Orica Limited
ABN 24 004 145 868

ASX Announcement

ORICA REPORTS SOLID PERFORMANCE

Orica today announced a net profit after tax and individually material items of $264 million for the half year ended 31 March 2011, up $209 million compared with the previous corresponding period (pcp) of $55 million.

Net profit after tax before individually material items was $264 million, with no individually material items in the current period. Excluding the earnings contribution from DuluxGroup[1] in the pcp ($42m), net profit after tax before significant items was up 5%.

The Board has declared an interim dividend of 37 cents per ordinary share, franked at 18 cents per ordinary share.

Orica Managing Director & CEO Graeme Liebelt said the solid performance in the half reflected the strength of the business' strategic direction and focus on fundamentals.

"This is another good result for Orica and our strategy of concentrating on the mining and infrastructure markets has proven resilient.

"We continue to deliver improvements in trade working capital management and our balance sheet remains in excellent health with gearing at 27% and interest cover at 5.4 times.

"There has been a recovery in volumes across some markets. This, coupled with modest improvements in pricing and continued focus on productivity improvements, more than offset adverse impacts from weather conditions and foreign exchange movements.

"The company has been faced with some challenging operational conditions this half year and our people have responded well. They have stayed focused on responding to customers' needs and on maintaining and growing the business.

"Orica Mining Services achieved a solid result with earnings before interest and tax (EBIT) up 1% to $335 million, despite significant disruption from flooding in Indonesia and Australia. This reflects stronger volumes, pricing and productivity benefits. Ammonium nitrate volumes were up 4% compared to the pcp with improved market conditions in most regions, partly offset by the impact of adverse weather. Electronic Blasting Systems volumes again showed strong growth, improving 29% compared to the pcp.

"The Minova business has experienced a difficult half year with EBIT down 16% to $55 million. This is mostly the result of strong competition in some markets, which has negatively impacted margins. Volumes across most market segments improved.

[1] DuluxGroup demerged on 9 July 2010

“While in the short-term, market conditions pose some challenges, Minova continues to focus on cost and cash management and the development of differentiated, customer focussed technology.

“Chemicals achieved a record result with EBIT of $95 million, up 1% on the pcp. This result was achieved despite significantly lower manufactured sodium cyanide volumes, resulting from the planned shutdown of the Yarwun sodium cyanide plant to uprate capacity to 95ktpa.

“General Chemicals sales were up 7% on the pcp due to higher commodity prices and higher volumes. In Mining Chemicals, the demand for sodium cyanide remains firm and with the Yarwun uprate now operational, we are in a strong position to meet this demand.

“We continue to progress a number of significant growth projects, many of which are nearing completion.

“We currently anticipate first production from the new 300ktpa ammonium nitrate plant at Bontang, Indonesia, in the first half of the 2012 financial year. Physical construction is now over 80% complete and the cost of the project is expected to be well below initial estimates.

“Construction of the $100 million detonator plant in Hunan province in China is progressing and commissioning is expected in 2012.

“We continue to work on the uprate of the ammonia plant at Kooragang Island in NSW and to purchase the long lead time items for the expansion of the ammonium nitrate plant by a further 320ktpa.

“It has been a challenging year so far and we are pleased with the company’s performance. The company is well placed strategically and operationally,” Mr Liebelt said.

We expect Group net profit after tax (pre individually material items) in 2011 to be higher than that reported in 2010, on a comparable basis, subject to the rate of global economic recovery and extent of further adverse movements in exchange rates.

2 May 2011

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ORICA LIMITED PROFIT REPORT

RESULTS FOR THE HALF YEAR ENDED 31 MARCH 2011

- **Net profit after tax (NPAT) and individually material items from continuing operations for the half year ended 31 March 2011 was $264M, compared with the previous corresponding period (pcp) of $13M.**
- **NPAT from continuing operations before individually material items was up 5% to $264M compared with the pcp of $251M.**
- **NPAT including DuluxGroup [5] before individually material items was down $29M to $264M.**
- **Return on shareholders' funds [1] [5] down 0.6 percentage points to 15.1%.**
- **EPS [1] from continuing operations up 3% on the pcp to 71.1 cents.**

FINANCIAL HIGHLIGHTS [1]

- EBIT from continuing operations up 1% to $437M;
- Rolling trade working capital to sales [4] improved to 13.0% (pcp: 13.8%);
- Gearing [3] at 27.0%, up from 24.9% in the pcp;
- Interest cover at 5.4 times; and
- Interim ordinary dividend is 37 cents per share (cps) - franked at 18 cps.

