ORICA LIMITED - PROFIT REPORT

RESULTS FOR THE SIX MONTHS ENDED 31 MARCH 2006

Orica's net profit after tax (NPAT) and significant items for the six months ended 31 March 2006 of $123M was down 1% compared with the previous corresponding period (pcp).

NPAT before significant items was up 14% on the pcp, to $146M[(1)].

	6 Months Ended March		
A$M	**2006**	**2005**	**Change F/(U)**
Sales Revenue	2,598.6	2,384.3	9%
Underlying Results (2):			
EBIT	276.2	244.9	13%
Net interest expense	(55.6)	(47.1)	(18%)
Tax	(61.4)	(60.6)	(1%)
Minority interests	(13.4)	(9.1)	(47%)
NPAT and minority interests	**145.8**	**128.1**	**14%**
Earnings per share (cents)	49.5	46.9	6%
Return on shareholders' funds	15.5%	19.4%	
Results including Significant items:			
Significant items after tax and minority interests	(22.8)	(3.4)	
NPAT and minority interests	**123.0**	**124.7**	**(1%)**
Earnings per share (cents)	41.7	45.7	(9%)
Return on shareholders' funds	13.1%	18.9%	
Financial Items			
Interim ordinary dividend per share	26.0	25.0	4%
Payout Ratio	52.5%	53.3%	(1%)
Net debt	1,423.0	1,441.3	1%
Gearing	35.2%	49.0%	
Interest cover (times)	5.0	5.2	
Average exchange rate (A$/US$)	74.0	76.6	3%

FINANCIAL HIGHLIGHTS

- Sales revenue up 9%.
- EBIT up 13% to $276M[(2)].
- Earnings per share[(2)] up 6% to 49.5 cents; return on shareholders' funds[(2)] down from 19.4% in the pcp to 15.5%, as a result of the rights and hybrid issues during the period.
- Gearing[(3)] at 35.2%, down from 49.0% in the pcp.
- Net interest expense $56M, up 18%, with interest cover of 5.0 times.
- Interim dividend increased to 26 cents per share (cps) - franked at 9 cps.

BUSINESS HIGHLIGHTS

- Record result in Mining Services, reflecting strong underlying demand in all regions and resilience to rapidly increasing input costs.
- Record result in Chemical Services, reflecting productivity improvements across the group, volume and price growth in Mining Chemicals, and continued strong global alumina caustic pricing.
- Fertiliser earnings before significant items up 52% on the pcp, resulting from restructuring benefits and improved market dynamics.
- Consumer Products earnings down 3% on the pcp, reflecting the continued market downturn, especially in the retail sector.
- Chemnet earnings down 25%, reflecting difficult trading conditions and slower than planned progress on the integration of Marplex and Bronson & Jacobs.

OUTLOOK - 2006

- After the divestment of Incitec Pivot Limited, and excluding earnings from newly acquired Dyno Nobel businesses, earnings growth in 2006 compared with 2005, influenced by general economic conditions.

(1) Net profit after tax (NPAT) and minorities before significant items.
(2) Before significant items.
(3) Net debt/net debt + book equity.

Note: numbers in this report are subject to rounding.

REVENUE

Sales revenue increased by $214M (+9%) to $2,599M. Major factors were:

- Underlying revenue improvement, excluding acquisitions and foreign exchange impact, of $145M (6%), driven primarily by:
  - $178M from Mining Services underlying operations, from both volume and pricing/mix improvements;
  - strong sales growth in Chemical Services ($21M from underlying revenue); and
  - a small increase in sales revenue in Consumer Products (+$11M), reflecting price rises.

partly offset by:
  - a reduction in fertiliser's sales revenue of $44M, reflecting a decrease in volume which more than offset higher selling prices; and
  - a $21M decrease in underlying revenue relating to Chemnet.

- Revenue increased $38M as a result of the impact of acquisitions compared with the pcp.
- Revenue increased $31M as a result of a favourable foreign exchange impact compared with the pcp.
- Other income increased 120% on pcp to $39M, due mainly to profit on the sale of shares in Queensland Gas Company Limited ($9M), profit on the sale of assets (including sale and leasebacks) ($10M) and an increase in interest income ($6M).

