.2	144.0	14%
Mining Chemicals	114.9	99.0	16%
Adhesives & Resins	136.9	128.3	7%

\*Excluding Miex

**EBIT TREND**



MIEX®

- Progress on commercialisation continues to be made in the USA, Europe, Asia and South Africa.
- First two USA Miex® plants are now operational in Palm Springs in Florida. Whangarei City Council in New Zealand has approved a plant for construction in 2006.
- Net commercialisation costs of \$7M (2004: \$9M).

**OUTLOOK - 2006**

- Organic growth in existing businesses.
- Full year impact of earnings from Aluminates business and uprate of Sodium Cyanide plant at Yarwun to 60kt.
- Global alumina pricing anticipated to remain above long term trend price.
- Full year benefit from the business restructure.

**ORICA LIMITED**  
**PROFIT REPORT - YEAR ENDED 30 SEPTEMBER 2005**  
**CORPORATE CENTRE AND OTHER SUPPORT SERVICES**

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**CORPORATE CENTRE AND OTHER SUPPORT COSTS**

- Corporate centre costs of \$28.4M were \$1.6M higher than 2004, primarily due to salary costs.
- Other support costs of \$27M were \$20M higher than 2004 mainly due to:
  - net insurance costs were approximately \$11M lower than 2004 reflecting a reduced number of claims in the current period;
  - additional corporate funded spending of \$33M on projects aimed at promoting growth and sustainable business efficiencies.

**CULTURE**

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

Progress on the four cultural principles:

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

In safety, we were saddened by the death of four of our work colleagues in two separate incidents. Three employees and a contractor were killed in an explosion at the Lorena packaged explosives plant in Brazil in November 2004 and an employee was killed at work at the Lampa plant in Chile in July 2005.

The all worker (includes employees and contractors) recordable case rate (number of injuries and illnesses per 200,000 hours worked) was 0.85 compared to 0.74 in the previous year.

Orica sincerely regrets the license breach at the Kooragang Island plant in NSW which recently resulted in a prosecution and a \$10,500 fine in the NSW Court.

Orica continues to manage projects to remediate legacy contaminated sites and achieve more effective environmental operation of current plants.

The Botany Groundwater remediation project is progressing according to plan.

Orica is complying with its notice of clean-up action. Commissioning of the plant has commenced.

In 2004 a report was issued by the Panel of Inquiry commissioned by the NSW Government regarding treatment of the hexachlorobenzene (HCB) waste stored on the Botany site. In response to the report, Orica has commenced a process for locating a suitable host site in NSW for a treatment plant.

2. Commercial Ownership

Commercial ownership continues to be reflected in the financial results. Profit improvement was achieved in an external environment where market conditions were somewhat mixed. Particularly pleasing was the renewed focus on cash management and working capital across the company.

3. Creative Customer Solutions

Progress was made in the commercialisation of the Miex<sup>®</sup> water treatment technology and other Advanced Watercare products in Chemical Services, i-kon<sup>™</sup> and Unitronic<sup>™</sup> electronic detonator system in Mining Services and new product launches in Consumer Products including Dulux Wash & Wear 101 Advanced.

4. Working Together

There are many examples where people from different parts of the group have worked together to achieve outcomes, including:

- The North American restructuring, where people from the Corporate office assisted Mining Services personnel on various efficiency initiatives.
- The Botany Groundwater remediation project, where expertise from all over the Group was drawn together to achieve challenging objectives.

**Further Information**

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Note: Numbers included in this report may be subject to rounding