



**Half Year Report to Shareholders
31 March 2008**



Half Year delivers steady growth

We will continue to invest in our brands and manufacturing assets and stay close to our customers to ensure we capitalise on what we see as good long term growth opportunities.



Dear Shareholder

The 2008 half year showed Orica to be on track with continued steady earnings growth in the face of some mixed market conditions.

For the six months to 31 March 2008 Orica declared a Net Profit after Tax and Significant Items of \$225 million, up 7% over the previous half year. Excluding individually Significant Items, Net Profit after Tax was \$230 million, an increase of 13% over the first half of 2007.

Earnings per share increased 16% to 70.1 cents and the interim dividend has been increased by 8% to 39 cents per share, franked at 14 cents per share.

Sales revenue increased by 11% to \$3 billion.

Orica Mining Services delivered a record result, with an 11% increase in profit. This came from modest volume growth in Asia and Australia and reasonably favourable conditions in most major mining and resource markets. The result is very pleasing given an unfavourable foreign exchange impact of \$14 million.

We anticipate continued strong earnings growth from this business as new mines move from the development phase to production. The outlook for volume growth is very positive with strong demand for coal, iron ore and base metals.

We continue to pursue geographic growth and see great opportunities to increase our presence in emerging high growth markets including China, Africa and Russia. Taking advantage of our position as clear global leaders in initiating systems technology, we have established a joint venture for a new plant in China which is complementary with our existing initiating systems plant in Weihai capitalising on our existing foothold in China.

In order to meet expected demand we are making good progress with the development of our Bontang ammonium nitrate plant in Indonesia. We are looking at a range of other options for meeting demand including upgrading our existing Australian plants at Kooragang Island and Yarwun as well as continuing to assess the establishment of an ammonium nitrate plant in Latin America.

Our Consumer Products business achieved excellent results for the first half with underlying earnings growth of 14% to a record \$60 million.

This was mainly due to increased sales revenue and improved productivity. Our ability to lead innovation and our increased investment in our already market leading brands are being reflected in increased market share.

Underlying earnings in our Chemical Services business grew an impressive 25%, after adjusting for the divestment of our Adhesives and Resins business. This was driven by favourable conditions for sodium cyanide. We expect this to continue with the benefits of additional production volumes from our upgraded facility at Yarwun beginning to flow through.

We also saw increasing volumes in most end markets for Watercare's products and services in part due to easing drought conditions in New South Wales and Queensland. We are also seeing good contributions from recent smaller acquisitions which have increased our technical capability in water treatment.

The market acceptance for our MIEX® technology continues to increase. We now have 14 systems operating around the world and at least a dozen more are expected to be commissioned in the second half of this year. Orica Watercare entered the Chinese market this year, establishing a pilot plant in Jiangsu Province in early 2008, and we see great opportunities for this technology in China.

Our Chemnet business continues to improve after some challenging years and recorded a 13% profit increase to \$36 million. This was due to growth in sales and gross margin, the benefits of its recent restructure and ongoing cost control. Several important long term customer agreements have been renewed during this half year providing a strong foundation for growth. On its current earnings rate Chemnet will achieve Orica's required return on net assets (RONA) of 18% in 2008. The business remains focussed on achieving further growth in sales and gross margins.

The integration of the Dyno businesses into Orica has been an outstanding success and we are on track to deliver the \$90 million targeted synergies in 2008, 12 months ahead of schedule.

Our proven integration methods are also evident in the positive start the Minova business continues to make under Orica ownership. Combined with the more recently acquired Excel Mining Systems, Minova is delivering to our expectations. The recent acquisition of Strata Control Systems further strengthens Minova's competitive and operational position. The combination of these three businesses, known as Minova International, positions Orica as the leading supplier of strata support systems to the mining and tunnelling industries globally.

Following the acquisition of Excel in October 2007, our adjusted gearing was 47.8% which is above our preferred range of 35-45%. We remain committed to maintaining our BBB+ rating and aim to return to our stated range over the next 12 months.

Important in achieving this will be the effective management of our working capital and cash. That is something that will continue to be addressed as a matter of priority.

I thank Orica employees for their contribution to Orica's success. They continue to show their commitment to helping our customers succeed by 'Delivering the Promise'.

An important part of that commitment is to value people and the environment and to be respectful of the communities within which we operate. We continue the important work on cleaning up our environmental legacies. Our program to rid our Botany site of its store of Hexachlorobenzene (HCB) is proceeding and we are currently working through the various steps required to export this waste to specialised destruction facilities in Europe.

Our groundwater treatment facility at Botany continues to operate at a level well in excess of that required to contain the plume. We are now working to increase the through-put of the plant and, pleasingly, recycled water is being used for industrial purposes by ourselves and nearby manufacturers.

Our focus on caring for people and the environment will remain as strong as ever, while we seize growth opportunities and continue to improve our productivity.

With respect to the outlook for growth in 2008, despite some adverse impacts from rising input costs and foreign exchange, our businesses continue to perform well. Accordingly, group net profit (before significant items) for 2008 is expected to be higher than in 2007.