Revenue Summary

A$M	6 Months Ended March 2006	2005	Change F/(U)
Mining Services	1,134.2	920.4	23%
Fertilisers	395.5	439.7	(10%)
Consumer Products	401.8	390.7	3%
Chemical Services	231.3	201.0	15%
Chemnet	504.9	502.8	0%
Eliminations	(69.1)	(70.3)	2%
Total sales revenue	**2,598.6**	**2,384.3**	**9%**
Other income	39.0	17.7	120%
Total	**2,637.6**	**2,402.0**	**10%**

Earnings Summary

A$M	6 Months Ended March 2006	2005	Change F/(U)
EBIT			
Mining Services	150.9	131.5	15%
Fertilisers	41.9	27.6	52%
Consumer Products	47.7	49.4	(3%)
Chemical Services	31.5	24.9	27%
Chemnet	28.7	38.1	(25%)
Corporate Centre	(17.7)	(19.9)	11%
Other Support Costs	(6.8)	(6.7)	(1%)
Total EBIT	**276.2**	**244.9**	**13%**
Net Interest	(55.6)	(47.1)	(18%)
Tax expense	(61.4)	(60.6)	(1%)
Outside equity interests	(13.4)	(9.1)	(47%)
NPAT and minority interests	**145.8**	**128.1**	**14%**
Significant items after tax	(22.8)	(3.4)	
NPAT and significant items	**123.0**	**124.7**	**(1%)**

EARNINGS BEFORE INTEREST AND TAX (EBIT)

- Total EBIT increased 13% to $276M (pcp $245M) primarily due to:
  - volume growth in Mining Services and the Mining Chemicals division of Chemical Services (+$22M);
  - increased earnings from the Fertiliser business (+$14M), reflecting better pricing and a more efficient cost structure; and
  - EBIT from acquired businesses compared with the pcp (+$5M);

  offsetting:
  - a reduction in Chemnet's earnings (-$9M); and
  - slightly lower earnings in Consumer Products (-$2M).

INTEREST

- Net interest expense was $56M compared with $47M in the pcp. This increase is due to:
  - an increase in average debt levels compared with the pcp ($1.95Bn compared with $1.53Bn) and an increase in the average interest rate to 6.6% (pcp 6.2%), mainly as a result of extending the tenor of debt via the AUD$559M US Private Placement issue in May 2005; and (PTO)

- unwinding of discounting relating to the Botany Groundwater provision in accordance with accounting standards ($3M);

partly offset by:

- capitalised interest relating mainly to the Yarwun ammonium nitrate project ($6M).

• Interest cover was 5.0 times (pcp: 5.2 times).

TAX

• Tax expense was $61M with an effective tax rate of 27.8% (pcp: 30.6%), due to higher non-taxable profits on the sale of investments and lower average tax rates of foreign controlled entities than the pcp.

NET PROFIT

• Net profit after tax and significant items was down 1% to $123M (pcp: $125M).

• Net profit after tax and minority interests but before significant items increased 14% to $146M (pcp: $128M).

SIGNIFICANT ITEMS

• Significant items were a loss of $23M after tax (2005 loss of $3M). Major items in the current period were:

- Orica's share (net of minority interests) of the provision for the closure and remediation of IPL's Cockle Creek facility ($14M); and
- costs relating to the Dyno Nobel acquisitions and their integration ($9M).

DIVIDEND

• Directors have increased the interim dividend by 4% to 26 cps (pcp: 25 cps) franked at 9cps.

• Franking capacity in the near term is forecast to be around 30%. The primary cause in the forecast decrease in franking levels is the sale of Orica's stake in Incitec Pivot Limited, previously a significant source of franked dividends.

MERGERS, ACQUISITIONS, DEVELOPMENT

• At the date of the issue of this report, a number of the Dyno Nobel businesses have been transferred to Orica. These are Venezuela, Thailand, Slovakia, Switzerland, Chile and parts of the Philippines, Papua New Guinea, and Indonesian businesses.

Significant items after tax

A$M	6 Months Ended March 2006	2005
Legacy Issues		
Environmental provision		
- Cockle Creek	(13.8)	-
Dyno Nobel Income/Expenditure		
Integration costs	(7.9)	-
Net financing costs	(1.1)	-
	(9.0)	-
Other		
Restructuring and rationalisation costs	-	(3.4)
Total	(22.8)	(3.4)

Ordinary dividend

	6 Months Ended March 2006	2005	Change F/(U)
Interim Ordinary Dividend			
- CPS	26.0	25.0	4%
- Franking %	35%	32%	

A decision from the European Commission (EC) is due on May 23 (Brussels time) regarding the merger review. If allowed to proceed at this time, Orica expects to transfer the remaining businesses by around the end of June. If the review process is extended into an EC "Phase II" investigation, the transfer of the remaining businesses could be delayed by up to 4 months.

• Completion of the sale of Qenos to China National Chemical Corporation.

• The uprate of the Yarwun ammonium nitrate complex is due to be commissioned by August 2006.

