



# Half Year Report to Shareholders

31 March 2006



Orica Limited  
ABN 24 004 145 868





# Half Year Result Confirms Progress

Dear Shareholder,

The 2006 half-year result shows that your company is continuing to perform well.

For the six months to 31 March 2006 Orica declared a Net Profit after Tax and Before Significant Items of \$146 million, an increase of 14% on the same period last year. After Significant Items, Net Profit after Tax was \$123 million, down 1% over the first half of 2005.

The interim dividend has been increased by 4% to 26 cents per share, franked at 9 cents per share.

Orica Mining Services delivered a record result, reflecting strong volume growth across most regions in which we operate. We anticipate that this trend will continue as our customers in the resources sector strive to produce more volume from existing mines and as new mines are developed around the world.

Our Chemical Services business also delivered a record result, reflecting productivity improvements across the group, volume and price growth in Mining Chemicals and continued strong global pricing for caustic soda, used in alumina production.

A range of factors, including softer market conditions and integration problems with some recent acquisitions, contributed to reduced earnings in the Chemnet business. In April, Chemnet commenced a restructuring program that will position the business to meet the company's financial targets from 2007.

Our Fertilisers business, former subsidiary Incitec Pivot Limited, also performed well with underlying earnings increasing by 52% in the first half of the year. The result is a credit to everybody in that business.

Earnings of our Consumer Products business were down marginally on the previous corresponding period, however this was a satisfactory result in the light of tough market conditions especially in the retail sector.

During the half-year the sale of Orica's share of the Qenos joint venture was completed and, more recently, Orica sold its majority share in Incitec Pivot Limited. With these divestments, the long-standing program of major portfolio reorganisation is now complete. The remaining business platforms are expected to contribute to overall earnings growth for your company in 2006 compared with 2005, influenced by general economic conditions.

Last September, Orica announced its intention to acquire substantially all of the European, Middle Eastern, African, Asian and Latin American businesses of Dyno Nobel. The stages of the acquisition have progressed steadily since that time and at the beginning of June the transfer of the final acquired Dyno Nobel businesses was completed. The focus is now on the successful integration of these businesses.

The acquisition cements Orica's position as a genuinely global company based in Australia. We now operate in over 50 countries and service customers in almost twice that number.

During the half-year, Orica completed two successful capital raisings. The proceeds of these have been used to fund the acquisition of the Dyno Nobel businesses.

Much work has been done on improving Orica's working capital position and cash flow generation in a sustainable way. However, whilst the company's working capital and operating cash flow have improved significantly since this time last year, we recognise that there is still more work to be done.

I thank Orica's employees for their contribution to the success of the company. They have continued to demonstrate their ability to 'Deliver the Promise' by working with customers to develop creative solutions, by striving to meet productivity targets, by looking after themselves and the environment, and by successfully working together for the good of your company.

As we have emphasised in the past, we take very seriously our responsibility to the environment and to the communities in which we operate. A demonstration of this responsibility is our commitment to remediating and restoring sites with environmental issues. The Botany site near Sydney, Australia is one example. Orica has constructed a state-of-the-art groundwater treatment facility to address the issues of contaminated groundwater.

This facility has been designed to meet world's best practice standards and, as is the case with all Orica's remediation activity, the local community is constantly updated on progress.

Our relentless focus on safety delivered the strongest underlying safety performance for the half-year in the company's history. Our objective remains 'No injuries to anyone, ever'.

Going forward, we will continue to focus on our safety performance as well as on the integration of the acquired Dyno Nobel businesses. To date, the latter is proceeding smoothly and we remain confident that the synergy benefits associated with the acquisition will be achieved within the expected timeframes. The major uprate of Orica's ammonium nitrate facility at Yarwun will soon be commissioned, bringing Yarwun's total production capacity to 572 ktpa.

Longer term, we will continue to seek business efficiencies and to grow our current core businesses through organic growth, strategic capital investments and acquisitions. Only those businesses that meet our stringent financial criteria will be given the opportunity to grow.

**Don Mercer**  
Chairman



# Business Performance

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<sup>(1)</sup>.