BUSINESS HIGHLIGHTS [1]

- Improved EBIT results for most businesses, due to a slow recovery in volumes across some of our markets and some improvement in pricing and productivity, which more than offset a $17M adverse foreign exchange movement;
- Solid result for Mining Services with EBIT up 1% to $335M, reflecting stronger volumes and pricing and productivity benefits, which more than offset the impact of adverse weather conditions and Monclova plant closure costs ($17M);
- Minova EBIT down 16% to $55M due to margin pressure from strong competition, offset partly by stronger volumes and productivity benefits; and
- Chemicals EBIT at $95M, 1% ahead of the pcp, reflecting improved margins and stronger volumes in mining markets, offset partly by lower sodium cyanide production due to the planned plant shutdown at Yarwun to uprate capacity.

	Six Months Ended March		
A$M	**2011**	**2010**	**Change F/(U)**
Continuing operations:			
Sales Revenue	2,949.3	2,739.8	8%
Underlying Results			
EBIT	437.0	431.0	1%
Net interest expense	(62.5)	(67.6)	8%
Tax expense	(97.3)	(95.3)	(2%)
Non controlling interests	(13.4)	(16.9)	21%
NPAT from continuing operations	**263.8**	**251.2**	**5%**
DuluxGroup NPAT contribution [5]	-	42.0	(100%)
NPAT including DuluxGroup	**263.8**	**293.2**	**(10%)**
Earnings per ordinary share (cents)			
- from continuing operations	71.1	68.8	3%
Return on shareholders' funds	15.1%	15.7%	
Results including individually material items:			
Individually material items after tax and non controlling interests	-	(238.1)	
NPAT from continuing operations	**263.8**	**13.1**	**> 100%**
DuluxGroup NPAT contribution [5]	-	42.0	(100%)
NPAT including DuluxGroup	**263.8**	**55.1**	**379%**
Earnings per ordinary share (cents)			
- from continuing operations	71.1	1.7	> 100%
Return on shareholders' funds	15.1%	3.0%	
Financial Items			
Interim ordinary dividend per share (cents)	37.0	41.0	(10%)
Payout Ratio	50.9%	50.5%	
Net debt	1,318.2	1,228.9	(7%)
Gearing [2]	27.0%	24.9%	
Gearing (adjusted) [3]	32.1%	29.9%	
Interest cover (times)	5.4	6.4	
Average exchange rate (A$/US$)	99.5	90.5	(10%)

OUTLOOK – 2011

- We expect Group net profit after tax (pre individually material items) in 2011 to be higher than that reported in 2010, on a comparable basis, subject to the rate of global economic recovery and extent of further adverse movements in exchange rates.

1) Before individually material items.
2) Net debt/(net debt + book equity).
3) Calculation as per Note (2) with Step-Up Preference Securities (SPS) notionally treated as 50% Debt and 50% Equity.
4) Rolling 12-mth average TWC / Rolling 12-mth total sales – excluding DuluxGroup.
5) The 2010 result includes the earnings contribution from DuluxGroup (demerged 9 July 2010).

Note: numbers in this report are subject to rounding.

REVENUE

- Sales revenue from continuing operations of $2.9B increased by $210M (8%), driven primarily by:
  - Improved underlying demand in some market segments;
  - Improvements in AN pricing as contracts roll-over; and
  - Higher average caustic prices and continuing firm sodium cyanide prices.

  Partly offset by:
  - Unfavourable foreign exchange movements ($174M);
  - Lower prices in the North American steel bolts business in Minova due to strong competition;
  - Lower sodium cyanide volumes due to the planned shutdown at Yarwun to uprate plant capacity to 95ktpa; and
  - Adverse weather, including significant rain and flooding in Australia and Asia and severe winter conditions in Europe and North America, which negatively impacted volumes across all businesses.