• On May 10, Orica sold a 56.5% stake in Incitec Pivot Limited (IPL) at a price of $21.00, via a share placement underwritten by Macquarie Equity Capital Markets. Gross proceeds from the sale were $692M. Orica's remaining stake in IPL, which represents 13.5% of IPL's ordinary shares, is intended to be sold for $21.00 per share (total $165M) in a selective buy-back to be conducted by IPL, subject to IPL shareholder approval. The estimated after tax profit on sale of the total holding in IPL is $399M, which will be recognised as an individually significant item in the financial report for the year ending 30 September 2006.

BALANCE SHEET

- Trade working capital declined $74M to $875M from the pcp. The improved performance was due to:
  - an increase of $151M in trade creditors, largely due to a program of extending supplier terms across the businesses;
  - a decrease in inventory values of $12M, despite rising input costs;
  - an underlying decrease in debtors of $28M; and
  - $117M increase in trade debtors resulting from trade finance recognised as at 31 March 2006 in accordance with AIFRS (These items are not included in the 31 March 2005 Balance Sheet.)
- Trade working capital increased $271M (to $875M) since September 2005, due to:
  - a $117M increase in inventory, primarily due to the seasonal stock build in IPL ($121M);
  - an underlying increase in trade debtors of $17M; and
  - $191M increase in trade debtors resulting from trade finance recognised as at 31 March 2006 in accordance with AIFRS (These items are not included in the 30 September 2005 Balance Sheet);

  partly offset by:
  - a $55M increase in trade creditors, due mainly to an improvement in payment terms.
- Net property, plant and equipment is $214M higher than the pcp and $169M higher than September 2005. This increase is predominantly due to both the recently completed minor and the current major Yarwun ammonium nitrate expansion projects ($179M in total on both uprates since March 2005 and $104M on the current major uprate since September 2005), the Kooragang Island ammonium nitrate plant turnaround and uprate ($34M), and a bulk explosives facility in Ghana ($5M) during the current period.

Balance Sheet

A$M	March 2006	Sept 2005	March 2005
Inventories	943.6	826.3	955.6
Trade Debtors	756.8	548.4	667.7
Trade Creditors	(825.4)	(770.3)	(674.8)
Total Trade working capital	875.0	604.4	948.5
Net property, plant & equipment	1,774.0	1,605.5	1,560.5
Net other assets	1,392.4	421.7	433.3
Net debt	(1,423.0)	(1,112.1)	(1,441.3)
Net Assets	**2,618.4**	**1,519.5**	**1,501.0**
Orica shareholders' equity	2,431.6	1,327.9	1,306.4
Outside equity interests	186.8	191.6	194.6
Equity	**2,618.4**	**1,519.5**	**1,501.0**
Gearing	**35.2%**	**42.3%**	**49.0%**
Gearing (adjusted) [i]	**41.3%**	**42.3%**	**49.0%**

[i] Gearing recalculated with Hybrid shares notionally reclassified as 50% equity and 50% debt.

- The increase in net other assets since September 2005 and March 2005 primarily reflects the acquisition of the Dyno Nobel assets, most of which is classified as a non-trade current receivable until the entities are transferred.
- Net debt of $1,423M has increased $311M since September 2005, primarily due to the seasonal increase in working capital, capital expenditure ($281M) and the Dyno acquisition, partly offset by the net proceeds of equity issues ($1,027M).
- Shareholders' equity increased $1,104M since September 2005 and $1,125M since March 2005, largely as a result of the proceeds from the rights and hybrid issues and the exercise of options during the period.
- Outside equity interests have decreased mainly due to AIFRS adjustments relating to non-wholly owned entities and movements in ownership levels relating to non wholly-owned entities (sale of 88.3% owned entity Orica Paints Fiji and the purchase of the outstanding minorities in Orica Sweden and Orica Norway).
- At 35.2%, accounting gearing (net debt/net debt + equity) reduced by 13.8 percentage points over the pcp (49.0%). In accordance with AIFRS, the recently issued hybrid shares are recognised as equity. Adjusted gearing, which treats the hybrid shares as 50% equity and 50% debt in accordance with the Standard & Poors credit rating treatment, was 41.3%.

CASH FLOW

- Net operating cash outflows were better than pcp ($17M compared with $133M pcp), due mainly to:
  - EBITDA growth of 12% to $350M;
  - lower non-trade working capital outflows of $44M, including a decrease in provisions as funds were spent on restructuring initiatives ($18M) and an increase in non-trade creditors due to AIFRS adjustments relating to financial instruments; and
  - non-recurrence of the $105M disputed tax assessment in the pcp;

  partly offset by:
  - higher net interest paid of $5M, due to higher average debt levels and interest rates over the period; and
  - investment in working capital increased by $223M, due mainly to seasonal inventory build at IPL (+$121M) and the impact of increased ammonia and ammonium nitrate costs (+$90M) on Mining Services trade working capital balances.
- Net investing cashflows of $1,151M due to:
  - increased sustenance and growth capital expenditure of $145M, the largest components of which were the ammonium nitrate expansion at Yarwun and the Kooragang Island uprate and turnaround project. Routine sustenance capital expenditure was down from $73M in the pcp to $70M;
  - cash payments relating to the Dyno acquisitions; and
  - proceeds of asset sales ($32M), which came from ongoing sales of property, plant and equipment across the Group (including sale and leaseback transactions).