Sales  
revenue  
up 9%

## Financial Highlights

- Sales revenue up 9%.
- EBIT up 13% to \$276M<sup>(2)</sup>.
- Earnings per share<sup>(2)</sup> up 6% to 49.5 cents; return on shareholders' funds<sup>(2)</sup> down from 19.4% in the pcp to 15.5%, as a result of the rights and hybrid issues during the period.
- Gearing<sup>(3)</sup> 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.

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

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

<sup>(3)</sup> Net debt/net debt + book equity.

## Business Highlights

- Record result in Mining Services, reflecting strong underlying demand in most 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.

## Mergers, Acquisitions, Development

- Following European Commission approval, Orica, on June 1, completed the transfer of the remaining acquired Dyno Nobel businesses in Europe, the Middle East, Africa, Asia and Latin America. With the businesses transferred earlier in the year, the transfer on June 1 of businesses in some 28 countries successfully completed the acquisition announced in September last year.
- 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.

## 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 across the company.

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

## Revenue Summary

Six Months Ended March

A\$m	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%
<b>Total sales revenue</b>	<b>2,598.6</b>	<b>2,384.3</b>	<b>9%</b>
Other income	39.0	17.7	120%
<b>Total</b>	<b>2,637.6</b>	<b>2,402.0</b>	<b>10%</b>

## Earnings Summary

Six Months Ended March

A\$m	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%)
<b>Total EBIT</b>	<b>276.2</b>	<b>244.9</b>	<b>13%</b>
Net interest	(55.6)	(47.1)	(18%)
Tax expense	(61.4)	(60.6)	(1%)
Outside equity interests	(13.4)	(9.1)	(47%)
<b>NPAT and minority interests</b>	<b>145.8</b>	<b>128.1</b>	<b>14%</b>
Significant items after tax	(22.8)	(3.4)	
<b>NPAT and significant items</b>	<b>123.0</b>	<b>124.7</b>	<b>(1%)</b>

## Financial Performance

Six Months Ended March

	2006	2005	Change F/(U)*
Sales Revenue (\$m)	2,598.6	2,384.3	9%
NPAT and minority interests after significant items (\$m)	123.0	124.7	(1%)
NPAT and minority interests <sup>(i)</sup>	145.8	128.1	14%
Earnings per share (cents) <sup>(i)</sup>	49.5	46.9	6%
Return on shareholders' funds <sup>(i)</sup>	15.5%	19.4%	
Interim ordinary dividend per share	26.0	25.0	4%
Payout Ratio	52.5%	53.3%	(1%)
Gearing <sup>(ii)</sup>	35.2%	49.0%	
Interest cover <sup>(iii)</sup> (times)	5.0	5.2	

\* F – Favourable, (U) – Unfavourable

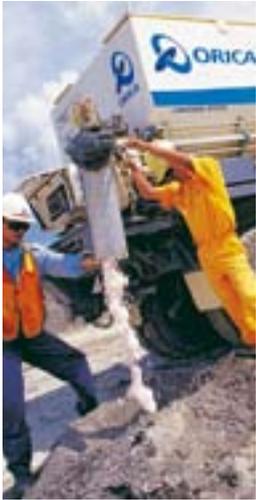
<sup>(i)</sup> Before significant items (\$22.8M after tax)

<sup>(ii)</sup> Trading profit excluding significant items before interest and tax/net interest expense plus capitalised interest

<sup>(iii)</sup> Net debt/net debt plus equity



# The internationalisation of Orica



Orica has pursued a path of internationalisation since gaining its independence from former majority shareholder, ICI Plc, in 1997.

Orica's strategy has been to grow in areas close to our core business activities and only those businesses that have earned the right to grow by generating superior returns.