Revenue Summary

A$M	Six Months Ended March 2011	2010	Change F/(U)
Mining Services	1,825.2	1,661.2	10%
Minova	410.8	395.4	4%
Chemicals	748.8	711.0	5%
Other & Eliminations	(35.5)	(27.8)	(28%)
Sales from continuing operations	**2,949.3**	**2,739.8**	**8%**
Other income	47.5	14.9	219%
Revenue from continuing operations	**2,996.8**	**2,754.7**	**9%**
DuluxGroup	-	487.3	(100%)
Total Revenue	**2,996.8**	**3,242.0**	**(8%)**

EARNINGS BEFORE INTEREST AND TAX (EBIT)

- EBIT from continuing operations increased by 1% to $437M (pcp: $431M) primarily due to:
  - Net volume and margin improvements of $64M reflecting improved underlying demand in most market segments, improved pricing for AN, stronger caustic soda and sodium cyanide prices and favourable product mix;
  - Productivity and synergy improvements of $25M from tight cost control across all business platforms.

  Partly offset by:
  - Unfavourable impact of foreign exchange movements of $17M;
  - Higher fixed costs of $44M, impacted by inflationary factors, increased spending on R&D and plant closure costs in Mining Services, offset partly by lower insurance claims;
  - Unfavourable lag impact on the recovery of ammonia and AN cost increases ($15M); and
  - Lower sodium cyanide volumes due to the planned shutdown of Yarwun to uprate capacity ($7M).

Earnings Summary

A$M	Six Months Ended March 2011	2010	Change F/(U)
Continuing operations:			
EBIT			
Mining Services	334.5	331.2	1%
Minova	55.4	66.1	(16%)
Chemicals	94.7	93.6	1%
Corporate Centre	(23.8)	(23.9)	0%
Other Support Costs	(23.8)	(36.0)	34%
EBIT from continuing operations	**437.0**	**431.0**	**1%**
Net Interest	(62.5)	(67.6)	8%
Tax expense	(97.3)	(95.3)	(2%)
Non controlling interests	(13.4)	(16.9)	21%
NPAT and non controlling interests	**263.8**	**251.2**	**5%**
Individually material items after tax	-	(238.1)	
NPAT and individually material items	**263.8**	**13.1**	**> 100%**
DuluxGroup	-	42.0	(100%)
NPAT including DuluxGroup	**263.8**	**55.1**	**379%**

INTEREST

- Net interest expense of $63M was 8% lower than the pcp ($68M).
- Capitalised interest for the period was $18M (pcp nil).
- Interest cover was 5.4 times (pcp 6.4 times).

CORPORATE CENTRE & SUPPORT COSTS

- Corporate Centre costs of $24M were in line with the pcp; and
- Other Support costs of $24M were $12M (34%) lower than the pcp, primarily due to additional insurance claims in the pcp of $9M.

TAX EXPENSE

- Tax expense was $97M with an effective tax rate of 26.0% (pcp: 26.2%).

NET PROFIT

- NPAT from continuing operations before individually material items increased 5% to $264M (pcp: $251M); and
- NPAT and individually material items from continuing operations was up $251M to $264M (pcp: $13M).

INDIVIDUALLY MATERIAL ITEMS

- There were no individually material items for the period (pcp: loss of $238M). Costs associated with integration of Minova of $2M (after tax) have been booked as an expense in Other Support costs.
- The pcp loss included the Pharmaceuticals tax case ($192M); the establishment of a provision for the remediation of mercury contamination at Botany, New South Wales ($32M); an increase in environmental provisions for hexachlorobenzene (HCB) waste disposal ($13M) and the integration of Minova/Excel ($2M).

DIVIDEND

- The directors have declared an interim ordinary dividend of 37 cps – franked at 18 cps.
- Adjusting for the impact of the DuluxGroup demerger[(1)], the interim 2011 ordinary dividend represents a 1 cps increase; and
- Franking capacity in the near term is unlikely to exceed 50%.

Individually material items after tax and non controlling interests A$M	**Six Months Ended March** 2011	2010
Pharmaceuticals tax case	-	(191.8)
Environmental provisions		
Mercury remediation	-	(31.5)
HCB remediation	-	(12.7)
Integration Expenses		
Minova	-	(2.1)
Total	-	(238.1)

Ordinary dividend	**Six Months Ended March** 2011	2010	**Change F/(U)**
Interim Ordinary Dividend			
- CPS	37.0	41.0	(10%)
- Franking %	48.6%	39.0%	

DEBT FACILITIES

- The average term of drawn debt facilities is approximately 8.0 years;
- Drawn debt under bilateral bank facilities and export credit agency funding was $118M and $93M respectively, with a total facility size of $2.4B; and
- The bilateral bank facilities are multi currency, flexible and cancellable at Orica's option.
- In October 2010, Orica issued US$600M of 10, 12, 15 and 20 year notes due 2020, 2022, 2025 and 2030, in the US Private Placement market.