Statement of Cash Flows

	6 Months Ended March		Change
A$M	**2006**	**2005**	**F/(U)**
Net operating Cash Flows			
EBIT	276.2	244.9	13%
Add: Depreciation	69.8	65.4	(7%)
Add: Amortisation	4.4	2.1	(110%)
EBITDA	350.4	312.4	12%
Net interest paid	(49.0)	(43.9)	(12%)
Net income tax paid	(51.5)	(49.4)	(4%)
Disputed amended tax assessment	-	(105.0)	
Trade Working Capital mvt	(222.8)	(170.4)	
Non Trade Working capital mvt	(44.1)	(76.4)	
Total	(17.0)	(132.7)	
Net investing cash flows			
Capital spending			
Sustenance capital [(i)]	(102.5)	(73.4)	(40%)
Growth capital	(178.4)	(62.9)	(184%)
Sub-total	(280.9)	(136.3)	(106%)
Acquisitions	(908.9)	(52.2)	(1641%)
Proceeds from surplus asset sales, businesses and investments	31.9	22.1	(44%)
Other	7.0	-	
Total	(1,150.9)	(166.4)	
Net financing cash flows			$M
Proceeds from issue of shares	1,026.8	26.3	1,000.5
Movement in borrowings	205.1	450.3	(245.2)
Dividends paid - Orica shareholders	(105.3)	(122.5)	17.2
Dividends paid - Other shareholders	(11.8)	(19.4)	7.6
Other	(3.2)	(12.5)	9.3
Total	1,111.6	322.2	789.4
(i) Sustenance capital spending:			
Routine	(69.7)	(73.4)	
Major shutdown/turnaround	(32.8)	-	
Total	(102.5)	(73.4)	

- Net financing cash flows of $1,112M due mainly to the net proceeds from the recent rights issue ($508M), hybrid issue ($491M) and the exercise of executive options.
- Cash dividends paid of $105M declined $17M, despite the higher dividend, due to the issue of shares to satisfy the dividend reinvestment plan compared with the purchase of those shares on-market in the pcp.

STRATEGY

Orica turns science into solutions for our customers which, in turn, creates value for our shareholders.

The realisation 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 continue to 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 6 months to March 31 2006 were:

Mining Services:

- Commencement of the acquisition and integration of the European, Middle Eastern, African, Asian and Latin American business of Dyno Nobel.
- Completion of a 30kt uprate of the Kooragang Island Ammonium Nitrate facility in the Hunter Valley district of New South Wales to service growing demand from coal mines in the area.
- Substantial progress on 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. The uprate is due to be commissioned in August.

Fertilisers:

- Orica's involvement in the Fertiliser business will be discontinued following the sale of its 70% stake in IPL.

Consumer Products:

- Completion of a number of projects aimed at improving the customer offering, including the establishment of an in-house merchandising service in Australia (Retail Select) and the re-launch of the Yates product range. In addition, a combined distribution facility for the Australian businesses was established to improve supply chain efficiency and effectiveness, and a new Woodcare manufacturing facility was commissioned. The business is currently assessing a number of further growth opportunities.

Chemnet:

- The business commenced a restructuring program to enable it to be in a position to meet Orica's return criteria from 2007 and to continue to grow profitably. The total cost of the restructure is estimated at $36M after tax and will be disclosed as an individually significant item in the financial report for the year ended 30 September 2006.

Chemical Services:

- A further uprate of the sodium cyanide plant at Yarwun has been approved, to take advantage of growing demand in the gold mining sector.
- Miex® commercialisation continues to gather momentum.

Group:

- Continuation of initiatives to improve key processes and capabilities to deliver sustainable growth and productivity improvements.

Profitability up by 15% to $151M. This is the best ever first half result for Mining Services.

HIGHLIGHTS

- Strong underlying demand in all regions.
- Record EBIT in all regions except Latin America.
- Margin adversely impacted by a lag in cost recovery.
- Good progress on contract renegotiation.
- Strong AN plant performance.
- Sales of i-kon™ and UNITronic™ electronic detonators continue to grow strongly (+35%).

