



Orica Limited
ABN 24 004 145 868

ASX Announcement

Turnaround Produces Dramatic Profit Increase

Orica Limited today announced a profit before significant items for 2002 of \$239.1 million – an increase of \$176.8 million and 284% compared with 2001. This represents a return on shareholders' funds of 18%.

After significant items, the profit was \$213.6 million, compared with a loss of \$192.7 million in 2001 – an improvement of \$406.3 million.

Orica Managing Director and Chief Executive Officer, Malcolm Broomhead, said the result confirmed the progress made by the Company in the past 12 months, underlined the quality of the company's assets and the focus of all employees on delivering improved outcomes.

"We expect this positive earnings momentum to continue with a maintained focus on efficiencies and steady demand across the businesses except fertiliser which may be further impacted by drought," Mr. Broomhead said.

Some highlights of the year for the global Australian company were:

- Double digit profit increases in all four business platforms - Mining Services (173%), Chemicals (34%), Agricultural Chemicals (21%) and Consumer Products (108%) - in an environment of variable market conditions through a \$80 million (after tax) step change in the cost base,
- The fourth consecutive year of double-digit earnings growth for Chemicals Division going from a trading profit of \$27 million in 1997 to \$80 million in 2002 – a demonstration of the benefits of efficiency and capital management,
- In the crucial Mining Services Division, the profitability increase was highlighted by a \$65.4 million turnaround in North America
- The purchase of Fernz Speciality Chemicals and the divestment of Crop Care and Australian Vinyls.

Responsible financial management has repaired the balance sheet with gearing at 31.3% and interest cover at 6.9 times. The decision to write-down assets of \$45.9 million after tax assures the integrity of asset values following a rigorous review of carrying values.

The 2002 final dividend is 29cps franked to 7.5 cps. Total dividend for 2002 is 44 cps, 34% franked (15 cps), equating to a dividend yield of 4.3% at a closing share price of \$10.34 on November 4, 2002. Additionally, Orica has also announced an on-market share buy-back of up to 5% of issued capital.

Mr. Broomhead said that the increase in the dividend, together with the share buy back, would enable all shareholders to directly benefit from Orica's turnaround.

"The result is a tribute to the hard work of everyone within Orica. However we all understand that there is more to be done to maintain and increase investor confidence," he said.

"Our simple strategy is based upon low risk value creation through responsible capital management and strategic development of successful businesses.

"We are confident that there are further profitability gains through sustainable cost reduction throughout the businesses and increased revenue in key areas in those businesses which have demonstrated the capacity to achieve our minimum return-on-investment hurdle.

"In this context, Orica's businesses fall into three categories. First are those that are exceeding the minimum targets and have earned the right to grow. Second are those that are demonstrating they have the potential to meet our economic criteria and we will fix. Third are those that won't meet the targets and we will exit for fair value.

"For example, in the first category, we have announced transactions which will expand Chemnet and Mining Services Australia/Asia. With Chemnet, we purchased the Fernz business which will boost revenue by 50%. With Mining Services, we announced an expansion of our Yarwun plant to boost Ammonium Nitrate production by 12%.

"The second category includes Mining Services North America and ChlorAlkali which are making good progress towards meeting minimum return-on-investment targets.

"Of the "third category" businesses, two have been sold, Australian Vinyls and Crop Care. The other, Qenos, we intend to sell and accordingly, we have taken an "exit view" rather than a "continuing owner's view" leading to the decision to take a \$19.3 million write-down."

Mr. Broomhead said there had been considerable progress in our new performance-based Culture within Orica. "In the past 12 months, we have created the key principles and behaviours which are driving the way Orica people behave and do business," he said.

"The key principles created by our employees are Safety Health and Environment – Ensuring our Future, Commercial Ownership – Run the business as if it's your own, Creative Customer Solutions – Think differently, deliver swiftly and capture the value, and Working Together – Success as a team and success as an individual.

"Our 8,000 employees across 35 countries have been involved in Culture-based workshops and Orica's performance management systems are being aligned to the principles. The commitment 'Deliver the Promise' is now part of the language of our organisation and initiatives, linked to the new culture, are delivering cost savings and revenue growth.

"It is these behavioural changes which will underpin our performance and ensure that the productivity improvements of the past year will be both sustainable and will form the basis for on-going growth in shareholder returns."

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