Average funding cost (including fees for undrawn facilities) for the period was 7.1% (pcp 7.7%).

(1) Calculated as continuing EBIT / EBIT x total dividend.

BALANCE SHEET

- **Key balance sheet movements since March 2010 were:**
  - Trade working capital (TWC) has decreased by $38M from the pcp as a result of an underlying increase of $102M, combined with a favourable foreign exchange impact of $38M offset by the reduction from the DuluxGroup demerger of $102M;
  - Rolling TWC to sales [2] has improved to 13.0% (pcp: 13.8%);
  - Net property, plant and equipment (PP&E) is $194M up on the pcp, mainly due to spend on growth projects ($385M), sustenance capital ($184M), capitalised interest ($38M), and PP&E from acquired businesses ($9M); offset by depreciation ($192M), foreign exchange translation ($74M), the demerger of DuluxGroup ($146M) and disposals ($10M). Significant capital spend since the pcp included Bontang ($179M), Kooragang Island ($60M) and Nanling ($28M) within Mining Services and the Yarwun sodium cyanide uprate ($25M) within Chemicals;
  - Intangible assets are down $215M since pcp mainly due to the impact of foreign exchange translation ($156M) , the demerger of DuluxGroup ($90M) and amortisation of intangibles ($38M); offset by the acquisition of businesses/entities ($49M) and capital expenditure ($20M);
  - Net debt increased by $89M mainly due to capital expenditure spend, offset by operating cash flows and the reduction of debt ($245M) on the demerger of DuluxGroup; and
  - Orica shareholders' equity decreased by $136M, mainly due to the demerger of DuluxGroup ($216M), a decrease in the foreign currency translation reserve ($305M) and purchase of non-controlling interests ($112M); partly offset by earnings net of dividends paid and an increase in shares on issue as settlement of dividends under the Dividend Reinvestment Plan.

Balance Sheet

A$M	March 2011	Sept 2010	March 2010
Inventories	575.0	541.3	634.8
Trade Debtors	787.9	744.6	874.2
Trade Creditors	(662.2)	(690.3)	(770.5)
Total Trade working capital	700.7	595.6	738.5
Net property, plant & equipment	2,356.0	2,235.2	2,161.8
Intangible assets	2,412.0	2,510.9	2,626.6
Net other liabilities	(587.2)	(657.5)	(587.6)
Net debt	(1,318.2)	(1,051.6)	(1,228.9)
Net Assets	**3,563.3**	**3,632.6**	**3,710.4**
Orica shareholders' equity	3,453.6	3,522.7	3,589.6
Non controlling interests	109.7	109.9	120.8
Equity	**3,563.3**	**3,632.6**	**3,710.4**
Gearing	**27.0%**	**22.4%**	**24.9%**
Gearing (adjusted) [1]	**32.1%**	**27.8%**	**29.9%**

[1] Gearing recalculated with SPS Securities notionally reclassified as 50% equity and 50% debt.

- **Key balance sheet movements since September 2010 were:**
  - TWC increased by $105M due to an underlying increase of $128M offset by a favourable foreign exchange translation impact of $23M;
  - Net property, plant and equipment was up $121M mainly due to capital spending ($251M) and capitalisation of interest ($18M); offset by depreciation ($92M), foreign exchange translation impacts ($50M) and disposals ($6M);
  - Intangible assets decreased by $99M, due to the impact of foreign exchange translation ($90M) and amortisation ($18M); partly offset by acquisitions ($4M) and capital expenditure on identifiable intangibles ($6M); and
  - Net debt increased by $267M largely due to dividends paid in the first half ($190M), income tax and interest paid ($198M) and growth / sustenance capital and acquisition spend ($286M); partly offset by operating cash flows (excluding tax and interest paid) in the first half of $339M.

GEARING

- Accounting gearing (net debt/(net debt + equity)) increased to 27.0% from 24.9% at March 2010. In accordance with accounting standards, the SPS securities are recognised as equity; and
- Adjusted gearing, which treats the SPS securities as 50% equity and 50% debt (Standard & Poors credit rating treatment), was 32.1% (pcp 29.9%).

[2] Rolling 12-month average TWC / Rolling 12-month total sales – excluding DuluxGroup.