BUSINESS SUMMARIES

Australia/Asia

- Record EBIT of $97M, up 20% on pcp.
- Regional AN volume demand up 10%.
- Continued adverse impact from ammonium nitrate imports into Australia (45kt imported versus pcp of 51kt), with margin impact of $2M (pcp $11M).
- Imported ammonia costs up 24% on pcp, with speed of cost increases negatively impacting recovery.
- Sales of i-kon™ and UNITronic™ electronic detonators increase by 51% on pcp.
- Kooragang Island 30kt ammonium nitrate uprate completed, with further 70kt capacity available in future.
- Strong sales growth in Asia (16.5% over pcp) driven by positive Indonesian performance.

North America

- Record EBIT $23M, up 15% on pcp.
- Ammonium nitrate volumes up 15% as a result of strengthening coal volumes in the US and a buoyant quarry and construction segment.
- Supply and demand balance in industrial grade ammonium nitrate markets narrowing.
- Negative lag effect in ammonia cost recovery approximately $A6M, but easing as gas prices reduce.
- Sales of i-kon™ and UNITronic™ electronic detonators increase by 49% on pcp.

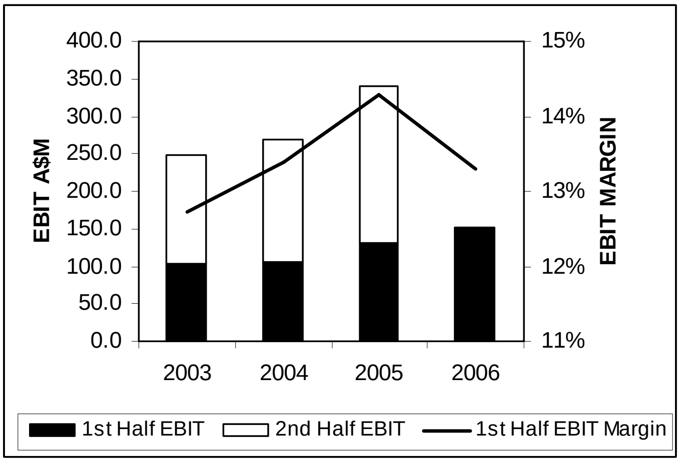
Latin America

- At $19M, EBIT flat on pcp.
- Volume up 11%, driven by Peru and Mexico.

EARNINGS

A$M	6 Months Ended March 2006	2005	Change F/(U)
Sales Revenue	1,134.2	920.4	23%
EBIT	150.9	131.5	15%
Net Assets	1,387	1,183	17%
EBIT:			
Australia/Asia	97.3	81.2	20%
North America	23.4	20.3	15%
Latin America	19.1	19.1	0%
Europe	11.1	10.9	2%

EBIT TREND



- Input costs continued to impact margins, but recovery is now improving.
- Adverse foreign exchange movement negatively impacted EBIT (-$2M) compared with pcp.

Europe, Middle East and Africa

- EBIT up marginally on pcp, driven by modest growth in Spain and Turkey, largely offset by a reduction in volumes in Germany caused by extreme winter conditions.

OUTLOOK - 2006

- Strong market conditions expected to prevail, particularly in Australia and North America.
- Negative lag impact on cost recovery of inputs expected to diminish if gas and ammonia prices remain stable or fall.
- Yarwun ammonium nitrate expansion expected on line by August 2006.
- Contract price increases filtering through in second half.
- Focus on delivery of Dyno synergies and increased contribution from Dyno Nobel acquisitions.

Fertilisers earnings were $42M (up 52% on the pcp) due to restructuring benefits and improved pricing.

HIGHLIGHTS

- IPL delivered the first phase of its business turnaround program with $11M before tax benefits flowing in the first half of 2006.
- Market dynamics improved with pricing conditions now stabilising.