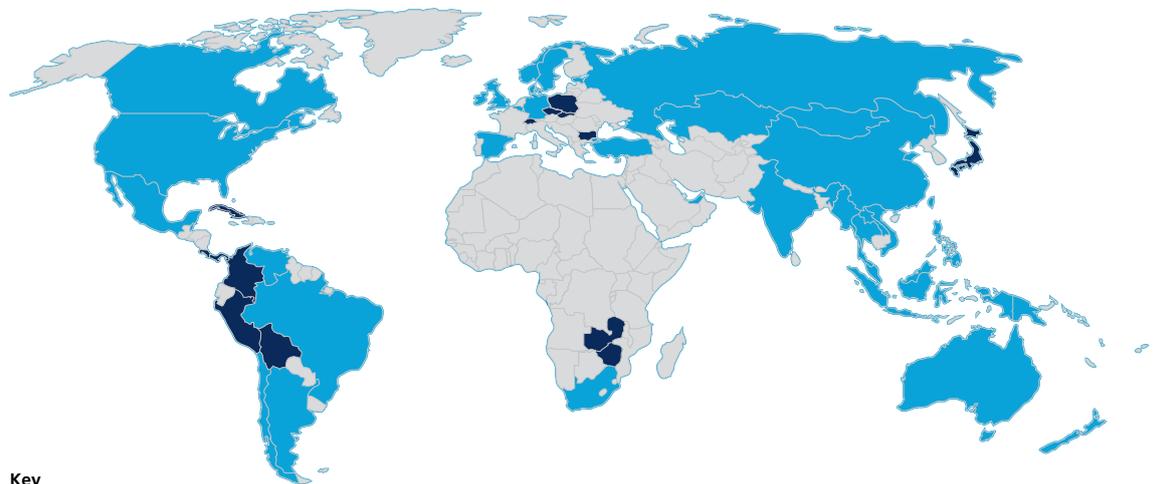
Orica's most recent acquisition has extended our presence on the world stage still further.

Last September, Orica announced that it was to acquire the bulk of the European, Middle Eastern, African, Asian and Latin American businesses of Dyno Nobel, a global leader in the commercial explosives industry.

The acquisition is viewed as the single most significant opportunity to grow Orica Mining Services by not only strengthening the company's position in some existing markets, but also extending its access into new regions.

A few of Dyno Nobel's operations transferred to Orica earlier this year as the relevant regulatory approvals were obtained. The majority of the acquired operations were welcomed to the Orica fold at the beginning of June after the European Commission and other regulatory authorities approved the acquisition in some 28 countries in Europe, the Middle East, Africa, Asia and Latin America.

This, and other acquisitions continue to transform Orica into a truly international, Australian-based company, known for its focus on superior shareholder returns.



**Key**  
■ Countries of operation  
■ New countries of operation following Dyno Nobel acquisition

## Orica Limited

ABN 24 004 145 868

Chairman

**Don Mercer**

Managing Director & CEO

**Graeme Liebelt**

Executive Director Finance

**Noel Meehan**

Non-executive Directors

**Peter Duncan**

**Catherine Walter**

**Michael Beckett**

**Peter Kirby**

**Michael Tilley**

**Garry Hounsell**

## Shareholder Calendar

(dates subject to change)

<b>Full year results and 2006 final dividend announced</b>	13 November 2006
<b>Books close for 2006 final dividend (ordinary shares)</b>	24 November 2006
<b>2006 final dividend paid</b>	15 December 2006
<b>2006 Annual General Meeting</b>	21 December 2006
<b>Books close for preference dividend</b>	12 January 2007
<b>Preference share dividend paid</b>	31 January 2007

## Shareholder and analyst enquiries

Many shareholder and analyst inquiries may be answered by visiting our website at [www.orica.com](http://www.orica.com)

The website contains extensive information on the company, the latest statements released to the ASX, annual and half year reports and investor and shareholder information.

Shareholders may also access information relating to their holdings via a link to the Share Registrar, Link Market Services, at [www.linkmarketservices.com.au/orica](http://www.linkmarketservices.com.au/orica)

All you will need is your SRN or HIN and your surname/company name and postcode.

## Investor relations:

Greg Slade

Telephone: +613 9665 7844

Email: [greg.slade@orica.com](mailto:greg.slade@orica.com)

**Website:** [www.orica.com](http://www.orica.com)

## Registered office:

Level 9, 1 Nicholson Street  
East Melbourne VIC 3002

## Postal address:

GPO Box 4311  
Melbourne VIC 3001  
Telephone: +613 9665 7111  
Facsimile: +613 9665 7937

Email: [companyinfo@orica.com](mailto:companyinfo@orica.com)

## Share Registry inquiries:

Link Market Services Limited  
Locked Bag A14  
Sydney South NSW 1235  
Telephone: +612 8280 7754  
Facsimile: +612 9287 0303

Toll free: 1300 301 253

Website: [www.linkmarketservices.com.au/orica](http://www.linkmarketservices.com.au/orica)

Email: [registrars@linkmarketservices.com.au](mailto:registrars@linkmarketservices.com.au)