CASH FLOW

- Net operating cash inflows decreased by $127M to $142M, compared with the pcp mainly due to:
  - A higher cash outflow from the movement in trade working capital of $96M;
  - $15M increase in income tax paid; and
  - EBITDA reduction of $68M, mainly as a result of the demerger of DuluxGroup.

  Partly offset by:
  - Reduced cash outflows from NTWC of $53M.
- Net operating cash inflows excluding DuluxGroup decreased by $14M.
- Net investing cash outflows increased by $54M to $278M, compared with the pcp due to:
  - Higher sustenance capital spend of $8M;
  - Increased spending on growth capital projects of $43M, mainly due to spend on Bontang, Kooragang Island and Nanling;
  - A reduction in spend on acquisitions of $9M; and
  - A decrease in proceeds from asset sales, investments and businesses of $12M.
- Net financing cash outflows decreased by $161M to an inflow of $96M, mainly due to:
  - Higher inflow of other borrowings of $296M (pcp inflow of $126M);
  - Lower dividends paid of $13M; and
  - An increase in SPS distributions paid of $4M due to a higher distribution rate.

  Partly offset by:
  - Increased payments for LTEIP of $12M.

Statement of Cash Flows	**Six Months Ended March**		
A$M	**2011**	**2010**	**Change F/(U)**
Net operating cash flows			
EBIT	437.0	495.9	(12%)
Add: Depreciation	92.0	99.1	7%
Add: Amortisation	18.2	20.6	12%
EBITDA	547.2	615.6	(11%)
Net interest paid	(67.8)	(65.5)	(4%)
Net income tax paid	(129.7)	(114.5)	(13%)
Trade Working Capital mvt	(108.6)	(12.3)	(783%)
Non Trade Working capital mvt	(65.9)	(118.9)	
FX mvt on debt/reserves	(23.6)	(22.6)	
Other	(9.8)	(13.0)	
	141.8	268.8	
Net investing cash flows			
Capital spending			
Sustenance capital	(80.7)	(72.4)	(11%)
Growth capital	(171.7)	(129.1)	(33%)
Total Capital Spending	(252.4)	(201.5)	(25%)
Acquisitions	(33.4)	(42.2)	21%
Proceeds from surplus asset sales, investments and businesses	7.7	19.2	(60%)
	(278.1)	(224.5)	
Net financing cash flows			$M
Net proceeds from share issues (inclusive of non controlling interests)	4.8	9.3	(4.5)
Net (payments)/proceeds from LTEIP [(1)]	(14.1)	(2.3)	(11.8)
Movement in borrowings	295.5	126.3	169.2
Dividends paid - Orica Limited	(166.2)	(176.0)	9.8
Distributions paid - SPS securities	(15.8)	(11.5)	(4.3)
Dividends paid - NCI shareholders	(7.8)	(10.6)	2.8
	96.4	(64.8)	161.2
Net operating cash flows excluding DuluxGroup	141.8	156.2	(9%)

[(1)] LTEIP - long term employee equity incentive plans

ORICA SPS

- A distribution of $16M on the SPS securities was paid during the period; and
- The distribution was unfranked and the distribution rate was calculated as the sum of the 180 Bank Bill Swap Rate (BBSW) plus a margin of 1.35%. The distribution rate for the current period ending 30 May 2011 is 6.60% pa.

Solid result with EBIT up 1% to $335M.

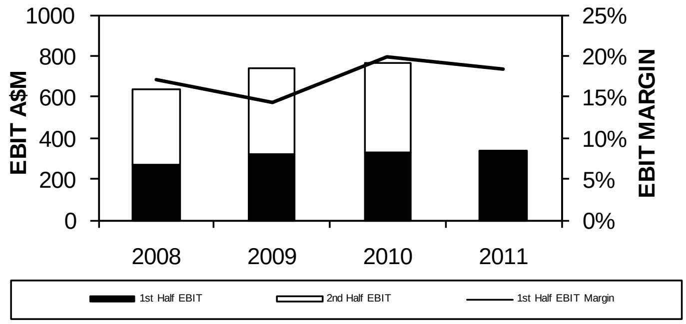
HIGHLIGHTS

- Improved demand conditions in coal and metals markets in North America, strong demand from coal markets in South Eastern Australia and slow recovery in most regions in Nordics, Europe, CIS and Africa;
- AN volumes up 4% compared to the pcp, with improved market conditions in most regions offset partly by adverse weather conditions;
- Improved pricing;
- Strong growth in Electronic Blasting Systems (EBS) with volumes up 29% versus the pcp;
- Further productivity benefits delivered through tight cost control;
- Continued work on implementing the new operating structure within Mining Services, managed from the Singapore Global Hub; and
- Hedging benefits mostly offset the impact of unfavourable foreign exchange movements.