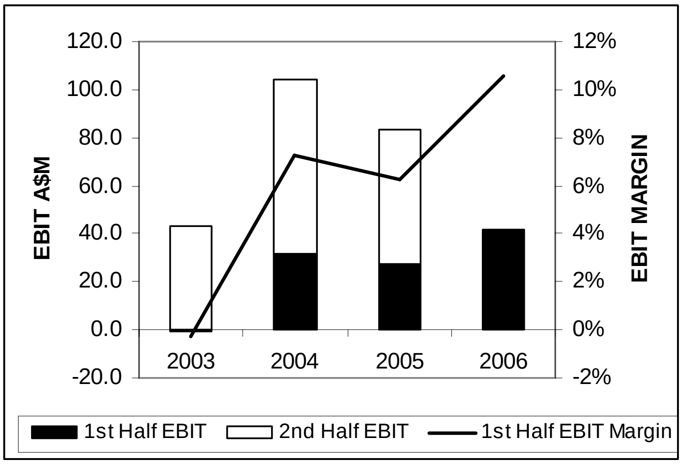
BUSINESS SUMMARY

- Revenue was down on the pcp by 10% to $396M, due to:
  - a reduction in sales volumes ($84M);
  - partially offset by higher selling prices ($40M). Selling prices were up 13% on the pcp, reflecting strong international fertiliser pricing and a recovery of local Australian prices to import parity levels.
- The sales volume decrease resulted from a 21% decrease in tonnes sold, down to 1.0M tonnes (pcp 1.3M tonnes):
  - fertiliser market factors contributed just under half of the volume decline. The principal causes of the softer fertiliser markets were softer pasture markets and a deferral of early buying by farmers for the winter cropping season, due to higher prices and the withdrawal of early delivery discounts; and
  - lost market share contributed around half of the volume decline. Sales to Elders and Landmark declined by 78% (250kt) in the first half to 70kt, partly offset by increased sales to independent channel partners of 110kt. In February 2006, IPL announced the completion of a new supply arrangement with ELF Australia Pty Ltd, which is expected to deliver a net increase in volume of 300 kt on a full year basis.
- Improved manufacturing margins ($14M) and import trading margins ($11m) over the pcp.
- $11m lower costs resulting from the business restructure.

EARNINGS

A$M	6 Months Ended March 2006	2005	Change F/(U)
Sales Revenue	395.5	439.7	(10%)
EBIT	41.9	27.6	52%
Net Assets	745.4	766.1	(3%)

EBIT TREND



- $9M before tax gain relating to the sale of shares in the Queensland Gas Company Ltd.
- A $7 million before tax loss relating to the loss of a dispute with Elders regarding 2005 sales rebates.
- A significant item relating the Cockle Creek operation (see page 3).

OUTLOOK - 2006

- With the sale of a controlling stake in IPL on 10 May 2006, earnings from the fertiliser division in the second half of 2006 will accrue to Orica only from 1 April to 10 May 2006.

Earnings down by 3% as market downturn continues and raw material prices increase.

HIGHLIGHTS

- Sales revenue up marginally compared with pcp. Market conditions varied significantly across business segments and geographies.
- Market share increases in Australian trade segment, New Zealand paint market and Yates.
- Improvement in Yates' business performance.
- Successful implementation of centralised customer service and retail merchandising functions.

BUSINESS SUMMARIES

Paints and Woodcare

- Sales increased by 3% on pcp. Total volumes flat as market share gains countered a slight fall in total market volume.
- Reduced margins as raw material cost increases were only partially offset by price increases.
- Retail paint segment sales remained soft but strong sales results from Woodcare, Texture Coatings and Protective Coatings. Trade segment sales were marginally ahead of pcp.
- New product innovation and marketing activity continue to drive share gains in Australia and New Zealand.
- Paint manufacturing facilities in Western Australia were closed down, with associated closure costs recognised.
- Orica's 88% holding in Orica Coatings Fiji was divested to a local Fijian conglomerate.

Other

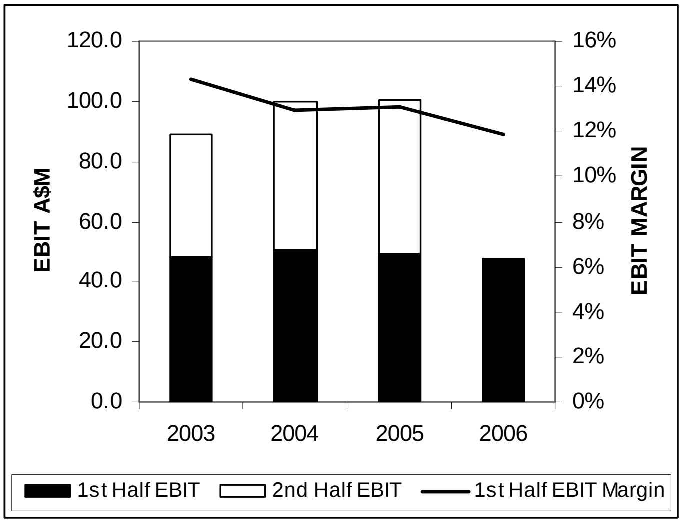
- Powder Coatings experienced reduced demand in the architectural segment and as a result of manufacturing segment customers moving facilities offshore.
- Selleys earnings in line with pcp, as raw material cost increases offset selling price increases and fixed cost reduction initiatives.

EARNINGS

	6 Months Ended March		
A$M	2006	2005	Change F/(U)
Sales Revenue	401.8	390.7	3%
EBIT	47.7	49.4	(3%)
Net Assets	235.8	228.6	3%
Business Sales:			
Paints	275.3	267.5	3%
Other*	126.5	123.2	3%

* Selleys, Yates, Powders & Eliminations

EBIT TREND



- Improved performance from the Yates business with the wholesale garden care market showing a slight increase and Yates gaining share.