We will continue to invest in our brands and manufacturing assets and stay close to our customers to ensure we capitalise on what we see as good long term growth opportunities.

To maintain superior returns to our shareholders, we will continue our adherence to strict financial criteria and will invest only in those businesses that have earned the right to grow.

Don Mercer
Chairman

BUSINESS PERFORMANCE 2008

Net profit after tax (NPAT) and significant items for the half year ended 31 March 2008 was up 7% to \$225M, compared with the previous corresponding period (pcp) of \$210M. The loss on significant items was \$5.3M (\$7.3M profit in the pcp).

Orica's NPAT before significant items of \$230M was up 13% compared with the pcp.

FINANCIAL HIGHLIGHTS

- Sales revenue up 11% to \$3.0B. Underlying sales growth was 9% (excluding major acquisitions and divestments).
- EBIT up 22% to \$423M⁽¹⁾.
- Earnings per ordinary share⁽¹⁾ up 16% to 70.1 cents.
- Return on shareholders' funds⁽¹⁾ at 17.0% is up from the pcp.
- Gearing⁽²⁾ at 42.9%, up from 31.7% in the pcp.
- Interim ordinary dividend is 39 cents per share (cps) – franked at 14 cps, an increase of 8% over the pcp (36 cps).

BUSINESS HIGHLIGHTS

- Record result in Mining Services with EBIT up 11% to \$271M, reflecting earnings growth in most regions and the ongoing successful integration of the former Dyno Nobel businesses.
- Record performance in Consumer Products on the back of improved market share in Australia flowing from continuing investment in our brands and an ongoing focus on productivity.
- The underlying result for Chemical Services was 25% ahead of last year, with the benefit of ongoing market growth in Mining Chemicals, improving volumes and business discipline in Watercare and steady progress in the commercialisation of the MIEX[®] technology.
- Chemnet's result was 13% ahead of last half year, as sales and margins have started to trend positively.
- Minova EBIT was 268% ahead of the pcp driven by additional earnings contributions from Minova (full six months) and Excel Mining Systems LLC (Excel) which has made a contribution in line with expectations since being acquired at the end of October.
- Earnings for Mining Services and Minova continue to be adversely impacted by unfavourable foreign exchange movements.

MERGERS & ACQUISITIONS, DEVELOPMENT

- The purchase of Excel for approximately A\$781M was completed on 26 October 2007.
- The acquisition of Strata Control Systems (SCS) was completed in May.
- Further progress has been made on the development of an AN manufacturing facility in Bontang, Indonesia and the company continues to pursue options for establishing an AN facility in Latin America.

- Mining Services continues to develop its business through organic growth, small bolt-on acquisitions and establishing joint ventures in emerging markets.
- Consumer Products is well progressed on a new Powder Coatings facility at its Dandenong, Victoria site and steady progress is being made in developing a new business in China.
- Chemical Services' Watercare division continues to work on the commercial development of new technologies, with MIEX[®] continuing to gain market acceptance and is having some success in extending its product offering in the water treatment market.
- The uprate of the Yarwun sodium cyanide facility of the Chemical Services' Mining Chemicals business was completed on time at a total cost, in line with expectations, of \$47M. The plant has run well since the uprate was commissioned in September 2007.
- Chemnet continues to develop its business in Latin America and in the past six months has added Colombia to its existing operations in Argentina, Brazil, Chile and Peru.

STRATEGY

Orica's strategy for sustainable profit growth and strong returns on investment is driven by:

- securing market leadership positions in selected growth markets. This enables the Company to better service customers, develop and retain technological advantage and achieve benefits of scale;
- growing only businesses that have 'earned the right to grow'; and
- growing 'close to the core'.

Strict adherence to financial criteria and thorough due diligence continues to provide the discipline required for assessing growth opportunities.

Orica sees growth coming from four key areas: Industry and Organic Growth, Productivity Improvement, Expansion Capital Expenditure and Mergers and Acquisitions.

This strategy has been successful and is a relatively low risk approach that has the potential to produce superior returns for shareholders in the longer term.

In the current uncertain financial environment and given significant M&A activity over the past 18 months, Orica's businesses are predominantly in a period of consolidation.

(1) Before significant items.

(2) Net debt/(net debt + book equity)

Note: numbers in this report are subject to rounding.