EARNINGS

A$M	Six Months Ended March 2011	2010	Change F/(U)
Sales Revenue	1,825.2	1,661.2	10%
EBIT	334.5	331.2	1%
Operating Net Assets	2,936.5	2,680.3	10%
EBIT:			
Australia/Asia	213.1	192.0	11%
North America	32.3	50.6	(36%)
Latin America	44.2	60.2	(27%)
EMEA	25.3	32.6	(22%)
Other (Global Hub)	19.6	(4.2)	> 100%

EBIT TREND



BUSINESS SUMMARIES

Australia/Asia

- EBIT of $213M, up 11% ($21M) on the pcp, achieved mostly through improved pricing, stronger volumes in South Eastern and Western Australia and productivity benefits;
- AN volumes down 1% due in part to heavy rain in North Eastern Australia and Indonesia; and
- Negative lag on recovery of ammonia input costs.

North America

- EBIT of $32M, down 36% ($18M) on the pcp due to the transfer of specific commercial functions to control of the Global Hub, offset partly by an improvement in underlying business conditions;
- Underlying business conditions significantly improved, with stronger demand in coal and metals markets, steady pricing and disciplined cost management; and
- AN volumes up 9% on the pcp.

Latin America

- EBIT of $44M, down 27% ($16M) on the pcp due to Monclova plant closure costs ($17M) and the transfer of specific commercial functions to control of the Global Hub;
- AN volumes in line with pcp; and
- Productivity benefits delivered from various procurement, logistics and manufacturing efficiency programs.

Europe, Middle East and Africa (EMEA)

- EBIT of $25M, down 22% ($7M) on the pcp;
- Improving demand in most regions but continued strong competition in some markets negatively impacted margins; and
- Unfavourable foreign exchange impact.

Other (Global Hub)

- EBIT of $20M, from a loss of $4.2M in the pcp.
- The Global Hub, central to the new operating structure currently being implemented within Mining Services, takes responsibility for the procurement of key input materials, the sale of those materials and finished goods to country based Orica businesses, coordinating inter-company manufacturing and international logistics.

PERSPECTIVES FOR 2011

- Strong demand in Australian and Asian thermal and metallurgical coal markets and improving demand in metals markets;
- Steady demand in coal and metals markets in North America and Latin America;
- Slow recovery in infrastructure markets in North America and Europe;
- Continued firm ammonia prices.

EBIT down 16% at $55M.

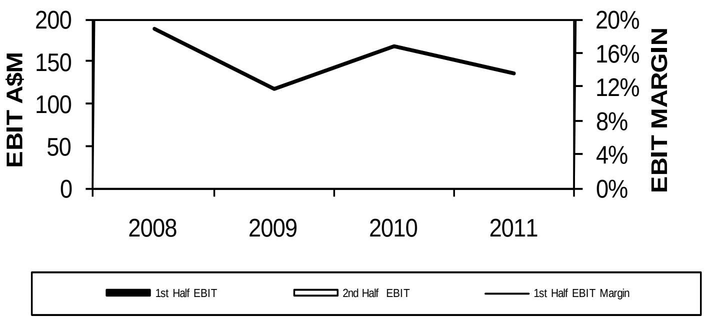
HIGHLIGHTS

- Improved volumes in Australia from the hard-rock mining and injection chemicals sectors;
- Improved demand conditions in coal markets in North America;
- Steady recovery in CIS and Czech Republic. Soft trading conditions in some parts of Western Europe and Poland;
- Improved volumes in South Africa driven by penetration of the steel market;
- Strong competition and rising input costs negatively impacted margins in North America and parts of Europe;
- Soft conditions in European tunnelling markets, due mainly to subdued economic conditions; and
- Foreign exchange movements negatively impacted EBIT by $6M.