OUTLOOK - 2006

- Demand for the majority of OCP's Australian businesses hinges on consumer confidence levels. Short-term changes in petrol prices and interest rates will be critical factors.
- NZ demand expected to fall further as economy slows.
- Powder Coatings business expecting a continuation of depressed market conditions.
- Further upward pressure on raw material costs.
- Full year impact of productivity gains.

Chemnet profitability down 25% to $29M as a result of difficult trading conditions.

HIGHLIGHTS

- Chemnet sales flat on pcp.
- Sales volumes down across the business due to adverse market conditions and integration issues relating to Bronson & Jacobs.

BUSINESS SUMMARY

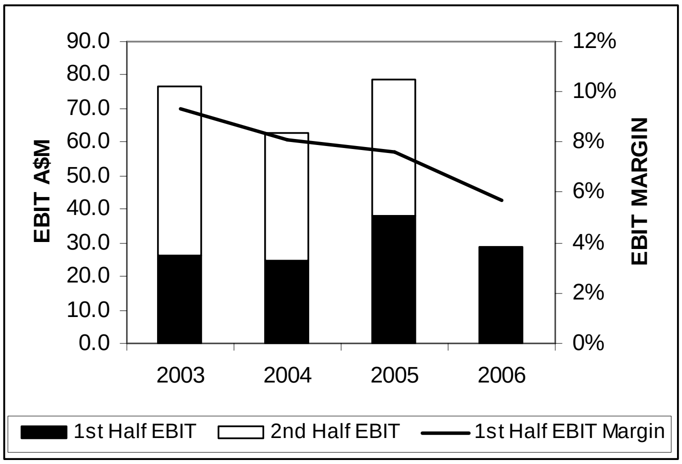
- Revenue flat on pcp due to:
  - increased sales to household product manufacturers, and New Zealand pulp and paper and methanol sales;

  offset by volume decreases ($30M), primarily relating to:
  - Chemnet Australia and New Zealand resulting from various factors, including alternative customer procurement arrangements (including direct sourcing), customer plant shutdowns, unfavourable seasonal weather impacts, and slower end markets for customers; and
  - Marplex (particularly relating to the downturn in the Australian automotive industry and increased competition from imports) and issues with the integration of Bronson & Jacobs.
- Input cost recovery and some improvement in product mix.
- An increase in cash fixed costs of $5M compared with the pcp, including $3M restructure costs in first half 2006.
- Planned integration synergies from Marplex and Bronson & Jacobs not yet realised.

EARNINGS

A$M	6 Months Ended March 2006	2005	Change F/(U)
Sales Revenue	504.9	502.8	0%
EBIT	28.7	38.1	(25%)
Net Assets	424.5	474.7	(11%)

EBIT TREND



OUTLOOK - 2006

- Market conditions are expected to remain flat.
- Restructuring program commenced, which should be largely complete in the current financial year and deliver annualised cost savings of $20M per annum from 2007 onwards.
- Continued focus on refinement and efficiency of supply chains.
- Continue organic growth initiatives aimed at leveraging Chemnet's broad based business platform by further penetration into new, profitable product segments.

Chemical Services increased profitability by 27% to a record first half of $32M.

HIGHLIGHTS

- Sales revenue of $231M, up 15% on pcp. Excluding the impact of the Aluminates acquisition, sales growth was 10%.
- Profitability up 27%, reflecting productivity improvement across the group, volume growth in Mining Chemicals and the Aluminates acquisition which is performing strongly. Excluding the Aluminates acquisition, profitability is up 16%.
- Successful restructure and refocus of the Chemical Services platform.

BUSINESS SUMMARIES

<u>Watercare</u>

- Strong sales growth of $16M (+20%) due to:
  - strong sales contribution from the Aluminates acquisition; and
  - continued high world alumina caustic prices.
- Miex: progress on commercialisation gathering momentum. Stage 2 Disinfection By-Products regulation promulgated in December 2005 in the USA. Currently, there are 9 operating plants worldwide. Commitments for a further 4 plants for 2006 have been secured. Commercialisation costs of $4M (pcp $4M).

<u>Mining Chemicals</u>

- Sodium cyanide volumes up, reflecting increased output from the recent uprate, increasing traded (purchased) volumes and strong demand from the gold mining industry.
- Sodium Cyanide pricing stronger, reflecting tighter supply / demand balance.