Revenue Summary
Six Months Ended March

A\$M	2008	2007	Change F/(U)*
Mining Services	1,580.9	1,506.5	5%
Consumer Products	446.6	424.4	5%
Chemical Services	208.6	229.7	(9%)
Chemnet	486.5	469.5	4%
Minova	337.0	115.5	192%
Other & Eliminations	(50.0)	(43.9)	(14%)
Total sales revenue	3,009.6	2,701.7	11%
Other income	20.3	40.8	(50%)
Total	3,029.9	2,742.5	10%

Earnings Summary
Six Months Ended March

A\$M	2008	2007	Change F/(U)*
EBIT			
Mining Services	271.1	245.2	11%
Consumer Products ⁽¹⁾	59.9	43.2	39%
Chemical Services	36.3	32.0	13%
Chemnet	36.4	32.3	13%
Minova ⁽²⁾	64.0	17.4	268%
Corporate Centre	(29.0)	(18.5)	(57%)
Other Support Costs	(15.7)	(6.0)	(162%)
Total EBIT	423.0	345.6	22%
Net Interest	(90.4)	(54.6)	(66%)
Tax expense	(90.5)	(76.9)	(18%)
Minority interests	(12.3)	(11.0)	(12%)
NPAT and minority interests	229.8	203.1	13%
Significant items after tax	(5.3)	7.3	–
NPAT and significant items	224.5	210.4	7%

Financial Performance
Six Months Ended March

	2008	2007	Change F/(U)*
Sales Revenue	3,009.6	2,701.7	11%
NPAT and minority interests ⁽³⁾	229.8	203.1	13%
Earnings per ordinary share (cents)	70.1	60.3	16%
Return on shareholders' funds	17.0%	15.6%	–
NPAT and minority interests ⁽⁴⁾	224.5	210.4	7%
Interim ordinary dividend per share	39.0	36.0	8%
Gearing ⁽⁵⁾	42.9%	31.7%	–
Payout Ratio	53.5%	55.1%	–
Gearing (adjusted) ⁽⁶⁾	47.8%	38.1%	–
Interest cover (times)	4.7	6.3	–

(1) Inclusive of \$10M Yates restructuring provision in 2007

(2) Inclusive of \$2M acquisition accounting entries (2007: \$7M)

(3) Before significant items

(4) After significant items

(5) Net debt (net debt + book equity)

(6) SPS securities notionally treated as 50% Debt and 50% equity

* F – Favourable, (U) – Unfavourable

Note: numbers in this report are subject to rounding.

Expanded Minova is building on strength

Driven by the continued trend toward underground mining and a greater cultural and regulatory demand for safer underground mining practises, Minova International is expanding its product base.

Through the acquisition of Excel Mining Systems (Excel) in the USA and, more recently, Strata Control Systems (SCS) in Australia, ARNALL in Poland and BWZ in Germany, Minova has added specialised steel rock bolts and plates to its chemical-based consumables and associated equipment product range. This highly complementary product range transforms Minova into a 'one-stop shop' supplier in all geographies of strata support and ground control systems for the underground mining and civil infrastructure industries.

Individually, each of these companies has very strong customer relationships, first class brand and service reputations and low cost manufacturing operations in growing markets. The combination of these companies, known as Minova International, has us now

positioned as the only truly global player in this growing market segment.

To extract the full potential from these acquisitions, Orica has drawn on the success of the recent Dyno integration and appointed a dedicated team to fully integrate the Minova USA and Excel businesses. The team is also leading the integration of SCS into Minova Australia and the integration of ARNALL and BWZ into Minova's operations in Europe.

Titled Project Plus, the priority of the team is to forge Minova and the acquired companies into a single, stronger company able to provide customers with a comprehensive product range and a higher level of service as well as providing employees with enhanced opportunities for success and career development.

Concurrent to the integration work is a project aimed at rolling out the enhanced technology and product offer to customers around the world. Minova will use the Orica Mining Services' global infrastructure to expand the business in emerging markets such as Russia, China and Latin America.



The Excel steel rock bolts are used with the Minova Lokset resin capsules to reinforce the strata around underground excavations, similar to the way in which steel is used to reinforce concrete.



Shareholder Calendar

(dates subject to change)

Full year results and final dividend announced	10 November 2008
Step Up Preference Shares distribution paid	1 December 2008
2008 final dividend paid	12 December 2008
2008 Annual General Meeting	19 December 2008

Shareholder and analyst enquiries

Many shareholder and analyst enquiries may be answered by visiting our website at www.orica.com

The website contains extensive information about 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

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

Orica Limited

ABN 24 004 145 868

Chairman

Don Mercer

Managing Director & CEO

Graeme Liebelt

Executive Director Finance

Noel Meehan

Non-executive Directors

Michael Beckett

Russell Caplan

Peter Duncan

Garry Hounsell

Peter Kirby

Nora Scheinkestel

Michael Tilley

Catherine Walter

Investor relations

Stuart Hutton

Telephone: +613 9665 7844

Email: stuart.hutton@orica.com

Website

www.orica.com

Registered office

Level 10, 35 Spring Street
Melbourne VIC 3000

Postal address

GPO Box 4311
Melbourne VIC 3001

Telephone: +613 9665 7111

Facsimile: +613 9665 7937

Email: companyinfo@orica.com

Share Registry inquiries

Link Market Services Limited

Locked Bag A14

Sydney South NSW 1235

Telephone: +612 8280 7754

Facsimile: +612 9827 0303

Toll free: 1300 301 253

Website: linkmarketservices.com.au/orica

Email: registrars@linkmarketservices.com.au

linkmarketservices.com.au