EARNINGS

	Six Months Ended March		
			Change
A$M	**2011**	**2010**	**F/(U)**
Sales Revenue	410.8	395.4	4%
EBIT	55.4	66.1	(16%)
Operating Net Assets	1,477.9	1,641.6	(10%)

EBIT TREND



BUSINESS SUMMARIES

Minova Americas:

- Stronger volumes of chemicals and steel bolts from improved demand in coal markets;
- Strong competition and rising input costs negatively impacted margins, though market share has been generally maintained;
- Bolt-on acquisitions in Chile and Canada performing to expectation; and
- Disciplined cost management continues.

Minova Europe, Middle East and Africa (EMEA):

- Steady recovery in CIS and Czech Republic. Soft trading conditions in some parts of Western Europe and Poland;
- Strong competition negatively impacted margins;
- Softer tunnelling activity, period on period, due to subdued economic conditions; and
- Strong growth in South Africa from penetration of the African steel market.

Australia:

- Improved volumes in Australia from the hard-rock mining sector; and
- Strong demand for injection chemicals positively impacted margins.

China:

- Steady volumes with some margin compression due to rising input costs; and
- Key focus is to further penetrate key growth regions and establish a presence in the tunnelling and civils market.

PERSPECTIVES FOR 2011

- Steady demand in mining markets across most regions. Demand in civil engineering markets to remain subdued;
- Margin pressures to continue in North America and parts of Europe;
- Tight cost control and productivity focus;
- Integration activities completed; and
- Strong AUD will negatively impact translated EBIT.

Record result with EBIT at $95M.

HIGHLIGHTS

- Record result for Chemicals;
- Strong growth in mining markets;
- Subdued conditions in watercare and agricultural markets in Australia, impacted by adverse weather conditions in Queensland and Victoria;
- Growth in all market segments in Latin America;
- Higher global caustic prices;
- Disciplined cost management and delivery of productivity benefits;
- Improved performance in New Zealand, albeit against subdued market conditions; and
- Negative impact to EBIT from movements in foreign exchange rates.

BUSINESS SUMMARIES

General Chemicals

- General Chemicals sales up 7% on the pcp due mainly to higher commodity prices and higher volumes, partly offset by foreign exchange movements;
- Australian trading volumes improved with strong growth in mining markets. Agricultural and food markets remain soft;
- Negative impact on volume from heavy rain and flooding in Queensland and Victoria;
- Softness in automotive and general manufacturing in Australia;
- Improved margins in Latin America and Asia;
- Strong AUD negatively impacting volume and margins in Bronson & Jacobs;
- Ongoing soft demand in New Zealand; and
- Negative impact of a stronger AUD on trading margins (in absolute dollars).

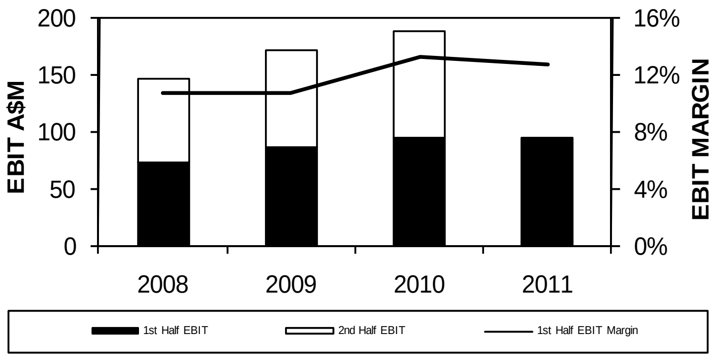
Watercare

- Sales up 2% versus the pcp, due mainly to higher average global caustic prices offset partly by unfavourable foreign exchange movements; and
- Volumes generally in line with the pcp, with temperate conditions on the East Coast of Australia negatively impacting Chlor Alkali volumes.

EARNINGS

A$M	Six Months Ended March 2011	2010	Change F/(U)
Sales Revenue	748.8	711.0	5%
EBIT	94.7	93.6	1%
Operating Net Assets	838.8	780.4	7%
Business Sales:			
General Chemicals	506.4	475.1	7%
Watercare	118.1	115.8	2%
Mining Chemicals	142.1	143.0	(1%)

EBIT TREND



Mining Chemicals

- Sales in Mining Chemicals were down 1% on the pcp, due to lower sodium cyanide volumes and the unfavourable impact of a stronger AUD;
- Volumes for sodium cyanide were down 16% versus the pcp, due to an extended plant shutdown at Yarwun to uprate plant capacity to 95ktpa. Demand from gold markets remains strong; and
- Sodium cyanide volumes at Yarwun running to the uprated capacity of 95ktpa from March 2011.