<u>Industrial Chemicals</u>

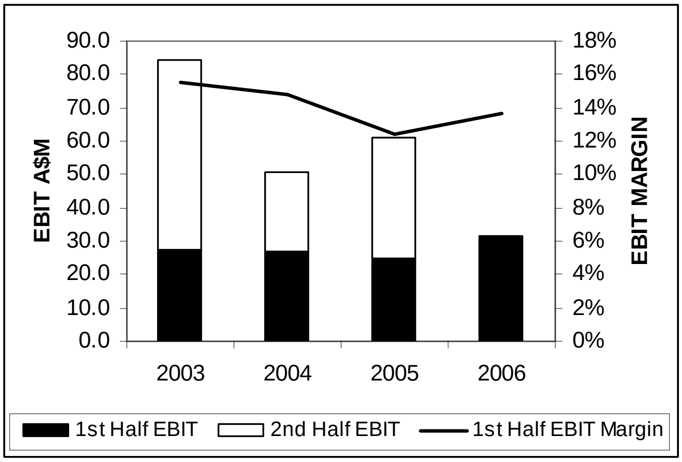
- EBIT down 4% on pcp as a result of tougher market conditions in the Australian and Indonesian Adhesives and Resins businesses, partly offset by cash fixed cost savings resulting from a restructure of the business.
- Specialty Chemicals volume strong as a result of strong demand from the resources industry.

EARNINGS

	6 Months Ended March		
A$M	**2006**	**2005**	**Change F/(U)**
Sales Revenue	231.3	201.0	15%
EBIT	31.5	24.9	27%
Net Assets	387.1	385.2	0%
Business Sales:			
Watercare	96.2	79.9	20%
Mining Chemicals (i)	57.9	40.4	43%
Industrial Chemicals (i) (ii)	77.2	80.7	(4%)

(i) Comparatives restated to reflect the transfer of Specialty Chemicals from Mining Chemicals to Industrial Chemicals
(ii) Includes intra-segment eliminations

EBIT TREND



OUTLOOK - 2006

- Global alumina caustic pricing expected to remain high.
- Further gains in sodium cyanide volumes driven by full year impact of uprate and increased uprate efficiency.
- Approval of further uprate for Yarwun Sodium Cyanide plant from 60kt per annum to 80kt per annum. The uprate is expected to cost around $40M and to be commissioned in 2008.

CORPORATE CENTRE AND OTHER SUPPORT COSTS

- Corporate centre costs of $17.7M were $2.2M lower than the pcp, primarily due to the lower head count after a corporate centre restructure.
- Other support costs of $6.8M were flat on the pcp, mainly reflecting:
  - higher insurance costs of $6M compared with the unusually favourable pcp;

  offset by:

  - a reduction in costs relating to some corporate initiatives compared with the pcp and the transfer of some initiatives from the corporate centre to businesses (such as the enzyme bioremediation initiative).

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)

The all worker (includes employees and contractors) recordable case rate (number of injuries and illnesses per 200,000 hours worked) was 0.54 compared with 0.85 in the pcp. There were no worker fatalities.

Orica is also making good progress across a number of other important indicators, including the sustainability index and distribution incidents. Environmental performance, as measured by significant losses of containment, is running at approximately half of last year's rate. Significant effort is put into ensuring that Orica's operations are managed to the highest practicable standards.

Orica has continued to manage projects to remediate and restore legacy contamination sites and address more efficient environmental operation of current plants.

2. Commercial Ownership

Commercial ownership of Orica's businesses by its employees continues to be demonstrated in the financial results. The focus on efficiency and cost levels continues to play a significant role in the resilience of the results of Orica's businesses, particularly those operating in slower markets. Further, the focus on working capital and cash continues and shows improved results.

3. Creative Customer Solutions

Progress continues to be made in the commercialisation of various innovative products, including Miex® water treatment technology and Landguard® bioremediation. Orica Watercare recently won the DuPont 2005/6 Innovation Award in the category of Food, Agricultural Production and Marketing with our Landguard® technology for its rapid, practical and cost-effective solution to the management of pesticide residues. The award program is an Australian and New Zealand independently judged competition and is designed to recognise innovation and advances in industry, science and agriculture.

Consumer Products continues to work with its customers to improve the manner in which Orica's products can be offered in retail outlets. An example of this is the development of the new Paint Express™ retail model developed for Kmart.

Another example of creative customer solutions is Chemnet Latin America's development of a supply and recycle service of coolant for mining equipment, resulting in lower costs for customers and increased sales for Chemnet.

4. Working Together

There are many examples where people from different parts of Orica have worked together to achieve outcomes, including the launch by Consumer Products of the Retail Select service for retailers carrying Orica products. Under this initiative, the Dulux, Selleys, Yates and Woodcare businesses are working together to deliver improved in-store merchandising for a group of key customers.

Further Information

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