PERSPECTIVES FOR 2011

- Sodium cyanide demand expected to remain firm;
- Continued strength in mining markets in Australia, Latin America and Africa;
- Challenging demand conditions in automotive, food and beverage markets;
- Weak demand conditions in New Zealand and steady demand in Asia;
- Global caustic prices to remain firm; and
- Negative earnings impact of a stronger AUD.

SAFETY

Orica is committed to eliminating all work related injuries and illnesses from our workplaces across the globe. The Company continues to implement preventative measures and learnings arising from injuries and other serious incidents, as well as in-house "Expert Panel" technical forums, and participating in external benchmarking.

The Company achieved an all worker recordable case rate (number of injuries and illnesses per 200,000 hours worked) of 0.53, compared with 0.73 for the previous period. However, the Company is sad to report the death of a Minova employee, a passenger in a small truck involved in a low speed traffic accident in China. Whilst the overall recordable case rate has improved there still remains a focus to ensure all incidents are reported, particularly across newly acquired sites and more remote regions. Progress has been made with improved reporting, even of low severity/impact incidents, coming from these more remote sites. The overall severity or impact of the recordable injuries sustained is comparable to past years and the Company continues the ongoing focus across all the businesses as we strive for the goal of "no injuries to anyone, ever".

The number of significant distribution incidents year to date has increased to 16 compared to 13 in the previous period, equally divided between vehicle roll-overs and driver chemical exposures and unloading incidents at customer sites. There continues to be an ongoing focus, in association with our transport providers, on reducing distribution incidents, process safety related and near miss fatality events as the Company implements enhanced and consistent safety procedures and reporting across the Group.

ENVIRONMENT

Orica sites globally are now reporting energy usage, greenhouse gas emissions, water and production volumes into Orica’s new Environmental Performance Management System. In time, it is planned to also incorporate waste reporting into this system. The new system gives sites the ability to monitor and evaluate their impacts over time, and identify areas of improvement.

ENVIRONMENT CONTINUED

Orica continues to make progress in the areas of energy, greenhouse gas, water and waste efficiency. The company is currently working to broaden its definition of sustainability and create a series of five-year corporate targets. These will be communicated in the 2011 Sustainability Report and 2011 Annual Report.

Orica is in the process of completing submissions to the Australian Government's Department of Climate Change and Energy Efficiency under the Emissions Intensive Trade Exposed assistance program. Orica Australia may be eligible for assistance relating to the manufacture of Ammonia, Ammonium Nitrate and Chlorine.

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

In 2010, after initially providing consent to receive 6,100 tonnes of our stockpile of hexachlorobenzene (HCB) waste from our Botany site in NSW to Denmark, the Danish Government stated that for political reasons it would not accept the shipment. Orica continues to safely store the HCB in fully licensed and secure storage facilities at our Botany site. At the same time all options are being evaluated by us for the safe and environmentally sound destruction of the waste. Ongoing discussions are being held with various stakeholders.

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

BUSINESS DEVELOPMENT

During the period, work continued on a number of growth projects, including:

- The ongoing development of the 300ktpa AN facility in Bontang, Indonesia. Cumulative spend to 31 March 2011 is US$402M. On-site construction is over 80% complete. Plant commissioning is expected in H1 2012;
- Work on a 320ktpa ammonium nitrate capacity expansion at Kooragang Island, Australia, which will bring total ammonium nitrate capacity at the plant to 750ktpa. The Orica Board has approved $75M for the completion of engineering plans and for ordering long lead items. Expected total cost of the project is in the range of A$600M-$750M. Based on forward demand growth rates of approximately 8% per annum, likely timing of the project would be 2014/2015. There is flexibility to delay the project if market conditions soften. All statutory approvals have been received for the proposed expansion;
- The ammonia plant expansion project at Kooragang Island for a capacity uprate of 65ktpa. The uprate is tracking to plan with commissioning expected in July 2011;
- The continuation of feasibility work on AN opportunities in Latin America;
- Construction of a non-electric detonator facility in Hunan Province, China, commissioning of which is expected in 2012. Orica has entered a Joint Venture arrangement with Nanling Explosives for the construction and operation of the plant, with 51% ownership by Orica; and
- The sodium cyanide plant expansion project at Yarwun increasing capacity to 95ktpa was completed in H1 2011.

Further Information

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